

**TOWNSHIP OF ELK
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2018**

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PART I

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Township Committee
Township of Elk
680 Whig Lane Road
Monroeville, New Jersey 08343

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account groups of the Township of Elk, as of December 31, 2018 and 2017, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Township of Elk's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Township of Elk on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Township of Elk as of December 31, 2018 and 2017, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2018 and 2017, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2018, in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

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

The supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2019, on our consideration of the Township of Elk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Elk's internal control over financial reporting and compliance.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

August 1, 2019

CURRENT FUND

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2018	Balance Dec. 31, 2017
ASSETS			
Regular Fund:			
Cash - Chief Financial Officer	A-4	\$ 3,338,336.16	\$ 3,804,985.02
Change Fund		150.00	150.00
Investment - Bond Anticipation Note	A-4	478,800.00	
		<u>3,817,286.16</u>	<u>3,805,135.02</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-8	446,529.44	584,043.64
Tax Title Liens Receivable	A-9	952,537.31	799,764.22
Property Acquired for Taxes - Assessed Valuation	A-10	1,516,730.00	1,516,730.00
Demolition Liens Receivable	A-7	27,760.00	35,970.00
Revenue Accounts Receivable	A-11	6,125.51	4,464.06
Due from Trust Other	B	1,321.09	752.76
Due Payroll Agency Trust	B	3.40	
Due from Animal Control Trust Fund	B	696.56	696.56
		<u>2,951,703.31</u>	<u>2,942,421.24</u>
		<u>6,768,989.47</u>	<u>6,747,556.26</u>
Federal and State Grant Fund:			
Cash - Chief Financial Officer	A-4	1,708.69	1,703.59
Grants Receivable	A-6	108,315.49	148,310.51
Due from Current Fund	A	68,434.33	230,608.65
		<u>178,458.51</u>	<u>380,622.75</u>
		<u>\$ 6,947,447.98</u>	<u>\$ 7,128,179.01</u>

The accompanying notes to the financial statement are an integral part of this statement.

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2018	Balance Dec. 31, 2017
LIABILITIES, RESERVES, AND FUND BALANCE			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-12	\$ 488,243.56	\$ 553,657.50
Encumbrances Payable	A-13	34,978.66	33,253.22
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-14	10,574.19	11,074.19
Prepaid Taxes	A-5	130,219.65	344,707.63
Tax Overpayments		24,572.83	25,111.88
Reserve for Street Openings		65,774.97	61,737.37
Reserve for Revaluation		23,902.17	23,902.17
Reserve for Codification of Ordinances and Preparation of Master Plan		8,843.03	8,843.03
Due County for Added & Omitted Taxes	A-8	28,767.86	43,237.39
Local School Tax Payable	A-15	437,054.52	229,040.19
Regional High School Tax Payable	A-16	161,779.81	161,199.75
Due State of New Jersey - Fees		1,395.00	2,308.00
Due Trust Other - Off-Duty Police	B	290,132.38	234,958.21
Due Payroll Agency Trust			1,858.72
Due Federal and State Grant Fund	A	68,434.33	230,608.65
		<u>1,774,672.96</u>	<u>1,965,497.90</u>
Reserve for Receivables		2,951,703.31	2,942,421.24
Fund Balance	A-1	2,042,613.20	1,839,637.12
		<u>6,768,989.47</u>	<u>6,747,556.26</u>
Federal and State Grant Fund:			
Encumbrances Payable	A-13	61,803.95	205,915.60
Reserve for Grants - Appropriated	A-17	105,877.23	154,026.23
Reserve for Grants - Unappropriated	A-18	10,777.33	20,680.92
		<u>178,458.51</u>	<u>380,622.75</u>
		<u>\$ 6,947,447.98</u>	<u>\$ 7,128,179.01</u>

The accompanying notes to the financial statement are an integral part of this statement.

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

	Ref.	Year 2018	Year 2017
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$ 674,671.47	\$ 580,622.43
Miscellaneous Revenue Anticipated	A-2	963,844.03	1,110,428.38
Receipts from Delinquent Taxes	A-2	556,668.03	614,274.30
Receipts from Current Taxes	A-2	12,443,858.21	11,906,098.48
Non-Budget Revenue	A-2	251,310.24	195,487.99
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-12	467,439.17	286,557.52
Encumbrances Canceled			2,119.11
Tax Overpayment Canceled			3.69
Interfund Loans Returned		2,611.48	125.73
Federal and State Grant Reserves Canceled	A-17	57,730.37	
Total Income		<u>15,418,133.00</u>	<u>14,695,717.63</u>
Expenditures			
Budget Appropriations Within "CAPS":			
Operations:			
Salaries and Wages	A-3	1,581,530.00	1,588,030.00
Other Expenses	A-3	1,836,990.00	1,829,492.00
Deferred Charges and Statutory Expenditures	A-3	455,928.00	410,267.00
Budget Appropriations Excluded from "CAPS":			
Operations:			
Salaries and Wages	A-3	76,900.00	115,000.00
Other Expenses	A-3	53,056.92	50,341.82
Capital Improvements	A-3	190,000.00	240,000.00
Debt Service	A-3	436,200.00	396,387.50
Deferred Charges	A-3	53,200.00	
County Taxes	A-8	2,797,047.16	2,750,668.61
Due County for Added Taxes	A-8	28,767.86	43,237.39
Regional High School Tax	A-16	3,506,494.00	3,472,084.00
Local District School Tax	A-15	3,433,041.00	3,019,554.00
Prior Year Deduction Disallowed			3,371.92
Prior Year Refund	A-4	520.00	2,257.40
Prior Year Insurance Claims			3,282.42
Federal and State Grant Receivables Canceled	A-6	90,810.51	
Total Expenditures		<u>14,540,485.45</u>	<u>13,923,974.06</u>

The accompanying notes to the financial statements are an integral part of this statement.

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

	Ref.	<u>Year 2018</u>	<u>Year 2017</u>
Statutory Excess to Fund Balance		877,647.55	771,743.57
Fund Balance			
Balance January 1	A	<u>1,839,637.12</u>	<u>1,648,515.98</u>
		2,717,284.67	2,420,259.55
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>674,671.47</u>	<u>580,622.43</u>
Balance December 31	A	<u><u>\$ 2,042,613.20</u></u>	<u><u>\$ 1,839,637.12</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES - CURRENT FUND - REGULATORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	Special NJSA 40A:4-87		
Fund Balance Anticipated	A-1	\$ 674,671.47		\$ 674,671.47	
Miscellaneous Revenues:					
Fines and Costs:					
Municipal Court	A-11	85,000.00		103,397.05	\$ 18,397.05
Interest and Costs on Taxes	A-11	120,000.00		113,413.06	(6,586.94)
Energy Receipts Tax	A-11	362,315.00		362,315.00	
Uniform Construction Code Borough of Clayton -	A-11	63,300.00		76,798.00	13,498.00
Court Reimbursement	A-11	103,500.00		103,500.00	
NJ Department of Transportation	A-6	180,000.00		180,000.00	
Click It or Ticket	A-6		\$ 1,540.00	1,540.00	
Recycling Tonnage Grant	A-6	9,485.46		9,485.46	
Clean Communities Program	A-6	11,195.46		11,195.46	
U Text U Drive U Pay	A-6		2,200.00	2,200.00	
Total Miscellaneous Revenues		934,795.92	3,740.00	963,844.03	25,308.11
Receipts from Delinquent Taxes	A-2	600,000.00		556,668.03	(43,331.97)
Subtotal General Revenues		2,209,467.39	3,740.00	2,195,183.53	(18,023.86)
Amount to be Raised by Taxation	A-2	3,250,130.00		3,458,040.66	207,910.66
Budget Totals		5,459,597.39	3,740.00	5,653,224.19	\$ 189,886.80
Non-Budget Revenue	A-2			251,310.24	
		\$ 5,459,597.39	\$ 3,740.00	\$ 5,904,534.43	
Ref.		A-3	A-3		

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES - CURRENT FUND - REGULATORY BASIS

Analysis of Realized Revenue		
	Ref.	
Allocation of Current Tax Collections:		
Revenue from Collections	A-8	\$ 12,443,858.21
Allocated to:		
School, County, and Municipal Open Space Taxes	A-8	9,765,350.02
Balance for Support of Municipal Budget Appropriation		<u>2,678,508.19</u>
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	779,532.47
Amount for Support of Municipal Budget Appropriation	A-2	<u>\$ 3,458,040.66</u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collection	A-8	\$ 496,345.74
Tax Title Liens	A-9	60,322.29
	A-2	<u>\$ 556,668.03</u>

Analysis of Non-Budget Revenue		
Miscellaneous Revenue Not Anticipated:		
Revenue Accounts Receivable:		
Interest on Investments	A-11	\$ 13,391.19
Fees and Permits	A-11	81,437.21
Cell Tower	A-11	52,047.48
Cable TV Franchise Fees	A-11	23,181.00
Abandoned Property Fees	A-11	24,880.00
Forfeited Premiums	A-11	3,600.00
Liquor License	A-11	2,500.00
DMV Fines	A-11	4,031.50
Newfield Court Fees	A-11	9,782.75
Refunds	A-11	27,300.85
Miscellaneous	A-11	138.26
Demolition Liens	A-7	9,020.00
	A-2	<u>\$ 251,310.24</u>

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries & Wages	\$ 41,100.00	\$ 41,100.00	\$ 37,399.47		\$ 3,700.53
Other Expenses	3,150.00	5,150.00	3,199.64	\$ 282.04	1,668.32
Equipment Maintenance	5,000.00	5,000.00	4,907.87		92.13
Mayor and Township Committee					
Salaries & Wages	3,680.00	3,680.00	2,240.00		1,440.00
Other Expenses	3,600.00	3,600.00	1,720.00		1,880.00
Municipal Clerk's Office					
Salaries & Wages	59,000.00	59,000.00	54,547.86		4,452.14
Other Expenses	30,100.00	30,100.00	22,143.88	218.33	7,737.79
Elections					
Other Expenses	5,500.00	5,500.00	1,741.52		3,758.48
Financial Administration					
Salaries & Wages	46,500.00	46,500.00	45,243.12		1,256.88
Other Expenses	34,475.00	34,475.00	17,164.99	92.45	17,217.56
Audit Services					
Other Expenses	28,000.00	28,000.00	26,045.25		1,954.75
Collection of Taxes					
Salaries & Wages	33,000.00	33,000.00	29,867.19		3,132.81
Other Expenses	8,400.00	8,400.00	4,652.14	34.58	3,713.28
Liquidation of Tax Title Liens & Foreclosed Property					
Other Expenses	500.00	500.00			500.00
Maintenance of Foreclosed Property					
Other Expenses	5,000.00	5,000.00			5,000.00
Legal Services and Costs					
Other Expenses	65,000.00	78,000.00	66,371.98	3,518.16	8,109.86

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended	
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved
Engineering Services and Costs				
Other Expenses	30,000.00	40,000.00	34,390.94	5,609.06
Economic Development				
Other Expenses	700.00	700.00		700.00
LAND USE ADMINISTRATION				
Municipal Land Use Law (NJSA 40:55D-1)				
Planning Board				
Salaries and Wages	30,500.00	30,500.00	28,061.28	2,438.72
Other Expenses	24,200.00	24,200.00	20,741.03	17.50 3,441.47
Zoning Office				
Salaries and Wages	5,000.00	5,000.00	2,652.00	2,348.00
Other Expenses	1,600.00	1,600.00	635.12	964.88
INSURANCE				
Liability Insurance	60,000.00	55,000.00	46,307.00	8,693.00
Workmen's Compensation	96,000.00	96,000.00	93,000.00	3,000.00
Group Insurance Plan for Employees	461,000.00	448,000.00	411,923.83	36,076.17
Health Benefit Waiver	14,000.00	14,000.00	11,977.36	2,022.64
PUBLIC SAFETY FUNCTIONS				
Police				
Salaries and Wages	1,173,650.00	1,173,650.00	1,076,844.95	96,805.05
Other Expenses	99,700.00	99,700.00	48,142.38	594.97 50,962.65
Office of Emergency Management				
Salaries and Wages	3,000.00	3,000.00	2,562.92	437.08
Other Expenses	2,000.00	2,000.00	157.21	1,842.79
Aid to Volunteer Fire Companies				
Other Expenses	86,500.00	86,500.00	74,614.88	11,885.12
First Aid Organizations - Contributions	4,165.00	4,165.00	4,165.00	
Hepatitis Shots	500.00	500.00		500.00
OSHA (P.L. 983, Chapter 156)				
Fire				
Other Expenses	15,000.00	15,000.00	13,323.40	1,676.60
Prosecutor				
Other Expenses	15,000.00	15,000.00	15,000.00	

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
PUBLIC WORKS FUNCTIONS					
Road Repairs & Maintenance					
Salaries & Wages	83,000.00	83,000.00	69,378.34		13,621.66
Other Expenses	27,700.00	27,700.00	25,572.84	148.22	1,978.94
Road Signs					
Other Expenses	2,000.00	2,000.00	1,218.61		781.39
Vehicle Maintenance					
Other Expenses	77,000.00	72,000.00	37,846.25	756.17	33,397.58
Snow Removal					
Salaries & Wages	5,000.00	5,000.00			5,000.00
Other Expenses	15,000.00	15,000.00	2,152.58		12,847.42
Solid Waste Collection					
Contractual	225,000.00	220,000.00	200,304.37	18,110.22	1,585.41
State Fees	500.00	500.00			500.00
Miscellaneous Other Expenses	500.00	500.00			500.00
Public Buildings and Grounds					
Other Expenses	38,000.00	41,000.00	33,111.45	4,996.31	2,892.24
HEALTH & HUMAN SERVICES					
Board of Health					
Other Expenses	500.00	500.00			500.00
Registrar of Vital Statistics					
Other Expenses	400.00	400.00			400.00
Environmental Commission					
Other Expenses	1,500.00	1,500.00	464.00		1,036.00
Agriculture Board					
Other Expenses	500.00	500.00			500.00
Animal Control					
Other Expenses	1,000.00	1,000.00			1,000.00
PARK & RECREATION FUNCTIONS					
Recreation					
Other Expenses	2,000.00	2,000.00	2,000.00		
Senior Center					
Other Expenses	1,000.00	1,000.00	1,000.00		

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
OTHER COMMON OPERATING FUNCTIONS					
Accumulated Leave Compensation	5,000.00	5,000.00	5,000.00		
Celebration of Public Event, Anniversary or Holiday					
Other Expenses	500.00	500.00			500.00
SOLID WASTE DISPOSAL COSTS					
Gloucester County Improvement Authority					
County Landfill Tipping Fees	165,000.00	165,000.00	135,582.26		29,417.74
UTILITY EXPENSES & BULK PURCHASES					
Electricity	58,000.00	58,000.00	42,807.07		15,192.93
Street Lighting	8,000.00	8,000.00	4,137.44	28.64	3,833.92
Telephone	25,000.00	25,000.00	18,845.71	1,091.27	5,063.02
Gas (Natural or Propane)	3,500.00	3,500.00	3,237.93		262.07
Hydrants	15,000.00	15,000.00	6,023.99		8,976.01
Gasoline	50,000.00	50,000.00	33,606.09	572.83	15,821.08
MUNICIPAL COURT FUNCTIONS					
Municipal Court					
Salaries & Wages	43,100.00	43,100.00	36,093.50		7,006.50
Public Defender					
Other Expenses	6,000.00	6,000.00	3,865.00		2,135.00
UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (NJAC 5:23-4.17)					
Construction Code Officials					
Salaries & Wages	55,000.00	55,000.00	53,874.84		1,125.16
Other Expenses	8,300.00	8,300.00	4,468.66	34.97	3,796.37
Total Operations Within "CAPS"	3,417,520.00	3,417,520.00	2,922,335.14	30,496.66	464,688.20
Contingent	1,000.00	1,000.00			1,000.00
Total Operations Including Contingent Within "CAPS"	3,418,520.00	3,418,520.00	2,922,335.14	30,496.66	465,688.20
Salaries & Wages	1,581,530.00	1,581,530.00	1,438,765.47		142,764.53
Other Expenses	1,836,990.00	1,836,990.00	1,483,569.67	30,496.66	322,923.67

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended	
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved
DEFERRED CHARGES & STATUTORY EXPENDITURES				
Statutory Expenditures:				
Contribution to:				
Public Employees' Retirement System	53,836.00	53,836.00	53,836.00	
Social Security System (OASI)	131,000.00	131,000.00	112,545.36	18,454.64
Police and Firemen's Retirement System of NJ	235,092.00	235,092.00	235,092.00	
Defined Contribution Retirement Program	1,000.00	1,000.00		1,000.00
Unemployment Compensation Insurance	35,000.00	35,000.00	35,000.00	
Total Deferred Charges & Statutory Expenditures Within "CAPS"	455,928.00	455,928.00	436,473.36	19,454.64
Total Appropriations Within "CAPS"	3,874,448.00	3,874,448.00	3,358,808.50	30,496.66 485,142.84
OPERATIONS EXCLUDED FROM "CAPS"				
SHARED SERVICE AGREEMENTS				
Municipal Alliance Program - Interlocal Service Agreement - Municipal Share Elk Joint Municipal Court	2,036.00	2,036.00		2,036.00
Salaries & Wages	76,900.00	76,900.00	76,900.00	
Other Expenses	26,600.00	26,600.00	25,535.28	1,064.72

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended	
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved
PUBLIC & PRIVATE PROGRAMS OFFSET BY REVENUES				
U Text U Drive U Pay		2,200.00	2,200.00	
Recycling Tonnage Grant	9,485.46	9,485.46	9,485.46	
Clean Communities Program	11,195.46	11,195.46	11,195.46	
Click It or Ticket		1,540.00	1,540.00	
Total Operations Excluded from "CAPS"	126,216.92	129,956.92	126,856.20	3,100.72
Salaries and Wages	76,900.00	76,900.00	76,900.00	
Other Expenses	49,316.92	53,056.92	49,956.20	3,100.72
CAPITAL IMPROVEMENTS				
Capital Improvement Fund	10,000.00	10,000.00	10,000.00	
NJ Transportation Trust Fund Authority Act	180,000.00	180,000.00	180,000.00	
Total Capital Improvements	190,000.00	190,000.00	190,000.00	
DEBT SERVICE				
Payment of Bond Principal	385,000.00	385,000.00	385,000.00	
Interest on Bonds	51,200.00	51,200.00	51,200.00	
Total Debt Service Excluded from "CAPS"	436,200.00	436,200.00	436,200.00	
DEFERRED CHARGES EXCLUDED FROM "CAPS"				
Deferred Charges to Future Taxation - Unfunded: Ordinance #3-2017 - Purchase of Fire Truck	53,200.00	53,200.00	53,200.00	
Total Appropriations Excluded from "CAPS"	805,616.92	809,356.92	806,256.20	3,100.72

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended	
	Budget	Budget After Modifications		Encumbered	Reserved
Subtotal General Appropriations	4,680,064.92	4,683,804.92	4,165,064.70	30,496.66	488,243.56
RESERVE FOR UNCOLLECTED TAXES	779,532.47	779,532.47	779,532.47		
	<u>\$ 5,459,597.39</u>	<u>\$ 5,463,337.39</u>	<u>\$ 4,944,597.17</u>	<u>\$ 30,496.66</u>	<u>\$ 488,243.56</u>
Ref. A-2				A-13	A
Appropriation by 40A:4-87 Budget	Ref. A-2 A-3	\$ 3,740.00 5,459,597.39			
		<u>\$ 5,463,337.39</u>			
Reserve for Uncollected Taxes	Ref. A-2	\$ 779,532.47			
Reserve for Federal & State Grants - Appropriated	A-17	204,420.92			
Disbursed	A-4	3,960,643.78			
		<u>\$ 4,944,597.17</u>			

The accompanying notes to the financial statements are an integral part of this statement.

TRUST FUND

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2018	Balance Dec. 31, 2017
ASSETS			
Animal Control Trust Fund			
Cash - Chief Financial Officer	B-1	\$ 11,104.44	\$ 7,767.76
Open Space Preservation Fund			
Cash - Chief Financial Officer	B-1	195,926.68	195,339.84
Trust Other			
Cash - Chief Financial Officer	B-1	814,638.15	874,303.38
Cash - Collector	B-2	89,502.16	200,604.42
Due from Current Fund - Off-Duty Police	A	290,132.38	234,958.21
		<u>1,194,272.69</u>	<u>1,309,866.01</u>
Payroll Agency			
Cash - Chief Financial Officer	B-1	5,444.97	4,516.31
Due from Unemployment Trust			1,785.03
Due from Current Fund			1,858.72
		<u>5,444.97</u>	<u>8,160.06</u>
		<u>\$ 1,406,748.78</u>	<u>\$ 1,521,133.67</u>
LIABILITIES, RESERVES, AND FUND BALANCE			
Animal Control Trust Fund			
Due Current Fund	A	\$ 696.56	\$ 696.56
Due State of New Jersey			15.60
Reserve for Dog Fund Expenditures	B-3	10,407.88	7,055.60
		<u>11,104.44</u>	<u>7,767.76</u>
Open Space Preservation Fund			
Reserve for Open Space Preservation		195,926.68	195,339.84
Trust Other			
Due Current Fund	A	1,321.09	752.76
Due Payroll Agency Trust			1,785.03
Reserve for:			
Premiums Received at Tax Sale		88,200.00	195,800.00
Deposits for Redemption of Liens			4,070.59
Unemployment Compensation		52,474.06	33,465.48
Accumulated Absence		27,616.95	22,616.95
Public Defender		7,650.61	6,784.61
Affordable Housing		210,049.79	185,996.98
Storm Recovery		43,000.00	43,000.00
Developer's Escrow		473,827.81	580,635.40
Off-Duty Police		290,132.38	234,958.21
		<u>1,194,272.69</u>	<u>1,309,866.01</u>
Payroll Agency			
Due Current Fund	A	3.40	
Reserve for Agencies		5,441.57	8,160.06
		<u>5,444.97</u>	<u>8,160.06</u>
		<u>\$ 1,406,748.78</u>	<u>\$ 1,521,133.67</u>

The accompanying notes to the financial statements are an integral part of this statement.

GENERAL CAPITAL FUND

COMPARATIVE BALANCE SHEET - GENERAL CAPITAL FUND - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2018	Balance Dec. 31, 2017
ASSETS			
Cash - Chief Financial Officer	C-2	\$ 610,590.30	\$ 368,729.93
Deferred Charges to Future Taxation:			
Funded		1,400,000.00	1,785,000.00
Unfunded	C-4	794,050.00	847,250.00
		<u>\$ 2,804,640.30</u>	<u>\$ 3,000,979.93</u>
LIABILITIES, RESERVES, AND FUND BALANCE			
Bonds Payable	C-8	\$ 1,400,000.00	\$ 1,785,000.00
Bond Anticipation Notes Payable	C-9	478,800.00	
Improvement Authorizations:			
Funded	C-6	309,248.35	340,209.68
Unfunded	C-6	105,059.26	105,059.26
Encumbrance Payable	C-7	341,883.00	611,061.30
Capital Improvement Fund	C-5	136,063.95	126,063.95
Reserve for Purchase of Fire Equipment		1,887.24	1,887.24
Reserve for Installation of Traffic Signals		12,000.00	12,000.00
Reserve for Improvements to Municipal Roads		19,197.50	19,197.50
Fund Balance	C-1	501.00	501.00
		<u>\$ 2,804,640.30</u>	<u>\$ 3,000,979.93</u>

EXHIBIT C-1

STATEMENT OF FUND BALANCE - GENERAL CAPITAL FUND - REGULATORY BASIS

	Ref.	
Balance December 31, 2017	C	\$ 501.00
Balance December 31, 2018	C	<u>\$ 501.00</u>

The accompanying notes to the financial statements are an integral part of this statement.

GENERAL FIXED ASSETS

STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS

	Balance Dec. 31, 2018	Balance Dec. 31, 2017
General Fixed Assets:		
Buildings	\$ 413,600.00	\$ 413,600.00
Improvements Other than Buildings	283,975.00	283,975.00
Machinery and Equipment	316,839.54	311,972.40
Vehicles	1,146,563.49	1,146,563.49
	<u>\$ 2,160,978.03</u>	<u>\$ 2,156,110.89</u>
Investment in General Fixed Assets	<u>\$ 2,160,978.03</u>	<u>\$ 2,156,110.89</u>

The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS
(Regulatory Basis)

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Elk was incorporated in 1891 and is located in Gloucester County, New Jersey.

The Township is governed by an elected five member committee. The members appoint a Mayor from amongst themselves to serve for a one year term.

The financial statements of the Township included every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township, as required by NJSA 40A:5-5.

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

B. Description of Funds and Account Groups

The accounting policies of the Township 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 accounts for its transactions through the following separate funds and accounts as presented below. This presentation differs from the three fund, two account group presentation, as required by GAAP.

Current Fund - Resources and expenditures for governmental operations of a general nature, including Federal and State Grant Funds.

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

General Capital Fund - Receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund. In addition, the fund is used to track the status of debt authorized for capital projects.

General Fixed Assets - All fixed assets used in Governmental Fund type operations are accounted for in the General Fixed Asset Account Group, rather than in Governmental Funds.

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

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

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

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Receipts from federal and state grants are realized as revenue when anticipated in the Township budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. Fund balance utilized to balance the budget is recorded as revenue and budgeted transfers from other funds are also recorded as revenue when anticipated in the budget. This method of revenue recognition differs from accounting principles generally accepted in the United States of America which recognizes revenue in the accounting period in which it is earned net of allowances for doubtful accounts.

Expenditures - are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods and 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 31 of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Grant appropriations are charged upon budget adoption to create separate spending reserves. Budgeted transfers to other funds are recorded as expenditures when the budget is adopted to the extent permitted or required by law. Appropriations for principal payments on outstanding General Capital and Utility Capital Bonds and Notes are provided on the cash basis; interest on General Capital Indebtedness is on the cash basis while interest on Utility Capital Indebtedness is on the accrual basis. This method differs from accounting principles generally accepted in the United States of America which requires that expenditures be recorded when services are rendered or goods are received.

Under accounting principles generally accepted in the United States of America appropriation reserves do not exist and encumbrances do not constitute expenditures.

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

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Property Taxes (Continued) - The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county. The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Township's annual budget protects the Township from those taxes not paid. The minimum amount of the reserve is determined by the percentage of collections experienced in the preceding year and is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. Under accounting principles generally accepted in the United States of America, a "Reserve for Uncollected Taxes" would not be an appropriation.

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

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Under accounting principles generally accepted in the United States of America, foreclosed property would be recorded at historical cost and no reserve would be provided.

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. Under accounting principles generally accepted in the United States of America, interfunds are not reserved.

Insurance - Cost of insurance for all funds are recorded as expenditures at the time of payment. Under accounting principles generally accepted in the United States of America, insurance costs chargeable to future periods would be recorded as prepayments on the balance sheet.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. Under accounting principles generally accepted in the United States of America, inventory would be recorded as an asset on the balance sheet.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the Township has developed a fixed asset accounting and reporting system.

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

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets (Continued) - 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 recorded at historical cost or estimated historical cost if actual historical cost is not available except for land, which is valued at estimated market value on the date of acquisition. The Township capitalizes fixed assets with an original cost in excess of \$1,000.00.

No depreciation has been provided for in the financial statements.

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

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

General Long-Term Debt - General Long-Term Debt is accounted for in the General Capital Fund. Accounting principles generally accepted in the United States of America require General Long-Term Debt to be accounted for in the General Long-Term Debt Account Group.

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

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.

D. Comparative Data

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

E. Recent Accounting Pronouncements Not Yet Effective

Statement No. 83, "Certain Asset Retirement Obligations." This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's). The Statement is effective for period's beginning after June 15, 2018. Management has not yet determined the impact of this Statement on the financial statements.

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Recent Accounting Pronouncements Not Yet Effective (Continued)

Statement No. 84, "Fiduciary Activities." The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement is effective for reporting periods beginning after December 15, 2018. Management has not yet determined the impact of this Statement on the financial statements.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, "Leases." This Statement, which is effective for periods beginning after December 15, 2019. Management has not yet determined the impact of this Statement on the financial statements.

In April 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements." This Statement, which is effective for periods beginning after June 15, 2018. Management has not yet determined the impact of this Statement on the financial statements.

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89, "Accounting for Interest Costs Incurred before the end of a Construction Period." This Statement, which is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the District's financial reporting.

In August 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 90, "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61." This Statement, which is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the District's financial reporting.

NOTE 2: BUDGETARY INFORMATION

The Township must adopt an annual budget in accordance with NJSA 40A:4 et seq. This budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. This protects the Township from taxes not paid currently. Once approved, the Township may make emergency appropriations for a purpose which is not foreseen at the time the budget is adopted per NJSA 40A:4-46 and 54. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety or welfare prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. Budget transfers between appropriation accounts are prohibited until the last two months of the year. Budget transfers during the year were not significant. After approval from the Director, the Township can also make amendments for any special item of revenue made available by any public or private funding source as per NJSA 40A:4-87.

The Township amended the budget during the year by the insertion of a Special Item of Revenue in the amount of \$3,740.00 as detailed on Exhibit A-2.

TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017

NOTE 3: CASH

Custodial Credit Risk – Deposits

Custodial Credit Risk is the risk that in the event of a bank failure, the government's deposits may not be able to recover the value of its deposits or investments. Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. The municipality's policy is based on New Jersey Statutes requiring cash to be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes NJSA 40A:5-15.1(a) that are treated as cash equivalents. At December 31, 2018 and 2017, the carrying amount of the Township's deposits were \$5,067,401.55 and \$5,458,100.25, respectively. As of December 31, 2018 and 2017, \$0 of the municipality's bank balance of \$5,150,013.96 and \$5,535,889.94, respectively, was exposed to Custodial Credit Risk.

NOTE 4: INVESTMENTS

As of December 31, 2018 and 2017, the Township held an investment in a bond anticipation note with the Township General Capital Fund in the amount of \$478,800.00.

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

Credit Risk - NJSA 40A:5-15.1(a) limits municipal investments to those specified in the statutes. The type of allowable investments are Bonds or other obligations of the United States or obligations guaranteed by the United States, Bonds or other obligations of the Township or Bonds or other obligations of the Township school district, Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of Treasury for investment by local units, government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

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

NOTE 5: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2018, there were no deferred charges shown on the balance sheets of the various funds.

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 6: FUND BALANCES APPROPRIATED

Fund balances which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31 were as follows:

	<u>Year</u>	<u>Balance December 31</u>	<u>Budget of Succeeding Year</u>
	2018	\$ 2,042,613.20	\$ 871,076.32
	2017	1,839,637.12	674,671.47
Current	2016	1,648,515.98	580,622.43
	2015	1,037,893.00	513,456.50
	2014	912,023.70	458,688.50

NOTE 7: FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group for the year ending December 31, 2018:

	<u>Dec. 31, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2018</u>
Buildings	\$ 413,600.00			\$ 413,600.00
Improvements Other than Buildings	283,975.00			283,975.00
Machinery and Equipment	311,972.40	\$ 4,867.14		316,839.54
Vehicles	1,146,563.49			1,146,563.49
	<u>\$ 2,156,110.89</u>	<u>\$ 4,867.14</u>	<u>None</u>	<u>\$ 2,160,978.03</u>

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 8: INTERFUND RECEIVABLES AND PAYABLES

The following schedule reconciles interfund receivables and payables for the year ended December 31, 2018:

	Due From	Due To
Current Fund:		
Trust Other	\$ 1,321.09	
Animal Control Trust	696.56	
Trust Other - Off-Duty Police		\$ 290,132.38
Payroll Agency Trust	3.40	
Federal and State Grant Fund		68,434.33
Federal and State Grant Fund:		
Current Fund	68,434.33	
Animal Control Trust:		
Current Fund		696.56
Trust Other:		
Current Fund - Off-Duty Police	290,132.38	
Current Fund		1,321.09
Payroll Agency Trust:		
Current Fund		3.40
	\$ 360,587.76	\$ 360,587.76

The amount due to the Trust Other and Federal and State Grant Fund from the Current Fund is due to the fact that a separate bank account is not maintained for Off-Duty Police Funds and Federal and State Grant Funds.

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 9: LONG-TERM DEBT

During the calendar year 2018, the following changes occurred in the municipal debt of the Township:

	Balance Dec. 31, 2017	Issued/ Authorized	Retired/ Reductions	Balance Dec. 31, 2018	Due Within One Year
Issued:					
Current Fund:					
Bonds	\$ 1,785,000.00		\$ 385,000.00	\$ 1,400,000.00	\$ 395,000.00
Bond Anticipation Notes		\$ 478,800.00		478,800.00	
Net Debt Issued	<u>1,785,000.00</u>	<u>478,800.00</u>	<u>385,000.00</u>	<u>1,878,800.00</u>	<u>395,000.00</u>
Authorized But Not Issued:					
Current Fund:					
Bonds and Notes	<u>847,250.00</u>		<u>532,000.00</u>	<u>315,250.00</u>	
Total Authorized But Not Issued	<u>847,250.00</u>		<u>532,000.00</u>	<u>315,250.00</u>	
Total Debt Issued and Authorized But Not Issued	<u>\$ 2,632,250.00</u>	<u>\$ 478,800.00</u>	<u>\$ 917,000.00</u>	<u>\$ 2,194,050.00</u>	<u>\$ 395,000.00</u>

Permanently funded debt as of December 31, 2018, consisted of the following:

\$2,120,000.00 General Improvement Bonds dated September 1, 2005, payable in annual installments through September 1, 2020. Interest is paid semi-annually at rate of 4.25% per annum. The balance remaining at December 31, 2018, was \$420,000.00.

\$1,700,000.00 General Improvement Bonds dated December 12, 2014, payable in annual installments through December 1, 2023. Interest is paid semi-annually at rates of 2% to 2.5% per annum. The balance remaining at December 31, 2018, was \$980,000.00.

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

Year Ended December 31,	Interest	Principal	Total
General Serial Bonds:			
2019	\$ 39,000.00	\$ 395,000.00	\$ 434,000.00
2020	26,375.00	400,000.00	426,375.00
2021	13,650.00	195,000.00	208,650.00
2022	9,750.00	200,000.00	209,750.00
2023	5,250.00	210,000.00	215,250.00
	<u>\$ 94,025.00</u>	<u>\$ 1,400,000.00</u>	<u>\$ 1,494,025.00</u>

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 9: 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 .595%.

	Gross Debt	Deductions	Net Debt
School District Debt	\$ 2,852,001.67	\$ 2,852,001.67	
General Debt	2,247,250.00		\$ 2,247,250.00
	<u>\$ 5,099,251.67</u>	<u>\$ 2,852,001.67</u>	<u>\$ 2,247,250.00</u>

Net Debt \$2,247,250.00/Equalized Valuation Basis per NJSA 40A:2-2 as amended \$377,719,863.00 = .595%.

Borrowing Power Under NJSA 40A:2-6 As Amended

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 13,220,195.21
Net Debt	2,247,250.00
Remaining Borrowing Power	<u>\$ 10,972,945.21</u>

NOTE 10: NOTES PAYABLE

The Township had a Bond Anticipation notes outstanding as of December 31, 2018, in the amount of \$478,800.00 that will mature on October 30, 2019, at an interest rate of 2.85%.

NOTE 11: PENSION FUNDS

Description of Plans - All eligible employees of the Township are covered by either the Public Employees' Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS), a cost-sharing, multiple-employer defined benefit pension plans 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 the 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 PERS and PFRS. The reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295 or can be accessed on the internet at: <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of NJSA 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

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 11: PENSION FUNDS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued) - generally required for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another state-administered retirement system or other state or local jurisdiction.

Police and Firemen's Retirement System (PFRS) - The Police and Firemen's Retirement System was established in July 1944 under the provisions of NJSA 43:16A to provide coverage to substantially all full-time county or municipal police and fire-fighters and state fire-fighters appointed after June 30, 1944. Plan members and employer contributions may be amended by State of New Jersey legislation.

Funding Policy - The contribution policy is set by NJSA 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and NJSA 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The PERS contribution rate increased to 6.5% of base salary effective with the first payroll, to be paid on or after October 1, 2011. Subsequent increases will then be phased in over 7 years (each July 1st) to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. The PFRS contribution rate increased to 10% of base salary effective with the first payroll to be paid on or after October 1, 2011. Employers are required to contribute at an actuarially determined rate in the PERS and PFRS. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Township's contributions to the PERS for the years ending December 31, 2018, 2017, and 2016, were \$53,836.00, \$52,290.00, and \$57,046.42, respectively, equal to the required contributions for each year. The Township's contributions to the PFRS for the years ending December 31, 2018, 2017, and 2016, were \$235,092.00, \$214,977.00, and \$199,090.27, respectively, equal to the required contributions for each year.

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

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

- New members of the PERS hired on or after June 28, 2011, (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011, (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- 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.

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 11: PENSION FUNDS (CONTINUED)

Significant Legislation (Continued)

- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of the PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of the PERS to 1/60th from 1/55th, and it provided that new members of the PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of the PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for Social Security and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7th of the required amount, beginning in fiscal years 2012.

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

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

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS

New Jersey municipalities do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, NJAC 5:30-6.1(c)(2) requires municipalities and counties to disclose GASB 68 & GASB 71 information in the Notes to the Financial Statements. The following disclosures meet the requirements of GASB 68 & GASB 71 for the PERS and PFRS retirement systems.

Public Employee's Retirement System - At December 31, 2018, the Township's proportionate share of net pension liability was \$996,632. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018 and 2017, the Township's allocation percentage was 0.0050617400% and 0.00547571860%, respectively.

For the year ended December 31, 2018, the Township's pension expense would have been \$23,002 if New Jersey municipalities followed GAAP accounting principles. The Township's deferred outflows of resources and deferred inflows of resources (which are not recorded) related to the PERS are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions		\$ 260,312
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		6,473
Changes in Proportion and Differences Between the Township's Contributions and Proportionate Share of Contributions		102,695
Difference Between Expected and Actual Experience		5,934
	None	\$ 375,414

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are not recognized in pension expense since New Jersey municipalities do not follow GAAP accounting principles.

If GAAP accounting principles were followed, the other amounts reported as deferred outflows of resources and deferred inflows of resources would have been recognized in pension expense as follows:

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

Public Employee's Retirement System (Continued)

Year Ended December 31,	Amount
2019	\$ (45,194)
2020	(68,784)
2021	(137,753)
2022	(91,930)
2023	(31,752)
	<u>\$ (375,413)</u>

Additional information – Collective balances at June 30, 2018 and 2017, are as follows:

	June 30, 2018	June 30, 2017
Collective Deferred Outflows of Resources	\$ 4,684,852,302	\$ 5,396,431,901
Collective Deferred Inflows of Resources	7,646,736,226	4,672,602,040
Collective Net Pension Liability	<u>19,689,501,539</u>	<u>23,278,401,588</u>
Township's Proportion	0.0050617400%	0.0054571860%

Contributions - The contribution policy for the PERS is set by NJSA 15A and requires contributions by active members and contributing employers. The Township's contribution amount was based on an actuarially determined rate which includes the normal cost and unfunded accrued liability.

Actuarial Assumptions

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

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% Based on Age
Thereafter	2.65 – 5.15% Based on Age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Tables for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the table provides for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

Actuarial Assumptions (Continued)

females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviate from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pension and Benefits financial report at: <http://www.state.nj.us/treasury/pensions/gasb-notices.shtml>.

Police and Firemen's Retirement System - At December 31, 2018, the Township's proportionate share of net pension liability was \$3,603,499. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018 and 2017, the Township's proportion was 0.0266301550% and 0.0265635138%, respectively.

For the year ended December 31, 2018, the Township's pension expense would have been \$214,443 if New Jersey municipalities followed GAAP accounting principles. The Township's deferred outflows of resources and deferred inflows of resources (which are not recorded) related to the PFRS are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions		\$ 913,857
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		23,043
Changes in Proportion and Differences Between the Township's Contributions and Proportionate Share of Contributions	\$ 113,580	
Difference Between Expected and Actual Experience	36,313	
	\$ 149,893	\$ 936,900

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

Police and Firemen’s Retirement System (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are not recognized in pension expense since New Jersey municipalities do not follow GAAP accounting principles.

If GAAP accounting principles were followed, the other amounts reported as deferred outflows of resources and deferred inflows of resources would have been recognized in pension expense as follows:

Year Ended December 31,	Amount
2019	\$ (33,724)
2020	(154,780)
2021	(321,436)
2022	(213,358)
2023	(63,709)
	<u>\$ (787,007)</u>

Additional information – Collective balances at June 30, 2018 and 2017, are as follows:

	June 30, 2018	June 30, 2017
Collective Deferred Outflows of Resources	\$ 1,988,215,695	\$ 2,298,433,198
Collective Deferred Inflows of Resources	4,286,994,294	2,618,912,538
Collective Net Pension Liability	<u>13,531,649</u>	<u>17,167,260,198</u>
Township's Proportion	0.0266301550%	0.0265635138%

Contributions

The contribution policy for the PFRS is set by NJSA 43:16A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The Township’s contribution amount was based on an actuarially determined rate which includes the normal cost and unfunded accrued liability.

Actuarial Assumptions

The total pension liability for the June 30, 2018, measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	2.10 – 8.98% Based on Age
Thereafter	3.10 – 9.98% Based on Age
Investment Rate of Return	7.00%

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pension and Benefits financial report at: <http://www.state.nj.us/treasury/pensions/gasb-notices.shtml>.

A special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993, and Chapter 201, P.L. 2001. The June 30, 2018 and June 30, 2017, special funding situation net pension liability amounts of \$489,476 and \$459,335 are the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date.

NOTE 13: ACCUMULATED ABSENCE BENEFITS

The Township permits employees to accrue unused sick time up to a total of thirty days. Any amounts over this are paid at an agreed-upon rate prior to the end of each year. All vacation time must be taken prior to the end of the year.

The Township has entered into a duly negotiated and approved labor agreement #122 with regards to accumulated absence benefits.

The total value of compensated absences owed to employees as of December 31, 2018, was \$93,769.37. The Township has established a trust to fund a reserve for accumulated absences. As of December 31, 2018, the fund had a reserve balance of \$27,616.95.

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 14: POST-RETIREMENT BENEFITS

Plan Description - The Township of Elk contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. The SHBP was established in 1961 under NJSA 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Prior to 1985, the Township authorized participation in the SHBP's post-retirement benefit program. All employees who were part of a state administered pension system and have at least 25 years of government service are eligible to participate in the program.

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

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Township of Elk on a monthly basis.

The Township of Elk's contributions to the SHBP for the years ended December 31, 2018, 2017, and 2016, were \$126,945.48, \$121,460.57, and \$124,076.04, respectively, which equaled the required contributions for each year. There were approximately 8 retired participants eligible at December 31, 2018, 2017, and 2016.

NOTE 15: FINANCIAL INFORMATION RELATED TO GASB 75 FOR PUBLIC RETIREMENT SYSTEMS

New Jersey municipalities do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net other postemployment benefit (OPEB) liability as a liability on their balance sheets. However, NJAC 5:30-6.1(c)(2) requires municipalities and counties to disclose GASB 75 information in the Notes to the Financial Statements. The following OPEB liability note information is reported at the State's level and is not specific to the municipality. The following disclosures meet the requirements of GASB 75 for the PERS and PFRS retirement systems.

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 15: FINANCIAL INFORMATION RELATED TO GASB 75 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

Actuarial Assumptions

The total OPEB liability as of June 30, 2018, was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases (PERS):	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Salary increases (PFRS):	
Through 2026	2.10 – 8.98% based on age
Thereafter	3.10 – 9.98% based on age
Discount Rate	3.87%

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – The Police and Firemen Retirement System (PFRS) and the Public Employees Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively. 100% of active members are considered to participate in the Plan upon retirement.

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Bond index.

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report at: <http://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 15: FINANCIAL INFORMATION RELATED TO GASB 75 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

Changes in the Total Net OPEB Liability reported by the State of New Jersey:

Total OPEB Liability	
Service Cost	\$ 896,235,148
Interest	764,082,232
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	(3,626,384,047)
Changes in Assumptions or Other Inputs	(2,314,240,675)
Benefit Payments	(421,621,253)
Contributions - Members	53,987,166
Net Change in OPEB Liability	<u>(4,647,941,429)</u>
Total OPEB Liability Beginning	20,629,044,656
Total OPEB Liability Ending	<u><u>\$ 15,981,103,227</u></u>

Plan Fiduciary Net Position	
Contributions - Employer	\$ 421,194,662
Contributions - Non-Employer Contributing Entities	53,548,285
Contributions - Members	53,987,166
Net Investment Income	2,320,422
Benefit Payments	(421,621,253)
Administrative Expense	<u>(8,200,113)</u>
Net Change in Plan Fiduciary Net Position	101,229,169
Plan Fiduciary Net Position Beginning	<u>213,255,917</u>
Plan Fiduciary Net Position Ending	<u><u>\$ 314,485,086</u></u>

Net OPEB Liability Ending	<u><u>\$ 15,666,618,141</u></u>
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There were no changes in benefit terms during the year.

Differences Between Expected and Actual Experiences: The decrease in the liability from June 30, 2017 to June 30, 2018, is due to changes in the census, claims and premiums experience.

Changes in Assumptions: The decrease in the liability from June 30, 2017 to June 30, 2018, is due to the increase in the assumed discount rate from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018, and a decrease in the assumed health care cost trend and excise tax assumptions.

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 15: FINANCIAL INFORMATION RELATED TO GASB 75 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate: The following represents the collective net OPEB liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percent-point lower or 1-percent-point higher than the current rate.

	1% Decrease 2.87%	Current Rate 3.87%	1% Increase 4.87%
Net OPEB Liability	<u>\$ 18,381,085,096</u>	<u>\$ 15,666,618,141</u>	<u>\$ 13,498,373,388</u>

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate: The following presents the net OPEB liability as of June 30, 2018, as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Health Care Costs		
	1% Decrease	Trend Rate	1% Increase
Net OPEB Liability	<u>\$ 13,068,471,450</u>	<u>\$ 15,666,618,141</u>	<u>\$ 19,029,006,023</u>

OPEB Liability, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the Township would have reported a liability of \$4,084,444 for its proportionate share of the net OPEB liability if New Jersey municipalities followed GAAP accounting principles. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Township's proportion of the net OPEB liability was based on a projection of the Township's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2018, the Township's proportion was 0.026071 percent.

For the year ended December 31, 2018, the Township would have recognized net OPEB expense of \$9,120 if New Jersey municipalities followed GAAP accounting principles. The Township's deferred outflows of resources and deferred inflows of resources (which are not recorded) are from the following sources:

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 15: FINANCIAL INFORMATION RELATED TO GASB 75 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

OPEB Liability, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience		\$ 829,288
Differences Between Projected and Actual Investment Earnings	\$ 2,158	
Changes in Assumptions		1,036,073
Changes in Proportions		923,970
	\$ 2,158	\$ 2,789,331

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending			
2019	\$	(423,735)	
2020		(423,735)	
2021		(423,737)	
2022		(423,971)	
2023		(424,334)	
Thereafter		(667,661)	
	\$	(2,787,173)	

NOTE 16: DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the plan are held by an independent administrator, Variable Annuity Life Insurance Company (VALIC) and the Security Benefits Company.

NOTE 17: LABOR CONTRACTS

As of December 31, 2018, the Township had a total of 10 employees represented by a union, The Police Benevolent Association of New Jersey, Gloucester County, Local No. 122. The union agreement that covers all full-time Patrolmen and Sergeants is in effect until December 31, 2018. The agreement that covers Lieutenants and Captains is in effect until December 31, 2019. The agreement that covers the Chief of Police is still under negotiation.

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 18: SCHOOL TAXES

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district. In the Township's case, the amount of \$1,716,520.50 would be the maximum amount permitted to be deferred as of December 31, 2018, under these regulations. The Township has elected to defer school taxes and the accumulation of such deferral amounts to \$1,162,172.00.

Local School District Tax has been raised and liabilities deferred by statute, resulting in the school tax payable set forth in the Current Fund liabilities as follows:

	Balance <u>Dec. 31, 2018</u>	Balance <u>Dec. 31, 2017</u>
Balance of Tax	\$ 1,599,226.52	\$ 1,391,212.19
Deferred	1,162,172.00	1,162,172.00
Tax Payable	<u>\$ 437,054.52</u>	<u>\$ 229,040.19</u>

NOTE 19: TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. The following is a comparison of the liability for the current and prior year:

	Balance <u>Dec. 31, 2018</u>	Balance <u>Dec. 31, 2017</u>
Prepaid Taxes - Cash Liability	<u>\$ 130,219.65</u>	<u>\$ 344,707.63</u>

NOTE 20: ECONOMIC DEPENDENCY

The Township of Elk is not economically dependent on any one business or industry within the Township.

NOTE 21: RISK MANAGEMENT

The Township is exposed to various risks or loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Township maintains commercial insurance coverage for property, liability, and surety bonds. The Township is a member of the Gloucester, Salem, and Cumberland Counties Municipal Joint Insurance Fund and the Municipal Excess Liability Fund which includes other municipalities throughout the region. The Township is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Gloucester, Salem, and Cumberland County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. There have been no claims in excess of coverage and no reduction in coverage during the current year.

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Township is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees

**TOWNSHIP OF ELK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

NOTE 21: RISK MANAGEMENT (CONTINUED)

New Jersey Unemployment Compensation Insurance (Continued)

and charged to its account with the State. The Township is billed quarterly for amounts due to the State. The following is a summary of Township contributions, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the Township's Trust Fund for the current year and previous two years:

Year	Township Contribution	Employee Contribution	Amount Reimbursed	Ending Balance
2018	\$ 35,000.00	None	\$ 16,082.07	\$ 52,474.06
2017	9,143.31	\$ 2,539.77	14,492.00	33,465.48
2016	2,600.00	5,142.76	8,206.00	36,199.36

NOTE 22: SHARED SERVICE AGREEMENTS

On December 20, 2011, an agreement was made between the Township of Elk, the Borough of Newfield, and the Borough of Clayton. The agreement was for the establishment of a joint municipal court to serve all the municipalities, pursuant to NJSA 2B:12-1, et seq. The court is known as the Elk Joint Municipal Court which became effective on December 23, 2011. As of January 1, 2018, the Borough of Newfield did not renew their agreement and was no longer part of the joint municipal court.

NOTE 23: COMMITMENTS AND CONTINGENCIES

The Township participates in federal and state assisted grant programs. The Township is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

NOTE 24: LITIGATION

It is the Township of Elk Counsel's opinion that there exists no litigation or contingent liability that may be pending against the Township of Elk that would have an adverse effect on the financial position in the future.

NOTE 25: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2018 and August 1, 2019, the date that the financial statements were issued, and no additional items have come to their attention that would require disclosure.

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSIONS
(GASB 68 & GASB 71)**

SCHEDULE OF THE TOWNSHIP'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - PERS
Last Five Fiscal Years

	Year Ended				
	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
Township's Proportion of the Net Pension Liability (Asset)	0.0050617400%	0.0054571860%	0.0055383601%	0.0062090293%	0.0054034182%
Township's Proportionate Share of the Net Pension Liability (Asset)	\$ 996,632	\$ 1,270,346	\$ 1,640,303	\$ 1,393,803	\$ 1,011,668
Township's Covered-Employee Payroll	352,760	351,493	387,724	402,159	414,630
Township's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	282.52%	361.41%	423.06%	346.58%	243.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.59%	48.10%	40.14%	47.92%	52.08%
Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

SCHEDULE OF TOWNSHIP CONTRIBUTIONS - PERS
Last Five Fiscal Years

	Year Ended				
	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
Contractually Required Contribution	\$ 50,348	\$ 50,555	\$ 49,202	\$ 53,381	\$ 44,545
Contributions in Relation to the Contractually Required Contribution	50,348	50,555	49,202	53,381	44,545
Contribution Deficiency (Excess)	None	None	None	None	None
Township's Covered-Employee Payroll	\$ 352,760	\$ 351,493	\$ 387,724	\$ 402,159	\$ 414,630
Contributions as a Percentage of Covered-Employee Payroll	14.27%	14.38%	12.69%	13.27%	10.74%
Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

SCHEDULE OF THE TOWNSHIP'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - PFRS
Last Five Fiscal Years

	Year Ended				
	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
Township's Proportion of the Net Pension Liability (Asset)	0.0266301550%	0.0265635138%	0.0263665273%	0.0243504699%	0.0270521245%
Township's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,603,499	\$ 4,100,893	\$ 5,036,681	\$ 4,055,939	\$ 3,402,906
Township's Covered-Employee Payroll	848,534	876,777	853,370	802,589	755,354
Township's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	424.67%	467.72%	590.21%	505.36%	450.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.47%	58.60%	52.01%	56.30%	62.41%
Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

SCHEDULE OF TOWNSHIP CONTRIBUTIONS - PFRS
Last Five Fiscal Years

	Year Ended				
	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
Contractually Required Contribution	\$ 260,349	\$ 235,092	\$ 214,977	\$ 197,933	\$ 207,779
Contributions in Relation to the Contractually Required Contribution	260,349	235,092	214,977	197,933	207,779
Contribution Deficiency (Excess)	None	None	None	None	None
Township's Covered-Employee Payroll	\$ 848,534	\$ 876,777	\$ 853,370	\$ 802,589	\$ 755,354
Contributions as a Percentage of Covered-Employee Payroll	30.68%	26.81%	25.19%	24.66%	27.51%
Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

SCHEDULE OF THE TOWNSHIP'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - PFRS
Special Funding Situation
Last Five Fiscal Years

	Year Ended				
	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
Township's Proportion of the Net Pension Liability (Asset)	0.0266301550%	0.0265635138%	0.0263665273%	0.0243504699%	0.0270521245%
Township's Proportionate Share of the Net Pension Liability (Asset)	\$ 489,476	\$ 459,335	\$ 422,956	\$ 355,692	\$ 366,436
Township's Covered-Employee Payroll	848,534	876,777	853,370	802,589	755,354
Township's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	57.68%	52.39%	49.56%	44.32%	48.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.47%	58.60%	52.01%	56.30%	62.41%
Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

The data in the above schedule represents the allocation of the State of New Jersey's obligation on behalf of the Township.

The Police & Firemen's Retirement System is a Cost-Sharing, Multi-Employer Defined Benefit Plan with a Special Funding Situation - 100% of the additional costs incurred by local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993, and Chapter 201, P.L. 2001.

SCHEDULE OF TOWNSHIP CONTRIBUTIONS - PFRS
Special Funding Situation
Last Five Fiscal Years

	Year Ended				
	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
Contractually Required Contribution	\$ 28,989	\$ 22,969	\$ 16,206	\$ 18,516	\$ 15,215
Contributions in Relation to the Contractually Required Contribution	28,989	22,969	16,206	18,516	15,215
Contribution Deficiency (Excess)	None	None	None	None	None
Township's Covered-Employee Payroll	\$ 848,534	\$ 876,777	\$ 853,370	\$ 802,589	\$ 755,354
Contributions as a Percentage of Covered-Employee Payroll	3.42%	2.62%	1.90%	2.31%	2.01%
Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

SUPPLEMENTARY DATA

PETRONI & ASSOCIATES LLC

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

Independent Auditor's Report

Honorable Mayor and Members
of the Township Committee
Township of Elk
680 Whig Lane Road
Monroeville, New Jersey 08343

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the accompanying balance sheets - regulatory basis of the various funds and account group, the related statement of operations and changes in fund balance - regulatory basis, the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Township of Elk, as of and for the year ended December 31, 2018, the related notes to the financial statements, which collectively comprise the Township of Elk's basic financial statements, and have issued our report thereon dated August 1, 2019, which contained an adverse opinion on those financial statements due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

August 1, 2019

CURRENT FUND

SCHEDULE OF CASH - CHIEF FINANCIAL OFFICER

	Ref.	Current Fund	Federal and State Grant Fund
Balance December 31, 2017	A	\$ 3,804,985.02	\$ 1,703.59
Increased by Receipts:			
Tax Collector	A-5	12,740,223.12	
Grants Receivable	A-6	132,924.51	
Homestead Rebate	A-8	130,329.10	
Revenue Accounts Receivable	A-11	888,295.19	5.10
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-14	41,000.00	
Reserve for Grants Unappropriated	A-18	10,777.33	
Street Opening Fees		16,450.10	
Due Outside Employment of Off-Duty Police		114,794.95	
Due from Trust Other		752.68	
Due State of New Jersey - Marriage Licenses		625.00	
Construction DCA Fees		5,681.00	
		14,081,852.98	5.10
		17,886,838.00	1,708.69
Decreased by Disbursements:			
Current Year Budget Appropriations	A-3	3,960,643.78	
Appropriation Reserves	A-12	86,218.33	
Encumbrances Payable	A-13	176,382.87	
Local District School Tax	A-15	3,225,026.67	
Regional High School Tax	A-16	3,505,913.94	
Reserve for Grants - Appropriated	A-17	191,339.55	
Tax Overpayments Refunded		4,119.87	
Street Opening Fees		12,412.50	
County Taxes		2,797,047.16	
Due County for Added Taxes		43,237.39	
Due State of New Jersey - Marriage Licenses		525.00	
Construction DCA Fees		6,694.00	
Due Outside Employment of Off-Duty Police		59,620.78	
Prior Year Refund	A-1	520.00	
Bond Anticipation Notes Issued	C-2	478,800.00	
		14,548,501.84	
Balance December 31, 2018	A	\$ 3,338,336.16	\$ 1,708.69

SCHEDULE OF CASH - COLLECTOR

	Ref.	
Increased by Receipts:		
Demolition Liens	A-7	\$ 9,020.00
Taxes Receivable	A-8	12,402,875.38
Tax Title Liens	A-9	60,322.29
Revenue Accounts Receivable	A-11	113,413.06
Prepaid Taxes	A	130,219.65
Tax Overpayments		24,372.74
		<hr/>
		12,740,223.12
Decreased by Disbursements:		
Paid to Chief Financial Officer	A-4	<hr/> 12,740,223.12

SCHEDULE OF GRANTS RECEIVABLE

Grant	Balance Dec. 31, 2017	Budget Revenue Realized	Transfer from Grants Unappropriated	Received	Canceled	Balance Dec. 31, 2018
Federal:						
Click It or Ticket		\$ 1,540.00		\$ 1,540.00		
U Text U Drive U Pay		2,200.00				\$ 2,200.00
State:						
Recreational Trails Program	\$ 25,000.00				\$ 25,000.00	
Transportation Trust Fund - Carl Avenue	65,810.51				65,810.51	
Transportation Trust Fund - Railroad	57,500.00					57,500.00
Transportation Trust Fund - Fifth Avenue		180,000.00		131,384.51		48,615.49
Clean Communities		11,195.46	\$ 11,195.46			
Recycling Tonnage Grant		9,485.46	9,485.46			
	<u>\$ 148,310.51</u>	<u>\$ 204,420.92</u>	<u>\$ 20,680.92</u>	<u>\$ 132,924.51</u>	<u>\$ 90,810.51</u>	<u>\$ 108,315.49</u>
Ref.	A	A-2	A-18	A-4	A-1	A

SCHEDULE OF DEMOLITION LIENS RECEIVABLE

Balance December 31, 2017	Ref. A	\$ 35,970.00
Increased by: Charges		<u>810.00</u>
		36,780.00
Decreased by: Received	A-5	<u>9,020.00</u>
Balance December 31, 2018	A	<u><u>\$ 27,760.00</u></u>

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance	Levy	Added Taxes	Collected		Overpayments Applied	Canceled	Transferred to Tax Title Liens	Balance
	Dec. 31, 2017			2017	2018				Dec. 31, 2018
1988	\$ 1,808.63						\$ 1,808.63		
1989	114.71						114.71		
1990	1,925.08						1,925.08		
1992	1,000.00						1,000.00		
1994	5,811.50						5,811.50		
1995	1,936.75						1,936.75		
1996	8,343.11						8,343.11		
1997	11,558.09						11,558.09		
1998	3,368.60						1,964.67		\$ 1,403.93
1999	3,305.41						3,305.41		
2000	8,260.51						8,260.51		
2001	9,718.84						9,438.36		280.48
2002	4,837.39						4,837.39		
2003	7,045.94						5,843.06		1,202.88
2004	378.10						378.10		
2006	3,424.41						3,424.41		
2009	3,811.61						3,811.61		
2010	4,800.27						4,800.27		
2015	1,691.87				\$ 1,197.64				494.23
2016	6,618.70		\$ 6,782.23		8,724.44	\$ 0.28			4,676.21
2017	494,284.12		10,377.15		484,056.10	2,367.28		\$ 14,946.32	3,291.57
	584,043.64		17,159.38		493,978.18	2,367.56	78,561.66	14,946.32	11,349.30
2018		\$ 13,109,048.62		\$ 344,707.63	12,080,726.30	18,424.28	41,586.76	188,423.51	435,180.14
	\$ 584,043.64	\$ 13,109,048.62	\$ 17,159.38	\$ 344,707.63	\$ 12,574,704.48	\$ 20,791.84	\$ 120,148.42	\$ 203,369.83	\$ 446,529.44

Ref.

A

A

A-9

A

Cash - Collector
 Homestead Rebate
 Due State of New Jersey

Ref.

A-5

A-4

A-14

\$ 12,402,875.38

130,329.10

41,500.00

\$ 12,574,704.48

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Tax Yield

General Purpose Tax:			
Business Personalty Tax		\$ 37,728.77	
General Property Tax		12,955,564.49	
		<hr/>	
			\$ 12,993,293.26
Added Taxes (54:4-63.1 et seq.)			115,755.36
			<hr/>
			<u>\$ 13,109,048.62</u>

	Ref.		
Tax Levied			
Regional High School Tax (Abstract)	A-16		\$ 3,506,494.00
Local District School Tax (Abstract)	A-15		3,433,041.00
County Taxes:			
County Tax (Abstract)		\$ 2,462,416.03	
County Library Tax (Abstract)		180,654.12	
County Open Space Tax (Abstract)		153,977.01	
Due County for Added Taxes (54:4-63.1 et seq.)	A	28,767.86	
		<hr/>	
Total County Taxes			2,825,815.02
Local Tax for Municipal Purposes	A-2	3,250,130.00	
Add: Additional Taxes Levied		93,568.60	
		<hr/>	
			3,343,698.60
			<hr/>
			<u>\$ 13,109,048.62</u>

SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	Ref.		
Balance December 31, 2017	A		\$ 799,764.22
Increased by:			
Transfers from Taxes Receivable	A-8	\$ 203,369.83	
Interest and Costs Accrued at Sale		<u>9,725.55</u>	
			<u>213,095.38</u>
			1,012,859.60
Decreased by:			
Collection	A-5		<u>60,322.29</u>
Balance December 31, 2018	A		<u><u>\$ 952,537.31</u></u>

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)

	Ref.	
Balance December 31, 2017	A	<u>\$ 1,516,730.00</u>
Balance December 31, 2018	A	<u><u>\$ 1,516,730.00</u></u>

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2017	Accrued	Collected	Balance Dec. 31, 2018
Miscellaneous Revenue Anticipated				
Fines and Costs:				
Municipal Court	\$ 4,455.42	\$ 105,060.00	\$ 103,397.05	\$ 6,118.37
Interest and Costs on Taxes		113,413.06	113,413.06	
Energy Receipts Tax		362,315.00	362,315.00	
Uniform Construction Code		76,798.00	76,798.00	
Borough of Clayton - Court Reimbursement		103,500.00	103,500.00	
Miscellaneous Revenue Not Anticipated				
Interest on Investments	8.64	13,389.69	13,391.19	7.14
Fees and Permits		81,437.21	81,437.21	
Cell Tower		52,047.48	52,047.48	
Cable TV Franchise Fees		23,181.00	23,181.00	
Abandoned Property Fees		24,880.00	24,880.00	
Forfeited Premiums		3,600.00	3,600.00	
Liquor License		2,500.00	2,500.00	
DMV Fines		4,031.50	4,031.50	
Newfield Court Fees		9,782.75	9,782.75	
Refunds		27,300.85	27,300.85	
Miscellaneous		138.26	138.26	
	<u>\$ 4,464.06</u>	<u>\$ 1,003,374.80</u>	<u>\$ 1,001,713.35</u>	<u>\$ 6,125.51</u>
Ref.	A			A
		Ref.		
Treasurer		A-4	\$ 888,300.29	
Collector		A-5	113,413.06	
			<u>\$ 1,001,713.35</u>	

SCHEDULE OF APPROPRIATION RESERVES

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charged	Balance Lapsed
Salaries and Wages:				
Police	\$ 104,449.10	\$ 104,449.10	\$ 40,955.53	\$ 63,493.57
Other Expenses:				
General Administration	2,211.74	2,211.74	449.62	1,762.12
Mayor and Township Committee	2,440.00	2,440.00	450.00	1,990.00
Township Clerk	9,013.99	9,013.99	120.86	8,893.13
Financial Administration	17,216.09	17,216.09	5,486.75	11,729.34
Legal Services and Costs	8,893.84	8,893.84	627.00	8,266.84
Engineering Services and Costs	8,473.75	8,473.75	7,928.00	545.75
Planning Board	26,360.50	26,360.50	6,291.63	20,068.87
Group Insurance	49,182.29	49,182.29	991.20	48,191.09
Police	43,514.30	43,514.30	3,938.13	39,576.17
Road Repair and Maintenance	9,555.66	9,555.66	489.64	9,066.02
Vehicle Maintenance	53,621.57	53,621.57	633.95	52,987.62
Snow Removal	15,892.61	15,892.61	1,050.00	14,842.61
Public Buildings and Grounds	5,241.46	5,241.46	610.56	4,630.90
County Landfill Tipping Fees	18,740.10	18,740.10	12,853.35	5,886.75
Natural Gas	9,191.36	9,191.36	76.59	9,114.77
Construction Official	5,286.40	5,286.40	109.71	5,176.69
Social Security	17,034.72	17,034.72	3,155.81	13,878.91
Other Accounts - No Change	147,338.02	147,338.02		147,338.02
	<u>\$ 553,657.50</u>	<u>\$ 553,657.50</u>	<u>\$ 86,218.33</u>	<u>\$ 467,439.17</u>
Ref.	A		A-4	A-1

SCHEDULE OF ENCUMBRANCES PAYABLE

	Ref.	Current Fund	Grant Fund
Balance December 31, 2017	A	<u>\$ 33,253.22</u>	<u>\$ 205,915.60</u>
Increased by:			
Charges to:			
Current Year Appropriations	A-3	30,496.66	
Grants Appropriated	A-17		3,500.00
		<u>63,749.88</u>	<u>209,415.60</u>
Decreased by:			
Payments	A-4	28,771.22	147,611.65
Balance December 31, 2018	A	<u><u>\$ 34,978.66</u></u>	<u><u>\$ 61,803.95</u></u>

SCHEDULE OF DUE STATE OF NEW JERSEY -
SENIOR CITIZEN AND VETERANS DEDUCTIONS

Balance December 31, 2017	Ref. A		\$ 11,074.19
Increased by:			
Receipts	A-4		41,000.00
			<u>52,074.19</u>
Decreased by:			
Deductions Per Tax Duplicate		\$ 45,750.00	
Deductions Allowed by Collector		2,000.00	
Deductions Disallowed by Collector		<u>(6,250.00)</u>	
	A-8		<u>41,500.00</u>
Balance December 31, 2018	A		<u><u>\$ 10,574.19</u></u>

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

	Ref.	
Balance December 31, 2017:		
School Tax Payable		\$ 229,040.19
School Tax Deferred		<u>1,162,172.00</u>
		\$ 1,391,212.19
Increased by:		
Levy - School Year July 1, 2018 to June 30, 2019	A-8	<u>3,433,041.00</u>
		4,824,253.19
Decreased by:		
Payments	A-4	<u>3,225,026.67</u>
Balance December 31, 2018:		
School Tax Payable		437,054.52
School Tax Deferred		<u>1,162,172.00</u>
		\$ 1,599,226.52
Tax Liability for Local District School Tax:		
Tax Paid	A-15	\$ 3,225,026.67
Tax Payable December 31, 2018	A-15	<u>437,054.52</u>
		3,662,081.19
Tax Payable December 31, 2017	A-15	<u>229,040.19</u>
Amount Charged to Operations	A-1	<u>\$ 3,433,041.00</u>

SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

	Ref.	
Balance December 31, 2017	<u>A</u>	\$ 161,199.75
Increased by:		
Levy - Calendar Year 2018	A-8	<u>3,506,494.00</u>
		3,667,693.75
Decreased by:		
Payments	A-4	<u>3,505,913.94</u>
Balance December 31, 2018	A	<u>\$ 161,779.81</u>

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	Balance Dec. 31, 2017	Transferred from Budget Appropriation	Paid or Charged	Canceled	Balance Dec. 31, 2018
Federal Grants:					
Community Development Block Grant	\$ 22,720.21			\$ 22,720.21	
Click It or Ticket	3,400.00	\$ 1,540.00	\$ 1,540.00		\$ 3,400.00
U Text U Drive U Pay		2,200.00	2,200.00		
State Grants:					
Alcohol Education and Rehabilitation	16,332.82		405.00		15,927.82
Clean Communities	22,995.55	11,195.46	6,776.55		27,414.46
Drunk Driving Enforcement Fund	1,286.73				1,286.73
Police Body Armor	4,517.20		3,918.00		599.20
Stormwater Regulation Program	6,250.00				6,250.00
Recycling Tonnage Grant	32,554.56	9,485.46			42,040.02
Transportation Trust Fund - Carl Avenue	33,662.30			33,662.30	
Transportation Trust Fund - Fifth Avenue		180,000.00	180,000.00		
Solid Waste Grant	7,159.00				7,159.00
Drive Sober or Get Pulled Over	1,800.00				1,800.00
Recreational Trails Program	1,347.86			1,347.86	
	<u>\$ 154,026.23</u>	<u>\$ 204,420.92</u>	<u>\$ 194,839.55</u>	<u>\$ 57,730.37</u>	<u>\$ 105,877.23</u>
Ref.	A	A-3		A-1	A
		Ref.			
		A-4	\$ 191,339.55		
		A-13	3,500.00		
			<u>\$ 194,839.55</u>		

SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

	<u>Balance Dec. 31, 2017</u>	<u>Received</u>	<u>Anticipated as Revenue</u>	<u>Balance Dec. 31, 2018</u>
State Grants:				
Recycling Tonnage Grant	\$ 9,485.46		\$ 9,485.46	
Clean Communities	11,195.46	\$ 10,777.33	11,195.46	\$ 10,777.33
	<u>\$ 20,680.92</u>	<u>\$ 10,777.33</u>	<u>\$ 20,680.92</u>	<u>\$ 10,777.33</u>
Ref.	A	A-4	A-6	A

TRUST FUND

SCHEDULE OF TRUST FUND CASH - CHIEF FINANCIAL OFFICER

	Ref.	Animal Control Trust	Open Space Preservation Fund	Trust Other	Payroll Agency Other
Balance December 31, 2017	B	\$ 7,767.76	\$ 195,339.84	\$ 874,303.38	\$ 4,516.31
Increased by Receipts:					
Dog License Fees:					
Municipal Share	B-3	5,326.60			
State Share		896.40			
Unemployment Compensation				35,000.00	
Accumulated Absence				5,000.00	
Public Defender Fees				2,866.00	
Affordable Housing				23,454.75	
Developer's Escrow				146,320.20	
Payroll Deductions					1,039,942.19
Transfer from Trust Other					1,785.03
Transfer from Current Fund					1,858.72
Interest Earned		32.79	586.84	2,372.12	58.44
		<u>6,255.79</u>	<u>586.84</u>	<u>215,013.07</u>	<u>1,043,644.38</u>
		<u>14,023.55</u>	<u>195,926.68</u>	<u>1,089,316.45</u>	<u>1,048,160.69</u>
Decreased by Disbursements:					
Paid to State of New Jersey		912.00			
Expenditures Under RS 4:19-15.11	B-3	1,974.32			
Unemployment Compensation				16,082.07	
Transfer to Payroll Agency				1,785.03	
Public Defender				2,000.00	
Developer's Escrow				253,127.79	
Payroll Deductions					1,042,660.68
Transfer to Current Fund		32.79		1,683.41	55.04
		<u>2,919.11</u>		<u>274,678.30</u>	<u>1,042,715.72</u>
Balance December 31, 2018	B	\$ 11,104.44	\$ 195,926.68	\$ 814,638.15	\$ 5,444.97

SCHEDULE OF TRUST FUND CASH - COLLECTOR

Balance December 31, 2017	Ref. B	\$ 200,604.42
Increased by:		
Deposits for Redemption of Tax Sale Certificates	\$ 588,886.32	
Premiums Received at Tax Sale	1,200.00	
Interest Due Current Fund	568.39	
		<u>590,654.71</u>
		791,259.13
Decreased by:		
Deposits for Redemption of Tax Sale Certificates	592,956.97	
Premiums Received at Tax Sale	108,800.00	
		<u>701,756.97</u>
Balance December 31, 2018	B	<u>\$ 89,502.16</u>

SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

Balance December 31, 2017	Ref. B	\$ 7,055.60
Increased by:		
Municipal Share of Dog License Fees	B-1	5,326.60
		<u>12,382.20</u>
Decreased by:		
Expenditures Under RS 4:19-15.11: Cash	B-1	1,974.32
Balance December 31, 2018	B	<u>\$ 10,407.88</u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2016	\$ 5,024.52
2017	8,358.80
	<u>\$ 13,383.32</u>

GENERAL CAPITAL FUND

SCHEDULE OF GENERAL CAPITAL FUND CASH - CHIEF FINANCIAL OFFICER

Balance December 31, 2017	Ref. C		\$ 368,729.93
Increased by:			
Interest Earned	C-3	\$ 991.76	
Budget Appropriation:			
Capital Improvement Fund	C-5	10,000.00	
Deferred Charges	C-4	53,200.00	
Bond Anticipation Notes	C-9	478,800.00	
		<hr/>	542,991.76
			<hr/>
			911,721.69
Decreased by:			
Due Current Fund	C-3	991.76	
Encumbrances Payable	C-7	269,178.30	
Improvement Authorizations	C-6	30,961.33	
		<hr/>	301,131.39
Balance December 31, 2018	C		<u><u>\$ 610,590.30</u></u>

ANALYSIS OF GENERAL CAPITAL FUND CASH

	Balance Dec. 31, 2017	Receipts			Disbursements		Balance Dec. 31, 2018
		Budget Appropriations	Notes Issued	Miscellaneous	Improvement Authorizations	Miscellaneous	
Fund Balance	\$ 501.00			\$ 991.76		\$ 991.76	\$ 501.00
Capital Improvement Fund	126,063.95	\$ 10,000.00					136,063.95
Reserve for Purchase of Fire Equipment	1,887.24						1,887.24
Reserve for Installation of Traffic Signals	12,000.00						12,000.00
Reserve for Improvements to Municipal Roads	19,197.50						19,197.50
Encumbrances Payable	611,061.30					269,178.30	341,883.00
Improvement Authorizations:							
Ordinance							
Number							
1998-04 Acquisition of Land, Various Improvements to Municipal Buildings & Grounds, Acquisition of Certain Capital Equipment	2,568.64						2,568.64
2006-04 Restoration of Certain Streets - Third & Stanger Avenue & Arthur Avenue	78.19						78.19
2007-18 Purchase of Fire Truck	8,388.35						8,388.35
2007-19 Reconstruction of Streets & Park Improvements	184,180.74						184,180.74
2007-20 Purchase of Passenger Bus	2,332.40						2,332.40
2010-46 Purchase of Recycling Carts	4,417.90						4,417.90
2011-12 Repair & Replacement of a Portion of the Elephant Swamp Trail & Related Drainage System	8,185.00						8,185.00
2011-13 Reconstruction of a Portion of Moods Road & Related Drainage System	77,770.95						77,770.95
2013-06 Purchase of Police Vehicle, Police Equipment, and Various Computer Equipment	9,849.22						9,849.22
2013-11 Reconstruction of Storm Drains	1,637.00						1,637.00
2014-1 Purchase of Sound Recording Equipment and Public Works Lawnmower	2,516.48						2,516.48
2014-5 Various Road and Drainage Improvements	38,284.81				\$ 30,961.33		7,323.48
2015-12 Acquisition of Various Capital Equipment	(128,081.64)						(128,081.64)
2016-04 Acquisition of Various Capital Equipment and Completion of Various Capital Improvements	(82,506.21)						(82,506.21)
2017-03 Acquisition of a Fire Truck & Related Equipment	(531,602.89)	53,200.00	\$ 478,800.00				397.11
	<u>\$ 368,729.93</u>	<u>\$ 63,200.00</u>	<u>\$ 478,800.00</u>	<u>\$ 991.76</u>	<u>\$ 30,961.33</u>	<u>\$ 270,170.06</u>	<u>\$ 610,590.30</u>
Ref.	C	C-4:C-5	C-9	C-2	C-6	C-2	C

SCHEDULE OF DEFERRED CHARGES TO FUTURE
TAXATION - UNFUNDED

Ordinance Number	Purpose	Balance Dec. 31, 2017	Funded by Budget Appropriation.	Balance Dec. 31, 2018	Analysis of Balance Dec. 31, 2018		
					Financed by Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
2007-20	Purchase of Passenger Bus	\$ 47,500.00		\$ 47,500.00			\$ 47,500.00
2010-46	Purchase of Recycling Carts	1,750.00		1,750.00			1,750.00
2015-12	Acquisition of Various Capital Equipment	133,000.00		133,000.00		\$ 128,081.64	4,918.36
2016-04	Acquisition of Various Capital Equipment and Completion of Various Capital Improvements	133,000.00		133,000.00		82,506.21	50,493.79
2017-03	Acquisition of a Fire Truck & Related Equipment	532,000.00	\$ 53,200.00	478,800.00	\$ 478,800.00		
		<u>\$ 847,250.00</u>	<u>\$ 53,200.00</u>	<u>\$ 794,050.00</u>	<u>\$ 478,800.00</u>	<u>\$ 210,587.85</u>	<u>\$ 104,662.15</u>
	Ref.	C	C-2	C	C-9	C-3	
						Ref.	
			Improvement Authorizations Unfunded			C-6	\$ 105,059.26
			Less: Unexpended Proceeds of Notes Issued Ordinance 2017-3			C-3	397.11
							<u>\$ 104,662.15</u>

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	Ref.	
Balance December 31, 2017	C	\$ 126,063.95
Increased by:		
Budget Appropriation	C-2	<u>10,000.00</u>
Balance December 31, 2018	C	<u><u>\$ 136,063.95</u></u>

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Date	Amount	Balance Dec. 31, 2017		Paid or Charged	Balance Dec. 31, 2018	
				Funded	Unfunded		Funded	Unfunded
1998-04	Acquisition of Land, Various Improvements to Municipal Buildings & Grounds, Acquisition of Certain Capital Equipment	6/4/98	\$ 198,030.00	\$ 2,568.64			\$ 2,568.64	
2006-04	Restoration of Certain Streets - Third & Stanger Avenue & Arthur Avenue	6/19/06	200,000.00	78.19			78.19	
2007-18	Purchase of Fire Truck	12/6/07	400,000.00	8,388.35			8,388.35	
2007-19	Reconstruction of Streets & Park Improvements	12/6/07	225,000.00	184,180.74			184,180.74	
2007-20	Purchase of Passenger Bus	12/6/07	50,000.00	2,332.40	\$ 47,500.00		2,332.40	\$ 47,500.00
2010-46	Purchase of Recycling Carts	2/2/10	85,000.00	4,417.90	1,750.00		4,417.90	1,750.00
2011-12	Repair & Replacement of a Portion of the Elephant Swamp Trail & Related Drainage System	10/18/11	150,000.00	8,185.00			8,185.00	
2011-13	Reconstruction of a Portion of Moods Road & Related Drainage System	10/18/11	150,000.00	77,770.95			77,770.95	
2013-06	Purchase of Police Vehicle, Police Equipment, and Various Computer Equipment	8/20/13	75,000.00	9,849.22			9,849.22	
2013-11	Reconstruction of Storm Drains	11/19/13	75,000.00	1,637.00			1,637.00	
2014-01	Purchase of Sound Recording Equipment and Public Works Lawnmower	6/17/14	17,000.00	2,516.48			2,516.48	
2014-05	Various Road and Drainage Improvements	10/28/14	335,000.00	38,284.81		\$ 30,961.33	7,323.48	
2015-12	Acquisition of Various Capital Equipment	9/15/15	140,000.00		4,918.36			4,918.36
2016-04	Acquisition of Various Capital Equipment and Completion of Various Capital Improvements	6/2/16	140,000.00		50,493.79			50,493.79
2017-03	Acquisition of a Fire Truck & Related Equipment	8/3/17	560,000.00		397.11			397.11
				\$ 340,209.68	\$ 105,059.26	\$ 30,961.33	\$ 309,248.35	\$ 105,059.26
		Ref.		C	C	C-2	C	C

SCHEDULE OF ENCUMBRANCES PAYABLE

	Ref.	
Balance December 31, 2017	C	\$ 611,061.30
Decreased by:		
Payments	C-2	<u>269,178.30</u>
Balance December 31, 2018	C	<u><u>\$ 341,883.00</u></u>

SCHEDULE OF BONDS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2017	Decreased	Balance Dec. 31, 2018
			Date	Amount				
General Improvement Bonds of 2005	9/1/05	\$ 2,120,000.00	9/1/19-20	210,000.00	4.250%	\$ 620,000.00	\$ 200,000.00	\$ 420,000.00
General Improvement Bonds of 2014	12/12/14	1,700,000.00	12/1/19	185,000.00	2.000%	1,165,000.00	185,000.00	980,000.00
			12/1/20	190,000.00	2.000%			
			12/1/21	195,000.00	2.000%			
			12/1/22	200,000.00	2.250%			
			12/1/23	210,000.00	2.500%			
					<u>\$ 1,785,000.00</u>	<u>\$ 385,000.00</u>	<u>\$ 1,400,000.00</u>	
				Ref.	C		C	

SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ordinance Number	Purpose	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Issued	Balance Dec. 31, 2018
2017-3	Acquisition of Fire Truck	10/31/18	10/31/18	10/30/19	2.85%	\$ 478,800.00	\$ 478,800.00
					Ref.	C-2	C

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Improvement Description	Balance Dec. 31, 2017	Funded	Balance Dec. 31, 2018
2007-19	Reconstruction of Streets & Park Improvements	\$ 47,500.00		\$ 47,500.00
2010-46	Purchase of Recycling Carts	1,750.00		1,750.00
2015-12	Acquisition of Various Capital Equipment	133,000.00		133,000.00
2016-04	Acquisition of Various Capital Equipment and Completion of Various Capital Improvements	133,000.00		133,000.00
2017-03	Acquisition of a Fire Truck & Related Equipment	532,000.00	\$ 532,000.00	
		<u>\$ 847,250.00</u>	<u>\$ 532,000.00</u>	<u>\$ 315,250.00</u>
	Ref.			
	Notes Issued	Ref C-9	\$ 478,800.00	
	Budget Appropriation	C-4	53,200.00	
			<u>\$ 532,000.00</u>	

PART II
LETTER OF COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2018

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for NJSA 40A:11-4

NJSA 40A:11-4 states "Every contract or agreement awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law."

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

The minutes indicate that bids were requested by public advertisement for the following items:

Resurfacing and Safety Improvement Project at Vineyards at Silver Lake
Resurfacing and Safety Improvements to Fifth Avenue
Contract for Collection and Removal of Solid Waste and Recyclables

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per NJSA 40A:11.5.

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

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the bid threshold "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 NJSA 40A:11-6.

NJSA 40A:11-6.1 requires that at least two competitive quotations be obtained for all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount.

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

The governing body on January 6, 2018, adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, NJSA 54:4-67 allows Municipalities to fix rates of interest to be charged for unpaid and delinquent taxes.

Collection of Interest on Delinquent Taxes and Assessments (Continued)

NOW, THEREFORE, BE IT RESOLVED by the Township Committee of Elk, County of Gloucester and State of New Jersey that the Tax Collector of said Township is hereby directed to charge interest at the rate of 8% per annum on the first \$1,500.00 of delinquent installments of taxes, and at the rate of 18% per annum on any amount in excess of \$1,500.00 from the date the installments become delinquent. Provided, however, that no interest shall be charged if payment of any installment is made within ten (10) days after the date on which same became payable.

BE IT FURTHER RESOLVED that the Tax Collector is authorized and directed to charge a penalty of 6% of the amount of tax delinquency to any taxpayer with a tax delinquency in excess of \$10,000.00 who fails to pay that delinquency prior to the end of the calendar year.

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 23, 2018 and was complete.

The following comparison is made of the number of tax title liens receivable on December 31st of the current and prior two years.

<u>Year</u>	<u>Number of Liens</u>
2018	149
2017	124
2016	131

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

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services. All notices returned were reviewed and no discrepancies were noted. A separate report will be rendered if any irregularities develop after the date of the audit.

Comparison of Tax Levies and Collections 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>2018</u>	<u>2017</u>	<u>2016</u>
Tax Levy	\$ 13,109,048.62	\$ 12,626,008.26	\$ 12,125,794.61
Cash Collections	12,443,858.21	11,906,098.48	11,374,480.51
Percentage of Collections	94.93%	94.30%	93.80%

Comparative Schedule of Tax Rate Information

	2018	2017	2016
Tax Rate	3.501	3.404	3.370
Apportionment of Tax Rate:			
Municipal	0.876	0.876	0.876
County	0.755	0.753	0.750
Local School	0.925	0.826	0.822
Regional High School	0.945	0.949	0.922
Open Space	None	None	None
Assessed Valuation	371,019,357	365,674,209	354,959,581

Comparative Schedule of Delinquent Taxes and Tax Title Liens

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

	2018	2017	2016
Amount of Tax Title Liens	\$ 952,537.31	\$ 799,764.22	\$ 1,000,497.31
Delinquent Taxes	446,529.44	584,043.64	682,295.68
Total Delinquent	1,399,066.75	1,383,807.86	1,682,792.99
Percentage of Tax Levy	10.67%	10.96%	13.88%

Comparative Schedule of Property Acquired by Tax Title Lien Liquidation

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

	2018	2017	2016
Property Acquired for Taxes (Assessed Valuation)	<u>1,516,730</u>	<u>1,516,730</u>	<u>152,930</u>

OTHER COMMENTS

Accounting Procedures

A general ledger has been established as required by NJAC 5:30-5.7.

An encumbrance accounting system has been established as required by NJAC 5:30-5.2.

A fixed asset accounting and reporting system has been established as required by NJAC 5:30-5.6.

Corrective Action Plan

A corrective action plan was not required for the year 2017.

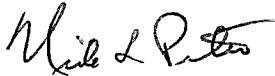
FINDINGS AND RECOMMENDATIONS

None

We received the complete cooperation of all the officials of the Township and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252