

TOWNSHIP OF GALLOWAY
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2017

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TOWNSHIP OF GALLOWAY

PART I

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS - REGULATORY BASIS

FOR THE YEAR ENDED

DECEMBER 31, 2017

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Mayor and
Members of the Township Council
Township of Galloway, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Township of Galloway, as of December 31, 2017 and 2016, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting 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 that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), 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 are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Township of Galloway on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements 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 Adverse Opinion on U.S Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Township of Galloway as of December 31, 2017 and 2016, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 22 of the financial statements, the Township participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$1,909,801.20 and \$1,822,840.89 for 2017 and 2016, respectively, were not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2017 and 2016, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2017 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Galloway’s basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2018 on our consideration of the Township of Galloway's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Galloway's internal control over financial reporting and compliance.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

May 21, 2018

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EXHIBIT - A
CURRENT FUND

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**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Regular Fund:		
Cash and Investments		
Cash Treasurer	\$ 19,377,059.24	16,310,882.66
Cash - Change	1,500.00	1,500.00
Investment in Sewer Capital BAN	-	30,000.00
Total Cash	<u>19,378,559.24</u>	<u>16,342,382.66</u>
Other Receivables:		
Due from State - Chapter 20 P.L. 1971	13,417.24	16,417.24
Total Other Receivables	<u>13,417.24</u>	<u>16,417.24</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	147,890.01	93,802.98
Tax Title and Other Liens	1,986,466.07	1,779,694.44
Property Acquired for Taxes - at Assessed Valuation	3,029,558.41	3,033,333.41
Property Deeded to Township	3,408,748.10	3,191,948.10
Revenue Accounts Receivable	29,266.55	33,482.95
Interfund Receivable:		
Special Water Assessment	662.34	31.77
Federal and State Grant Fund	82,732.54	60,000.00
Total Receivables and Other Assets	<u>8,685,324.02</u>	<u>8,192,293.65</u>
Deferred Charges:		
Special Emergency Appropriation	-	-
Total Deferred Charges	<u>-</u>	<u>-</u>
Total Regular Fund	<u>28,077,300.50</u>	<u>24,551,093.55</u>
Federal and State Grant Fund:		
Cash	589,394.92	112,832.80
Federal and State Grants Receivable	692,952.00	1,279,422.13
Total Federal and State Grant Fund	<u>1,282,346.92</u>	<u>1,392,254.93</u>
Total Current Fund	<u>\$ 29,359,647.42</u>	<u>25,943,348.48</u>

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 2,186,792.66	2,247,122.05
Reserve for Encumbrances	1,009,610.12	1,278,052.11
Accounts Payable	61,914.70	61,914.70
Prepaid Taxes	2,550,240.70	819,460.46
Overpaid Taxes	95,735.20	96,550.32
Regional School Tax Payable	1,957,109.10	1,790,048.30
County Added Tax Payable	71,831.44	53,589.87
Due to State:		
Marriage Licenses	1,075.00	1,175.00
DCA Training Fees	9,645.00	8,634.00
Burial Fees	25.00	-
Interfund Payable:		
Sewer Utility Operating Fund	2,145.10	80.00
Trust - Inspection Escrow	1.20	0.44
Other		
Unidentified Tax Receipt	487.06	375.33
Deposits for Trailer Courts	3,732.00	3,732.00
Deposits for Sale of Township Property	635.00	735.00
Reserve for LOSAP Payments	130,440.80	-
Reserve for Tax Appeals	575,000.00	500,000.00
Reserve for Capital Improvements	498,993.85	150,993.85
Reserve for Proceeds on Sale of Municipal Property	348,321.13	308,871.13
Reserve for Reassessment	87,480.00	87,480.00
Reserve for Technology	62,635.48	75,000.00
Reserve for Revision and Codification of Ordinances	4,312.26	4,312.26
	<u>9,658,162.80</u>	<u>7,488,126.82</u>
Reserve for Receivables and Other Assets	8,685,324.02	8,192,293.65
Fund Balance	<u>9,733,813.68</u>	<u>8,870,673.08</u>
Total Regular Fund	<u>28,077,300.50</u>	<u>24,551,093.55</u>
Federal and State Grant Fund:		
Unappropriated Reserves	80,595.38	7,106.38
Appropriated Reserves	771,642.44	1,160,234.18
Encumbrances Payable	237,797.70	46,864.51
Due from Current Fund	82,732.54	60,000.00
Reserve for Small Cities Revolving Loan Fund	109,578.86	118,049.86
Total Federal and State Grant Fund	<u>1,282,346.92</u>	<u>1,392,254.93</u>
Total Current Fund	<u>\$ 29,359,647.42</u>	<u>25,943,348.48</u>

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized		
Fund Balance	\$ 4,710,000.00	4,375,000.00
Miscellaneous Revenue Anticipated	6,390,613.33	5,995,273.70
Receipts from Delinquent Taxes	98,500.94	66,715.84
Receipts from Current Taxes	82,705,066.16	82,079,268.32
Non Budget Revenue	372,429.14	468,392.06
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	2,571,125.98	2,507,972.69
Interfund Returned	-	2,352.80
Cancellation of Federal and State Grant Reserves	28,423.54	-
Cancellation of Overpayments	-	12,367.70
Refund of Prior Year Expenses	-	8,207.00
Other Reimbursements	-	3,908.59
 Total Income	 <u>96,876,159.09</u>	 <u>95,519,458.70</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	9,302,515.35	9,068,824.00
Other Expenses	7,690,508.65	7,728,042.90
Deferred Charges & Statutory Expenditures	2,311,397.78	2,349,739.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	60,000.00	60,000.00
Other Expenses	957,870.99	977,499.48
Capital Improvements	1,875,000.00	1,430,000.00
Debt Service	3,221,460.88	3,127,556.52
Deferred Charges	-	626,500.00
Local District School Tax	31,798,057.00	31,456,759.00
Regional District School Tax	18,538,761.00	18,174,976.00
County Tax	15,402,939.97	14,910,846.81
County Share of Added Tax	71,831.44	53,589.87
Refund of Prior Year's Revenue	38,062.32	9,052.91
Other:		
Prior Year Expenses	-	16,400.00
Prior Year Senior Citizens Veterans Disallowed	11,250.00	11,250.00
Interfunds Advanced	23,363.11	64,633.84
 Total Expenditures	 <u>91,303,018.49</u>	 <u>90,065,670.33</u>
 Excess/(Deficit) in Revenue	 <u>5,573,140.60</u>	 <u>5,453,788.37</u>

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year		
Emergency Appropriation	-	-
Total Adjustments	<u>-</u>	<u>-</u>
Statutory Excess to Fund Balance	<u>5,573,140.60</u>	<u>5,453,788.37</u>
Fund Balance January 1	<u>8,870,673.08</u>	<u>7,791,884.71</u>
	14,443,813.68	13,245,673.08
Decreased by:		
Utilization as Anticipated Revenue	<u>4,710,000.00</u>	<u>4,375,000.00</u>
Fund Balance December 31	<u>\$ 9,733,813.68</u>	<u>8,870,673.08</u>

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

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated	\$ 4,710,000.00		4,710,000.00	-
Total Fund Balance Anticipated	4,710,000.00	-	4,710,000.00	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	30,000.00		76,064.00	46,064.00
Fees and Permits	137,000.00		145,231.00	8,231.00
Fines and Costs:				
Municipal Court	310,000.00		418,735.24	108,735.24
Interest and Costs on Taxes	200,000.00		330,122.49	130,122.49
Interest Earned on Investments	20,000.00		46,034.11	26,034.11
Planning Board - Special Application Fees	6,000.00		14,000.00	8,000.00
Payment in Lieu of Taxes - Brigantine Wildlife Refuge	27,000.00		28,409.00	1,409.00
Fire Safety Rebate	30,000.00		39,425.01	9,425.01
Fire Inspection	25,000.00		47,755.00	22,755.00
Cable TV Franchise Fee	122,000.00		142,749.61	20,749.61
Hotel Tax	445,000.00		472,830.84	27,830.84
Rental Inspections	75,000.00		102,175.00	27,175.00
Total Section A: Local Revenues	1,427,000.00	-	1,863,531.30	436,531.30
Section B: State Aid Without Offsetting Appropriations				
Energy Receipts Tax	2,566,342.00		2,566,342.00	-
Garden State Preservation Trust Fund	7,234.00		7,234.00	-
Watersed Moratorium	7,708.00		7,708.00	-
Total Section B: State Aid Without Offsetting Appropriations	2,581,284.00	-	2,581,284.00	-

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

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	280,000.00		488,381.00	208,381.00
Total Section C: Uniform Construction Code Fees	280,000.00	-	488,381.00	208,381.00
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Recycling Tonnage Grant	49,597.38		49,597.38	-
Drunk Driving Enforcement Fund		14,463.41	14,463.41	-
Clean Communities		87,319.82	87,319.82	-
Municipal Alliance on Alcoholism & Drug Abuse	22,763.00		22,763.00	-
Community Development Block Grant		108,430.00	108,430.00	-
NJDOT Wrangleboro Road		241,000.00	241,000.00	-
Safe and Secure Communities Program	60,000.00		60,000.00	-
Drive Sober or Get Pulled Over		11,000.00	11,000.00	-
Click It or Ticket		5,500.00	5,500.00	-
Energy Resources Microgrid Study		175,000.00	175,000.00	-
Body Armor	5,071.32		5,071.32	-
Bulletproof Vest Partnership	2,035.06		2,035.06	-
Cops in Shops		2,000.00	2,000.00	-
Distracted Driving		5,500.00	5,500.00	-
Pedestrian Safety Enforcement Grant		12,000.00	12,000.00	-
Total Section F: Special Items - Public and Private Programs	139,466.76	662,213.23	801,679.99	-
Section G: Other Special Items				
Communications - Dispatch Agreement				
Mullica	200,000.00		205,639.04	5,639.04
Contribution - Richard Stockton College	310,000.00		310,000.00	-
RDI Lennox Property	140,097.31		140,098.00	0.69
Total Section G: Other Special Items	650,097.31	-	655,737.04	5,639.73

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

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Total Miscellaneous Revenues:	5,077,848.07	662,213.23	6,390,613.33	650,552.03
Receipts from Delinquent Taxes	25,000.00		98,500.94	73,500.94
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for Municipal Purposes	17,304,438.87		19,254,001.04	1,949,562.17
Total Amount to be Raised by Taxes for Support of Municipal Budget	17,304,438.87	-	19,254,001.04	1,949,562.17
Budget Totals	27,117,286.94	662,213.23	30,453,115.31	2,673,615.14
Non- Budget Revenues:			372,429.14	372,429.14
Other Non- Budget Revenues:	\$ 27,117,286.94	662,213.23	30,825,544.45	3,046,044.28

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

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	82,705,066.16
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Less: Reserve for Tax Appeals Pending		-
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Net Revenue from Collections		82,705,066.16
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Allocated to:

School, County and Other Taxes		65,811,589.41
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Balance for Support of Municipal Budget Appropriations		16,893,476.75
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Increased by:

Appropriation "Reserved for Uncollected Taxes"		2,360,524.29
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Amount for Support of Municipal Budget Appropriations		19,254,001.04
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	\$	24,907.81
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Tax Title Lien Collections		73,593.13
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Total Receipts from Delinquent Taxes		98,500.94
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Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Tax Search Fees		555.00
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Mercantile License		21,555.00
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Improvement Searches		450.00
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Prior Year Reimbursements and Rebates		27,072.10
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Code Enforcement Fees		16,664.00
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Police Reports		10,742.00
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Sale of Recycling Material		9,222.10
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Sale of Municipal Assets		28,137.78
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Rental - Cell Phone Tower		39,774.57
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Payments in Lieu of Taxes		63,682.60
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Senior and Vets Administration Fee		6,225.00
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Shared Services - QPA		6,000.00
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Port Republic - Communications Contribution		2,000.00
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Police Tow Releases		17,220.00
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Property Registration		97,100.00
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Loading Fee - Wood Chips		1,000.00
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Freon Fees		100.00
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FEMA		6,403.25
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Miscellaneous		18,525.74
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Total Miscellaneous Revenue Not Anticipated:		372,429.14
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CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
General Administration						
Salaries and Wages	\$ 154,500.00	134,500.00	103,951.77		30,548.23	-
Other Expenses	96,000.00	96,000.00	58,446.84	3,392.65	34,160.51	-
Mayor and Council						
Salaries and Wages	63,324.00	63,324.00	63,323.78		0.22	-
Other Expenses	10,500.00	10,500.00	5,665.91	453.15	4,380.94	-
Township Clerk						
Salaries and Wages	158,500.00	158,500.00	130,526.35		27,973.65	-
Other Expenses	58,400.00	58,400.00	38,304.11	3,837.51	16,258.38	-
Financial Administration						
Salaries and Wages	186,000.00	186,000.00	182,574.83		3,425.17	-
Other Expenses	52,500.00	52,500.00	29,955.80	1,526.47	21,017.73	-
Audit Services	26,000.00	26,000.00	26,000.00		-	-
Revenue Administration (Tax Collector)						
Salaries and Wages	115,000.00	135,000.00	118,385.10		16,614.90	-
Other Expenses	65,000.00	65,000.00	17,983.08	39,532.06	7,484.86	-
Tax Assessment Administration						
Salaries and Wages	185,000.00	185,000.00	124,197.13		60,802.87	-
Other Expenses	61,500.00	61,500.00	34,312.59	387.00	26,800.41	-
Legal Services						
Other Expenses	275,000.00	275,000.00	152,710.65	28,627.92	93,661.43	-
Engineering Services and Costs						
Other Expenses	35,000.00	35,000.00	19,325.50	1,359.25	14,315.25	-
Municipal Court						
Salaries and Wages	270,000.00	270,000.00	256,400.22		13,599.78	-
Other Expenses	24,000.00	24,000.00	14,139.08	580.84	9,280.08	-
Municipal Prosecutor's Office						
Other Expenses	55,000.00	55,000.00	40,548.00	6,952.00	7,500.00	-
Planning Board						
Salaries and Wages	38,000.00	38,000.00	26,376.84		11,623.16	-
Other Expenses	13,400.00	13,400.00	2,736.43		10,663.57	-
Zoning Board of Adjustment						
Salaries and Wages	40,000.00	40,000.00	26,191.42		13,808.58	-
Other Expenses	12,500.00	12,500.00	1,713.42		10,786.58	-
Code Enforcement Administration						
Other Code Enforcement Functions	15,000.00	15,000.00	7,625.00		7,375.00	-

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Insurance						
Liability Insurance	482,900.00	482,900.00	482,900.00		-	-
Workers Compensation Insurance	632,950.00	632,950.00	632,950.00		-	-
Group Insurance Plan for Employees	2,350,000.00	2,345,308.65	1,563,851.28	571,571.68	209,885.69	-
Health Waivers						
Salaries and Wages	50,000.00	54,691.35	53,941.35		750.00	-
PUBLIC SAFETY						
Police						
Salaries and Wages	5,595,000.00	5,595,000.00	5,348,946.56		246,053.44	-
Other Expenses	570,000.00	570,000.00	342,470.43	31,134.40	196,395.17	-
Vehicles	235,000.00	235,000.00	232,175.75		2,824.25	-
Police Dispatch 911						
Salaries and Wages	684,000.00	684,000.00	605,272.64		78,727.36	-
Other Expenses	41,400.00	41,400.00	18,929.62	291.95	22,178.43	-
Office of Emergency Management						
Salaries and Wages	17,500.00	17,500.00	8,125.00		9,375.00	-
Other Expenses	15,000.00	15,000.00	7,743.53	1,000.00	6,256.47	-
Aid to Volunteer Fire Companies	190,000.00	190,000.00	185,000.00	5,000.00	-	-
Fire						
Salaries and Wages	74,000.00	74,000.00	64,090.95		9,909.05	-
Other Expenses	186,000.00	186,000.00	152,598.04	28,080.37	5,321.59	-
PUBLIC WORKS						
Streets and Road Maintenance						
Salaries and Wages	634,000.00	634,000.00	572,478.10		61,521.90	-
Other Expenses	208,500.00	202,500.00	120,285.13	56,050.28	26,164.59	-
Other Public Works Functions						
Salaries and Wages	146,500.00	146,500.00	139,763.49		6,736.51	-
Other Expenses	25,000.00	25,000.00	15,891.20	154.65	8,954.15	-
Buildings and Grounds						
Salaries and Wages	102,000.00	102,000.00	92,184.27		9,815.73	-
Other Expenses	166,650.00	166,650.00	130,993.74	26,481.56	9,174.70	-
Vehicle Maintenance						
Salaries and Wages	165,500.00	165,500.00	129,095.87		36,404.13	-
Other Expenses	350,000.00	356,000.00	273,742.95	74,268.84	7,988.21	-
Community Services Acts	25,000.00	25,000.00	18,134.18		6,865.82	-

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

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
HEALTH AND HUMAN SERVICE					
Environmental Health Services	3,000.00	3,000.00	-		-
PARKS AND RECREATION					
Maintenance of Parks	59,500.00	59,500.00	46,584.40	140.00	-
Other Expenses					
OTHER COMMON OPERATIONS					
Accumulated Leave	50,000.00	50,000.00	50,000.00		-
Community and Recreation Services					
Salaries and Wages	172,000.00	172,000.00	133,777.61	1,000.00	-
Other Expenses	91,500.00	91,500.00	61,413.77	2,035.25	-
UNIFORM CONSTRUCTION CODE					
Code Enforcement and Administration					
Salaries and Wages	326,000.00	326,000.00	309,320.81		-
Other Expenses	18,000.00	18,000.00	15,410.13		-
Rental Inspections					
Salaries and Wages	71,000.00	71,000.00	69,441.46		-
UNCLASSIFIED					
Utilities					
Electricity	200,000.00	200,000.00	145,408.43	3,997.40	-
Street Lighting	180,000.00	180,000.00	144,411.43	13,128.50	-
Telephone and Telegraph	50,000.00	50,000.00	44,506.10	551.03	-
Natural Gas	55,000.00	55,000.00	28,154.39	11,576.14	-
Gasoline	310,000.00	310,000.00	213,902.53	706.00	-
Water	360,000.00	360,000.00	301,592.59	28,000.00	-
Telecommunications	10,000.00	10,000.00	3,308.85	100.45	-
Landfill/Solid Waste Disposal Costs	80,000.00	80,000.00	52,004.79	11,442.92	-
TOTAL OPERATIONS WITHIN "CAPS"	<u>16,993,024.00</u>	<u>16,993,024.00</u>	<u>14,292,195.22</u>	<u>953,360.27</u>	<u>-</u>
Contingent	-				-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	<u>16,993,024.00</u>	<u>16,993,024.00</u>	<u>14,292,195.22</u>	<u>953,360.27</u>	<u>-</u>
Detail:					
Salaries and Wages	9,297,824.00	9,302,515.35	8,608,365.55	1,000.00	-
Other Expenses	7,695,200.00	7,690,508.65	5,683,829.67	952,360.27	-

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

	Appropriations		Paid or		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Charged	Encumbered	Reserved		
DEFERRED CHARGES AND STATUTORY EXPENDITURES:							
Statutory Expenditures:							
Contributions to:							
Public Employees' Retirement System	385,050.49	385,050.49	385,050.49		-		-
Social Security System (O.A.S.I.)	735,000.00	735,000.00	634,810.97	76.50	100,112.53		-
Unemployment Compensation Insurance	80,000.00	80,000.00	38,683.56		41,316.44		-
Police and Firemen's Retirement System	1,101,347.29	1,101,347.29	1,101,347.29		-		-
Defined Contribution Retirement Program	10,000.00	10,000.00	4,634.12	155.35	5,210.53		-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	2,311,397.78	2,311,397.78	2,164,526.43	231.85	146,639.50		-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	19,304,421.78	19,304,421.78	16,456,721.65	953,592.12	1,894,108.01		-
OPERATIONS - EXCLUDED FROM "CAPS"							
(A) Operations - Excluded from "CAPS"							
Insurance							
Employee Group Health		-			-		-
Length of Service Award Program	135,500.00	135,500.00	87,611.16		47,888.84		-
Reserve for Tax Appeals	75,000.00	75,000.00	75,000.00		-		-
	210,500.00	210,500.00	162,611.16	-	47,888.84		-
(A) Public and Private Programs Off-Set by Revenues							
Drunk Driving Enforcement Fund		14,463.41	14,463.41		-		-
Body Armor	5,071.32	5,071.32	5,071.32		-		-
Municipal Alliance on Alcoholism and Drug Abuse							
County Share	22,763.00	22,763.00	22,763.00		-		-
Local Share	5,691.00	5,691.00	5,691.00		-		-
Bulletproof Vest Partnership	2,035.06	2,035.06	2,035.06		-		-
Cops in Shops		2,000.00	2,000.00		-		-
NJ DOT - Wrangleboro Road		241,000.00	241,000.00		-		-
Safe and Secure Program							
Salaries and Wages	60,000.00	60,000.00	60,000.00		-		-

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

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
Recycling Tonnage Grant	49,597.38	49,597.38	49,597.38	-	-
Highway Traffic Safety - Click It or Ticket		5,500.00	5,500.00	-	-
Drive Sober or Get Pulled Over		11,000.00	11,000.00	-	-
Energy Resources Microgrid Feasibility		175,000.00	175,000.00	-	-
Community Development Block Grant		108,430.00	108,430.00	-	-
Clean Communities		87,319.82	87,319.82	-	-
Distracted Driving		5,500.00	5,500.00	-	-
Pedestrian Safety Enforcement Grant		12,000.00	12,000.00	-	-
Total Public and Private Programs Off-Set by Revenues	145,157.76	807,370.99	807,370.99	-	-
Total Operations - Excluded from "CAPS"	355,657.76	1,017,870.99	969,982.15	-	-
Detail:					
Salaries and Wages	60,000.00	60,000.00	60,000.00	-	-
Other Expenses	295,657.76	952,370.99	909,982.15	-	-
(C) Capital Improvements					
Capital Improvement Fund	50,000.00	50,000.00	50,000.00	-	-
Improvements to Municipal Buildings & Property	480,000.00	480,000.00	209,134.14	56,018.00	-
Purchase of Fire Truck	725,000.00	725,000.00	725,000.00	-	-
Tank Replacement & Clean-Up	250,000.00	250,000.00	248,869.00	1,131.00	-
Purchase of Equipment & Vehicles	205,000.00	205,000.00	201,183.05	3,816.95	-
Purchase of Computers	25,000.00	25,000.00	-	25,000.00	-
Reserve for Future Capital - RDI Lennox Property	140,000.00	140,000.00	140,000.00	-	-
Total Capital Improvements	1,875,000.00	1,875,000.00	1,574,186.19	56,018.00	-
(D) Debt Service					
Payment of Bond Principal	2,090,000.00	2,090,000.00	2,090,000.00	-	-
Payment of Bond Anticipation Notes	750,000.00	750,000.00	750,000.00	-	-
Interest on Bonds	284,062.50	284,062.50	284,062.50	-	-
Interest on Notes	80,000.00	80,000.00	79,777.77	(0.00)	222.23
Green Trust Loan Program:					
Loan Repayments for Principal and Interest	11,624.43	11,624.43	11,624.43	-	-
NJ/EIT Principal & Interest	5,996.18	5,996.18	5,996.18	-	-
Total Debt Service	3,221,683.11	3,221,683.11	3,221,460.88	-	222.23

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

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	5,452,340.87	6,114,554.10	5,765,629.22	56,018.00	222.23
SUBTOTAL GENERAL APPROPRIATIONS	24,756,762.65	25,418,975.88	22,222,350.87	1,009,610.12	222.23
(M) Reserve for Uncollected Taxes	2,360,524.29	2,360,524.29	2,360,524.29		-
TOTAL GENERAL APPROPRIATIONS	\$ 27,117,286.94	27,779,500.17	24,582,875.16	1,009,610.12	222.23
Budget		\$ 27,117,286.94		Cancelled	222.23
Appropriations by 40A:4-87		662,213.23		Overexpended	-
		<u>27,779,500.17</u>			<u>222.23</u>
Reserve for Uncollected Taxes		\$ 2,360,524.29			
Federal and State Grants		807,370.99			
Deferred Charges		-			
Disbursements		21,414,979.88			
		<u>24,582,875.16</u>			

EXHIBIT - B
TRUST FUND

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**TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
<u>Animal Control Fund</u>		
Cash	\$ 9,158.96	9,531.76
	<u>9,158.96</u>	<u>9,531.76</u>
<u>Assessment Fund</u>		
Cash	373,469.00	355,970.47
Assessments Receivable	41,822.39	57,756.93
Assessment Liens Receivable	426.24	682.60
	<u>415,717.63</u>	<u>414,410.00</u>
<u>Length of Service Award Program (LOSAP) (unaudited)</u>		
Investments		
Mutual Funds	1,909,801.20	1,822,840.89
	<u>1,909,801.20</u>	<u>1,822,840.89</u>
<u>Other Funds</u>		
Cash - Treasurer	6,074,844.19	5,922,845.78
Cash - Collector	2,086,680.16	2,007,259.76
Due from Taxpayer	855.55	855.55
Due from Current Fund - Inspection Escrow	1.20	0.44
Due from Bank	0.01	-
	<u>8,162,381.11</u>	<u>7,930,961.53</u>
	<u>10,497,058.90</u>	<u>10,177,744.18</u>

TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,

	<u>2017</u>	<u>2016</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	9,157.76	9,523.96
Due to State of New Jersey	1.20	7.80
	<u>9,158.96</u>	<u>9,531.76</u>
<u>Assessment Fund</u>		
Reserve for Assessments & Liens	107,062.26	109,961.86
Due to Current Fund	662.34	31.77
Deposits on Future Assessments	2,897.46	-
Assessment Overpayments	4,469.58	3,790.38
Fund Balance	300,625.99	300,625.99
	<u>415,717.63</u>	<u>414,410.00</u>
<u>Length of Service Award Program (LOSAP) (unaudited)</u>		
Net Assets Available for Benefits	1,909,801.20	1,822,840.89
	<u>1,909,801.20</u>	<u>1,822,840.89</u>
<u>Other Funds</u>		
Overpayment	50.81	50.81
Funds Held in Escrow	2,359,068.64	2,421,881.21
Premiums Received at Tax Sales	1,919,450.00	1,910,750.00
Deposits for Redemption of Tax Sale Certificates	165,124.64	94,404.24
Funds Held in Escrow - Developer Fees	263,386.39	266,311.16
Payroll Deductions and Taxes Payable	82,339.62	80,413.17
Reserves for:		
Community Events	170,993.77	178,793.04
Compensated Absences	832,683.07	793,632.19
General Liability Insurance Fund	255,462.43	239,377.42
Housing Trust Fund	672,221.99	554,964.87
Landfill Closure	589,538.73	588,659.01
Parking Offenses Adjudication Act	5,149.10	5,147.10
Police Special Detail	138,691.70	89,206.21
Public Defender Fees	10,756.35	4,860.90
Special Law Enforcement Fund	27,793.49	21,697.16
Uniform Fire Safety	1,947.30	1,944.39
Utility Escrow Deposits	219,439.76	320,801.19
Snow Removal	323,385.51	262,279.38
Workers Compensation	124,897.81	95,788.08
	<u>8,162,381.11</u>	<u>7,930,961.53</u>
	<u>\$ 10,497,058.90</u>	<u>10,177,744.18</u>

EXHIBIT - C
GENERAL CAPITAL FUND

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**GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Cash	\$ 3,279,805.79	4,642,761.16
Deferred Charges to Future Taxation -		
Funded	7,944,186.55	10,050,184.90
Unfunded	4,200,000.00	4,000,000.00
	<u>15,423,992.34</u>	<u>18,692,946.06</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Contracts Payable	468,815.65	537,441.78
Bond Anticipation Notes Payable	3,250,000.00	4,000,000.00
Serial Bonds Payable	7,820,000.00	9,910,000.00
Green Trust Loan Payable	49,787.55	60,258.90
NJEIT Loan Payable	74,399.00	79,926.00
Improvement Authorizations:		
Funded	1,161,804.75	1,828,388.57
Unfunded	1,614,343.33	1,393,753.97
Capital Improvement Fund	555,784.93	555,784.93
Fund Balance	429,057.13	327,391.91
	<u>\$ 15,423,992.34</u>	<u>18,692,946.06</u>

There were bonds and notes authorized but not issued at December 31

2016	-
2017	950,000.00

**GENERAL CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
Beginning Balance January 1	\$ 327,391.91	258,710.00
Increased by:		
Premium on Sale of Bonds/BANs	33,545.15	38,280.00
Cancellation of Reserves		30,401.91
Cancellation of Grants funded by General Capital	68,120.07	
Decreased by:		
None	-	-
Ending Balance December 31	\$ <u>429,057.13</u>	<u>327,391.91</u>

EXHIBIT - D
SEWER UTILITY FUND

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**SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 4,278,398.01	3,680,550.70
Interfunds and Receivables		
Due from Current Fund	2,145.10	80.00
	<u>4,280,543.11</u>	<u>3,680,630.70</u>
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	7,872.78	9,047.11
Utility Liens	5,294.32	5,846.06
	<u>13,167.10</u>	<u>14,893.17</u>
Total Operating Fund	<u>4,293,710.21</u>	<u>3,695,523.87</u>
Capital Fund:		
Cash - Treasurer	2,665,547.85	3,198,433.74
Fixed Capital	32,461,588.24	32,461,588.24
Fixed Capital - Authorized and Uncompleted	7,731,258.00	6,731,258.00
Total Capital Fund	<u>42,858,394.09</u>	<u>42,391,279.98</u>
	<u>\$ 47,152,104.30</u>	<u>46,086,803.85</u>

**SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves	\$ 882,131.69	658,936.28
Reserve for Encumbrances	135,605.06	116,975.90
Utility Overpayments	16,960.41	24,261.13
Accrued Interest on Bonds and Notes	43,301.50	49,628.72
Reserve for Maintenance of Pump Stations	3,167.00	3,167.00
Reserve for EPA Funds	14,765.00	14,765.00
	<u>1,095,930.66</u>	<u>867,734.03</u>
Reserve for Receivables	13,167.10	14,893.17
Fund Balance	3,184,612.45	2,812,896.67
Total Operating Fund	<u>4,293,710.21</u>	<u>3,695,523.87</u>
Capital Fund:		
Contracts Payable	431,334.83	455,350.20
Serial Bonds Payable	2,700,000.00	3,810,000.00
N.J. E.I.T. Loans Payable	901,296.59	1,008,106.23
Bond Anticipation Notes	1,800,000.00	2,050,000.00
Improvement Authorizations:		
Funded	122,946.37	212,386.83
Unfunded	1,977,167.18	1,397,676.09
Reserve for Amortization	32,596,666.65	31,379,857.01
Deferred Reserve for Amortization	1,164,883.00	944,883.00
Reserve for Debt Service	15,070.51	15,070.51
Capital Improvement Fund	170,068.25	157,568.25
Fund Balance	978,960.71	960,381.86
Total Capital Fund	<u>42,858,394.09</u>	<u>42,391,279.98</u>
	<u>\$ 47,152,104.30</u>	<u>46,086,803.85</u>

There were bonds and notes authorized but not issued at December 31

2016	-
2017	1,030,000.00

SEWER UTILITY FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,

	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized		
Fund Balance	\$ 796,085.00	690,500.00
Rents	6,193,246.82	6,124,264.03
Miscellaneous Revenue Anticipated	330,691.06	401,247.50
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	701,212.39	679,371.27
Total Income	<u>8,021,235.27</u>	<u>7,895,382.80</u>
Expenditures		
Operations	4,717,000.00	4,688,000.00
Capital Improvements	357,500.00	212,500.00
Debt Service	1,596,792.38	1,654,809.64
Deferred Charges & Statutory Expenditures	163,960.00	158,000.00
Other Charges to Income:		
Refund of Prior Year Revenue	18,182.11	-
Total Expenditures	<u>6,853,434.49</u>	<u>6,713,309.64</u>
Excess/(Deficit) in Revenue	<u>1,167,800.78</u>	<u>1,182,073.16</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year	-	-
Total Adjustments	<u>-</u>	<u>-</u>
Excess in Operations	<u>1,167,800.78</u>	<u>1,182,073.16</u>
Fund Balance January 1	<u>2,812,896.67</u>	<u>2,321,323.51</u>
	3,980,697.45	3,503,396.67
Decreased by:		
Utilization as Anticipated Revenue	<u>796,085.00</u>	<u>690,500.00</u>
Fund Balance December 31	<u>\$ 3,184,612.45</u>	<u>2,812,896.67</u>

**SEWER UTILITY CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
Beginning Balance January 1	\$ 960,381.86	941,050.46
Increased by:		
Premium on Sale of Bond Anticipation Notes	18,578.85	19,331.40
Decreased by:		
Surplus budgeted in Current Fund	-	-
Ending Balance December 31	\$ <u>978,960.71</u>	<u>960,381.86</u>

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

	Anticipated Budget	Realized	Excess or (Deficit)
Surplus Anticipated	\$ 796,085.00	796,085.00	-
Rents	5,900,000.00	6,193,246.82	293,246.82
Miscellaneous	168,000.00	330,691.06	162,691.06
	<u>\$ 6,864,085.00</u>	<u>7,320,022.88</u>	<u>455,937.88</u>

Analysis of Realized Revenue:

Rents

Consumer Accounts Receivable:

Current Collections	6,166,840.59
Overpayments Applied	24,261.13
Liens Collected	2,145.10
	<u>6,193,246.82</u>

Miscellaneous

Interest on Rents	36,305.70
Interest on Investments	11,597.78
Connection Permits	91,000.00
Road Opening Permits	180,573.65
Miscellaneous	11,213.93
	<u>330,691.06</u>

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

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
Operations:					
Salaries and Wages	\$ 1,171,000.00	1,171,000.00	1,011,060.20		159,939.80
Other Expenses	3,546,000.00	3,546,000.00	2,999,647.04	76,670.15	469,682.81
	<u>4,717,000.00</u>	<u>4,717,000.00</u>	<u>4,010,707.24</u>	<u>76,670.15</u>	<u>629,622.61</u>
					-
Capital Improvements:					
Capital Improvement Fund	12,500.00	12,500.00	12,500.00		-
Capital Outlay	345,000.00	345,000.00	47,984.39	58,934.91	238,080.70
	<u>357,500.00</u>	<u>357,500.00</u>	<u>60,484.39</u>	<u>58,934.91</u>	<u>238,080.70</u>
					-
Debt Service:					
Payment of Bond Principal	1,110,000.00	1,110,000.00	1,110,000.00		-
Payment on Bond Anticipation Notes & Capital Notes	220,000.00	220,000.00	220,000.00		-
Interest on Bonds	120,225.00	120,225.00	120,225.00		-
Interest on Notes	40,400.00	40,400.00	40,287.78	0.00	112.22
NJEIT Loan Principal Payments	135,000.00	135,000.00	106,279.60		28,720.40
	<u>1,625,625.00</u>	<u>1,625,625.00</u>	<u>1,596,792.38</u>	<u>-</u>	<u>28,832.62</u>
Deferred Charges and Statutory Expenditures:					
Public Employees' Retirement System	67,960.00	67,960.00	67,950.09		9.91
Social Security System	90,000.00	90,000.00	77,975.46		12,024.54
Unemployment Compensation Insurance	6,000.00	6,000.00	3,606.07		2,393.93
	<u>163,960.00</u>	<u>163,960.00</u>	<u>149,531.62</u>	<u>-</u>	<u>14,428.38</u>
					-
\$	<u>6,864,085.00</u>	<u>6,864,085.00</u>	<u>5,817,515.63</u>	<u>135,605.06</u>	<u>882,131.69</u>
					28,832.62
		Cash Disbursements	5,657,002.85		
		Accrued Interest	160,512.78		
		<u>5,817,515.63</u>			

EXHIBIT - E
GENERAL FIXED ASSETS ACCOUNT GROUP

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GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Balance December 31, 2017	Balance December 31, 2016
<u>Assets</u>		
Land and Land Improvements	\$ 1,717,624.00	1,717,624.00
Building and Building Improvements	3,347,172.00	3,347,172.00
Machinery, Equipment and Vehicles	14,837,088.10	12,875,284.42
	<hr/>	<hr/>
Total General Fixed Assets	<u>19,901,884.10</u>	<u>17,940,080.42</u>
<u>Liabilities, Reserves, and Fund Balance</u>		
Investment in General Fixed Assets	\$ <u>19,901,884.10</u>	<u>17,940,080.42</u>

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the Township of Galloway include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Township of Galloway, as required by N.J.S. 40A:5-5.

The Township of Galloway is one of the oldest municipalities in the State of New Jersey, having predated the Declaration of Independence. The original Galloway Township was established by Royal Decree on April 4, 1774. It now consists of 92.3 square miles situated approximately seven miles west of Atlantic City along Route 30. The Township is essentially a semi-rural and residential community with some important industrial and institutional facilities. The Garden State Parkway and U.S. Route 30, which pass directly through the Township, are rapid transportation access corridors to Atlantic City from Philadelphia, New York and Washington. The Township is governed under a Council Manager Plan E form of government with seven councilpersons elected for staggered terms. The population, according to the 2000 census, is 31,209.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt or the levying of taxes. The Township has no component units.

B. Description of Funds

The accounting policies of the Township of Galloway 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 the respect to public funds. Under this method of accounting, the Township of Galloway accounts for its financial transactions through the following separate funds:

Current Fund -- resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

Trust Funds -- receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

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

Sewer Operating and Capital Funds -- account for the operations of the sewer utility and acquisition of sewer capital facilities other than those acquired in the Current and General Capital Funds.

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

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

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant policies in New Jersey follow.

A modified accrual basis of accounting is followed with minor exceptions.

Revenues -- are recorded as received in cash except for certain amounts, which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the Township budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund, in addition the receivables for utility billings are recorded with offsetting reserves in the Utility Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering unencumbered appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis; interest on utility capital indebtedness is on the accrual basis. Compensated absences are treated on a pay as you go basis with no amount charged to operations in the year incurred.

Foreclosed Property & Property Deeded to Township -- Foreclosed Property and Property Deeded to Township are recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds -- Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

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 is not included on the various balance sheets.

General Fixed Assets -- The Township has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$5,000 are capitalized.

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

No depreciation has been provided for in the financial statements.

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.

Property and equipment purchased by the Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Interest on Delinquent Taxes – It is the policy of the Township of Galloway to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Levy of Utility Charges – The Township operates a sewer utility fund. Rates are determined by ordinance and changed as necessary. Sewer charges are based on flat fees and usage based on the type of Township. Charges are billed semi-annually and due semi-annual installments on March 20 and September 20.

Interest on Delinquent Utility Charges -- It is the policy of the Township to collect interest for the nonpayment of utility charges on or before the date when they would become delinquent. The Utility Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of charges becoming delinquent after due date and eighteen percent (18%) per annum on any amount of charges in excess of \$1,500.00 becoming delinquent after due date.

Capitalization of Interest -- It is the policy of the Township of Galloway to treat interest on projects as a current expense and the interest is included in both the current and utility operating budgets.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the statutory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

D. Required Financial Statements

The State of New Jersey requires the following financial statements to be presented for each fund on the regulatory basis of accounting: Balance Sheet, Statement of Operations and Changes in Fund Balance, Statement of Revenue and Statement of Expenditures. These statements differ from those presented under Generally Accepted Accounting Principles, which requires a Statement of Net Position and Statement of Activities in addition to the fund financial statements.

E. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the Township's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenue-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

F. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the City's financial reporting.

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, "Certain Asset Retirement Obligations". This statement is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the City's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, "Fiduciary Activities". This statement is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the City's financial reporting.

In March 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 85, "Omnibus 2017". This statement is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the City's financial reporting.

In May 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 86, "Certain Debt Extinguishment Issues". This statement is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the City's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, "Leases". This statement is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the City's financial reporting.

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

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2017 and 2016 statutory budgets included a reserve for uncollected taxes in the amount of \$2,360,524.29 and \$2,251,986.46. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2017 and 2016 statutory budgets was \$4,710,000.00 and \$4,375,000.00. In addition, the Township operates a self-liquidating sewer utility. Under New Jersey Statutes a separate budget for the utility must be adopted concurrently with the operating budget of the Township. The utility budget must be a balanced cash basis budget with fund balance being used to balance the budget. The amount of fund balance budgeted to balance the 2017 and 2016 statutory budgets was \$796,085.00 and \$690,500.00.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by the Township Council. The following significant budget transfers were approved in the 2017 and 2016 calendar years:



<u>Budget Category</u>	<u>2017</u>	<u>2016</u>
<u>Current Fund:</u>		
General Administration		
Salaries and Wages	(20,000.00)	(25,000.00)
Revenue Administration (Tax Collector)		
Salaries and Wages	20,000.00	25,000.00

There were no budgetary transfers within the Township's Sewer Utility Operating Fund.

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

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2017 and 2016, the following significant budget insertions were approved:

<u>Budget Category</u>	 2017	 2016
Click-It or Ticket	\$ 5,500.00	5,000.00
Sustainable Jersey Grant - Solar		3,000.00
Cops in Shops	2,000.00	
Clean Communities Program	87,319.82	102,782.07
NJDOT Wrangleboro Road	241,000.00	
Drive Sober or Get Pulled Over	11,000.00	10,000.00
Hazardous Mitigation Program		40,570.00
Community Development Block Grant	108,430.00	
Pine Beetle Suppression Grant		17,465.00
Safe and Secure		60,000.00
Drunk Driving Enforcement Fund	14,463.41	
Energy Resources Microgrid Feasibility	175,000.00	
Distracted Driving	5,500.00	
Pedestrian Safety Enforcement Grant	12,000.00	

The Township may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During 2017, the Township did not approve any emergencies.

Note 3: INVESTMENTS

Interest Rate Risk - The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk - New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk - The Township places no limit on the amount the Township can invest in any one issuer.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

Unaudited Investments

As more fully described in Note 22, the Township has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Township. All investments are valued at fair value. In accordance with NJAC 5:30-14.37 the investments are maintained by Lincoln Benefit Life, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2017 and 2016 amounted to \$1,909,801.20 and \$1,822,840.89, respectively.

Note 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2017 and 2016, \$4,123,006.84 and \$3,782,935.83 of the municipality's bank balance of \$42,937,685.44 and \$41,024,280.69 respectively was exposed to custodial credit risk.

Note 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2017 and 2016:

	Balance 12/31/2015	Additions	Retirements/ Adjustments	Balance 12/31/2016
Land	\$ 1,717,624.00			1,717,624.00
Building	3,347,172.00			3,347,172.00
Equipment and Machinery	13,425,182.85	787,845.00	(1,337,743.43)	12,875,284.42
	<u>\$ 18,489,978.85</u>	<u>787,845.00</u>	<u>(1,337,743.43)</u>	<u>17,940,080.42</u>

	Balance 12/31/2016	Additions	Retirements	Balance 12/31/2017
Land	\$ 1,717,624.00			1,717,624.00
Building	3,347,172.00			3,347,172.00
Equipment and Machinery	12,875,284.42	3,022,869.79	(1,061,066.11)	14,837,088.10
	<u>\$ 17,940,080.42</u>	<u>3,022,869.79</u>	<u>(1,061,066.11)</u>	<u>19,901,884.10</u>

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 6: SHORT-TERM OBLIGATIONS

	Balance 12/31/2015	Issued	Retired	Balance 12/31/2016
Bond Anticipation Notes payable:				
General Capital	700,000.00	4,000,000.00	(700,000.00)	4,000,000.00
Sewer Capital		2,050,000.00		2,050,000.00
	<u>\$ 700,000.00</u>	<u>6,050,000.00</u>	<u>(700,000.00)</u>	<u>6,050,000.00</u>
	Balance 12/31/2016	Issued	Retired	Balance 12/31/2017
Bond Anticipation Notes payable:				
General Capital	\$ 4,000,000.00		(750,000.00)	3,250,000.00
Sewer Capital	2,050,000.00		(250,000.00)	1,800,000.00
	<u>\$ 6,050,000.00</u>	<u>-</u>	<u>(1,000,000.00)</u>	<u>5,050,000.00</u>

The General Capital note was issued on 8/21/17 and is due and payable on 8/20/18 with interest at 2.25%. The Sewer Capital fund had two outstanding notes during 2017. The first note was issued on 5/10/16, and was due and payable on 5/9/17. This note was held by the Township's Current Fund, and had an interest rate of 0%, the balance at 12/31/17 is \$0. The second note was issued on 8/21/17, and is due and payable on 8/20/18 with interest at 2.25%.

As of December 31, 2017, the Township has authorized but not issued bonds or notes in the amount of \$950,000.00 and \$1,030,000.00 in the General Capital Fund and Utility Capital Fund respectively.

Note 7: LONG TERM DEBT

Long-term debt as of December 31, 2017 and 2016 consisted of the following:

	Balance 12/31/2015	Issued	Retired	Balance 12/31/2016	Amounts Due Within One Year
Bonds payable:					
General	\$ 11,975,000.00		2,065,000.00	9,910,000.00	2,090,000.00
Utility	5,200,000.00		1,390,000.00	3,810,000.00	1,110,000.00
Total	<u>17,175,000.00</u>	<u>-</u>	<u>3,455,000.00</u>	<u>13,720,000.00</u>	<u>3,200,000.00</u>
Other liabilities:					
Loans Payable	155,968.93		15,574.79	140,394.14	15,998.35
Utility Loans	1,109,915.87		101,809.64	1,008,106.23	106,809.64
PERS Pension	11,328,312.00	3,486,159.00		14,814,471.00	
PFRS Pension	23,336,903.00	2,460,833.00		25,797,736.00	
Compensated Absences Payable	<u>1,434,799.99</u>	<u>55,201.50</u>	<u>99,903.12</u>	<u>1,390,098.37</u>	
Total long-term liabilities	<u>\$ 54,540,899.79</u>	<u>6,002,193.50</u>	<u>3,672,287.55</u>	<u>56,870,805.74</u>	<u>3,322,807.99</u>

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

	Balance 12/31/2016	Issued	Retired	Balance 12/31/2017	Amounts Due Within One Year
Bonds payable:					
General	\$ 9,910,000.00		2,090,000.00	7,820,000.00	1,750,000.00
Utility	3,810,000.00		1,110,000.00	2,700,000.00	925,000.00
Total	13,720,000.00	-	3,200,000.00	10,520,000.00	2,675,000.00
Other liabilities:					
Loans Payable	140,184.90		15,998.35	124,186.55	16,219.82
Utility Loans	1,008,106.23		106,809.64	901,296.59	106,809.64
PERS Pension	14,814,471.00		2,942,173.00	11,872,298.00	
PFRS Pension	25,797,736.00		4,169,735.00	21,628,001.00	
Compensated Absences Payable	1,390,098.37	110,351.45	10,949.12	1,489,500.70	
Total long-term liabilities	<u>\$ 56,870,596.50</u>	<u>110,351.45</u>	<u>10,445,665.11</u>	<u>46,535,282.84</u>	<u>2,798,029.46</u>

Outstanding bonds whose principal and interest are paid from the Current Fund Budget of the Township:

At December 31, 2015, bonds payable in the General Capital Fund consisted of the following individual issues:

\$11,000,000 General Improvement Bonds dated September 1, 2011, due in annual installments, beginning September 1, 2013 through September 1, 2023, and bearing interest at rates varying from 2.00% to 3.00%. The balance remaining as of December 31, 2017 is \$6,350,000.00.

\$1,595,000 Refunding Bonds dated September 1, 2011, due in annual installments beginning December 1, 2011 through December 1, 2017 bearing interest at varying rates from 1.00%-2.00%. The balance remaining as of December 31, 2017 is \$0.00.

\$4,265,000 Refunding Bonds dated December 1, 2012, due in annual installments beginning December 1, 2014 through December 1, 2019 bearing interest at varying rates from 2.00%-3.00%. The balance remaining as of December 31, 2017 is \$1,470,000.00.

\$150,000 Green Trust Loan dated 2002, due in semi-annual installments through 2022. The balance remaining as of December 31, 2017, is \$49,787.55.

\$111,951 N.J. Environmental Infrastructure Loan dated 12/16/2011, due in semi-annual installments each March and September 1st, through 2031. The balance remaining as of December 31, 2017, is \$74,399.00.

At December 31, 2015, bonds and loans payable in the Sewer Capital Fund consisted of the following individual issues:

\$5,225,000 Refunding Bonds dated January 18, 2006, due in annual installments through December 15, 2018, bearing interest at varying rates. The balance remaining as of December 31, 2017 is \$545,000.00.

\$3,100,000 General Improvement Bonds dated September 1, 2011, due in annual installments, beginning September 1, 2013 through September 1, 2023, and bearing interest at rates varying from 2.00% to 3.00%. The balance remaining as of December 31, 2017 is \$1,920,000.00.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

\$1,295,000 Refunding Bonds dated September 1, 2011, due in annual installments beginning December 1, 2011 through December 1, 2017 bearing interest at varying rates from 1.00%-2.00%. The balance remaining as of December 31, 2017 is \$0.00.

\$560,000 Refunding Bonds dated December 1, 2012, due in annual installments beginning December 1, 2014 through December 1, 2019 bearing interest at varying rates from 2.00%-3.00%. The balance remaining as of December 31, 2017 is \$235,000.00.

\$150,000 N.J. Environmental Infrastructure Trust Loan dated 3/10/10, due in annual installments, beginning August 1, 2013 through August 1, 2039, and bearing interest at rates varying from 3.00% to 5.00%. The balance remaining as of December 31, 2017 is \$115,000.00.

\$444,817 N.J. Environmental Infrastructure Fund Loan dated 3/10/10, due in semi-annual installments, beginning August 1, 2011 through August 1, 2029, and bearing an interest rate of 0.00%. The Township received a \$233,052 reduction in the loan in 2011. The balance remaining as of December 31, 2017 is \$38,361.79.

\$869,106 N.J. Environmental Infrastructure Loan dated 12/2/10, due in semi-annual installments, beginning August 1, 2013 through August 1, 2030, and bearing an interest rate of 0.00%. The Township received a \$256,559 reduction in the loan in 2013. The balance remaining as of December 31, 2017 is \$317,934.80.

\$810,000 N.J. Environmental Infrastructure Loan dated 12/2/10, due in annual installments, beginning August 1, 2013 through August 1, 2030, and bearing an interest rate of 5.00%. The Township received a \$200,000 reduction in the loan in 2013. The balance remaining as of December 31, 2017 is \$430,000.00.

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

Year	General Fund		Utility Fund	
	Principal	Interest	Principal	Interest
2018	\$ 1,750,000.00	224,262.50	925,000.00	83,525.00
2019	1,680,000.00	171,762.50	425,000.00	50,325.00
2020	1,100,000.00	121,362.50	330,000.00	37,575.00
2021	1,290,000.00	93,862.50	340,000.00	29,325.00
2022	1,300,000.00	60,000.00	340,000.00	20,400.00
2023	700,000.00	21,000.00	340,000.00	10,200.00
	<u>\$ 7,820,000.00</u>	<u>692,250.00</u>	<u>2,700,000.00</u>	<u>231,350.00</u>

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

Schedule of Annual Debt Service for Principal and Interest for Green Trust and NJEIT Loans

<u>Year</u>	<u>General Capital Green Trust</u>		<u>General Capital NJEIT</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	10,681.82	942.61	5,538.00	458.42
2019	10,896.53	727.91	5,551.00	444.42
2020	11,115.56	508.88	5,569.00	427.12
2021	11,338.97	285.46	5,590.00	405.80
2022	5,754.67	57.55	5,615.00	381.02
2023-2027			28,539.00	1,440.34
2028-2031			17,997.00	373.00
	<u>\$ 49,787.55</u>	<u>2,522.41</u>	<u>74,399.00</u>	<u>3,930.12</u>

Schedule of Annual Debt Service for Principal and Interest for N.J Environmental Infrastructure Loans

<u>Year Ending December 31</u>	<u>Sewer Capital</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 106,809.64	26,100.00
2019	104,935.81	24,100.00
2020	94,191.83	21,950.00
2021	94,191.83	19,450.00
2022	99,191.83	17,150.00
2023-2027	381,975.65	44,550.00
2028-2029	20,000.00	1,200.00
	<u>\$ 901,296.59</u>	<u>154,500.00</u>

As of December 31, 2017 the carrying value of the above bonds and notes approximates the fair value of the bonds. No interest was charged to capital projects during the year and the total interest charged to the current budget was \$364,309.45 and to the utility budget was \$160,512.78.

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

<u>Summary of Municipal Debt</u>	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 11,194,186.55	14,050,184.90	12,830,968.93
Sewer Utility - Bonds and Notes	5,401,296.59	6,868,106.23	6,309,915.87
Total Issued	<u>16,595,483.14</u>	<u>20,918,291.13</u>	<u>19,140,884.80</u>
 Less:			
Funds Temporarily Held to			
Pay Bonds and Notes:			
Self-Liquidating Debt	15,070.51	15,070.51	15,070.51
Total Deductions	<u>15,070.51</u>	<u>15,070.51</u>	<u>15,070.51</u>
 Net Debt Issued	<u>16,580,412.63</u>	<u>20,903,220.62</u>	<u>19,125,814.29</u>
 <u>Authorized but not issued:</u>			
General - Bonds and Notes	950,000.00	-	4,246,500.00
Sewer Utility - Bonds and Notes	1,030,000.00	-	2,020,000.00
Total Authorized But Not Issued	<u>1,980,000.00</u>	<u>-</u>	<u>6,266,500.00</u>
 Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 18,560,412.63</u>	<u>20,903,220.62</u>	<u>25,392,314.29</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .431%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 1,183,000.00	1,183,000.00	-
Regional School District Debt	24,486,517.70	24,486,517.70	-
Sewer Utility Debt	6,431,296.59	6,431,296.59	-
General Debt	12,144,186.55		12,144,186.55
	<u>\$ 44,245,000.84</u>	<u>32,100,814.29</u>	<u>12,144,186.55</u>

Net Debt \$12,144,186.55 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$2,814,934,629.67 = .431%.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$ 98,522,712.04
Net Debt	12,144,186.55
Remaining Borrowing Power	<u>\$ 86,378,525.49</u>

The Township of Galloway School District, as a K-8 school district, is permitted to borrow up to 3% of the average equalized valuation for the past three years. State statutes allow a school district to exceed the districts limitation with voter approval. Any amount approved by the voters in excess of the limit is treated as an impairment of the municipal limit.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2017 and 2016, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2018 and 2017 were as follows:

		<u>2018</u>	<u>2017</u>
Current Fund	\$	5,500,000.00	4,710,000.00
Sewer Utility		752,439.64	796,085.00

Note 9: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2017, the Township had no deferred charges.

Note 10: SCHOOL TAXES

The Township is responsible for levying, collecting and remitting school taxes for the Galloway Township Board of Education and the Township's share of the Greater Egg Harbor Regional High School District.

Local District School Tax in the amounts of \$31,798,057.00 and \$31,456,759.00 have been raised for the 2017 and 2016 calendar years and have been remitted or are due to the school district. The school tax levy is determined by taking 50% of the prior year and 50% of the current year requirements, plus the actual amount needed for debt service. Regional High School Tax in the amounts of \$18,538,761.00 and \$18,174,976.00 have been raised for the 2017 and 2016 calendar years and have been remitted or are due to the school district.

Fund balance is charged for the full amount required to be raised from taxation to operate the local school district for the period from January 1 to December 31, and for the regional high school district the Township's share of the amount required to be raised by taxation for the period from July 1 to June 30, increased by the amount deferred at December 31, 2016, and decreased by the amount deferred at December 31, 2017. GAAP would require the recording of deferred revenue. The following schedule illustrates school taxes payable and school taxes deferred at December 31 for the last two years.

	<u>12/31/2017</u>	<u>12/31/2016</u>
Balance of Tax	\$ 8,357,109.10	8,190,048.30
Deferred	6,400,000.00	6,400,000.00
Regional High School Tax Payable	<u>\$ 1,957,109.10</u>	<u>1,790,048.30</u>

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

Note 11: TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	Balance 12/31/2017	Balance 12/31/2016
Prepaid Taxes	\$ 2,550,240.70	819,460.46
Cash Liability for Taxes Collected in Advance	<u>\$ 2,550,240.70</u>	<u>819,460.46</u>

Note 12: PENSION FUNDS

Description of Plans

Substantially all of the Township's employees participate in the Public Employees' Retirement System (PERS) and Police and Fireman's Retirement System (PFRS) cost sharing multiple-employer defined benefit pension plans which have been established by State Statute and are administered by the New Jersey Division of Pensions and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the systems. This report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey 08625 or the report can be accessed on the internet at -

<http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State 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 or local jurisdiction.

Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15c-1 et seq). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43: 15c-1 et seq. Currently there are nine individuals enrolled in DCRP.

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

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.20% through June 30, 2017 and 7.34% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The Township's contributions to PERS for the years ended December 31, 2017, 2016, and 2015 were \$385,050.49, \$380,880.00 and \$413,178.00.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The Township's contributions to PFRS for the years ended December 31, 2017, 2016, and 2015 were \$1,101,347.29, \$1,138,859.00 and \$1,090,239.00

The total payroll for the year ended December 31, 2017, 2016 and 2015 was \$10,237,447.60, \$9,776,891.22 and \$9,390,278.62. Payroll covered by PFRS was \$4,746,619.00, \$4,545,352.00, and \$4,430,790.00. Payroll covered by PERS was \$3,747,574.00, \$3,598,539.00 and \$3,432,009.00.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the 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 $\frac{1}{4}$ of 1% 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 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2014, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates 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.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation,

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60th from 1/55th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7th of the required amount, beginning in fiscal years 2013.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

Note 13: PENSION LIABILITIES

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the municipality's pension liabilities. However, due to the fact that the municipality reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the municipality's pension liabilities as June 30, 2017:

Public Employees' Retirement System

The Municipality has a liability of \$11,872,298.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Municipality's proportion would be 0.05100134580%, which would be an increase of 1.96% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Municipality would have recognized pension expense of \$(2,739,153.00). At December 31, 2017, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 279,552.00	
Changes of assumptions	2,391,859.00	(2,383,090.00)
Changes in proportion	206,517.00	(306,227.00)
Net difference between projected and actual earnings on pension plan investments	80,842.00	
Total	<u>\$ 2,958,770.00</u>	<u>(2,689,317.00)</u>

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,		
2018	\$	214,370
2019		311,447
2020		184,998
2021		(247,332)
2022		(194,030)
Total	<u>\$</u>	<u>269,453</u>

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.00%

Pre-retirement 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 Healthy 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

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

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).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

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 Investments 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 inflations. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 estate	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%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This 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 the actuarially determined contributions. Based on those assumptions, the plan's

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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.

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 5.00%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.00%) or 1-percentage point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Municipality's proportionate share of the net pension liability	\$ 14,243,892	11,872,298	\$ 9,899,026

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Police and Firemen's Retirement System

The Municipality has a liability of \$21,628,001.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Municipality's proportion would be .14009527020%, which would be an increase of 3.74% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Municipality would have recognized pension expense of \$(1,681,820.00). At December 31, 2017, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 140,310.00	
Changes of assumptions	2,666,974.00	(3,542,034.00)
Changes in proportion	631,669.00	(1,430,740.00)
Net difference between projected and actual earnings on pension plan investments	412,713.00	(126,938.00)
Total	<u>\$ 3,851,666.00</u>	<u>(5,099,712.00)</u>

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

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,	
2018	\$ 658,953
2019	1,708,045
2020	(54,044)
2021	(2,448,373)
2022	(1,112,626)
Total	<u>\$ (1,248,046)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases:	
Through 2026	2.10% - 8.98% (based on age)
Thereafter	3.10% - 9.98% (based on age)
Investment rate of return:	7.00%

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement 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, which was 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, which was further projected on a generational basis 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.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

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 Investments 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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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 PFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 estate	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%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. This 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 and the non-employer contributing entity 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
District's proportionate share of the net pension liability	\$ 27,905,491	21,628,001	16,471,870

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under 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 June 30, 2017 State special funding situation net pension liability amount of \$1,729,193,507.00 is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2017 State special funding situation pension expense of \$211,519,420.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2017. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2016, the State contributed an amount less than the actuarially determined amount.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Municipality was 0.14009527020% for 2017. The net pension liability amount allocated to the Municipality was \$2,422,518.00. For the fiscal year ending June 30, 2017 State special funding situation pension expense of \$377,284.00 is allocated to the Municipality.

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued PFRS financial report.

Note 14: POST-RETIREMENT BENEFITS

Plan Description The Township of Galloway contributes to the State Health Benefits Program (SHBP) a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at to <http://www.state.nj.us/treasury/pensions/shbp.htm>

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

Note 15: ACCRUED SICK AND VACATION BENEFITS

The Township has permitted employees to accrue unused sick time, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the cost for the most current calendar year of such unpaid compensation would approximate \$1,489,500.70 in 2017 and \$1,390,038.37 in 2016. This amount is not reported either as an expenditure or liability due to the likelihood of all employees terminating in one fiscal year being improbable. Township employees are entitled to fifteen sick leave days each year. Vacation days are earned based on years of service. Employees are entitled to 10 vacation days for the first year of employment, 11 days for 2 through 5 years of service, 13 days for 6 through 10 years of service, 18 days for 11 through 19 years of service, and 20 days for 20 years or more of service. Sick and vacation days accumulated through December 31, 1991 have been credited to the employees and will be reimbursed at 100% of the employees' daily rate of pay upon retirement. Beginning January 1, 1992, unused sick leave may be accumulated and carried forward to subsequent years, and at retirement the employee will be reimbursed up to fifty percent of days not used, not to exceed the amount of \$10,000. Vacation days earned on or after January 1, 1992 may be carried over for one year only, unless extended by the Township Manager with the recommendation of the department head.

The Township has established a Compensated Absences Trust Fund to set aside funds for future payments of compensated absences. The balance of the fund was \$832,683.07 at December 31, 2017, and \$793,632.19 at December 31, 2016.

The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12 but is required by the State of New Jersey. Effective January 1, 2002 the State of New Jersey is allowing municipalities to accrue a compensated absences liability. The Township does not accrue the liability.

Note 16: ECONOMIC DEPENDENCY

The Township of Galloway is not economically dependent on any one business or industry as a major source of tax revenue for the Township.

Note 17: 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.

Property and Liability Insurance - The Township maintains commercial insurance coverage for property, liability. During the year ended December 31, 2016 and 2015 the Township did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The Township is a member of the Statewide Joint Insurance Fund (JIF) which also includes other municipalities throughout the region. The Township is obligated to remit insurance premiums into these funds for sufficient insurance coverage. The Township has a general liability limit of \$10,000,000 under JIF, and excess coverage which increases an additional \$5,000,000 under auto and general Liability.

Note 18: DEFERRED COMPENSATION

Employees of the Township of Galloway may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the Township. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

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

Two unrelated financial institutions administer the deferred compensation plan. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

As part of its fiduciary role, the Township has an obligation of due care in selecting the third party administrator. In the opinion of the Township's legal counsel, the Township has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

The plans are administered by AXA Equitable and Empower Retirement.

Note 19: CONTINGENT LIABILITIES

From time to time, the Township is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the Township's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

Note 20: INTERFUND BALANCES

During the most current calendar year ended December 31, 2017, the following interfunds were included on the balance sheets of the various funds of the Township of Galloway and are expected to be returned within one year:

	Due From	Due To
Current Fund:		
Federal and State Grant Fund	\$ 82,732.54	
Sewer Utility Operating Fund		2,145.10
Inspection Escrow		1.20
Special Water Assessment Trust	662.34	
Federal and State Grant fund		
Current Fund		82,732.54
Trust Assessment Fund:		
Current Fund		662.34
Trust Fund:		
Current Fund - Inspection Escrow	1.20	
Sewer Operating:		
Current Fund	2,145.10	
	\$ <u>85,541.18</u>	<u>85,541.18</u>

The amounts due to the various funds relate to year end activity from the tax office not transferred over to the appropriate funds as of year end and the Current Fund providing funding for grants that are on the reimbursement basis but funds have not been received as of year end.

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

Note 21: SANITARY LANDFILL CLOSURE FUND

The Township of Galloway owned and operated a municipal landfill until December 31, 1991, at which time the site was effectively closed for all operations. The Sanitary Landfill Facility Closure and Contingency Act Fund of 1981 was enacted to provide funding, during the life of the landfill, of costs associated with the closure of sanitary landfills. The Act requires the owner or operator of every sanitary landfill to establish an escrow account for closure and deposit, on a monthly basis, an amount equal to \$1.00 per ton of solid waste accepted for disposal. No withdrawals may be made from the fund without written approval from the State Department of Environmental Protection and Energy.

At December 31, 2017, the Township had \$589,538.73 on deposit in a trust fund to comply with the aforementioned act. In addition, the Township also adopted a capital ordinance to provide additional funding for the closure plan. However, the escrow closure fund balance at year-end does not necessarily represent the estimated cost of closure as of that date. The required balance of the fund merely represents the amount required to be escrowed in accordance with the statute. Actual costs associated with the closure are not known.

Note 22: LENGTH OF SERVICE AWARD PROGRAM

During the 2000 calendar year, the voters of the Township of Galloway approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan is made available to all bona fide eligible volunteers who are performing qualified services which are defined as firefighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP will also comply with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document. The Township appropriated \$135,500.00 in the 2017 budget and \$135,338.00 in the 2016 budget, for contributions to the LOSAP for volunteers who have met the established criteria.

The LOSAP is administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the Township subject only to the claims of the Township's general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the Township, and each participant's rights are equal to his or her share of the fair market value of the plan assets. The Township believes that it is unlikely that plan assets will be needed to satisfy claims of general creditors that might arise.

As part of its fiduciary role, the Township has an obligation of due care in selecting the third party administrator. In the opinion of the Township's legal counsel, the Township has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

The Township of Galloway issues a separate unaudited financial report that includes the statement of net assets available for benefits for the LOSAP. The financial report may be obtained by contacting the Township of Galloway, 300 E. Jimmie Leeds Road, Galloway Township, New Jersey.

Note 23: SUBSEQUENT EVENTS

The Township has evaluated subsequent events through May 21, 2018, the date which the financial statements were available to be issued and identified no events requiring disclosure.

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SUPPLEMENTARY INFORMATION

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Independent Auditor's Report

To the Honorable Mayor and
Members of the Township Council
Township of Galloway, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Township of Galloway's basic financial statements, and have issued our report thereon dated May 21, 2018, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Galloway's 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 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 of Galloway's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 were not identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township of Galloway'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.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

May 21, 2018

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	Regular Fund	Grant Fund
Balance December 31, 2016	\$ 16,310,882.66	112,832.80
Increased by Receipts:		
Tax Collector	84,215,847.34	
Revenue Accounts Receivable	5,588,933.34	
Miscellaneous Revenue	372,429.14	
Due from State of N.J. Seniors/Veterans	310,250.00	
Unidentified Tax Receipt	111.73	
Due to State of N.J. -Marriage Licenses	5,450.00	
Due to State of N.J. - DCA Fees	31,915.00	
Due to State of N.J.- Burial Permits	70.00	
Reserve for Proceeds on Sale of Municipal Property	39,450.00	
Deposits on Sale of Municipal Property	10,800.00	
Reserve for Capital Improvements	348,000.00	
Reserve for Tax Appeals	75,000.00	
Reserve for LOSAP	130,440.80	
Due to Water Assessment Fund	256.36	
Due from Sewer Capital	30,000.00	
Due from Sewer Operating	2,065.10	
Due from Federal and State Grants	62,594.22	
Revolving Loan		13,475.00
Federal and State Unallocated		80,595.38
Federal and State Receivables		871,079.67
	<u>91,223,613.03</u>	<u>965,150.05</u>
	107,534,495.69	1,077,982.85
Decreased by Disbursements:		
Current Year Appropriation	21,414,979.88	
Prior Year Appropriations	954,048.18	
County Taxes	15,456,529.84	
Local District School Taxes	31,798,057.00	
Regional School Taxes	18,371,700.20	
Tax Overpayments	37,610.17	
Due from Federal and State Grants	85,326.76	
Due to State of N.J. -Marriage Licenses	4,375.00	
Due to State of N.J.- Burial Permits	45.00	
Due to State of N.J. - DCA Fees	22,270.00	
Due from Payroll	129.90	
Reserve for Technology	12,364.52	
Due to Current		62,594.22
Due to General Capital		68,120.07
Federal and State Disbursements		357,873.64
	<u>88,157,436.45</u>	<u>488,587.93</u>
Balance December 31, 2017	\$ <u><u>19,377,059.24</u></u>	<u><u>589,394.92</u></u>

**CURRENT FUND
SCHEDULE OF CURRENT CASH - COLLECTOR**

Balance December 31, 2016		\$	-
Increased by Receipts:			
Prepaid Taxes	\$	2,550,240.70	
Taxes Receivable		81,592,013.51	
Tax Title and Other Liens		73,593.13	
		<hr/>	<hr/>
			84,215,847.34
			<hr/>
			84,215,847.34
Payments to Treasurer			<hr/>
			84,215,847.34
			<hr/>
Balance December 31, 2017		\$	<hr/> <hr/>

CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2016	Current Year Levy	Added Taxes	Collections by Cash 2016	2017	Adjustments	Transferred To Tax Title Lien	Balance Dec. 31, 2017
Arrears	\$ 93,802.98				24,907.81	(78,283.74)	-	147,178.91
	<u>93,802.98</u>	-	-	-	24,907.81	(78,283.74)	-	<u>147,178.91</u>
2017		82,881,971.63	550,201.10	819,460.46	81,885,605.70	454,701.66	271,693.81	711.10
	<u>93,802.98</u>	<u>82,881,971.63</u>	<u>550,201.10</u>	<u>819,460.46</u>	<u>81,910,513.51</u>	<u>376,417.92</u>	<u>271,693.81</u>	<u>147,890.01</u>
					81,592,013.51	Cash Receipts		
					<u>318,500.00</u>	Senior Citizens and Veterans		
					<u>81,910,513.51</u>			
					82,881,971.63			
					<u>550,201.10</u>			
						<u>83,432,172.73</u>		
					13,806,507.59			
					955,170.67			
					38,582.53			
					602,679.18			
					<u>71,831.44</u>			
						15,474,771.41		
						31,798,057.00		
						-		
						18,538,761.00		
					17,304,438.87			
					<u>316,144.45</u>			
						<u>17,620,583.32</u>		
						<u>83,432,172.73</u>		

Analysis of Current Year Tax Levy

Tax Yield:

General Property Tax
 Added Taxes (54:4-63.1 et. Seq.)

Tax Levy:

General County Taxes
 County Library Taxes
 County Open Space Taxes
 County Health Taxes
 County Added and Omitted Taxes
 Total County Taxes

Local School District Tax
 Additional Local School District Tax
 Regional School District Tax

Local Tax for Municipal Purposes
 Add: Additional Tax Levied

**CURRENT FUND
SCHEDULE OF TAX TITLE AND OTHER LIENS**

Balance December 31, 2016		\$	1,779,694.44
Increased by:			
Transfers from Taxes Receivable	\$	271,693.81	
Added Tax Title Liens		118.88	
Interest and Costs Accrued by Sale of December 18, 2017		<u>8,552.07</u>	
			<u>280,364.76</u>
			2,060,059.20
Decreased by:			
Collections		73,593.13	
Other - Cancelled		<u>-</u>	
			<u>73,593.13</u>
Balance December 31, 2017		\$	<u><u>1,986,466.07</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2016	Accrued in 2016	Collected	Balance Dec. 31, 2017
Licenses:				
Alcoholic Beverages	\$ -	76,064.00	76,064.00	-
Fees and Permits	-	145,231.00	145,231.00	-
Fines and Costs:				
Municipal Court	33,482.95			29,266.55
Interest and Costs on Taxes	-	414,518.84	418,735.24	-
Interest Earned on Investments	-	330,122.49	330,122.49	-
Planning Board - Special Application Fees	-	46,034.11	46,034.11	-
Fire Subcode Official:	-	14,000.00	14,000.00	-
Fire Safety Rebated	-	39,425.01	39,425.01	-
Fire Inspections	-	47,755.00	47,755.00	-
Cable Franchise Fees	-	142,749.61	142,749.61	-
Hotel Tax	-	472,830.84	472,830.84	-
Rental Inspections	-	102,175.00	102,175.00	-
Energy Receipts Tax (P.L. 1997, Ch. 162 & 167)	-	2,566,342.00	2,566,342.00	-
Payments in Lieu of Taxes - Wildlife Refuge	-	28,409.00	28,409.00	-
Watershed Moratorium Offset	-	7,708.00	7,708.00	-
Garden State Preservation Trust Fund	-	7,234.00	7,234.00	-
Uniform Construction Code Fees	-	488,381.00	488,381.00	-
Communications - Dispatch Agreement	-			-
Mullica	-	205,639.04	205,639.04	-
Contribution - Richard Stockton College	-	310,000.00	310,000.00	-
RDI Lennox Property	-	140,098.00	140,098.00	-
	<u>\$ 33,482.95</u>	<u>5,584,716.94</u>	<u>5,588,933.34</u>	<u>29,266.55</u>

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT:					
General Administration	\$ 22,528.06	22,528.06	4,451.94	18,076.12	-
Salaries and Wages	26,144.10	26,144.10	4,571.72	21,572.38	-
Other Expenses					
Township Clerk					
Other Expenses	24,294.49	24,294.49	2,565.07	21,729.42	-
Financial Administration					
Salaries and Wages	9,899.41	9,899.41	4,550.90	5,348.51	-
Other Expenses	17,386.20	17,386.20	2,000.50	15,385.70	-
Revenue Administration (Tax Collection)					
Salaries and Wages	26,185.83	26,185.83	4,247.62	21,938.21	-
Other Expenses	19,622.78	19,622.78	1,902.93	17,719.85	-
Tax Assessment Administration					
Salaries and Wages	44,166.88	44,166.88	1,477.09	42,689.79	-
Other Expenses	25,696.03	25,696.03	241.99	25,454.04	-
Legal Services					
Other Expenses	114,915.88	114,915.88	8,594.42	106,321.46	-
Engineering Services and Costs					
Other Expenses	3,811.25	3,811.25	3,811.25	-	-
Municipal Court					
Salaries and Wages	17,200.12	17,200.12	2,599.44	14,600.68	-
Other Expenses	7,367.02	7,367.02	1,148.00	6,219.02	-
Municipal Prosecutor's Office					
Other Expenses	10,544.00	10,544.00	500.00	10,044.00	-
Planning Board					
Salaries and Wages	32,916.49	32,916.49	69.61	32,846.88	-
Other Expenses	9,300.89	9,300.89	390.27	8,910.62	-
Zoning Board of Adjustment					
Salaries and Wages	3,657.74	3,657.74	69.61	3,588.13	-
Other Expenses	5,158.71	5,158.71	117.39	5,041.32	-
Code Enforcement Administration					
Salaries and Wages	4,348.70	4,348.70	869.29	3,479.41	-
Other Code Enforcement Functions	574.99	574.99	197.23	377.76	-

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
INSURANCE					
Group Insurance Plan for Employees	934,422.94	934,422.94	453,859.11	480,563.83	-
PUBLIC SAFETY					
Police Department					
Salaries and Wages	200,453.50	200,453.50	1,000.00	199,453.50	-
Other Expenses	118,262.73	118,262.73	18,575.35	99,687.38	-
Police Dispatch/911					
Other Expenses	25,792.15	25,792.15	1,596.80	24,195.35	-
Office of Emergency Management					
Other Expenses	10,551.75	10,551.75	97.87	10,453.88	-
Fire Department					
Other Expenses	54,123.52	54,123.52	12,791.39	41,332.13	-
Fire Official					
Other Expenses	2,818.94	2,818.94	1,217.99	1,600.95	-
Contributions to Volunteer Fire					
Other Expenses	14,999.15	14,999.15	14,980.00	19.15	-
PUBLIC WORKS					
Streets and Road Maintenance					
Salaries and Wages	38,089.42	38,089.42	23,364.74	14,724.68	-
Other Expenses	76,471.52	76,471.52	59,828.93	16,642.59	-
Other Public Works Functions					
Salaries and Wages	7,071.50	7,071.50	2,463.30	4,608.20	-
Other Expenses	9,996.64	9,996.64	771.64	9,225.00	-
Solid Waste Collection					
Other Expenses	19,399.74	19,399.74	240.48	19,159.26	-
Buildings and Grounds					
Salaries and Wages	5,225.11	5,225.11	72.00	5,153.11	-
Other Expenses	41,350.80	41,350.80	15,489.48	25,861.32	-
Vehicle Maintenance					
Salaries and Wages	28,377.01	28,377.01	561.96	27,815.05	-
Other Expenses	70,834.30	70,834.30	27,834.29	43,000.01	-
OTHER COMMON OPERATING FUNCTIONS					
Community and Recreation Services					
Salaries and Wages	20,984.44	20,984.44	1,738.96	19,245.48	-
Other Expenses	19,730.63	19,730.63	3,874.61	15,856.02	-

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
UNIFORM CONSTRUCTION CODE					
Code Enforcement & Administration					
Salaries and Wages	12,725.06	12,725.06	1,525.21	11,199.85	-
Other Expenses	563.40	563.40	301.00	262.40	-
Rental Inspections					
Salaries and Wages	2,167.17	2,167.17	626.52	1,540.65	-
UTILITY EXPENSES AND BULK PURCHASES					
Electric	60,373.52	60,373.52	13,711.52	46,662.00	-
Street Lighting	34,896.78	34,896.78	14,302.96	20,593.82	-
Telephone	12,326.50	12,326.50	3,785.92	8,540.58	-
Gas	28,423.73	28,423.73	4,126.68	24,297.05	-
Water	50,399.82	50,399.82	26,645.41	23,754.41	-
Telecommunications	11,508.14	11,508.14	301.34	11,206.80	-
Landfill/Solid Waste Disposal Costs	21,127.92	21,127.92	2,531.38	18,596.54	-
STATUTORY EXPENDITURES					
Contributions to:					
Social Security System (O.A.S.I.)	114,619.16	114,619.16	1,924.56	112,694.60	-
Defined Contribution Retirement Program	6,852.33	6,852.33	76.65	6,775.68	-
OPERATIONS EXCLUDED FROM "CAPS"					
Length of Service Award Program - Fire	39,382.92	39,382.92	3,128.97	36,253.95	-
CAPITAL IMPROVEMENTS					
Improvements to Municipal Buildings & Property	367,182.70	367,182.70	52,173.50	315,009.20	-
Purchase of Vehicles	50,527.00	50,527.00	49,879.00	648.00	-
Tank Replacement & Clean-up	178,173.14	178,173.14	94,272.39	83,900.75	-
All Other Accounts - No Change	409,249.51	409,249.51		409,249.51	
	<u>\$ 3,525,174.16</u>	<u>3,525,174.16</u>	<u>954,048.18</u>	<u>2,571,125.98</u>	<u>-</u>

CURRENT FUND
SCHEDULE OF REGIONAL DISTRICT SCHOOL TAX

Balance December 31, 2016		
School Tax Payable	\$ 1,790,048.30	
School Tax Deferred	<u>6,400,000.00</u>	
		\$ 8,190,048.30
Increased by:		
Levy - School Year July 1, 2016 to June 30, 2017		<u>18,538,761.00</u>
		26,728,809.30
Decreased by:		
Payments		<u>18,371,700.20</u>
Balance December 31, 2017		
School Tax Payable	1,957,109.10	
School Tax Deferred	<u>6,400,000.00</u>	
		<u>8,357,109.10</u>
Current Year Liability for Regional School District School Tax:		
Tax Paid		18,371,700.20
Tax Payable Ending		<u>1,957,109.10</u>
		20,328,809.30
Less: Tax Payable Beginning		<u>1,790,048.30</u>
Amount charged to Current Year Operations		<u>\$ 18,538,761.00</u>

**CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX**

Balance December 31, 2016		
School Tax Payable	\$ -	
School Tax Deferred	-	
	<u> </u>	\$ -
Increased by:		
Levy - School Year July 1, 2016 to June 30, 2017		<u>31,798,057.00</u>
		31,798,057.00
Decreased by:		
Payments		<u>31,798,057.00</u>
Balance December 31, 2017		
School Tax Payable	-	
School Tax Deferred	-	
	<u> </u>	<u>-</u>
Current Year Liability for Local School District School Tax:		
Tax Paid		31,798,057.00
Tax Payable Ending		<u>-</u>
		31,798,057.00
Less: Tax Payable Beginning		<u>-</u>
Amount charged to Current Year Operations		<u><u>\$ 31,798,057.00</u></u>

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

<u>Purpose</u>	Balance Dec. 31, 2016	Transferred From 2016 Revenues	Received	Canceled	Balance Dec. 31, 2017
FEDERAL GRANTS:					
OEM Hazard Mitigation Grant - FEMA	\$ 230,650.00		229,626.00	1,024.00	-
Bulletproof Vest Partnership	-	2,035.06	2,035.06		-
Cops in Shops	-	2,000.00	2,000.00		-
Community Development Block Grant	111,934.00	108,430.00			220,364.00
Total Federal	342,584.00	112,465.06	233,661.06	1,024.00	220,364.00
STATE GRANTS:					
Safe and Secure Communities Program	20,000.00	60,000.00	60,000.00		20,000.00
Municipal Alliance Program	22,763.00	22,763.00	26,438.00		19,088.00
Body Armor Fund	-	5,071.32	5,071.32		-
Clean Communities	-	87,319.82	87,319.82		-
Click-it-or Ticket	-	5,500.00	5,500.00		-
Flood Control Grant	107,462.00		99,487.25	7,974.75	-
Drunk Driving Enforcement Program	-	14,463.41	14,463.41		-
Recycling Tonnage Grant	-	49,597.38	49,597.38		-
Drive Sober or Get Pulled Over	5,000.00	11,000.00	10,500.00		5,500.00
Distracted Driving	-	5,500.00	5,500.00		-
NJ Transportation Trust Fund					
Great Creek Road, Phase IV	73,348.13		68,647.81	4,700.32	0.00
Great Creek Road, Phase V	190,000.00		190,000.00		-
Wrangleboro Road	-	241,000.00			241,000.00
Pedestrian Safety Enforcement Grant	-	12,000.00			12,000.00
NJ Forestry Service-No Net Loss Phase 3	493,800.00			493,800.00	-
NJBPU - Microgrid Feasibility Study	-	175,000.00			175,000.00
Pine Beetle Suppression Grant	17,465.00		15,000.00	2,465.00	-
Emergency Management Assistance-EMAA	7,000.00		7,000.00		-
Total State	936,838.13	689,214.93	644,524.99	508,940.07	472,588.00
\$	1,279,422.13	801,679.99	878,186.05	509,964.07	692,952.00
		Cash \$	\$ 871,079.67		
		Unappropriated Reserves	7,106.38		
		\$	878,186.05		

CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance December 31, 2016		2017		Disbursed	Encumbrances	Canceled	Balance Dec. 31, 2017
	Appropriated	Reserve for Encumbrances	Appropriations					
FEDERAL GRANTS:								
FEMA-Hazardous Mitigation-Generator	-				820.00		-	-
OEM Hazard Mitigation Grant - FEMA	36,070.00				70,115.04		35,250.00	-
Community Development Block Grant	111,934.00		108,430.00		2,000.00	22,540.00		127,708.96
Cops in Shops	-		2,035.06		520.57			-
Bulletproof Vest Partnership	-					1,514.49		(0.00)
Total Federal	148,004.00	-	112,465.06		73,455.61	24,054.49	35,250.00	127,708.96
STATE GRANTS:								
New Jersey Transportation Trust Fund								
Safe Streets 2013	0.32		-				0.32	(0.00)
Wrangleboro Road	(0.00)		241,000.00			25,000.00		216,000.00
Pedestrian Safety Enforcement Grant	-		12,000.00		5,552.31			6,447.69
NJBPU - Microgrid Feasibility Study	-		175,000.00			175,000.00		-
Recycling Tonnage Grant	149,866.91		49,597.38		11,756.00			187,708.29
Drunk Driving Enforcement Program	46,265.75		14,463.41		36,018.91			24,710.25
Clean Communities Program	138,550.54		87,319.82		106,414.59	1,500.00		117,955.77
Safe and Secure Program	-		60,000.00		60,000.00			-
Body Armor Fund	603.11		5,071.32		5,674.43			(0.00)
Municipal Drug Alliance Program	15,293.43		22,763.00		21,775.66	286.21		15,994.56
Local Share	5,293.81		5,691.00		4,271.13	72.00		6,641.68
NJ Forestry Service-No Net Loss Phase 2	585.75						585.75	-
NJ Forestry Service-No Net Loss Phase 3	486,251.90						486,251.90	-
Stormwater Management	5,022.04				1,560.00			3,462.04
Click-it-or Ticket	-				5,500.00			-
Distracted Driving	-				5,500.00			-
Enhanced 911 General Assistance Grant	50,845.80				9,195.00			29,765.80
Driver Sober or Get Pulled Over	2,400.00				11,200.00	11,885.00		2,200.00
Reforestation Grant	1,159.62		11,000.00				1,159.62	-
Sustainable Jersey	2,346.80						2,346.80	-
Pine Beetle Suppression Grant	2,465.00						2,465.00	-
Emergency Management Assistance	33,047.40							33,047.40
DEP Flood Control Grant	72,232.00						72,232.00	-
Total State	1,012,230.18	-	694,905.93		284,418.03	213,743.21	565,041.39	643,933.48
\$	1,160,234.18	-	807,370.99		357,873.64	237,797.70	600,291.39	771,642.44

**CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES**

<u>Purpose</u>	<u>Balance Dec. 31, 2016</u>	<u>Transferred To 2016 Appropriations</u>	<u>Received</u>	<u>Canceled</u>	<u>Balance Dec. 31, 2017</u>
FEDERAL GRANTS:					
Bulletproof Vest Partnership	\$ 2,035.06	2,035.06	7,522.50		7,522.50
Total Federal	<u>2,035.06</u>	<u>2,035.06</u>	<u>7,522.50</u>	<u>-</u>	<u>7,522.50</u>
STATE GRANTS:					
Body Armor Grant	5,071.32	5,071.32	4,999.33		4,999.33
Recycling Tonnage Grant	-		56,527.35		56,527.35
Drunk Driving Enforcement	-		11,546.20		11,546.20
Total State	<u>5,071.32</u>	<u>5,071.32</u>	<u>73,072.88</u>	<u>-</u>	<u>73,072.88</u>
	<u>\$ 7,106.38</u>	<u>7,106.38</u>	<u>80,595.38</u>	<u>-</u>	<u>80,595.38</u>

TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER

Balance December 31, 2016		\$	9,531.76
Increased By Receipts:			
Dog Licenses Fees	\$	12,108.80	
State License Fees		1,534.20	
Kennel License/Replacement Tags		75.00	
Late Fees		325.00	
			<u>14,043.00</u>
			23,574.76
Decreased By Disbursements:			
Animal Control Expenditures		12,875.00	
Due to State of New Jersey		1,540.80	
			<u>14,415.80</u>
Balance December 31, 2017		\$	<u><u>9,158.96</u></u>

TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER

	Other	Assessment
	\$	\$
Balance December 31, 2016 - Treasurer	5,922,845.78	355,970.47
Balance December 31, 2016 - Collector	2,007,259.76	
	<u>7,930,105.54</u>	
Increased By Receipts:		
Insurance Funds:		
Workers' Compensation Insurance Fund	82,577.71	
General Liability Insurance Fund	222,368.66	
Reserve for Outside Lien Redemptions	1,573,443.92	
Reserve for Tax Premiums	1,496,300.00	
Funds Held in Escrow - Inspection Fees	216,000.98	
Funds Held in Escrow - Developer Escrow Fees	155,491.42	
Payroll Deductions	12,537,119.22	
Due from State - Payroll Trust		
Reserve for Compensated Absences	50,000.00	
Reserve for Special Law Enforcement	10,944.28	
Reserve for Housing Trust Fund	139,652.64	
Reserve for Utility Escrow Deposits	24,387.00	
Reserve for Community Events	185,502.90	
Reserve for Police Special Detail	294,758.03	
Reserve for Public Defender Trust	34,395.45	
Reserve for Uniform Fire Safety	2.91	
Reserve for Snow Removal	61,106.13	
Reserve for Landfill Closure	879.72	
Reserve for Parking Offenses Adjudication Act		
Deposit on Future Assessments		2,897.46
Assessments Receivable		16,870.10
Due from Current Fund		630.57
	<u>17,084,932.97</u>	<u>20,398.13</u>
	25,015,038.51	376,368.60

Decreased By Disbursements:

TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER

Reserve for Escrow - Inspection Fees	278,813.55		
Developer Escrow Funds	158,416.19		
Payroll Deductions	12,535,192.77		
Insurance Funds:			
Workers' Compensation Insurance Fund	53,467.98		
General Liability Insurance Fund	206,283.65		
Reserve for Outside Lien Redemptions	1,502,723.52		
Reserve for Tax Premiums	1,487,600.00		
Reserve for Compensated Absences	10,949.12		
Reserve for Housing Trust Fund	22,395.52		
Reserve for Special Law Enforcement	4,847.95		
Reserve for Utility Escrow Deposits	125,748.43		
Reserve for Public Defender Trust	28,500.00		
Reserve for Community Events	193,302.17		
Reserve for Snow Removal	-		
Reserve for Police Special Detail	245,272.54		
Reserve for Trust Assessment		2,899.60	
Due to Current Fund	0.77	-	
			2,899.60
Balance December 31, 2017		\$ 16,853,514.16	\$ 373,469.00
		\$ 8,161,524.35	
Balance December 31, 2017 - Treasurer		\$ 6,074,844.19	
Balance December 31, 2017 - Collector		2,086,680.16	
		\$ 8,161,524.35	

TRUST ASSESSMENT FUND
ANALYSIS OF CASH

	Balance Dec. 31, 2016	Receipts		Disbursements		Transfers		Balance Dec. 31, 2017
		Assessments	Misc.	Assessments	Misc.	From	To	
Due to/ (from) Current Fund	\$ 31.77		630.57					662.34
Assessments Receivable	(57,756.93)	15,934.54						(41,822.39)
Assessment Lien Receivable	(682.60)	256.36						(426.24)
Deposits on Future Assessments			2,897.46					2,897.46
Assessment Overpayments	3,790.38		679.20					4,469.58
Reserve for Assessments and Liens	109,961.86				2,899.60			107,062.26
Assessment Fund Balance	300,625.99							300,625.99
	\$ 355,970.47	16,190.90	4,207.23	-	2,899.60	-	-	373,469.00

TRUST ASSESSMENT FUND
STATEMENT OF ASSESSMENTS RECEIVABLE

Ord. Num.	Improvement Description	Date of Confirmation	Annual Installments	Due Dates	Balance Dec. 31, 2016	Collected	Transferred to Lien	Balance Dec. 31, 2017	Due General Capital Fund	Balance Pledged to Reserve
1360	Construction and Extension of the Water Distribution System into Absecon Highlands III, Sub-Basin II	12/13/2011	10	03/1/12-21	57,756.93	15,934.54		41,822.39		41,822.39
					\$ 57,756.93	15,934.54	-	41,822.39	-	41,822.39

TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance December 31, 2016		\$	9,523.96
Increased By:			
Dog Licenses Fees Collected	\$	12,108.80	
Kennel License/Replacement Tags		75.00	
Late Fees Collected		<u>325.00</u>	
			<u>12,508.80</u>
			22,032.76
Decreased By Disbursements:			
Animal Control Expenditures		<u>12,875.00</u>	
			<u>12,875.00</u>
Balance December 31, 2017		\$	<u><u>9,157.76</u></u>

License Fees Collected	<u>Year</u>	
	2015	14,052.20
	2016	<u>12,492.80</u>
	\$	<u><u>26,545.00</u></u>

TRUST FUND
SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY

Balance December 31, 2016		\$	7.80
Increased By:			
Collected in 2017	\$	<u>1,534.20</u>	
			<u>1,534.20</u>
			1,542.00
Decreased By:			
Paid to State of New Jersey		<u>1,540.80</u>	
			<u>1,540.80</u>
Balance December 31, 2017		\$	<u><u>1.20</u></u>

**GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER**

Balance December 31, 2016		\$	4,642,761.16
Increased by:			
Bond Anticipation Notes	\$	-	
Capital Improvement Fund		50,000.00	
Fund Balance		68,120.07	
Premium on Sale of Bond Anticipation Notes		33,545.15	
Reimbursements		2,215.75	
			<u>153,880.97</u>
			4,796,642.13
Decreased by:			
Improvement Authorization		1,516,836.34	
			<u>1,516,836.34</u>
Balance December 31, 2017		\$	<u><u>3,279,805.79</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2016	Receipts		Improvement Authorizations	Disbursements		Transfers		Balance Dec. 31, 2017
		Miscellaneous	Debt Issued		Miscellaneous		From	To	
\$									
Fund Balance	327,391.91	101,665.22							429,057.13
Capital Improvement Fund	555,784.93	50,000.00					50,000.00		555,784.93
Due From Current Fund	-								-
Reserve for Preliminary Expenses	-								-
Reserve for Purchase of Fire Truck	-								-
Reserve for Purchase of Bus	-								-
Contracts Payable	537,441.78						537,441.78	468,815.65	468,815.65
Improvement Authorizations:									
1032 Closure/Expansion of Landfill	379,464.64			3,607.00			1,946.99	5,553.99	379,464.64
1432 Various Improvements	-								-
1505 Various Improvements	-								-
1565 Various Improvements	-								-
1611 Various Capital Improvements	-	2,215.75		40,231.68			8,040.50	48,272.18	2,215.75
1617 Drainage Improvements and Pedestrian Paths	-			47,323.07			1,700.00	47,323.07	-
1660 Various Capital Improvements	(0.00)			625.00				2,325.00	(0.00)
1718 Various Capital Improvements	-								-
1839 Various Capital Improvements	85,422.80			857,814.14			201,408.14	426,140.54	85,422.80
1880 Tax Appeal Refunding	1,393,753.97								760,672.23
1897 Various Capital Improvements	2.00			517,032.55			159,594.02	7,827.00	2.00
1924 Various Fire Equipment	1,363,499.13			50,202.90			96,126.00	50,000.00	684,699.56
1945 Various Capital Improvements									(96,328.90)
1963 Various Capital Improvements									
\$	4,642,761.16	153,880.97	-	1,516,836.34	-		1,056,257.43	1,056,257.43	3,279,805.79

**GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2016		\$	555,784.93
Increased by:			
Current Fund Budget Appropriation	\$	50,000.00	
		<hr/>	<hr/>
			50,000.00
			605,784.93
Decreased by:			
Financed Improvement Authorization		50,000.00	
		<hr/>	<hr/>
			50,000.00
Balance December 31, 2017		\$	<u>555,784.93</u>

GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance December 31, 2016		\$	10,050,184.90
Increased by:			
None	\$	-	
		<hr/>	<hr/>
			-
			<hr/>
			10,050,184.90
Decreased by:			
Serial Bonds Paid	2,090,000.00		
NJ Environmental Infrastructure Loan Paid	5,527.00		
Green Trust Loan Paid	10,471.35		
	<hr/>		<hr/>
			2,105,998.35
			<hr/>
Balance December 31, 2017		\$	<u>7,944,186.55</u>

GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord #	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Raised in 2017 Budget	Balance Dec. 31, 2017	Analysis of Balance		
						Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
1897	Various Capital Improvements	\$ 4,000,000.00		750,000.00	3,250,000.00	3,250,000.00		
1963	Various Capital Improvements		950,000.00		950,000.00		(146,328.90)	853,671.10
		<u>\$ 4,000,000.00</u>	<u>950,000.00</u>	<u>750,000.00</u>	<u>4,200,000.00</u>	<u>3,250,000.00</u>	<u>(146,328.90)</u>	<u>853,671.10</u>
Improvement Authorizations Unfunded							1,614,343.33	
Less:								
Unexpended Proceeds of Bond								
Anticipation Notes Issued:								
	Ord. Number							
	1897					Various Capital Improvements	760,672.23	760,672.23
								<u>853,671.10</u>

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GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2017		Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount					
General Obligation Bonds of 2011	9/1/2011	11,000,000	9/1/2018	960,000.00	3.000%	\$ 7,250,000.00		900,000.00	6,350,000.00
			9/1/2019	1,000,000.00	3.000%				
			9/1/2020	1,100,000.00	3.000%				
			9/1/2021	1,290,000.00	2.500%				
			9/1/2022	1,300,000.00	2.625%				
			9/1/2023	700,000.00	3.000%				
Refunding Bonds of 2011	9/1/2011	1,595,000	12/1/2017	290,000.00	2.000%	290,000.00		290,000.00	-
Refunding Bonds of 2012	12/1/2012	4,265,000	12/1/2018	790,000.00	3.000%	2,370,000.00		900,000.00	1,470,000.00
			12/1/2019	680,000.00	3.000%				
						\$ 9,910,000.00	-	2,090,000.00	7,820,000.00

GENERAL CAPITAL FUND
SCHEDULE OF GREEN TRUST LOANS PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount					
Ponzio Park	2002	\$ 150,000	2018	10,681.82	2.000% \$	60,258.90		10,471.35	49,787.55
			2019	10,896.53					
			2020	11,115.56					
			2021	11,338.97					
			2022	5,754.67					
					\$	60,258.90	-	10,471.35	49,787.55

GENERAL CAPITAL FUND
SCHEDULE OF NJ ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2017		Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount					
Wrangleboro Road Fund Loan	12/16/2011	\$ 81,951	2017-2029	\$ 4,167.00	0.000%	\$ 58,295.00		4,167.00	54,128.00
			2030	4,124.00					
Wrangleboro Road Trust Loan	12/16/2011	30,000	2018	1,371.00	1.020%	21,631.00		1,360.00	20,271.00
			2019	1,384.00	1.250%				
			2020	1,402.00	1.520%				
			2021	1,423.00	1.740%				
			2022	1,448.00	1.900%				
			2023	1,475.00	2.050%				
			2024	1,506.00	2.170%				
			2025	1,538.00	2.290%				
			2026	1,574.00	2.390%				
			2027	1,611.00	2.920%				
			2028	1,658.00	3.000%				
			2029	1,708.00	3.080%				
2030	1,760.00	3.130%							
2031	413.00	3.190%							
					\$	79,926.00	-	5,527.00	74,399.00

**GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES**

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
Various Capital Improvements	1897	8/26/2016	8/21/2017	8/20/2018	2.250%	\$ 4,000,000.00		750,000.00	3,250,000.00
						\$ 4,000,000.00	-	750,000.00	3,250,000.00

GENERAL CAPITAL FUND
SCHEDULE OF BOND AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Debt Issued	Raised in Budget	Balance Dec. 31, 2017
1963	Various Capital Improvements	\$ -	950,000.00			950,000.00
		\$ -	950,000.00	-	-	950,000.00

**SEWER UTILITY FUND
SCHEDULE OF CASH - TREASURER**

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance December 31, 2016	\$ 3,680,550.70	3,198,433.74
Increased by Receipts:		
Collector	6,168,985.69	
Miscellaneous Revenue	330,691.06	31,078.85
Utility Overpayments	16,960.41	
Due from Current Fund		
	<u>6,516,637.16</u>	<u>31,078.85</u>
	10,197,187.86	3,229,512.59
Decreased by Disbursements:		
Current Year Appropriation	5,657,002.85	
Prior Year Appropriations	74,699.79	
Accrued Interest on Bonds and Notes	166,840.00	
Refunds	16,587.79	
Utility Overpayments	2,106.27	
Due from Current Fund	1,553.15	
Bond Anticipation Note Cancelled		30,000.00
Improvement Authorizations		533,964.74
	<u>5,918,789.85</u>	<u>563,964.74</u>
Balance December 31, 2017	\$ <u><u>4,278,398.01</u></u>	<u><u>2,665,547.85</u></u>

**SEWER UTILITY CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2016	Receipts		Disbursements		Transfers		Balance Dec. 31, 2017
		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 960,381.86							978,960.71
Capital Improvement Fund	157,568.25	18,578.85						170,068.25
Contracts Payable	455,350.20	12,500.00				455,350.20	431,334.83	431,334.83
Reserve for Payment of Bonds/Notes	15,070.51							15,070.51
Improvement Authorizations:								
1661 Various Sewer Improvements	-			64,127.40		8,792.00	16,333.37	-
1840 Various Sewer Improvements	64,138.02			127,300.08		94,542.08	135,168.75	7,551.99
1898 Various Sewer Improvements	1,397,676.09			14,450.64			14,450.64	1,311,002.68
1916 Various Sewer Improvements	-			293,727.87			289,156.94	-
1919 Various Sewer Improvements	119,965.31			594.00	30,000.00		240.50	115,394.38
1936 George St. Manhole Replacement	28,283.50			33,764.75		328,000.75		(2,070.00)
1964 Various Sewer Improvements								(361,765.50)
	<u>\$ 3,198,433.74</u>	<u>31,078.85</u>	<u>-</u>	<u>533,964.74</u>	<u>30,000.00</u>	<u>886,685.03</u>	<u>886,685.03</u>	<u>2,665,547.85</u>

**SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE**

Balance December 31, 2016		\$ 9,047.11
Increased by Receipts:		
Consumer Accounts Charges and Levies	\$ 6,198,788.78	
	<u>6,198,788.78</u>	<u>6,198,788.78</u>
		6,207,835.89
Decreased by Disbursements:		
Collections	6,166,840.59	
Overpayments Applied	24,261.13	
Transfers to Liens	1,540.00	
Other	7,321.39	
	<u>6,199,963.11</u>	<u>6,199,963.11</u>
Balance December 31, 2017		\$ <u><u>7,872.78</u></u>

**SEWER UTILITY OPERATING FUND
SCHEDULE OF UTILITY LIENS**

Balance December 31, 2016		\$ 5,846.06
Increased by Receipts:		
Transferred from Consumer Accounts Receivable	\$ 1,540.00	
Penalties and Costs	53.36	
	<u>1,593.36</u>	<u>1,593.36</u>
		7,439.42
Decreased by Disbursements:		
Collections	2,145.10	
	<u>2,145.10</u>	<u>2,145.10</u>
Balance December 31, 2017		\$ <u><u>5,294.32</u></u>

**SEWER UTILITY OPERATING FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
Operating:					
Salaries and Wages	\$ 174,273.65	174,273.65	12,715.12	161,558.53	-
Other Expenses	544,707.30	544,707.30	23,012.35	521,694.95	-
Capital Improvements:					
Capital Outlay	38,048.21	38,048.21	38,048.21	-	-
Statutory Expenditures					
Contribution to:					
Social Security System (O.A.S.I.)	16,303.44	16,303.44	924.11	15,379.33	-
Unemployment Compensation Insurance	2,579.58	2,579.58	-	2,579.58	-
	<u>775,912.18</u>	<u>775,912.18</u>	<u>74,699.79</u>	<u>701,212.39</u>	<u>-</u>

SEWER UTILITY OPERATING FUND
SCHEDULE OF ACCRUED INTEREST ON BONDS AND NOTES

Balance December 31, 2016	\$	49,628.72
Increased by:		
Accrued interest charged to 2017 budget	\$	160,512.78
appropriation - interest on bonds and notes		
		<u>160,512.78</u>
		210,141.50
Decreased By:		
Disbursements		166,840.00
		<u>166,840.00</u>
Balance December 31, 2017	\$	<u><u>43,301.50</u></u>

Analysis of Accrued Interest December 31, 2017

	Principal Outstanding December 31, 2017	Interest Rate	From	To	Days	Amount
<u>Serial Bonds</u>						
\$	330,000	2.50%	09/01/17	12/31/17	120	2,750.00
	340,000	2.63%	09/01/17	12/31/17	120	2,980.67
	1,250,000	3.00%	09/01/17	12/31/17	120	12,500.00
	235,000	3.00%	12/01/17	12/31/17	30	587.50
	545,000	4.00%	12/15/17	12/31/17	15	908.33
	<u>2,700,000</u>					<u>19,726.50</u>
<u>NJEIT Loans</u>						
	10,000	3.00%	08/01/17	12/31/17	150	125.00
	10,000	3.50%	08/01/17	12/31/17	150	145.83
	80,000	4.00%	08/01/17	12/31/17	150	1,333.33
	15,000	5.00%	08/01/17	12/31/17	150	312.50
	430,000	5.00%	08/01/17	12/31/17	150	8,958.33
	<u>545,000</u>					<u>10,875.00</u>
<u>Bond Anticipation Notes</u>						
\$	1,800,000.00	2.00%	8/23/2017	12/31/2017	127	<u>12,700.00</u>
Total Accrued Interest at December 31, 2017						<u><u>43,301.50</u></u>

**SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2016		Paid or Charged	Bond Anticipation Note Cancelled	Balance December 31, 2017	
				Funded	Unfunded			Funded	Unfunded
1840-11	Various Sewer Improvements	6/28/2011	250,000.00	\$ 64,138.02		56,586.03		7,551.99	
1898-14	Various Sewer Improvements	11/12/2014	2,020,000.00	-	1,397,676.09	86,673.41		-	1,311,002.68
1919-15	Various Sewer Improvements	9/22/2015	510,908.89	119,965.31		4,570.93		115,394.38	
1936-16	George St. Manhole Replacement	3/8/2016	30,000.00	28,283.50		353.50	30,000.00		27,930.00
1964-17	Various Sewer Improvements	5/9/2017	1,000,000.00			361,765.50			638,234.50
				<u>\$ 212,386.83</u>	<u>1,397,676.09</u>	<u>509,949.37</u>	<u>30,000.00</u>	<u>122,946.37</u>	<u>1,977,167.18</u>
						Cash Disbursements			
						Contract Payable PY			
						431,334.83			
						<u>509,949.37</u>			

**SEWER UTILITY CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2017		Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount					
Refunding Bonds of 2006	1/18/2006	5,225,000	12/15/2018	545,000.00	4.000%	\$ 1,095,000.00		550,000.00	545,000.00
Sewer Bonds of 2011	9/1/2011	3,100,000	9/1/2018	260,000.00	3.000%	2,160,000.00		240,000.00	1,920,000.00
			9/1/2019	310,000.00	3.000%				
			9/1/2020	330,000.00	2.500%				
			9/1/2021	340,000.00	2.625%				
			9/1/2022	340,000.00	3.000%				
	9/1/2023	340,000.00	3.000%						
Refunding Bonds of 2011	9/1/2011	1,295,000	12/1/2017	210,000.00	2.000%	210,000.00		210,000.00	-
Refunding Bonds of 2012	12/1/2012	560,000	12/1/2018	120,000.00	3.000%	345,000.00		110,000.00	235,000.00
			12/1/2019	115,000.00	3.000%				
						\$ 3,810,000.00		1,110,000.00	2,700,000.00
						-			

SEWER UTILITY CAPITAL FUND
SCHEDULE OF N.J. ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS

Ord. Number	Purpose	Date of Issue	Amount of Original Issue*	Maturities of Bonds Outstanding December 31, 2017		Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
				Date	Amount					
1785	Sanitary Sewer Improvements (Trust Loan)	3/10/2010	150,000	2017-2018 2019	5,000.00	5.000%	\$ 120,000.00		5,000.00	115,000.00
				2020	10,000.00	4.000%				
				2021	10,000.00	5.000%				
				2022-2025	10,000.00	3.000%				
				2026	10,000.00	4.000%				
				2027-2029	10,000.00	3.500%				
					10,000.00	4.000%				
1785	Sanitary Sewer Improvements (Fund Loan)	3/10/2010	444,817	2017-2018 2019	22,617.81	0.000%	60,979.60		22,617.81	38,361.79
					15,743.98					
1785/1806	Sanitary Sewer Improvements (Fund Loan)	12/2/2010	869,106	2017-2024 2025	44,191.83	0.000%	362,126.63		44,191.83	317,934.80
					8,591.99					
1785/1806	Sanitary Sewer Improvements (Trust Loan)	12/2/2010 (due 8/1)	810,000	2017-2019 2020-2021 2022-2023 2024-2026 2027	35,000.00 40,000.00 45,000.00 50,000.00 40,000.00	5.000% 5.000% 5.000% 5.000% 5.000%	465,000.00		35,000.00	430,000.00
							\$ 1,008,106.23		106,809.64	901,296.59
							\$ -			
							Loan payments	\$	106,279.60	
							Loan Reduction	\$	530.04	
								\$	106,809.64	

* Amounts may have had loan reductions during the course of its maturities

SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	BAN Cancelled	Debt Issued	Balance Dec. 31, 2017
1898	Various Sewer Capital Improvements	\$ -	1,000,000.00			1,000,000.00
1936	George St. Manhole Replacement			30,000.00		30,000.00
		<u>\$ -</u>	<u>1,000,000.00</u>	<u>30,000.00</u>	<u>-</u>	<u>1,030,000.00</u>

**SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES**

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
Various Sewer Improvements	1898	8/23/2016	8/21/2017	8/20/2018	2.250% \$	2,020,000.00		220,000.00	1,800,000.00
George St. Manhole Replacement	1936	5/10/2016	5/10/2016	5/9/2017	0.000%	30,000.00		30,000.00	-
					\$	2,050,000.00	-	250,000.00	1,800,000.00

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TOWNSHIP OF GALLOWAY

PART II

GENERAL COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2017

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GENERAL COMMENTS

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

N.J.S.A. 40A:11-4 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. Due to the Township having a Qualified Purchasing Agent, pursuant to N.J.S.A. 40A:11-3(a), the maximum bid threshold is \$40,000.

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

Our examination of expenditures did not reveal any payments in excess of the bid threshold for the provision or performance of any goods or services, other than those where bids had been previously sought by public advertisement, awarded under state or county cooperative purchasing agreements, or awarded in compliance with other provisions of the "Local Public Contracts Law," N.J.S.A. 40A:11.

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

- Fuel tank replacement
- Senior center building upgrades
- Maintenance service for vehicles
- Street resurfacing

Collection of Interest on Delinquent Taxes and Assessments

The statutes provide the method for authorizing interest and the maximum rates 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 Galloway, in accordance with Chapter 75, New Jersey Laws of 1991, and N.J.S.A. 54:4-67, 54:5-32, 54:5-34 and 54:5-35, which authorizes the governing body inter alia to fix the rate of interest to be charged, in the Township of Galloway, for the nonpayment of taxes, assessments and municipal charges, said rate of interest shall be and is hereby fixed at 8 per cent per annum on the first \$1,500 of delinquency and 18 per cent per annum on any amount in excess of \$1,500 to be calculated from the date when the taxes, assessments and charges become delinquent.

BE IT FURTHER RESOLVED by the Council of the Township of Galloway, in accordance with N.J.S.A. 54:4-67, Chapter 75, New Jersey Laws of 1991, and Chapter 32, New Jersey Laws of 1994, which permits a 6 per cent penalty on taxes and municipal charges greater than \$10,000 as of the close of the fiscal year, that said end-of-year penalty shall be fixed for the year 2017.

This Resolution shall take effect January 1, 2017.

It appears from an examination of the collector's records that interest was charged in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The tax sale was held and was complete.

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

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

<u>Year</u>	<u>Tax Liens</u>	<u>Utility Liens</u>
2017	1501	68
2016	1440	64
2015	1403	64

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

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent taxes and charges as well as current payments was made in accordance with the regulations of the Division of Local Government Services, including the mailing of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2017 and 2018 Taxes	5
Payment of 2017 and 2018 Sewer Charges	5
Delinquent Taxes	3
Delinquent Sewer Charges	2
Total	<u>15</u>

Deposit of Municipal Funds

N.J.S.A. 40A:5-15 states:

"All moneys, including moneys collected by taxation, received from any source by or on behalf of any local unit or any board or department thereof shall, within 48 hours after the receipt thereof, either

- a. be paid to the officer charged with the custody of the general funds of the local unit, who shall deposit all such funds within 48 hours after the receipt thereof to the credit of the local unit in its designated legal depository, or
- b. be deposited to the credit of the local unit in its designated legal depository."

Our examination revealed that municipal funds were deposited within the mandated time.

FINDINGS AND RECOMMENDATIONS

None

STATUS OF PRIOR RECOMMENDATIONS

None

FINDINGS

None

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

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

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello
Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

May 21, 2018