

**TOWNSHIP OF HOPE
COUNTY OF WARREN
STATE OF NEW JERSEY**

**REPORT OF AUDIT
DECEMBER 31, 2017**

TOWNSHIP OF HOPE

TABLE OF CONTENTS

PART I - REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

<u>AUDITORS' REPORTS</u>		<u>PAGE</u>
Independent Auditor's Report		8-10
<u>FINANCIAL STATEMENTS</u>	<u>EXHIBIT</u>	
<u>CURRENT FUND</u>		
Comparative Balance Sheet	A	12-13
Comparative Statement of Operations and Change in Fund Balance	A-1	14
Statement of Revenues	A-2	15-18
Statement of Expenditures	A-3	19-24
<u>TRUST FUND</u>		
Comparative Balance Sheet	B	25
<u>GENERAL CAPITAL FUND</u>		
Comparative Balance Sheet	C	26
Schedule of General Capital Fund Balance	C-1	27
<u>PUBLIC ASSISTANCE FUND</u>		
Comparative Balance Sheet	E	N/A
<u>GENERAL FIXED ASSETS</u>		
Statement of General Fixed Assets	F	28
<u>PAYROLL AGENCY FUND</u>		
Comparative Balance Sheet	G	29
<u>NOTES TO FINANCIAL STATEMENTS</u>		31-46

PART II SUPPLEMENTARY INFORMATION

<u>CURRENT FUND</u>		
Schedule of Cash – Treasurer	A-4	49
Schedule of Cash - Collector	A-5	50
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-6	51
Schedule of Tax Title Liens	A-7	52
Schedule of Property Acquired for Taxes (At Assessed Valuation)	A-8	53
Schedule of Revenue Accounts Receivable	A-9	54
Schedule of Amount Due Other Governments-Joint Court	A-10	55

TOWNSHIP OF HOPE

TABLE OF CONTENTS

PART II SUPPLEMENTARY INFORMATION (Continued)

<u>CURRENT FUND (Continued)</u>	<u>EXHIBIT</u>	<u>PAGE</u>
Schedule of Appropriation Reserves - 2016	A-11	56
Schedule of Reserve for Encumbrances	A-12	57
Schedule of Taxes Collected in Advance	A-13	58
Schedule of Tax Overpayments	A-14	59
Schedule of County Taxes Payable	A-15	60
Schedule of Local District School Tax Payable	A-16	61
Schedule of Amount Due to State of New Jersey for Senior Citizens and Veterans Deductions	A-17	62
Schedule of Federal/State Grants Receivable	A-18	63
Schedule of Federal/State Grants Appropriated	A-19	64
Schedule of State Grants-Unappropriated	A-20	65
Schedule of Accounts Payable	A-21	66
Schedule of Municipal Open Space Tax Payable	A-22	67
Schedule of FEMA Expenditures Reserve	A-23	68
Schedule of Insurance Proceeds - Salt Shed	A-24	69
Schedule of Other Reserves	A-25	70
 <u>TRUST FUND</u>		
Schedule of Cash - Treasurer	B-2	72
Schedule of Reserve for Dog Fund Expenditures	B-3	73
Schedule of Amount Due to State of New Jersey Department of Health	B-4	74
Schedule of Amount Due Current Fund - Dog License Fund	B-5	75
Schedule of Amount Due Current Fund - Other Trust Funds	B-6	76
Schedule of Reserve for Escrow Trust Fund Deposits	B-7	77
Schedule of Reserve for Public Defenders' Trust Fund Deposits	B-8	78
Schedule of Reserve for Recreation Trust Fund	B-9	79
Schedule of Reserve for Driveway Bonds	B-10	80
Schedule of Reserve for Municipal Open Space	B-11	81
Schedule of Reserve for COAH	B-12	82
Schedule of Reserve for Celebration of Public Events	B-13	83
Schedule of Reserve for St John's Trust	B-14	84
Schedule of Reserve for Tax Sale Premiums	B-15	85

TOWNSHIP OF HOPE

TABLE OF CONTENTS

PART II SUPPLEMENTARY INFORMATION (Continued)

<u>GENERAL CAPITAL FUND</u>		
Schedule of Cash - Treasurer	C-2	87
Schedule of Amount Due Current Fund	C-3	88
Schedule of Deferred Charges to Future Taxation-Unfunded	C-4	89
Schedule of Capital Improvement Fund	C-5	90
Schedule of Reserve for Debt Service	C-6	91
Schedule of Improvement Authorizations	C-7	92
Schedule of Bond Anticipation Notes	C-8	93
Schedule of Amounts Due Grants Fund	C-9	94
<u>PUBLIC ASSISTANCE FUND</u>		
Schedule of Cash - Treasurer	E-1	N/A
<u>GENERAL FIXED ASSETS</u>		
Schedule of Additions and Deletions	F-1	96
<u>PART III SUPPLEMENTARY INFORMATION</u>		
General Comments		99-106
Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		107-108
Schedule of Federal/State Awards		110
Notes to Federal/State Awards		111
Status of Prior Audit Findings		112-113
Schedule of Findings and Responses		114-115

PART I

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2017

AUDITORS' REPORTS



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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Township Committee
Township of Hope
P.O. Box 284
County of Warren, New Jersey
Hope, New Jersey 07844

Report on the Financial Statements

We have audited the accompanying financial statements-regulatory basis, which comprise the comparative balance sheets-regulatory basis of the various funds of the Township of Hope, County of Warren, State of New Jersey (the "Township"), as of December 31, 2017 and 2016, and the related comparative statements of operations and changes in fund balance-regulatory basis for the years then ended, and the related statement of revenues-regulatory basis, and statement of expenditures-regulatory basis of the various funds, and the related notes to the financial statements for the year ended December 31, 2017, which collectively comprise the Township's basic financial statements 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 accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

-Continued-

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 Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. 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 to the financial statements, the Township prepares its financial statements in conformity with regulatory basis accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting 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 Township's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, or the results of its operations and changes in its fund balances for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements-regulatory basis referred to above present fairly, in all material respects, the financial position-regulatory basis of the various funds of the Township, as of December 31, 2017 and 2016, and the results of operations and changes in fund balance-regulatory basis of such funds for the years then ended and the statement of revenues-regulatory basis and statement of expenditures-regulatory basis of the various funds for the years then ended, in conformity with accounting principals and practices as described in Note 1 to the financial statements.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements-regulatory basis. The supplementary information listed in the table of contents is presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements-regulatory basis.

The supplementary information exhibits are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements-regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements-regulatory basis 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-regulatory basis, or to the basic financial statements-regulatory basis themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

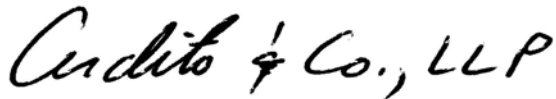
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Because of the significance of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, it is inappropriate to and we do not express an opinion on the Supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2018, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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's internal control over financial reporting and compliance.

ARDITO & CO., LLP



Frenchtown, New Jersey
March 31, 2018



Certified Public Accountant
Registered Municipal Accountant No.524
ARDITO & CO., LLP
Frenchtown, New Jersey
March 31, 2018

FINANCIAL STATEMENTS

CURRENT FUND
COMPARATIVE BALANCE SHEET

A
Sheet 1

ASSETS	<u>REF.</u>	<u>BALANCE</u> <u>12/31/17</u>	<u>BALANCE</u> <u>12/31/16</u>
Cash and Cash Equivalents:			
Cash - Treasurer	A-4	\$ <u>1,192,324</u>	\$ <u>961,279</u>
Receivables And Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-6	70,487	78,954
Tax Title Liens Receivable	A-7	198,548	191,182
Property Acquired For Taxes-Assessed Valuation	A-8	858,700	858,700
Revenue Accounts Receivable	A-9	8,945	6,363
Due Other Governmental Units - Joint Court	A-10	4,750	7,103
Amount Due From State and Federal Grants Fund	A	22,224	13,760
Amount Due From General Capital Fund	C	177	92
Amount Due From Other Trust Fund	B	27,907	25,795
Amount Due From Dog License Fund	B	<u>7</u>	<u>6</u>
Subtotal		<u>1,191,745</u>	<u>1,181,955</u>
Total Current Fund Assets		<u>2,384,069</u>	<u>2,143,234</u>
Federal And State Grant Fund:			
Federal/State Grants Receivable	A-18	188,729	97,803
Amount Due From General Capital Fund	C	<u>28,346</u>	<u>28,346</u>
Subtotal		<u>217,075</u>	<u>126,149</u>
TOTAL ASSETS		<u>\$ 2,601,144</u>	<u>\$ 2,269,383</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
COMPARATIVE BALANCE SHEET

A
Sheet 2

	<u>REF.</u>	<u>BALANCE</u> <u>12/31/17</u>	<u>BALANCE</u> <u>12/31/16</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities:			
Appropriation Reserves	A-3:11	\$ 75,486	\$ 74,654
Reserve For Encumbrances-Budget Appropriations	A-12	17,704	21,523
Amount Due To Other Trust Fund	B	8,150	18,850
Taxes Collected In Advance	A-13	272,866	75,277
Tax Overpayments	A-14	15,377	11,627
Amount Due County For Added Taxes	A-15	3,020	1,263
Amount Due For Local School Taxes	A-16	101,820	104,059
Amount Due To State Of New Jersey For Senior Citizens and Veterans Deductions	A-17	6,958	7,208
Accounts Payable	A-21	1,250	1,150
Amount Due To Other Trust Fund - Municipal Open Space	A-22	119,820	113,099
Fema Reserve	A-23	7,368	7,368
Insurance Proceeds Reserve	A-24	48,878	48,878
Other Reserves	A-25	<u>742</u>	<u>-</u>
Subtotal		679,439	484,956
Reserve For Receivables And Other Assets	A	1,191,745	1,181,955
Fund Balance	A-1	<u>512,885</u>	<u>476,323</u>
Subtotal		<u>2,384,069</u>	<u>2,143,234</u>
Federal And State Grant Fund:			
Amount Due To Current Fund	A	22,224	13,760
Reserve For Federal/State Grants - Appropriated	A-19	193,890	110,798
Reserve For Federal/State Grants - Unappropriated	A-20	<u>961</u>	<u>1,591</u>
Subtotal		<u>217,075</u>	<u>126,149</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$2,601,144</u>	<u>\$2,269,383</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE

A-1

REVENUE AND OTHER INCOME REALIZED	<u>REF.</u>	<u>YEAR</u> <u>2017</u>	<u>YEAR</u> <u>2016</u>
Fund Balance Utilized	A-2	\$ 145,000	\$ 99,487
Miscellaneous Revenue Anticipated	A-2	578,888	448,714
Receipts From Delinquent Taxes	A-2	90,051	84,261
Receipts From Current Taxes	A-2	6,206,244	6,309,072
Non-Budget Revenues	A-2	45,949	177,208
Other Credits To Income:			
Interfund Returns	A-4	-	12,289
Refund of Prior Year Expenditures	A-20	270	2,440
Unexpended Balance of Appropriation Reserves	A-11	<u>63,471</u>	<u>43,656</u>
TOTAL INCOME		<u>7,129,873</u>	<u>7,177,127</u>
EXPENDITURES			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	424,863	426,437
Other Expenses	A-3	748,478	531,854
Capital Improvements	A-3	-	-
Municipal Debt Service	A-3	138,852	144,389
Deferred Charges and Statutory Expenditures	A-3	75,739	120,592
County Taxes	A-15	1,689,860	1,730,453
Amount Due County For Added and Omitted Taxes	A-15	3,020	1,263
Local District School Taxes	A-16	3,801,160	3,805,616
Municipal Open Space Taxes	A-22	50,330	50,747
Interfund Advances/Returns	A-4	<u>16,010</u>	<u>-</u>
TOTAL EXPENDITURES		<u>6,948,311</u>	<u>6,811,351</u>
Excess in Revenue		181,562	365,776
Statutory Excess To Fund Balance		181,562	365,776
Fund Balance January 1	A	<u>476,323</u>	<u>210,034</u>
		657,885	575,810
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>145,000</u>	<u>99,487</u>
Fund Balance December 31	A	<u>\$ 512,885</u>	<u>\$ 476,323</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 1

	<u>REF.</u>	<u>ANTICIPATED</u> <u>BUDGET</u>	<u>N.J.S. 40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS OR</u> <u>DEFICIT</u>
Anticipated Surplus-Cash Surplus	A-1	\$ 145,000		\$ 145,000	
Miscellaneous Revenues					
LOCAL REVENUES:					
Liquor Licenses-Clerk	A-9	4,100		5,144	\$ 1,044
Municipal Court Fines and Costs	A-9	76,172		126,014	49,842
Interest and Costs On Taxes	A-6	11,700		20,061	8,361
Interest on Investments and Deposits	A-9	1,400		12,177	10,777
TOTAL LOCAL REVENUES		93,372		163,396	70,024
STATE AID REVENUES:					
Energy Receipts Tax	A-9	184,384		184,384	-
Garden State Trust Fund	A-9	7,426		7,426	-
TOTAL STATE AID REVENUES		191,810		191,810	-
UNIFORM CONSTRUCTION CODE FEES	A-9	10,000		4,492	(5,508)

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 2

		<u>ANTICIPATED</u>			<u>EXCESS OR</u>
	<u>REF.</u>	<u>BUDGET</u>	<u>N.J.S. 40A:4-87</u>	<u>REALIZED</u>	<u>DEFICIT</u>
FEDERAL AND STATE GRANT REVENUES:					
Drunk Driving Enforcement Grant	A-18:20	544		544	
Clean Communities Program	A-18:20	9,367		9,367	
Municipal Drug Alliance	A-18:20	3,342		3,342	
Recycling Tonnage Grant	A-18:20	1,437		1,437	
NJDOT Grant - Jennyy Jump Road	A-18:20	180,000		180,000	
Generator Grant	A-18:20		\$ 12,500	12,500	
NJ Sustainable Grant	A-18:20		10,000	10,000	
Radon Awareness Grant	A-18:20		2,000	2,000	
TOTAL FEDERAL AND STATE GRANT REVENUES		194,690	24,500	219,190	
TOTAL MISCELLANEOUS REVENUES	A-2	489,872	24,500	578,888	64,516
RECEIPTS FROM DELINQUENT TAXES	A-2	25,000		90,051	65,051
Amount To be Raised by Taxes For Support Of Municipal Budget:					
Local Tax For Municipal Purposes	A-2	842,226		800,493	(41,733)
Total General Revenues		1,502,098	24,500	1,614,432	87,834
Non-Budget Revenues:					
Other Non-Budget Revenues	A-1			45,949	45,949
		\$1,502,098	\$ 24,500	\$ 1,660,381	\$ 133,783

A-3

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 3

REF.

ANALYSIS OF REALIZED REVENUES

Allocation Of Current Tax Collections:

Revenue from Collections		\$ 6,189,494
State of New Jersey, Senior Citizens and Veterans Deductions		<u>16,750</u>
	A-1	6,206,244

Allocated To:

School, County Taxes and Municipal Open Space Taxes		<u>5,544,370</u>
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Excess Supported by Municipal Revenues		661,874
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Add (Decreased) by: Appropriation "Reserve For Uncollected Taxes"		<u>138,619</u>
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Amount For Support Of Municipal Budget Appropriations		<u><u>\$ 800,493</u></u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 4

ANALYSIS OF NON-BUDGET REVENUES

REF.

Miscellaneous Revenue Not Anticipated:

Treasurer:

Zoning Permits	\$ 1,595	
Grange Rent	9,700	
Property Lists	50	
Vital Statistics	57	
Garage Sale Permit	18	
Cable TV Franchise	1,933	
Hotel Tax	7,364	
Board of Adjustment	1,400	
Licenses	825	
In Lieu	1,527	
Insurance Reimbursement	2,499	
Donation	650	
Copies Sales	1,020	
Miscellaneous	585	
FEMA Reimbursement	16,726	
Miscellaneous-Collector	-	
	<u> </u>	<u>\$ 45,949</u>

A-4

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 1

<u>OPERATIONS within "CAPS"</u>	<u>BUDGET</u>	<u>APPROPRIATION BUDGET AFTER MODIFICATION</u>	<u>EXPENDED PAID OR CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED BALANCE CANCELLED</u>
GENERAL GOVERNMENT FUNCTIONS:					
General Administration:					
Salaries and Wages	\$ 76,000	\$ 79,073	\$ 79,073	-	
Other Expenses	24,000	24,922	24,922	-	
Mayor and Council:					
Salaries and Wages	8,116	8,116	8,115	\$ 1	
Other Expenses	300	3,545	3,545		
Municipal Clerk (Elections):					
Salaries and Wages:					
Search Official	-	-	-	-	
Other Expenses	590	590	-	590	
Financial Administration (Treasury):					
Salaries and Wages	17,673	17,695	17,695	-	
Other Expenses	500	500	100	400	
Audit Services:					
Other Expenses	19,400	19,400	19,400	-	
Computerized Data Processing:					
Other Expenses	7,507	7,507	7,149	358	
Revenue Administration (Tax Collection):					
Salaries and Wages:					
Search Official	29,197	29,197	29,197	-	
Other Expenses	1,000	3,132	3,132	-	
Tax Assessment Administration:					
Salaries and Wages	27,801	27,801	27,801	-	
Other Expenses	37,413	37,813	37,813	-	
Legal Services (Legal Dept.):					
Other Expenses	23,000	23,000	20,850	2,150	
Engineering Services:					
Other Expenses	21,300	21,300	20,500	800	
Historical Sites Office:					
Salaries and Wages	1,405	1,413	1,413	-	
Other Expenses	532	532	177	355	

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 2

<u>OPERATIONS within "CAPS"</u>	<u>APPROPRIATION</u> <u>BUDGET</u>	<u>BUDGET AFTER</u> <u>MODIFICATION</u>	<u>EXPENDED</u> <u>PAID OR</u> <u>CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED</u> <u>BALANCE</u> <u>CANCELLED</u>
LAND USE ADMINISTRATION:					
Planning Board:					
Salaries and Wages	13,384	13,544	13,544	-	-
Other Expenses	5,000	9,110	9,110	-	-
Zoning Board of Adjustment (Zoning Officer):					
Salaries and Wages	12,586	12,586	12,262	324	-
Other Expenses	7,000	3,000	616	2,384	-
CODE ENFORCEMENT AND ADMINISTRATION:					
Construction Official:					
Salaries and Wages	3,972	3,972	2,919	1,053	-
Other Expenses	85	85	-	85	-
Building Sub-Code Official:					
Salaries and Wages	2,726	2,726	2,272	454	-
Plumbing Sub-Code Official:					
Salaries and Wages	1,067	1,067	888	179	-
Electrical Sub-Code Official:					
Salaries and Wages	2,412	2,412	2,010	402	-
Fire Protection Sub-Code Official:					
Salaries and Wages	1,287	1,287	1,073	214	-
INSURANCE:					
Liability Insurance	59,800	60,693	60,693	-	-
Employee Group Health Insurance	31,000	25,000	23,291	1,709	-
Unemployment Insurance	2,800	2,994	2,994	-	-
PUBLIC SAFETY FUNCTIONS:					
Office of Emergency Management:					
Salaries and Wages	595	610	610	-	-
Aid to Volunteer Fire Companies	22,950	22,950	22,950	-	-
Contribution to First Aid Organizations	13,950	13,950	13,950	-	-
Office of Municipal Prosecutor:					
Salaries and Wages	21,093	14,093	11,706	2,387	-

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 3

<u>OPERATIONS within "CAPS"</u>	<u>APPROPRIATION</u>	<u>EXPENDED</u>	<u>UNEXPENDED</u>		
	<u>BUDGET</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>	<u>RESERVED</u>	<u>BALANCE</u>
		<u>MODIFICATION</u>	<u>CHARGED</u>		<u>CANCELLED</u>
PUBLIC WORKS FUNCTIONS:					
Streets and Road Maintenance:					
Salaries and Wages	94,496	86,496	80,997	5,499	
Other Expenses	91,557	88,508	59,240	29,268	
Buildings and Grounds:					
Salaries and Wages	13,858	13,858	12,007	1,851	
Other Expenses (Emergency Appropriation 40A:4-46 \$26,000)	25,000	25,000	25,000	-	
HEALTH AND HUMAN SERVICES FUNCTIONS:					
Public Health Services (Board of Health):					
Other Expenses	1,800	1,800	1,800		
Environmental Health Services:					
Salaries and Wages	1,413	1,413	(103)	1,516	
Other Expenses	600	600	335	265	
Animal Control Services:					
Salaries and Wages	6,071	6,071	-	6,071	
Contributions to Social Services Agencies:					
Senior Citizens Centers	2,200	2,200	2,200		
PARK AND RECREATION FUNCTIONS:					
Recreation Services and Programs:					
Salaries and Wages	1	1	-	1	
Other Expenses	12,761	12,761	11,991	770	
Maintenance of Parks:					
Other Expenses	20,720	24,026	24,026	-	
OTHER COMMON OPERATING FUNCTIONS (Unclassified):					
Celebration of Public Events:					
Other Expenses	15,000	15,000	9,788	5,212	

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 4

<u>OPERATIONS within "CAPS"</u>	<u>APPROPRIATION</u>		<u>EXPENDED</u>		<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>	<u>RESERVED</u>	<u>BALANCE</u>
		<u>MODIFICATION</u>	<u>CHARGED</u>		<u>CANCELLED</u>
UTILITY EXPENSES AND BULK PURCHASES:					
Electricity	13,000	13,000	9,942	3,058	
Street Lighting	5,500	5,500	4,650	850	
Telephone (excluding equipment acquisition)	9,600	9,600	9,369	231	
Gas (natural or Propane)	7,500	7,500	2,893	4,607	
Fuel Oil	7,500	9,713	9,713	-	
Gasoline	7,500	7,500	7,326	174	
Total Operations within "CAPS"	833,518	826,161	752,943	73,218	
Detail:					
Salaries and Wages	335,153	323,431	303,479	19,952	
Other Expenses	498,365	502,731	449,465	53,266	
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
WITHIN "CAPS"					
Statutory Expenditures:					
Social Security	35,000	35,000	32,732	2,268	
Contribution to:					
PERS	38,895	38,895	38,895		
Total Deferred Charges and Statutory Expenditures	73,895	73,895	71,627	2,268	
Total General Appropriations within "CAPS"	907,413	900,056	824,570	75,486	

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 5

<u>OPERATIONS Excluded from "CAPS"</u>	<u>BUDGET</u>	<u>APPROPRIATION BUDGET AFTER MODIFICATION</u>	<u>EXPENDED PAID OR CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED BALANCE CANCELLED</u>
Interlocal Municipal Service Agreements Excluded from "CAPS":					
Municipal Court:					
Salaries and Wages	-	101,432	101,432	-	-
Other Expenses	119,629	25,554	25,554	-	-
Total Interlocal Municipal Service Agreements Excluded from "CAPS":	119,629	126,986	126,986	-	-
PUBLIC AND PRIVATE REVENUES OFFSET BY APPROPRIATIONS-EXCLUDED FROM "CAPS":					
Federal and State Grants:					
Clean Communities Program:					
Other Expenses	9,367	9,367	9,367		
Municipal Alliance on Alcoholism and Drug Abuse:					
Other Expenses-State Share	3,342	3,342	3,342		
Other Expenses-Local Share	1,003	1,003	1,003		
Drunk Driving Enforcement Funds:					
Other Expenses	544	544	544		
Ch. 159-Muni Bldg Generator Grant	-	12,500	12,500	-	-
Ch. 159-Radon Awareness Program	-	2,000	2,000	-	-
NJDOT - Jenny Jump Road	180,000	180,000	180,000	-	-
Ch. 159-Sustainable Jersey	-	10,000	10,000		
Ch. 159-Recycling Tonnage Grant					
Other Expenses	1,437	1,437	1,437		
Total Public and Private Programs Offset by Revenues	195,693	220,193	220,193	-	-
Total Operations-Excluded from "CAPS"	315,322	347,179	347,179	-	-
Detail:					
Salaries and Wages	-	101,432	101,432	-	-
Other Expenses	315,322	245,747	245,747	-	-

The accompanying Notes to the Financial Statements are an integral part of this statement.

TRUST FUND
COMPARATIVE BALANCE SHEET

B

ASSETS	<u>REF.</u>	<u>BALANCE</u> <u>12/31/17</u>	<u>BALANCE</u> <u>12/31/16</u>
Dog License Fund:			
Cash and Cash Equivalents	B-2	\$ 5,229	\$ 9,939
Total Dog License Fund		<u>5,229</u>	<u>9,939</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-2	83,751	79,367
Amount Due From Current Fund	B-6	<u>100,063</u>	<u>106,154</u>
Total Other Trust Funds		<u>183,814</u>	<u>185,521</u>
TOTAL ASSETS		<u>\$ 189,043</u>	<u>\$ 195,460</u>

LIABILITIES, RESERVES AND FUND BALANCE

Dog License Fund:			
Reserve for Dog Fund Expenditures	B-3	\$ 5,215	\$ 9,927
Amount Due State of New Jersey	B-4	7	6
Amount Due Current Fund	B-5	<u>7</u>	<u>6</u>
Total Dog License Fund		<u>5,229</u>	<u>9,939</u>
Other Trust Fund:			
Reserve for Escrow Trust Deposits	B-7	36,514	23,826
Reserve for Public Defender Trust Deposits	B-8	-	(1,844)
Reserve for Recreation Trust	B-9	1,735	3,211
Reserve for Driveway Bonds	B-10	5,050	3,850
Reserve for Municipal Open Space	B-11	119,821	113,100
Reserve for COAH Trust	B-12	-	10
Reserve for Celebration of Public Events Trust Deposits	B-13	15,568	25,974
Reserve for St John's Trust	B-14	2,026	2,394
Reserve for Tax Sale Premiums	B-15	<u>3,100</u>	<u>15,000</u>
Total Other Trust Fund		<u>183,814</u>	<u>185,521</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 189,043</u>	<u>\$ 195,460</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

C

ASSETS	<u>REF.</u>	<u>BALANCE</u> <u>12/31/17</u>	<u>BALANCE</u> <u>12/31/16</u>
Cash - Treasurer	C-2	\$ 165,635	\$ 165,550
Deferred Charges To Future Taxation:			
Unfunded	C-4	<u>255,211</u>	<u>390,211</u>
TOTAL ASSETS		<u>\$ 420,846</u>	<u>\$ 555,761</u>

LIABILITIES, RESERVES AND FUND BALANCE

Amount Due Current Fund	C-3	\$ 177	\$ 92
Capital Improvement Fund	C-5	1,186	1,186
Reserve for Moravian Distillery	C-6	118,633	118,633
Bond Anticipation Notes Payable	C-8	255,211	390,211
Due Grants Fund	C-9	28,346	28,346
Fund Balance	C-1	1,076	1,076
Improvement Authorizations:			
Funded	C-7	16,217	16,217
Unfunded	C-7	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 420,846</u>	<u>\$ 555,761</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL CAPITAL FUND
SCHEDULE OF FUND BALANCE

C-1

	<u>REF.</u>	
Balance December 31, 2016	C	<u>\$ 1,076</u>
Balance December 31, 2017	C	<u>\$ 1,076</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL FIXED ASSETS
STATEMENT OF GENERAL FIXED ASSETS
DECEMBER 31, 2017

F

	<u>BALANCE</u>	<u>BALANCE</u>
	<u>12/31/17</u>	<u>12/31/16</u>
General Fixed Assets:		
Land	\$ 724,202	\$ 724,202
Buildings	1,014,533	1,014,533
Improvements Other Than Buildings	27,414	27,414
Machinery and Equipment	<u>1,360,406</u>	<u>1,360,406</u>
Total General Fixed Assets	<u>\$ 3,126,555</u>	<u>\$ 3,126,555</u>
Investment In General Fixed Assets	<u>\$ 3,126,555</u>	<u>\$ 3,126,555</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PAYROLL AGENCY FUND
COMPARATIVE BALANCE SHEET

G

ASSETS	BALANCE <u>12/31/17</u>	BALANCE <u>12/31/16</u>
Cash and Cash Equivalents:		
Cash - Treasurer	\$ 7,809	\$ 5,625
TOTAL ASSETS	<u>\$ 7,809</u>	<u>\$ 5,625</u>

LIABILITIES AND RESERVES

Payroll Tax Liabilities	\$ 7,809	5,921
TOTAL LIABILITIES AND RESERVES	<u>\$ 7,809</u>	<u>\$ 5,921</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

GASB Statement No.14 established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The Division requires the financial statements of the Township to be reported separately.

The financial statements of the Township of Hope include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township, as The financial statements of the Township do not include the operations of the Board of Education.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes fund types and account groups to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP).

The accounting policies of the Township of Hope conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township of Hardwick accounts for its financial transactions through the following separate funds, which differ from the fund structure required by GAAP.

Current Fund

Resources and expenditures for governmental operations of a general nature, including State grants for operations.

Trust Funds

Records the receipts, disbursement and custodianship of monies in accordance with the purpose for which each account was established.

General Capital Fund

The receipts and disbursement of funds for the acquisition of general infrastructure and other capital facilities, other than those acquired in the Current Fund. General bonds and notes payable are recorded in this fund offset by deferred charges to future taxation.

Public Assistance Fund

Receipt and disbursements of funds that provide assistance to certain residents of the Township pursuant to the provisions of Title 44 of New Jersey statutes.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fixed Assets Account Group

To account for all fixed assets of the Township. The Township's infrastructure is not reported in the group.

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 government 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 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; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township which are susceptible of 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 and constitute part of the Township's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be cancelled 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 and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Property Tax Revenue--Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, Open Space and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1.

The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Property Tax Revenue

If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid to the County by the Township quarterly on February 15, May 15, August 15 and November 15. The Open Space Levy is paid quarterly to the Township's other trust funds on February 15, May 15, August 15 and November 15.

When unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears after the eleventh day of the eleventh month in the year in which they are due, the collector in the municipality shall, subject to provisions of the New Jersey Statutes, enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Township.

In accordance with the accounting Principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP required tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Deferred School Taxes--A portion of the school taxes collected at December 31 relating to the period January 1 to June 30 of the subsequent year have been included in fund balance. GAAP requires such revenue to be deferred and recognized in the accounting period when it becomes susceptible to accrual.

Foreclosed Property--Foreclosed property is 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 are not included on the various balance sheets.

General Fixed Assets--In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the municipality develops a fixed asset accounting and reporting system.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

General Fixed Assets

No depreciation is to be 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.

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.

Budget and Budgetary Procedures--The foundation of the New Jersey local finance system is the annual cash basis budget required under the Local Budget Law (N.J.S.A.40A:4-1, et seq.). Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The normal budget calendar begins early in the fiscal year with introduction, public advertisement and after state approval, budget adoption. The cash basis for revenues and budgetary basis for expenditures is the budget basis of accounting.

The Township is not required to adopt budgets for the following funds:

**General Capital Fund
Public Assistance Fund
Trust Fund**

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption, must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board, may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the

governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Government Body. Expenditures may not legally exceed budgeted appropriations at the line item level.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Expenditures--Are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations at December 31, are reported as expenditures through the establishment of appropriations reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Tax Appeals and Other Contingent Losses--Losses which arise from tax appeals and other contingent losses are recognized at the time an unfavorable decision is rendered by an administrative or judicial body.

Deferred Charges to Future Taxation Funded and Unfunded--Upon the authorization of capital projects, the Township establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to N.J.S.A.40A:2-4, the Township may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Township raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

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

Use of Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

Departures from Generally Accepted Accounting Principles--The accounting principles and practices followed by the Township differ generally accepted accounting principles applicable to local government units. The more significant differences are as follows:

- Taxes and other receivables are fully reserved.
- Interfund receivables in the Current Fund are fully reserved.
- Unexpended and uncommitted appropriations are reflected as expenditures.
- Overexpended appropriations and emergency appropriations are deferred to the succeeding years' operations.
- Undetermined contributions to state-administered pension plans applicable to the six months ended December 31 are not accrued.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Departures from Generally Accepted Accounting Principles

- Estimated losses arising from tax appeals and other contingencies are not recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

It was not practicable to determine the effect of such difference.

Statutory-Basis Financial Statements--The GASB Codification also defines the financial statements of a governmental unit to be presented to be in accordance with GAAP. The Township presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

Note 2: CASH AND CASH EQUIVALENTS

Deposits:

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the municipality's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2017, all of the municipality's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The municipality does not have a policy for custodial credit risk.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 2: CASH AND CASH EQUIVALENTS (Continued)

As of December 31, 2017, cash and cash equivalents of the municipality consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Total</u>
Checking	\$ 1,454,748	\$ 1,454,748
	\$ 1,454,748	\$ 1,454,748

The carrying amount of the municipality's cash and cash equivalents at December 31, 2017, was \$1,454,748 and the bank balance was \$1,475,128. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$1,225,128 was covered by collateral pool.

Note 3: LONG-TERM DEBT

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Ending Balance</u>
Long Term Debt:				
Bond Anticipation Notes	\$ 390,211		\$ 135,000	\$ 255,211
Compensated absences payable	None			None
Total Long-Term Debt	\$ 390,211	-	\$ 135,000	\$ 255,211

The Local Bond Law governs the issuance of bonds and notes to finance general municipal expenditures. All bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Bond anticipation notes, which are issued by temporarily finance capital projects, must be paid off within ten years or retired by issuance of bonds.

The Township debt is summarized as follows:

<u>Summary of Municipal Debt</u>	YEAR <u>2017</u>	YEAR <u>2016</u>	YEAR <u>2015</u>
<u>Issued</u>			
General:			
Bonds and Notes	\$255,211	\$390,211	\$530,211
Total Deductions	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
Net Debt Issued	\$255,211	\$390,211	\$530,211
<u>Authorized But Not Issued</u>			
General:			
Bonds and Notes	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$255,211</u>	<u>\$390,211</u>	<u>\$530,211</u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 3: LONG-TERM DEBT (Continued)

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 0.113%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 575,000	\$ 575,000	-
General Debt	<u>255,211</u>	<u>-</u>	<u>\$ 255,211</u>
	<u>\$ 830,211</u>	<u>\$ 575,000</u>	<u>\$ 255,211</u>

Net Debt \$ 255,211 Divided by Equalized Valuation Basis per
N.J.S.A. 40A:2-2 as amended, \$ 225,557,263 equals 0.113%

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 7,894,504
Net Debt	<u>255,211</u>
Remaining Borrowing Power	<u>\$ 7,639,293</u>

Bond Anticipation Notes

The Township has outstanding at December 31, 2017, bond anticipation notes in the amount of \$255,211 payable to PNC Bank. These notes mature on February 6, 2018. The interest rate on the notes are 1.52% Principal and interest on this note is paid from the current fund budget of the Township.

	<u>Debt Outstanding</u>
Total General Capital Loans Above	<u>\$ 255,211</u>

Note 4: GENERAL FIXED ASSETS

The following is a summary of changes in the general fixed assets:

	<u>Balance 1/1/17</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance 12/31/18</u>
Land	\$ 724,202	-	-	\$ 724,202
Buildings	1,014,533	-	-	1,014,533
Improvements Other Than Buildings	27,414	-	-	27,414
Machinery and Equipment	1,360,406	-	-	1,360,406
	<u>\$ 3,126,555</u>	<u>-</u>	<u>-</u>	<u>\$ 3,126,555</u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 5: FUND BALANCES APPROPRIATED

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

Current Fund - \$169,948 *

* - Introduced

Note 6: SCHOOL TAXES

Local District Tax and Regional High School Tax have been raised and liabilities deferred by statute (under provisions of C.63, P.L.1991, as amended), resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

	TOTAL DEFERRED TAX <u>12/31/17</u>	LOCAL DISTRICT SCHOOL TAX BALANCE <u>12/31/17</u>	BALANCE <u>12/31/16</u>	TOTAL DEFERRED TAX <u>12/31/16</u>
Balance of Tax		\$ 1,968,075	\$ 1,970,314	
Deferred		<u>1,866,255</u>	<u>1,866,255</u>	
Tax Payable		<u>101,820</u>	<u>\$ 104,059</u>	
Tax Deferred	<u>\$1,866,255</u>			<u>\$1,866,255</u>

Note 7: PENSION PLANS

Description of Plans - All required employees of the municipality are covered by either the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Plan (DCRP) which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or at <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 7: PENSION PLANS - (Continued)

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school municipality, 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.

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

The following represents the membership tiers for PERS:

Tier Definition

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1 /60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

The PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in the PERS. The current PERS rate is 6.5% of covered payroll.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 7: PENSION PLANS (Continued)

Summary of Significant Accounting Policies - New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability or related deferred outflows or inflows of resources on their balance sheets, or related plan pension expense. However, N.J.A.C. 5:30-6.1(c)(2) requires municipalities and counties to disclose GASB 68 information in the Notes to the Financial Statements. Accordingly, the municipality's portion of the net pension liability, related outflows and inflows of resources, and pension expense are for disclosure purposes only and do not effect the municipality's regulatory basis fund balance, statement of revenues and expenditures, or operations. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense as required by GASB No. 68, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS.

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

At June 30, 2017, the municipality disclosed a liability of \$1,007,808 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 to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2014. The municipality's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2017 and 2016. At June 30, 2017, the municipality's proportion was 0.00433% which was a decrease of 0.00005% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the municipality's portion of the plan's pension expense was \$31,016. At June 30, 2017, deferred outflows of resources and deferred inflows of resources for PERS relating to the municipality's proportionate share are from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 23,730	
Changes of assumptions	203,039	\$ 202,294
Net difference between projected and actual earnings on pension plan investments	6,862	
Changes in proportion and differences between municipality contributions and proportionate share of contributions	16,482	167,274
Total	<u>\$ 250,113</u>	<u>\$ 369,568</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense of the plan as follows:

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 7: PENSION PLANS (Continued)

	<u>Year Ended June 30:</u>	
2018	\$90,437	
2019	136,471	
2020	82,695	
2021	(109,984)	
2022	<u>(80,164)</u>	
Total	<u>\$119,455</u>	

	<u>6/30/2017</u>	<u>6/30/2017</u>
Collective deferred outflows of resources	\$8,685,338,380	\$6,424,455,842
Collective deferred inflows of resources	870,133,595	5,700,625,981
Collective net pension liability (Non State - Local Group)	\$29,617,131,759	\$23,278,401,588
municipality's proportionate share of net pension liability	\$1,296,687	\$1,007,808
municipality's proportion %	0.00437817%	0.00432937%

Actuarial assumptions. The collective 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 actuarial assumptions:

Inflation:	2.25%
Salary Increases:	
Through 2026	1.65%-4.15% based on age
Therafter	2.65%-5.15% based on age
Investment Rate of Return:	7.00%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2013 Based on Projection Scale AA.

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.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 7: PENSION PLANS (Continued)

Public High Yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
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 contribution rate in the most recent fiscal year.

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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, 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 measured as of June 30, 2017, 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:

	<u>1% Decrease (4.00%)</u>	<u>Current Discount Rate (5.00%)</u>	<u>1% Increase (6.00%)</u>
Municipality's proportionate share of the net pension liability	\$ 1,250,254	\$ 1,007,808	\$ 805,820

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rpts-home.shtml>.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 7: PENSION PLANS (Continued)

Defined Contribution Retirement Plan (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 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 N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

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 ¼ 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 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES 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).

Three-Year Trend Information for PERS

Year	Annual Pension Contribution	Percentage of Contribution Paid
<u>Funding</u>	<u>Contribution</u>	<u>Paid</u>
2017	\$38,895	100%
2016	\$46,753	100%
2015	\$46,960	100%

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 8: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The Municipality does not provide post-employment benefits other than pension.

Note 9: LEASES

The Township has not entered into any long-term lease agreements except for equipment which can be capitalized as installment purchases of fixed assets in accordance with Technical Accounting Directive No. 85-2.

Note 10: ACCRUED SICK AND VACATION BENEFITS

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the liability related to unused sick pay.

The Township permits full-time employees five full sick days for first year of employment and hence-forth ten days per year, and this benefit ceases upon termination of employment. Vacation and personal days are provided and not accumulated beyond current year.

No trust funds are accumulated for this liability that will be funded in succeeding general fund budgets.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 11: CONTINGENT LIABILITIES

GRANT PROGRAMS

The Township participated in a number of state assisted grant programs administered at the state level. These programs, exclusive of the single audit concept, can be subject to program compliance audits by the grantors or their representatives. Accordingly, the Township's compliance with certain applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Township expects such amounts, if any, to be immaterial.

LITIGATION

There are no pending lawsuits in which the Township is involved.

Note 12: OTHER REQUIRED DISCLOSURES

Individual fund interfund receivable and payable balances. All interfund receivable and payable balances outstanding at the beginning of the fiscal period were fully liquidated during the fiscal period, with the following exceptions outstanding at December 31, 2017:

INTERFUND BALANCES

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Current Fund	\$ 50,315	\$ 127,970
Federal/State Grants Fund	28,346	22,224
Other Trust Funds	100,063	7
General Capital Fund	-	28,523
	<u>\$ 178,724</u>	<u>\$ 178,724</u>

Note 13: RISK FINANCING

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage. There were no significant reductions in insurance coverage from coverage in the prior year.

Note 14: TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. The municipality has not entered into any tax abatement agreements.

PART II
SUPPLEMENTARY INFORMATION

CURRENT FUND SCHEDULES

CURRENT FUND
SCHEDULE OF CASH -TREASURER

A-4

	<u>REF.</u>	<u>CURRENT FUND</u>
Balance December 31, 2016	A	\$ 961,279
Increased by Receipts:		
Collector	A-5	\$6,504,620
Miscellaneous Revenue Not Anticipated	A-2	45,949
Revenue Accounts Receivable	A-9	339,637
Federal/State Grant Funds	A-18	125,422
Veterens/Senior Citizens Deductions	A-17	16,500
Due State of New Jersey	A-21	475
Federal/State Grant Funds	A-20	960
Amount Due Municipal Open Space	A-22	15,072
Other Reserve Receipts	A-25	1,500
Interfunds Returned/(Advanced)	B	<u>(21,362)</u>
		<u>7,028,773</u>
		7,990,052
Decreased by Disbursements:		
Reserve for Encumbrances	A-12	1,073,983
2016 Appropriation Reserves	A-11	29,885
Taxes Overpaid Refunded	A-14	3,675
County Taxes	A-15	1,691,123
Local District School Tax	A-16	3,803,399
Federal/State Grant Funds	A-19	135,849
Due State of New Jersey	A-21	375
Amount Due Municipal Open Space	A-22	58,681
Other Reserve Payments	A-25	<u>758</u>
		<u>6,797,728</u>
Balance December 31, 2017	A	<u>\$ 1,192,324</u>

CURRENT FUND
SCHEDULE OF CASH - COLLECTOR

A-5

REF.

Received:

Interest and Costs on Taxes	A-2	\$ 20,061	
Taxes Receivable	A-6	6,168,168	
Tax Title Liens	A-7	28,725	
2018 Prepaid Taxes	A-13	272,866	
Tax Overpayments	A-14	<u>14,800</u>	<u>\$ 6,504,620</u>

Decreased by Disbursements:

Payments to Treasurer	A-4		<u>\$ 6,504,620</u>
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CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

A-7

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 191,182
Increased by:		
Interest and Costs		\$ 677
Added		20,164
Transfers from Taxes Receivable	A-6	<u>15,250</u> <u>36,091</u>
		227,273
Decreased by:		
Paid	A-5	<u>28,725</u> <u>28,725</u>
Balance December 31, 2017	A	<u>\$ 198,548</u>

CURRENT FUND
SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)

A-8

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 858,700
Balance December 31, 2017	A	<u>\$ 858,700</u>

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

A-9

	<u>REF.</u>	<u>BALANCE</u> <u>12/31/16</u>	<u>ACCRUED</u> <u>IN 2017</u>	<u>COLLECTED</u> <u>BY</u> <u>TREASURER</u>	<u>BALANCE</u> <u>12/31/17</u>
Clerk:					
Licenses:					
Alcoholic Beverages	A-2		\$ 5,144	\$ 5,144	
Construction Code Official:					
Fees and Permits	A-2		4,492	4,492	
Municipal Court:					
Fines and Costs	A-2	\$ 6,363	128,596	126,014	\$ 8,945
Energy Receipts Tax	A-2		184,384	184,384	
Garden State Trust Fund	A-2		7,426	7,426	
Interest on Investments and Deposits	A-2		12,177	12,177	
Totals		\$ 6,363	\$ 342,219	\$ 339,637	\$ 8,945
	REF.		A	A-4	A

CURRENT FUND
SCHEDULE OF AMOUNT FROM OTHER GOVERNMENTAL UNITS -
JOINT COURT

A-10

	<u>REF.</u>		
Balance December 31, 2016	A	\$	7,103
Increased by:			
White Township Court Room Rental Charge	A-9	\$	8,864
Hardwick Township Court Room Rental Charge	A-9		1,031
Final Audit Allocation - Court Operations CY 2017	A-9		23,856
			33,751
			40,854
Decreased by:			
White Court Operations Prepayments	A-9		36,104
Hardwick Court Operations Prepayments	A-9		-
			36,104
Balance December 31, 2017	A	\$	<u>4,750</u>

FINAL ALLOCATION OF COSTS - CY 2017:

White Township	89.6%	\$	21,370
Hardwick Township	10.4%		2,486
			\$ 23,856

ANALYSIS OF RECEIVABLE/(PAYABLE) BALANCE

CY 2017 (FINAL AUDIT):

White Township - 2016	\$	(46)	
White Township - 2017		(5,870)	
Liberty Township - 2015		(699)	
Liberty Township - 2016		2,609	
Hardwick-2015		(3,532)	
Hardwick-2016		8,771	
Hardwick-2017		3,517	
		\$	4,750

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2016

A-11
Sheet 1

	<u>BALANCE</u> <u>12/31/16</u>	<u>BALANCE</u> <u>AFTER</u> <u>TRANSFERS</u>	<u>PAID</u> <u>OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
General Administration:				
Other Expenses	\$ 1,152	\$ 1,423	\$ 1,006	\$ 417
Tax Assessment:				
Other Expenses	42	42	11	31
Legal Services:				
Other Expenses	5,395	5,395	1,109	\$ 4,286
Planning Board:				
Other Expenses	10	898	898	-
Zoning Board:				
Other Expenses	10	78	77	1
Liability Insurance	790	1,223	432	791
Road Repairs and Maintenance:				
Salary & Wages	6,881	4,858		4,858
Other Expenses	9,246	17,941	13,450	4,491
Building and Grounds:				
Other Expenses	77	896	895	1
Recreation:				
Other Expenses	2,996	7,184	4,188	2,996
Maintenance of Parks:				
Other Expenses	597	717	240	477
Celebration of Public Events:				
Other Expenses	52	3,252	3,100	152
Electricity	3,134	3,134	893	2,241
Telephone	47	822	821	1
Gas	4,828	4,828	598	4,230
Fuel Oil	7,959	7,959	453	7,506
Gasoline	6,030	6,030	284	5,746
Municipal Court:				
Other Expenses	385	1,653	1,430	223
All Others - No Change	25,023	25,023		25,023
 TOTALS	 <u>\$ 74,654</u>	 <u>\$ 93,356</u>	 <u>\$ 29,885</u>	 <u>\$ 63,471</u>

	REF.	A	A	A-4	A-1
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Appropriation Reserve	A	\$ 74,654		
Encumbrances	A-12	18,702		
		<u>\$ 93,356</u>		

CURRENT FUND
SCHEDULE OF RESERVE FOR ENCUMBRANCES

A-12

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 21,523
Increased by:		
Transfer from Current Year Appropriations-Current Fund	A-3	<u>1,092,252</u>
		1,113,775
Decreased by:		
Added/Canceled Current Year Purchase Orders		\$ 3,386
Transfer to Appropriation Reserves	A-11	18,702
Cash Disbursements	A-4	<u>1,073,983</u>
		<u>1,096,071</u>
Balance December 31, 2017	A	<u>\$ 17,704</u>

CURRENT FUND
SCHEDULE OF TAXES COLLECTED IN ADVANCE

A-13

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 75,277
Increased by:		
2018 Taxes Collected in Advance	A-5	<u>272,866</u>
		348,143
Decreased by:		
Applied to 2017 Taxes Receivable	A-6	<u>75,277</u>
Balance December 31, 2017	A	<u>\$ 272,866</u>

CURRENT FUND
SCHEDULE OF TAX OVERPAYMENTS

A-14

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 11,627
Increased by:		
2017 Tax Overpayments	A-5	<u>14,800</u>
		26,427
Decreased by:		
Applied	A-6	\$ 7,375
Refunded	A-4	<u>3,675</u>
		<u>11,050</u>
Balance December 31, 2017	A	<u>\$ 15,377</u>

CURRENT FUND
SCHEDULE OF COUNTY TAXES PAYABLE

A-15

	<u>REF.</u>	
Balance December 31, 2016:		
Due County for Added Taxes	A	\$ 1,263
Increased by:		
2017 Levy:		
County Taxes	A-1:6	\$1,484,460
County Library Taxes	A-1:6	116,571
County Open Space Tax	A-1:6	88,829
Added and Omitted Taxes	A-1:6	<u>3,020</u>
		<u>1,692,880</u>
		1,694,143
Decreased by:		
Payments	A-4	<u>1,691,123</u>
Balance December 31, 2017:		
Due County for Added Taxes	A	<u>\$ 3,020</u>

CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

A-16

	<u>REF.</u>	
Balance December 31, 2016:		
School Tax Payable	A	\$ 104,059
School Tax Deferred		<u>1,866,255</u>
		\$ 1,970,314
Increased by:		
Levy - School Year July 1, 2017 to June 30, 2018	A-6	<u>3,801,160</u>
		5,771,474
Decreased by:		
Payments	A-4	<u>3,803,399</u>
Balance December 31, 2017:		
School Tax Payable	A	101,820
School Tax Deferred		<u>1,866,255</u>
		<u>\$ 1,968,075</u>
2017 Liability for Local District School Tax:		
Tax Paid		\$ 3,803,399
Tax Payable 12/31/17		<u>1,968,075</u>
		5,771,474
Less -- Tax Deferred 12/31/17		-
Less -- Tax Payable 12/31/16		<u>1,970,314</u>
Amount Charged to 2017 Operations	A-1	<u>\$ 3,801,160</u>

CURRENT FUND
SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY FOR
SENIOR CITIZENS AND VETERANS DEDUCTIONS

A-17

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 7,208
Increased by:		
Received in Cash From State	A-4	<u>16,500</u>
		23,708
Decreased by:		
Senior Citizens Deductions per Tax Billings		\$ 1,250
Veterans Deductions per Tax Billings		15,500
Senior Citizens Deductions Allowed/(Disallowed) by Collector		<u> -</u> 16,750
Balance December 31, 2017	A	<u>\$ 6,958</u>

ANALYSIS OF BALANCE

Amount Due to State of New Jersey -- Pre 1/1/78		\$ 1,912
Amount Due to State of New Jersey -- Post 1/1/78		<u>5,046</u> <u>\$ 6,958</u>

CURRENT FUND
SCHEDULE OF FEDERAL/STATE GRANTS RECEIVABLE

A-18

<u>PURPOSE</u>	<u>BALANCE</u> <u>12/31/16</u>	<u>RECEIVABLE</u>	<u>RECEIVED</u>	<u>CANCELED</u>	<u>BALANCE</u> <u>12/31/17</u>
Clean Communities		\$ 8,321	\$ 7,069	\$ 1,252	
Municipal Alliance	\$ 2,982	3,342	3,484		\$ 2,840
Recycling Tonnage Grant		1,437	1,437		-
Radon Awareness Grant		2,000			2,000
Sustainable NJ Grant		10,000	5,000		5,000
N.J. Transportation Trust Authority: Jenny Jump Road		180,000	97,181		82,819
N.J. Transportation Trust Authority: Honey Run Road	58,795				58,795
N.J. Transportation Trust Authority: Far View Road	12,164				12,164
N.J. Transportation Trust Authority: Smith & Green Streets	12,612		1		12,611
Generator Grant	11,250	12,500	11,250		12,500
Totals	\$ 97,803	\$ 217,600	\$ 125,422	\$ 1,252	\$ 188,729
REF.	A	A-2	A-4	A-19	A

CURRENT FUND
SCHEDULE OF FEDERAL/STATE GRANTS-APPROPRIATED

A-19

	TRANSFER					BALANCE 12/31/17
	BALANCE 12/31/16	FROM 2017 BUDGET APPROPRIATIONS	2017 BUDGET APPROPRIATIONS N.J.S. 40A:4-87	EXPENDED	CANCELED	
Clean Communities Program	\$ 764	\$ 9,367		\$ 7,580	\$ 1,252	\$ 1,299
Drunk Driving Program	897	544				1,441
Municipal Alliance	18,034	3,342		1,090		20,286
Local Share	1,516	1,003		2,519		-
Radon Awareness Grant			\$ 2,000			2,000
Sustainable NJ Grant			10,000	70		9,930
ANJEC Grant	1,500					1,500
N.J. Transportation Trust Authority:						
Jenny Jump Road		180,000		111,279		68,721
Moravian Grange	7,411					7,411
Honey Run Road	53,842					53,842
Far View Road	12,164					12,164
Smith & Green Streets	13,860					13,860
Recycling Tonnage Grant	810	1,437		811		1,436
Generator Grant	-		12,500	12,500		-
Totals	\$ 110,798	\$ 195,693	\$ 24,500	\$ 135,849	\$ 1,252	\$ 193,890

REF.	A	A-3	A-3	A-4	A-18	A
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CURRENT FUND
SCHEDULE OF STATE GRANTS - UNAPPROPRIATED

A-20

	<u>BALANCE</u> <u>12/31/16</u>	TRANSFER TO 2017 BUDGET <u>APPROPRIATIONS</u>	<u>RECEIVED</u>	<u>BALANCE</u> <u>12/31/17</u>
Recycling Grant	\$ 1		\$ 960	\$ 961
Drunk Driving Grant	544	\$ 544		-
Clean Communities	1,046	1,046		-
Totals	<u>\$ 1,591</u>	<u>\$ 1,590</u>	<u>\$ 960</u>	<u>\$ 961</u>
REF.	A	A-2:3	A-4	A

CURRENT FUND
SCHEDULE OF ACCOUNTS PAYABLE

A-21

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 1,150
Increased by:		
Marriage License Receipts	A-4	<u> 475</u>
		1,625
Decreased by:		
State Payments	A-4	<u> 375</u>
Balance December 31, 2017	A	<u>\$ 1,250</u>

CURRENT FUND
SCHEDULE OF MUNICIPAL OPEN SPACE TAX PAYABLE

A-22

	<u>REF.</u>		
Balance December 31, 2016	A		\$ 113,099
Increased by:			
Receipt for Malon Farm	A-4	\$ 15,072	
2017 Municipal Open Space Tax	A-6	<u>50,330</u>	<u>65,402</u>
Decreased by:			
Transfer for Attorney Escrow for Open Space Acquisition	A-4	43,521	
Appraisal, Title and Survey Fees	A-4	5,160	
Land Conservancy of New Jersey	A-4	<u>10,000</u>	<u>58,681</u>
Balance December 31, 2017	A		<u>\$ 119,820</u>

CURRENT FUND
SCHEDULE OF RESERVE FOR FEMA EXPENDITURES-RECONSTRUCTION OF ROADS

A-23

	<u>REF.</u>	
Balance December 31, 2016	A	<u>\$ 7,368</u>
Balance December 31, 2017	A	<u>\$ 7,368</u>

CURRENT FUND
SCHEDULE OF RESERVE FOR INSURANCE PROCEEDS - SALT SHED

A-24

	<u>REF.</u>	
Balance December 31, 2016	A	<u>\$ 48,878</u>
Balance December 31, 2017	A	<u>\$ 48,878</u>

CURRENT FUND
SCHEDULE OF OTHER RESERVES

A-25

REF.

Increased by:

Sprint Review Fees	A-4	\$ 1,000	
Fire Code Penalty Escrow	A-4	<u>500</u>	<u>1,500</u>
			1,500

Decreased by:

Professional Fees	A-4		<u>758</u>
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Balance December 31, 2017	A		<u>\$ 742</u>
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TRUST FUND SCHEDULES

TRUST FUND
SCHEDULE OF CASH - TREASURER

B-2

	<u>REF.</u>	<u>DOG LICENSES</u>	<u>OTHER</u>
Balance December 31, 2016	B	\$ <u>9,939</u>	\$ <u>79,367</u>
Increased by Receipts:			
Dog License Fees	B-3	4,229	
State Dog License Fees	B-4	860	
Amount Due Current Fund	B-5:6	124	
Escrow Trust Deposits	B-7		31,989
Public Defender Trust Deposits	B-8		3,494
Recreation Trust Fund Deposits	B-9		20,655
Celebration of Public Events Trust Deposits	B-13		27,704
St John's Trust Fund	B-14	<u>-</u>	<u>22</u>
Total Receipts		<u>5,213</u>	<u>83,864</u>
		<u>15,152</u>	<u>163,231</u>
Decreased by Disbursements:			
Dog License Operating Expenditures	B-3	8,941	
Dog License Fees - State of New Jersey	B-4	859	
Amount Due Current Fund	B-5:6	123	-
Escrow Trust Deposits Returned	B-7		19,273
Public Defender Trust Payments	B-8		15
Recreation Trust Fund Payments	B-9		21,842
COAH Payments	B-12		10
Celebration of Public Events Trust Payments	B-13		37,950
St John's Trust Fund	B-14	<u>-</u>	<u>390</u>
Total Disbursements		<u>9,923</u>	<u>79,480</u>
Balance December 31, 2017	B	\$ <u>5,229</u>	\$ <u>83,751</u>

TRUST FUND
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

B-3

	<u>REF.</u>	
Balance December 31, 2016	B	\$ 9,927
Increased by:		
Dog License Fees Collected	B-2	<u>4,229</u> 14,156
Decreased by:		
Administrative Expenses	B-2	<u>8,941</u>
Balance December 31, 2017	B	<u>\$ 5,215</u>

DOG FEES COLLECTED

CY 2015		\$ 5,207
CY 2016		<u>5,387</u> <u>\$10,594</u>

TRUST FUND
SCHEDULE OF AMOUNT DUE TO STATE OF
NEW JERSEY DEPARTMENT OF HEALTH

B-4

	<u>REF.</u>	
Balance December 31, 2016	B	\$ 6
Increased by:		
Collected in 2017:		
State Board of Health Fees	B-2	<u>860</u>
		866
Decreased By:		
Payments	B-2	<u>859</u>
Balance December 31, 2017	B	<u>\$ 7</u>

TRUST FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND
DOG LICENSE FUND

B-5

	<u>REF.</u>		
Balance December 31, 2016	B	\$	6
Increased by:			
Interest Credits Due Current Fund	B-2		124
			130
Decreased by:			
Due Current Fund	B-2		123
			123
Balance December 31, 2017	B	\$	7

TRUST FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND
OTHER TRUST FUND

B-6

	<u>REF.</u>		
Balance December 31, 2016	B		\$ 106,154
Increased by:			
Escrow Trust Receipts received in Current Fund	B-7	\$ 19,264	
Public Defender Receipts received in Current Fund	B-8	6,715	
Recreation Receipts received in Current Fund	B-9	21,827	
Driveway Bonds Recived in Current Fund	B-10	1,200	
Municipal Open Space Levy Includes Added Omitted Taxes	B-11	65,402	
Trust Deposits Received in Current Fund	B-13	40,280	
St Johns Trust Deposits Received in Current Fund	B-14	375	
Tax Sale Premiums Received in Current Fund	B-15	<u>4,600</u>	<u>159,663</u>
			265,817
Decreased by:			
Escrow Trust paid by Current Fund	B-7	19,292	
Public Defender paid by Current Fund	B-8	8,350	
Recreation Receipts paid by Current Fund	B-9	22,116	
Open Space Expenditures paid by Current Fund	B-11	58,681	
Trust Expenditures Paid from Current Fund	B-13	40,440	
St Johns Trust Paid by Current Fund	B-14	375	
Tax Sale Premiums Paid in Current Fund	B-15	<u>16,500</u>	<u>165,754</u>
Balance December 31, 2017	B		<u>\$ 100,063</u>
Due to Current Fund - Escrow Trust Interest Credits			\$ (42)
Due from Current Fund - Celebration Public Events Trust			-
Due from Current Fund - Escrow Trust Interest Credits			-
Due to Current Fund - Public Defender			(27,865)
Due from Current Fund - Municipal Open Space			119,820
Due from Current Fund - St John's Trust			-
Due from Current Fund - Tax Sale Premiums			3,100
Due from Current Fund - Driveway Trust			<u>5,050</u>
			<u>\$ 100,063</u>

TRUST FUND
SCHEDULE OF RESERVE FOR ESCROW TRUST FUND DEPOSITS

B-7

	<u>REF.</u>	
Balance December 31, 2016	B	\$ 23,826
Increased by:		
Escrow Deposits - Received in Current Fund	B-6	\$ 19,264
Escrow Deposits	B-2	<u>31,989</u>
		<u>51,253</u>
		75,079
Decreased by:		
Escrow Deposits Refunded	B-2	19,273
Escrow Deposits Refunded from Current Fund	B-6	<u>19,292</u>
		<u>38,565</u>
Balance December 31, 2017	B	<u>\$ 36,514</u>

TRUST FUND
SCHEDULE OF RESERVE FOR
PUBLIC DEFENDERS' TRUST FUND DEPOSITS

B-8

	<u>REF.</u>					
Balance December 31, 2016	B	\$ (1,844)				
Increased by:						
Public Defender Receipts received in Current Fund	B-6	\$ 6,715				
Public Defender Receipts	B-2	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="text-align: right; border-bottom: 1px solid black;">3,494</td> <td style="text-align: right; border-bottom: 1px solid black;">10,209</td> </tr> <tr> <td></td> <td style="text-align: right;">8,365</td> </tr> </table>	3,494	10,209		8,365
3,494	10,209					
	8,365					
Decreased by:						
Public Defender Payments	B-2	15				
Public Defender Payments in Current Fund	B-6	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="text-align: right; border-bottom: 1px solid black;">8,350</td> <td style="text-align: right; border-bottom: 1px solid black;">8,365</td> </tr> </table>	8,350	8,365		
8,350	8,365					
Balance December 31, 2017	B	-				

TRUST FUND
SCHEDULE OF RESERVE FOR RECREATION TRUST FUND

B-9

	<u>REF.</u>	
Balance December 31, 2016	B	\$ 3,211
Increased by:		
Escrow Deposits	B-2	\$ 20,655
Escrow Deposits-Received in Current Fund	B-6	<u>21,827</u>
		<u>42,482</u>
		45,693
Decreased by:		
Recreation Expenses	B-2	21,842
Recreation Expenses-Paid in Current Fund	B-6	<u>22,116</u>
		<u>43,958</u>
Balance December 31, 2017	B	<u>\$ 1,735</u>

TRUST FUND
SCHEDULE OF RESERVE FOR DRIVEWAY BONDS

B-10

	<u>REF.</u>
Balance December 31, 2016	B \$ 3,850
Increased by:	
Driveway Bonds Recived in Current Fund	B-6 <u>1,200</u>
Balance December 31, 2017	B <u>\$ 5,050</u>

TRUST FUND
SCHEDULE OF RESERVE FOR MUNICIPAL OPEN SPACE

B-11

	<u>REF.</u>		
Balance December 31, 2016	B		\$ 113,100
Increased by:			
2017 Levy	B-6	\$ 50,258	
2017 Added/Omitted Taxes	B-6	72	
Receipt for Malon Farm	B-6	<u>15,072</u>	<u>65,402</u>
			178,502
Decreased by:			
Transfer for Attorney Escrow for Open Space Acquisition	B-6	43,521	
Appraisal, Title and Survey Fees	B-6	5,160	
Land Conservancy of New Jersey	B-6	<u>10,000</u>	<u>58,681</u>
Balance December 31, 2017	B		<u>\$ 119,821</u>

TRUST FUND
SCHEDULE OF RESERVE FOR COAH TRUST

B-12

	<u>REF.</u>
Balance December 31, 2017	B \$ <u>10</u>
Decreased by:	
Account Closed	B-2 \$ <u>10</u>

TRUST FUND
SCHEDULE OF RESERVE FOR CELEBRATION OF PUBLIC EVENTS TRUST FUND

B-13

	<u>REF.</u>	
Balance December 31, 2016	B	\$ 25,974
Increased by:		
Trust Deposits	B-2	\$ 27,704
Trust Deposits Received in Current Fund	B-6	<u>40,280</u>
		<u>67,984</u>
		93,958
Decreased by:		
Trust Expenditures	B-2	37,950
Trust Expenditures Paid from Current Fund	B-6	<u>40,440</u>
		<u>78,390</u>
Balance December 31, 2017	B	<u>\$ 15,568</u>

TRUST FUND
SCHEDULE OF RESERVE FOR ST JOHN'S TRUST FUND

B-14

	<u>REF.</u>		
Balance December 31, 2016	B		\$ 2,394
Increased by:			
Trust Deposits	B-2	22	
Trust Deposits Received in Current Fund	B-6	<u>375</u>	<u>397</u>
			2,791
Decreased by:			
Trust Expenditures	B-2	390	
Trust Expenditures Paid by Current Fund	B-6	<u>375</u>	<u>765</u>
Balance December 31, 2017	B		<u><u>\$ 2,026</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR TAX SALE PREMIUMS

B-15

Balance December 31, 2016	<u>REF.</u> B	\$ 15,000
Increased by:		
Trust Deposits Received in Current Fund	B-6	<u>4,600</u>
		19,600
Decreased by:		
Premiums Returned - Current Fund	B-6	<u>16,500</u>
Balance December 31, 2017	B	<u>\$ 3,100</u>

GENERAL CAPITAL FUND SCHEDULES

GENERAL CAPITAL FUND
SCHEDULE OF CASH

C-2

	<u>REF.</u>	
Balance December 31, 2016	C	\$ 165,550
Increased by:		
Interest Credits	C-3	<u>1,645</u>
		167,195
Decreased by:		
Interfund Returned	C-3	\$ 1,545
Bank Charges	C-3	<u>15</u> <u>1,560</u>
Balance December 31, 2017	C	<u>\$ 165,635</u>

GENERAL CAPITAL FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND

C-3

	<u>REF.</u>		
Balance December 31, 2016	C	\$	(92)
Increased by:			
Bank Charge	C-2	\$	15
Interfunds Returned from Current Fund	C-2	<u>1,545</u>	<u>1,560</u>
			1,468
Decreased by:			
Interest Credits	C-2		<u>1,645</u>
Balance December 31, 2017	C	<u>\$</u>	<u>(177)</u>

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

C-4

<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u> <u>12/31/16</u>	DECREASED <u>PAID BY</u> <u>BUDGET</u>	<u>BALANCE</u> <u>12/31/17</u>
Dump Truck, Catch Basin Repairs	\$ 390,211	\$ 135,000	\$ 255,211
	<u>\$ 390,211</u>	<u>\$ 135,000</u>	<u>\$ 255,211</u>
REF.	C	C-8	C

GENERAL CAPITAL FUND
STATEMENT OF CAPITAL IMPROVEMENT FUND

C-5

	<u>REF.</u>	
Balance December 31, 2016	C	<u>\$ 1,186</u>
Balance December 31, 2017	C	<u>\$ 1,186</u>

GENERAL CAPITAL FUND
STATEMENT OF RESERVE FOR DEBT SERVICE (MORAVIAN DISTILLERY)

C-6

	<u>REF.</u>	
Balance December 31, 2016	C	<u>\$ 118,633</u>
Balance December 31, 2017	C	<u>\$ 118,633</u>

GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

C-7

<u>IMPROVEMENT DESCRIPTION</u>	<u>NUMBER</u>	<u>ORDINANCE</u>		<u>BALANCE</u> <u>12/31/16</u>		<u>BALANCE</u> <u>12/31/17</u>	
		<u>DATE</u>	<u>AMOUNT</u>	<u>FUNDED</u>	<u>UNFUNDED</u>	<u>FUNDED</u>	<u>UNFUNDED</u>
Catch Basins	15-09	12/9/15	\$ 50,000	\$ 16,217		\$ 16,217	
				16,217	-	\$ 16,217	-
	REF.			C	C	C	C

GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES

C-8

<u>PURPOSE</u>	<u>ORIGINAL ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE 12/31/16</u>	<u>DECREASED</u>	<u>BALANCE 12/31/17</u>
Fire Truck, Property (Moravian Grange) Acquisition & Renovation, and Roadside Mower	2-27-07	2-2-2017	2-6-2018	1.520%	\$ 390,211	\$ 135,000	\$ 255,211
					\$ 390,211	\$ 135,000	\$ 255,211
REF.					C	C-4	C

GENERAL CAPITAL FUND
STATEMENT OF AMOUNTS DUE GRANTS FUND

C-9

	<u>REF.</u>	
Balance December 31, 2016	C	<u>\$ 28,346</u>
Balance December 31, 2017	C	<u>\$ 28,346</u>

SCHEDULE OF GENERAL FIXED ASSETS

GENERAL FIXED ASSETS
SCHEDULE OF ADDITIONS AND DELETIONS
DECEMBER 31, 2017

F-1

	<u>BALANCE</u> <u>12/31/16</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/17</u>
General Fixed Assets:				
Land	\$ 724,202			\$ 724,202
Buildings	1,014,533			1,014,533
Improvements Other Than Buildings	27,414			27,414
Machinery and Equipment	<u>1,360,406</u>	-	-	<u>1,360,406</u>
 Total General Fixed Assets	 <u>\$ 3,126,555</u>	 <u>-</u>	 <u>-</u>	 <u>\$ 3,126,555</u>
 Investment In General Fixed Assets	 <u>\$ 3,126,555</u>	 <u>-</u>	 <u>-</u>	 <u>\$ 3,126,555</u>

**PART III
SUPPLEMENTARY INFORMATION**

General Comments

**Report on Internal Control over Financial Reporting
and Compliance and Other Matters based on an
Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Schedule of Federal/State Awards

Status of Prior Audit Findings

Schedule of Findings and Responses

GENERAL COMMENTS

Scope of Audit

required by the Division of Local Government Services, covered the financial transactions of the Treasurer, Tax Collector, the activities of the Township and the records of the various outside departments.

Contracts and Agreements Requiring Advertisement for Bids

Effective March 30, 2000, N.J.S.A.40A:11-1 et.seq (Local Public Contracts Law) was revised by P.L.1999,c.440 (originally known as Assembly Bill No. 3519). Rules and regulations pertaining to the amended law are to be promulgated by the Division of Local Government Services.

N.J.S.A. 40A:11-3 is amended to read as follows:

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in the contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the governing body without public advertising for bids and bidding therefore, except that the governing body may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending before the Legislature as section 15 of this bill) of section 9 of P.L.1971,c.198(C.40A:11-9) the governing body may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (i) of paragraph (a) of subsection (1) of Section 5 of P.L.1971, C.198(C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.
- c. Commencing in the fifth year after the year in which P.L.1999,c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.18A:18A-2(pending before the Legislature as section 50 of this bill), and shall round the adjustment to the nearest \$1,000. The Governor shall notify all municipal units of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made.

N.J.S.A.40A:11-4 (as amended) states, "Every contract or agreement 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 to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law."

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A.40A:11-3(c) (as amended) is increased to \$40,000 for Qualified Purchasing Agents (QPA), and \$17,500 for units without QPA's.

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

The Minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.40A:11-5.

The system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not determine whether any clear-cut violations existed.

My examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the statutory thresholds "for the performance of any work or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method of 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, on January 4, 2017, adopted the following resolution authorizing interest to be charged on delinquent taxes:

"NOW, THEREFORE, BE IT RESOLVED that a grace period of 10 days for non-payment of taxes per R.S.54:4-67 is declared and that interest of 8% per annum for the first \$1,500 of delinquency and 18% per annum for any amount in excess of \$1,500 shall be charged, except that no interest shall be charged if payment of any installment is made within 10 days after the date upon which the same shall be payable."

Under provisions of C.75, P.L. 1991 (amending N.J.S. 54:4-67), enacted March 28, 1991, the definition of tax delinquency was defined as the sum of all taxes and municipal charges due on a given parcel or property covering any number of quarters or years. In addition, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six (6%) per cent of the amount of the delinquency.

The governing body, on January 4, 2017, adopted a resolution enabling the \$10,000 delinquency penalty provisions.

The audit of the Collector's records on a test basis indicated no differences between the amount of interest payable on delinquent tax payments, based on our calculations, and the amount of interest charged.

Delinquent Taxes and Tax Title Liens

The delinquent taxes at December 31, 2017, include only real property items on the 2017 and 2016 tax levies.

The last tax sale was held on February 2, 2017 and was complete.

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

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

<u>Year</u>	<u>Number of Liens</u>
2017	7
2016	6
2015	13

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

Verification of Delinquent Taxes and Other Charges

Verification notices were mailed to confirm balances as of November 15, 2017. The items that were returned were compared to and are in agreement with the Township's records. For items not returned, alternative procedures were performed.

A test verification of delinquent charges and current payments was made in accordance with verification procedures approved by the Division of Local Government Services. A summary of such verification is as follows:

Type of Receivable - Real Property Tax				
Date of Circulars - November 15, 2017				
<u>Verification Type</u>	<u>Request Form</u>	<u>Total No. of Items</u>	<u>Total No. of Circular</u>	<u>Total No. Returned</u>
2017 Property Tax	Positive	1,218	60	15
2018 Property Tax	Positive	1,218	60	15
2017 Delinquent Tax	Negative	461	25	8

Technical Accounting Directives

During the calendar year 1984, the Division of Local Government Services initiated as part of the Single Audit Law, a planned revision of the Requirements of Audit to provide new accounting requirements mandated for most local government units. The revision to the Requirements of Audit and Accounting would be in order to improve fiscal accountability for all local governments, satisfy federal-state audit requirements and enhance the credibility for New Jersey municipal accounting practices with federal-state funding sources and bond rating agencies. The new requirements for most local units started January 1, 1986, unless exemption, based upon amount of federal aid received and population size, was formally secured. The Division in 1988 notified those exempted municipal units of a transition requirement for fully implementation of all accounting directives beginning in the 1989 fiscal periods. The identity and compliance status of the Township of Hope to these new directives are as follows:

<u>Requirement</u>	FY 2017 Required	
	<u>Yes</u>	<u>No</u>
A. General Ledger Accounting System	X	
B. Encumbrance Accounting	X	
C. Purchase Order System	X	
D. Fixed Asset Accounting and Reporting System	X	

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

REVENUE AND OTHER INCOME REALIZED

	<u>YEAR 2017</u>	<u>%</u>	<u>YEAR 2016</u>	<u>%</u>
Fund Balance Utilized	\$ 145,000	2.03%	\$ 99,487	1.39%
Miscellaneous - From Other Than				
Local Property Tax Levies	624,837	8.76%	625,922	8.72%
Collection of Delinquent Taxes and				
Tax Title Liens	90,051	1.26%	84,261	1.17%
Collection of Current Tax Levy	6,206,244	87.05%	6,309,072	87.91%
Other Credits to Income	<u>63,741</u>	<u>0.89%</u>	<u>58,385</u>	<u>0.81%</u>
Total Income	<u>7,129,873</u>	<u>100.00%</u>	<u>7,177,127</u>	<u>100.00%</u>

EXPENDITURES

Budget Expenditures:				
Municipal Purposes	1,438,261	20.70%	1,274,019	18.70%
County Taxes	1,692,880	24.36%	1,731,716	25.42%
Local Taxes	3,801,160	54.71%	3,805,616	55.87%
Interfund Advances	<u>16,010</u>	<u>0.23%</u>	<u>-</u>	<u>0.00%</u>
Total Expenditures	<u>\$ 6,948,311</u>	<u>100.00%</u>	<u>\$ 6,811,351</u>	<u>100.00%</u>
Excess in Revenue	181,562		365,776	
Adjustments to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute				
Deferred Charges to Budget of Succeeding Year	<u>-</u>		<u>-</u>	
Statutory Excess To Fund Balance	181,562		365,776	
Fund Balance January 1	476,323		210,034	
Less:				
Utilization as Anticipated Revenue	<u>145,000</u>		<u>99,487</u>	
Fund Balance December 31	<u>\$ 512,885</u>		<u>\$ 476,323</u>	

Comparative Schedule of Tax Rate Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	<u>\$2.541</u>	<u>\$2.529</u>	<u>\$2.512</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	\$0.335	\$0.326	\$0.324
Municipal Open Space	\$0.020	\$0.020	\$0.040
County	\$0.673	\$0.683	\$0.659
Local School	\$1.513	\$1.501	\$1.489

Assessed Valuation:

<u>Year</u>	<u>Amount</u>
2017	\$251,290,125
2016	\$253,549,767
2015	\$255,605,320

Comparison of Tax Levies and Collection Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2017	\$ 6,396,764	\$6,206,244	97.02%
2016	\$ 6,416,706	\$6,309,072	98.32%
2015	\$ 6,423,200	\$6,311,323	98.25%

Delinquent Taxes and Tax Title Liens

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>Dec.31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2017	\$ 198,548	\$ 70,487	\$ 269,035	4.21%
2016	\$ 191,182	\$ 78,954	\$ 270,136	4.21%
2015	\$ 276,788	\$ 62,664	\$ 339,452	5.28%

Property Acquired by Tax Title Lien Liquidation

The value of property acquired by liquidation of tax title liens on Decemer 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2017	\$858,700
2016	\$858,700
2015	\$441,700

Comparitive Schedule of Fund Balances

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized In Budget of Succeeding Year Regular</u>
2017	\$ 512,885	\$ 169,948
2016	\$ 476,323	\$ 145,000
2015	\$ 210,034	\$ 99,487
2014	\$ 151,304	\$ 141,304
2013	\$ 203,502	\$ 170,000
2012	\$ 244,098	\$ 193,430

Officials in Office and Surety Bonds

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name Of Corporate Surety</u>
Timothy C. McDonough	Mayor		
John Kruk	Committeeperson		
George H. Beatty	Committeeperson		
Judith Fisher	Municipal Clerk	\$35,000	Selective Insurance Co.
Robin Keggan	Deputy Clerk		
Kathleen Reinalda	Certified Municipal Finance Officer	\$95,000	Selective Insurance Co.

Officials in Office and Surety Bonds (Continued)

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name Of Corporate Surety</u>
Stephen J. Lance	Collector; Tax Search Officer	\$95,000	Selective Insurance Co.
Karen M. Bartlett-Lance	Assistant Tax Collector	\$25,000	Selective Insurance Co.
Michael Selvaggi	Attorney		
Richard Motyka	Assessor		
George Boesze	Zoning Officer		
Alan DeCarolis	Animal Control Officer		
Alfia Schemm	Planning Board Secretary; Zoning Board of Adjustment Secretary		
Robin Keggan	Secretary to Environmental Commission		

The minimum bond coverage for the Tax Collector and Municipal Court based on prior year tax levies is as follows:

All other officials handling monies were bonded by blanket bond coverage in the amount of \$10,000 under faithful performance blanket bond position as provided by the Selective Insurance

<u>Year</u>	<u>Tax Collector</u>	<u>Municipal Court</u>
2017	\$95,558	\$18,890

All the bonds were examined and were properly executed.



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Anthony Ardito, CPA, RMA, CMFO, PSA
Douglas R. Williams, CPA, RMA, PSA

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

Independent Auditor's Report

The Honorable Mayor and
Members of the Township Committee
Township of Hope
P.O. Box 284
County of Warren, New Jersey
Hope, New Jersey 07844

We have audited, in accordance with 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; and audit requirements as prescribed by the Division of Local Governments Services, Department of Community Affairs, State of New Jersey, the regulatory-basis financial statements of the Township of Hope in the County of Warren, State of New Jersey, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Township of Hope's basic financial statements, and have issued our report thereon dated March 31, 2018, which indicated that the financial statements have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

-Continued-

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 entity'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 have not been identified.

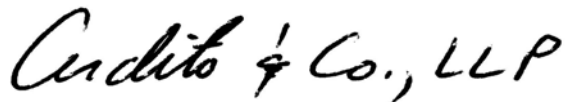
Compliance and Other Matters

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

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'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARDITO & CO., LLP



Frenchtown, New Jersey
March 31, 2018



Certified Public Accountant
Registered Municipal Accountant No.524
ARDITO & CO., LLP
Frenchtown, New Jersey
March 31, 2018

SCHEDULE OF FEDERAL/STATE AWARDS

**SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2017**

STATE GRANTOR/ PROGRAM TITLE	ACCOUNT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD	FUND REF.	CASH (ACCRUED) OR DEFERRED REVENUE			CASH (ACCRUED) OR DEFERRED REVENUE		
					BALANCE AT 1/1/17	RECEIPTS PROGRAM	OTHER	DISBURSEMENTS	BALANCE AT 12/31/17	
<u>DEPT. OF COMMUNITY AFFAIRS</u>										
Municipal Alliance Program N.J.S.40A:11-5(a)	N/A	\$ 3,484	2017	A		\$ 3,484			\$ 3,484	
Municipal Alliance Program N.J.S.40A:11-5(a)	N/A		2016	A	\$ 360				360	
Municipal Alliance Program N.J.S.40A:11-5(a)	N/A		2015	A	14,692		\$ 1,090		13,602	
<u>DEPT. OF ENVIR. PROTECTION</u>										
Solid Waste Admin.- Clean Communities Program	4900-765-178900	7,069	2017	A		7,069		5,770	1,299	
Clean Communities Program		8,321	2016	A	1,810			1,810	-	
<u>DEPT. OF PUBLIC SAFETY</u>										
Drunk Driving Enforcement Fund	4250-760-050000-63		Prior Years	A	1,441				1,441	
<u>DEPT. OF TRANSPORTATION</u>										
NJ Transportation Fund Authority Act Jenny Jump Road	N/A	180,000	2017	A		97,181		111,279	(14,098)	
Honey Run Road	N/A	261,500	2014	A	(4,953)				(4,953)	
Moravian Grange	N/A	29,519	2014	A	7,411				7,411	
Smith & Green Streets	N/A	91,000	2015	A	1,248	1			1,249	
<u>OTHER LOCAL AIDS</u>										
Recycling Grant	N/A	2,397	2017	A		2,397			2,397	
Recycling Grant	N/A	1,335	2016	A	810			810	-	
Recycling Grant	N/A	1,002	2014	A	1			1	-	
Sustainable New Jersey Grant	N/A	5,000	2017	A		5,000		70	4,930	
Generator Grant	N/A	12,500	2017	A				12,500	(12,500)	
Generator Grant	N/A	11,250	2015	A	(11,250)	11,250			-	
ANJEC Grant	N/A	1,500	2015	A	1,500				1,500	
TOTAL STATE ASSISTANCE						\$ 13,070	\$ 126,382	-	\$ 133,330	\$ 6,122

Note: This Schedule was not subject to an audit in accordance with NJ OMB Circular 15-08

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

TOWNSHIP OF HOPE

NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2017

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards present the activity of all federal and state award programs of the Township of Hope. The Township of Hope is defined in Note 1 to the Township's financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies, are included on the schedules of expenditures of federal and state awards.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of State Awards are presented using the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of federal OMB Uniform Guidance, Audits of States, Local Governments and Nonprofit Organizations. However, the Township was not subject to the single audit provisions of Federal OMB Uniform Guidance or New Jersey OMB Circular NJOMB 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid for 2017 as grant expenditures were less than the single audit thresholds of \$750,000, identified in the Circulars.

NOTE 3. RELATIONSHIP TO THE FINANCIAL STATEMENTS

The accompanying Schedules of Expenditures of Federal and State Awards are presented using the modified accrual basis of accounting. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

STATUS OF PRIOR AUDIT FINDINGS

STATUS OF PRIOR AUDIT FINDINGS

Prior Year Occurrence

2016-1* We recommend all statutory means should be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis.

Finding is Repeated in 2017

2016-2* We recommend the Township review the statutory minimum amount required for employee surety bonds on an annual basis.

Finding is Repeated in 2017

(*) Prior Year Finding

SCHEDULE OF FINDINGS AND RESPONSES
GENERAL FINDINGS

SCHEDULE OF FINDINGS AND RESPONSES

GENERAL FINDINGS

YEAR ENDED DECEMBER 31, 2017

Summary of Auditor's Results

The Township prepares its financial statements in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The audit did not disclose any material weaknesses in the internal controls of the Township.

The audit did not disclose any noncompliance that is material to the financial statements of the Township.

The Township was not subject to the single audit provisions of Federal OMB Uniform Guidance and New Jersey OMB Circular NJOMB 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid for 2017 as grant expenditures were less than the single audit thresholds of \$750,000, identified in the Circulars.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

Finding

2017-1 * Over \$198,000 of tax title liens remain outstanding as of December 31, 2017. Property tax levies on these properties are added to liens in excess of \$15,000 annually, of which the township has to bear the full cost of the related local school and county tax levies.

Although significant liquidation progress has been made in 2017 and 2015, we recommend all statutory means be utilized to liquidate the remaining four significant tax title liens in order to get those properties back on a taxpaying basis.

2017-2 * The statutory employee surety bond for the Tax Collector of \$95,000 is slightly under the statutory amount required of \$95,542.

We recommend the Township review the statutory minimum amount required for employee surety bonds on an annual basis.

(*) Prior Year Finding