

TOWNSHIP OF WASHINGTON

COUNTY OF MORRIS

REPORT OF AUDIT

2017

*NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF WASHINGTON

COUNTY OF MORRIS

REPORT OF AUDIT

2017

TOWNSHIP OF WASHINGTON
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2017

	<u>Page</u>
<u>Part I – Financial Statements and Supplementary Data</u>	
<u>Independent Auditors' Report</u>	1-3
<u>Financial Statements</u>	<u>Exhibit</u>
<u>Current Fund</u>	
Comparative Balance Sheet – Regulatory Basis	A
Comparative Statement of Operations and Change in Fund Balance – Regulatory Basis	A-1
Statement of Revenue – Regulatory Basis	A-2
Statement of Expenditures– Regulatory Basis	A-3
<u>Trust Funds</u>	
Comparative Balance Sheet – Regulatory Basis	B
<u>General Capital Fund</u>	
Comparative Balance Sheet – Regulatory Basis	C
Statement of Fund Balance – Regulatory Basis	C-1
<u>Public Assistance Fund (Not Applicable)</u>	
<u>Bond and Interest Fund (Not Applicable)</u>	
<u>General Fixed Asset Account Group</u>	
Comparative Balance Sheet (Unaudited) – Regulatory Basis	F
	<u>Page</u>
Notes to Financial Statements	1-23
<u>Supplementary Data</u>	<u>Schedule</u>
Officials in Office and Surety Bonds	1
<u>Current Fund</u>	
Schedule of Cash - Treasurer	A-4
Schedule of Cash - Collector	A-5
Schedule of Cash - Grant Funds (Not Applicable)	A-6
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-7
Schedule of Tax Title Liens Receivable	A-8
Schedule of Revenue Accounts Receivable	A-9
Schedule of 2016 Appropriation Reserves	A-10
Schedule of Local School District Taxes Payable	A-11
Schedule of Regional High School Taxes Payable	A-12
Schedule of Grants Receivable - Federal and State Grant Fund	A-13
Schedule of Appropriated Reserves - Federal and State Grant Fund	A-14
Schedule of Unappropriated Reserves - Federal and State Grant Fund	A-15
<u>Trust Funds</u>	
Schedule of Cash - Treasurer	B-1
Schedule of Reserve for Animal Control Fund Expenditures	B-2
<u>General Capital Fund</u>	
Schedule of Cash	C-2
Analysis of Cash	C-3
Schedule of Deferred Charges to Future Taxation - Unfunded	C-4
Schedule of Improvement Authorizations	C-5
Schedule of Capital Improvement Fund	C-6
Schedule of Bond Anticipation Notes Payable	C-7
Schedule of Serial Bonds Payable	C-8
Schedule of Bonds and Notes Authorized but not Issued	C-9

TOWNSHIP OF WASHINGTON
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	<u>Page</u>
<u>Part II – Single Audit</u>	
Schedule of Expenditures of Federal Awards	1
Schedule of Expenditures of State Awards	2
Notes to Schedules of Expenditures of Federal and State Awards	3
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4-5
Schedule of Findings and Responses	6-8
Summary Schedule of Prior Audit Findings	9
<u>Part III – Comments and Recommendations</u>	
Comments and Recommendations	10-14
Summary of Recommendations	15

TOWNSHIP OF WASHINGTON

PART I

INDEPENDENT AUDITORS' REPORT AND

FINANCIAL STATEMENTS AND

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2017



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

The Honorable Mayor and Members
 of the Township Committee
 Township of Washington
 Long Valley, New Jersey

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* - of the various funds of the Township of Washington, in the County of Morris (the "Township") as of and for the years ended December 31, 2017 and 2016, and the related notes to the 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 accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

The Honorable Mayor and Members
of the Township Committee
Township of Washington
Long Valley, New Jersey
Page 2

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, the financial statements are prepared by the Township on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements 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 and account group of the Township as of December 31, 2017 and 2016, or the changes in financial position where applicable, thereof for the years then ended.

Basis for Qualified Opinion

The Township's general fixed assets account group is stated at historical cost or estimated historical cost in the accompanying financial statements. We were unable to obtain sufficient evidence to support the cost of the fixed assets of the general fixed assets account group. As more fully described in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. Therefore, based upon the underlying accounting records, we have not audited the general fixed assets account group.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects on the December 31, 2017 and 2016 financial statements of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds of the Township of Washington as of December 31, 2017 and 2016, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Township's financial statements. The supplementary data schedules listed in the table of contents and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Honorable Mayor and Members
of the Township Committee
Township of Washington
Long Valley, New Jersey
Page 3

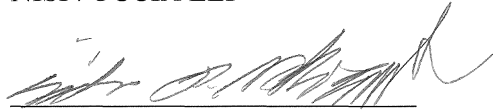
The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the various fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the various fund financial statements or to the various fund financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2018 on our consideration of the Township of Washington'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 Washington's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
April 23, 2018

NISIVOCCIA LLP



William F. Schroeder
Certified Public Accountant
Registered Municipal Accountant No. 452

TOWNSHIP OF WASHINGTON
COUNTY OF MORRIS
2017
CURRENT FUND

TOWNSHIP OF WASHINGTON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2017	2016
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents	A-4	\$ 9,366,532.85	\$ 4,386,985.82
Petty Cash		200.00	200.00
Change Funds		375.00	375.00
		<u>9,367,107.85</u>	<u>4,387,560.82</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	704,588.54	682,422.83
Tax Title Liens Receivable	A-8	2,307,138.06	2,204,350.52
Year End Penalty Receivable		39,125.80	32,914.15
Property Acquired for Taxes at Assessed Valuation		880,500.00	880,500.00
Revenue Accounts Receivable	A-9	13,074.13	15,910.33
Due from Federal and State Grant Fund	A	10,453.23	4,971.35
Total Receivables and Other Assets		<u>3,954,879.76</u>	<u>3,821,069.18</u>
Total Regular Fund		<u>13,321,987.61</u>	<u>8,208,630.00</u>
Federal and State Grant Fund:			
Grants Receivable	A-13	355,720.29	330,743.28
Total Federal and State Grant Fund		<u>355,720.29</u>	<u>330,743.28</u>
<u>TOTAL ASSETS</u>		<u>\$ 13,677,707.90</u>	<u>\$ 8,539,373.28</u>

TOWNSHIP OF WASHINGTON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	Ref.	December 31,	
		2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-10	\$ 761,961.57	\$ 895,419.16
Encumbered	A-3;A-10	164,114.23	247,249.37
Total Appropriation Reserves		<u>926,075.80</u>	<u>1,142,668.53</u>
Accounts Payable - Vendors		4,464.45	1.50
Due to:			
State of New Jersey:			
Marriage License Fees		125.00	425.00
Senior Citizens and Veterans Deductions		7,265.23	7,329.00
County Taxes Payable		29,940.26	22,492.40
Prepaid Taxes		5,069,979.01	297,633.61
Tax Overpayments		30,021.96	30,021.96
Due to Municipal Utility Authority			504.22
Reserve for:			
Sale of Municipal Assets		50,000.00	50,000.00
Third Party Liens		2,825.94	2,825.94
Payroll Expenses		92,111.35	115,213.95
		<u>6,212,809.00</u>	<u>1,669,116.11</u>
Reserve for Receivables and Other			
Assets	A	3,954,879.76	3,821,069.18
Fund Balance	A-1	<u>3,154,298.85</u>	<u>2,718,444.71</u>
Total Regular Fund		<u>13,321,987.61</u>	<u>8,208,630.00</u>
Federal and State Grant Fund:			
Appropriated Reserves	A-14	334,080.48	305,358.59
Unappropriated Reserves	A-15	11,186.58	20,413.34
Due to Current Fund	A	10,453.23	4,971.35
Total Federal and State Grant Fund		<u>355,720.29</u>	<u>330,743.28</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 13,677,707.90</u>	<u>\$ 8,539,373.28</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

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

	Ref.	Year Ended December 31,	
		2017	2016
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 1,300,000.00	\$ 1,070,000.00
Miscellaneous Revenue Anticipated		3,112,847.69	2,850,041.42
Receipts from:			
Delinquent Taxes		675,328.05	805,680.42
Current Taxes		69,824,739.52	67,547,887.31
Nonbudget Revenue		185,696.88	205,855.13
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		448,796.62	300,192.87
Cancellation of Reserve for Sale of Municipal Assets		16,472.67	16,968.69
Cancellation of Federal and State Grant Fund Appropriated Reserves		9,387.53	1,038.75
Year End Penalty Received		13,506.30	15,350.12
Total Income		<u>75,586,775.26</u>	<u>72,813,014.71</u>
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes		15,739,876.52	15,202,809.59
County Taxes		7,545,565.35	7,310,621.09
School Taxes		50,136,208.00	48,337,770.00
Open Space Taxes		359,253.75	358,605.29
Prior Year Senior Citizen Deductions Disallowed		1,478.18	1,000.00
Interfunds Advanced		5,481.88	4,971.35
Refund of Prior Year Revenue		140.00	35,029.71
Cancellation of Federal and State Grant Fund Receivables		9,387.53	1,038.75
Tax Appeals From Prior Years Charged to Operations - Overpayments		53,529.91	
Total Expenditures		<u>73,850,921.12</u>	<u>71,251,845.78</u>
Excess in Revenue		1,735,854.14	1,561,168.93
Balance January 1		2,718,444.71	2,227,275.78
		<u>4,454,298.85</u>	<u>3,788,444.71</u>
Decreased by:			
Utilized as Anticipated Revenue		1,300,000.00	1,070,000.00
Balance December 31	A	<u>\$ 3,154,298.85</u>	<u>\$ 2,718,444.71</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF WASHINGTON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 1,300,000.00		\$ 1,300,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	17,500.00		17,688.00	\$ 188.00
Other	1,500.00		3,623.00	2,123.00
Fees and Permits:				
Other	185,000.00		279,844.77	94,844.77
Fines and Costs:				
Municipal Court	175,000.00		200,357.43	25,357.43
Interest and Costs on Taxes	186,000.00		172,899.20	13,100.80 *
Interest on Investments and Deposits	15,000.00		75,980.21	60,980.21
Consolidated Municipal Property Tax Relief Aid	25,181.00		25,181.00	
Energy Receipts Tax (P.L. 1999, Chapters 162 & 167)	1,385,178.00		1,385,178.00	
Garden State Preservation Trust Fund	15,441.00		15,441.00	
Watershed Aid	799.00		799.00	
Shared Services-				
Fire Fighting - Tewksbury Township	42,794.00		42,794.00	
Police/Court Services - Borough of Califon	298,652.00		298,652.00	
Finance/Tax Collection- Borough of Califon	37,272.00		37,272.00	
Health - Chester Township	68,243.00		68,243.00	
Court Services - Borough of Califon	19,000.00		15,900.03	3,099.97 *
Tax Collection - Mansfield Township	31,212.00		31,212.00	
School Resource Officer	60,000.00		55,128.00	4,872.00 *
Land Use Coordinator - Borough of Califon	9,800.00		9,800.00	
Uniform Construction Code Services - Mansfield	42,000.00		89,326.69	47,326.69
Uniform Construction Code Services - Chester	24,000.00		24,033.56	33.56
Police Donations	350.00		350.00	
Reserve for Drunk Driving Enforcement Fund	2,976.91		2,976.91	
Clean Communities Program Grant	60,876.00		60,876.00	
Municipal Alliance on Alcoholism and Drug Abuse	13,717.00	\$ 2,000.00	15,717.00	
Supplemental Municipal Alliance on Alcoholism and Drug Abuse	2,000.00		2,000.00	
Reserve for Clean Communities Program	17,086.43		17,086.43	

TOWNSHIP OF WASHINGTON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Miscellaneous Revenue (Cont'd):				
Recreation Trails Program		\$ 25,200.00	\$ 25,200.00	
Health Association Grant		2,320.00	2,320.00	
General Capital Fund Balance	\$ 10,923.00		10,923.00	
Washington Library - Pension Contribution	67,301.00		67,300.86	\$ 0.14 *
Cell Tower Rental	43,000.00		48,555.18	5,555.18
Department of Public Works Services	2,413.00		2,413.00	
Fire Prevention Services	7,500.00		7,776.42	276.42
	<u>2,867,715.34</u>	<u>29,520.00</u>	<u>3,112,847.69</u>	<u>215,612.35</u>
Receipts from Delinquent Taxes	640,000.00		675,328.05	35,328.05
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	11,434,915.00		12,315,985.40	881,070.40
Minimum Library Tax	962,727.02		962,727.02	
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>12,397,642.02</u>		<u>13,278,712.42</u>	<u>881,070.40</u>
Budget Totals	17,205,357.36	29,520.00	18,366,888.16	1,132,010.80
Nonbudget Revenue			185,696.88	185,696.88
	<u>\$ 17,205,357.36</u>	<u>\$ 29,520.00</u>	<u>\$ 18,552,585.04</u>	<u>\$ 1,317,707.68</u>

TOWNSHIP OF WASHINGTON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(continued)

Analysis of Realized Revenue

Allocation of Current Tax Collections:

Collection of Current Taxes \$ 69,824,739.52

Allocated to:

School and County Taxes \$ 57,681,773.35

Open Space Taxes 359,253.75

58,041,027.10

11,783,712.42

Add: Appropriation "Reserve for
Uncollected Taxes"

1,495,000.00

Realized for Support of Municipal Budget

\$ 13,278,712.42

Receipts from Delinquent Taxes:

Delinquent Tax Collections \$ 651,222.73

Tax Title Lien Collections 24,105.32

\$ 675,328.05

Fees and Permits - Other:

Treasurer:

Township Clerk \$ 13,082.90

Cable TV Franchise Fee 65,898.75

Police 8,325.57

Tax Collector 1,190.00

Planning Board/Board of Adjustments 33,753.11

Zoning 10,935.00

Police Impound 11,630.00

Fire Safety 72,725.59

Health Officer 49,012.35

Recreation 13,171.50

Registrar 120.00

\$ 279,844.77

TOWNSHIP OF WASHINGTON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(continued)

Analysis of Interest on Investments and Deposits

Current Fund Interest	\$ 60,898.57
Municipal Court Interest	334.01
Animal Control Fund Interest	474.82
Other Trust Funds Interest	10,314.56
General Capital Fund Interest	3,958.25
	<u>\$ 75,980.21</u>

Analysis of Nonbudget Revenue

Miscellaneous Revenue Not Anticipated:	
Various Prior Year Reimbursements	\$ 32,618.28
State Inspection Fines	9,540.00
Prior Year Shared Service Payments	45,360.67
Miscellaneous Rental Payments	23,208.24
Police Outside Service Administration Fees	57,978.62
Other Miscellaneous Reimbursements	6,314.24
Court filing fee refund	5,600.00
Medicare Reimbursement -Flu Shots	5,076.83
	<u>\$ 185,696.88</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF WASHINGTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
Administrative and Executive:					
Salaries and Wages	\$ 227,816.00	\$ 227,816.00	\$ 221,700.44	\$ 6,115.56	
Other Expenses	51,850.00	51,150.00	36,651.33	14,498.67	
Mayor and Council:					
Other Expenses	1,330.00	1,330.00	1,330.00		
Municipal Clerk:					
Salaries and Wages	66,035.00	66,035.00	64,595.00	1,440.00	
Other Expenses	12,400.00	12,900.00	12,439.96	460.04	
Financial Administration:					
Salaries and Wages	95,977.00	95,977.00	93,567.00	2,410.00	
Other Expenses	15,188.00	15,188.00	13,535.07	1,652.93	
Audit Services	28,500.00	28,500.00	1,620.00	26,880.00	
IT/Website/Data Processing:					
Salaries and Wages	52,133.00	52,133.00	51,074.01	1,058.99	
Other Expenses	13,918.00	13,918.00	11,751.19	2,166.81	
Collection of Taxes:					
Salaries and Wages	59,967.00	59,967.00	57,540.27	2,426.73	
Other Expenses	14,531.00	14,731.00	14,588.51	142.49	
Assessment of Taxes:					
Salaries and Wages	92,790.00	92,790.00	89,614.21	3,175.79	
Other Expenses	10,220.00	10,220.00	8,138.00	2,082.00	
Legal Services and Costs:					
Other Expenses	154,000.00	151,000.00	122,029.41	28,970.59	

TOWNSHIP OF WASHINGTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
GENERAL GOVERNMENT (continued):					
Engineering Services and Costs:					
Other Expenses	\$ 15,675.00	\$ 15,675.00	\$ 12,025.10	\$ 3,649.90	
Historic Preservation:					
Other Expenses	744.00	744.00	218.72	525.28	
Planning Board:					
Salaries and Wages	3,000.00	3,000.00	2,940.00	60.00	
Other Expenses	16,005.00	16,005.00	8,621.17	7,383.83	
Zoning Officer:					
Salaries and Wages	25,737.00	25,737.00	25,473.84	263.16	
Other Expenses	2,600.00	2,600.00	233.91	2,366.09	
Insurance:					
Other Liability Insurance Premiums	246,913.00	246,913.00	246,763.28	149.72	
Workers Compensation	155,824.00	155,824.00	155,823.95	0.05	
Group Insurance Plan for Employees	1,761,497.00	1,757,497.00	1,724,427.35	33,069.65	
PUBLIC SAFETY:					
Police:					
Salaries and Wages	2,806,802.00	2,806,802.00	2,671,478.79	135,323.21	
Other Expenses	116,449.00	116,449.00	101,743.50	14,705.50	
Purchase of Police Cars	156,814.00	156,814.00	156,716.67	97.33	
Joint Police, Fire and First Aid Communications:					
Other Expenses	345,814.00	345,814.00	338,153.86	7,660.14	
Office of Emergency Management:					
Salaries and Wages	2,000.00	2,000.00	1,200.00	800.00	
Other Expenses	1,500.00	1,500.00	964.25	535.75	

TOWNSHIP OF WASHINGTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
PUBLIC SAFETY (continued):					
Radio Maintenance:					
Other Expenses	\$ 4,000.00	\$ 4,000.00		\$ 4,000.00	
Fire:					
Other Expenses:					
Miscellaneous Other Expenses	73,129.00	73,129.00	\$ 30,317.56	42,811.44	
Fire Hydrant Service	4,080.00	4,080.00	4,080.00		
First Aid Organization - Contribution					
Miscellaneous Other Expenses	48,574.00	48,574.00	42,269.79	6,304.21	
Fire Safety Act:					
Salaries and Wages	37,807.00	45,807.00	44,825.11	981.89	
Other Expenses	3,890.00	3,890.00	1,857.14	2,032.86	
Municipal Prosecutor:					
Other Expenses	12,250.00	12,250.00	11,200.00	1,050.00	
STREETS AND ROADS:					
Road Repairs and Maintenance:					
Salaries and Wages	1,951,599.00	1,951,599.00	1,852,449.88	99,149.12	
Other Expenses	665,072.00	665,072.00	580,120.12	84,951.88	
Shade Trees:					
Other Expenses	3,650.00	3,650.00	1,673.91	1,976.09	
OTHER MUNICIPAL SERVICES:					
Recycling					
Other Expenses	1,000.00	1,000.00		1,000.00	

TOWNSHIP OF WASHINGTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
OTHER MUNICIPAL SERVICES:					
Public Buildings and Grounds:					
Other Expenses	\$ 72,515.00	\$ 72,515.00	\$ 71,000.69	\$ 1,514.31	
Community Services Act	1,500.00	1,500.00			
HEALTH AND WELFARE:					
Board of Health:					
Salaries and Wages	211,432.00	211,432.00	206,002.25	5,429.75	
Other Expenses	23,040.00	23,040.00	18,285.41	4,754.59	
Environmental Commission (R.S.40:56A-1 et seq):					
Other Expenses	2,105.00	2,105.00	360.00	1,745.00	
RECREATION AND EDUCATION:					
Recreation and Education:					
Salaries and Wages	55,077.00	55,077.00	54,911.77	165.23	
Other Expenses	6,160.00	6,160.00	6,119.97	40.03	
Senior Citizens Program:					
Salaries and Wages	64,190.00	64,190.00	63,345.02	844.98	
Other Expenses	3,250.00	3,250.00	3,157.36	92.64	
Field Maintenance:					
Other Expenses	25,970.00	25,970.00	19,118.55	6,851.45	
Utility Expenses and Bulk Purchases	387,000.00	383,000.00	322,781.55	60,218.45	

TOWNSHIP OF WASHINGTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
Municipal Court:					
Salaries and Wages	\$ 127,049.00	\$ 127,049.00	\$ 120,047.23	\$ 7,001.77	
Other Expenses	10,745.00	10,745.00	9,783.86	961.14	
Public Defender:					
Other Expenses	1,400.00	1,400.00		1,400.00	
Total Operations Within "CAPS"	10,350,513.00	10,347,513.00	9,712,165.96	635,347.04	
Detail:					
Salaries and Wages	5,879,411.00	5,887,411.00	5,620,764.82	266,646.18	
Other Expenses	4,471,102.00	4,460,102.00	4,091,401.14	368,700.86	
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	498,398.00	498,398.00	498,398.00		
Social Security System (O.A.S.I.)	489,277.00	492,277.00	490,521.36	1,755.64	
Police and Firemen's Retirement System of New Jersey	723,904.00	723,904.00	723,904.00		
Unemployment Compensation Insurance	9,000.00	9,000.00	9,000.00		
Defined Contribution Retirement Program	5,800.00	5,800.00	3,261.78	2,538.22	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	1,726,379.00	1,729,379.00	1,725,085.14	4,293.86	
Total General Appropriations for Municipal Purposes Within "CAPS"	12,076,892.00	12,076,892.00	11,437,251.10	639,640.90	

TOWNSHIP OF WASHINGTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS":					
Maintenance of Free Public Library	\$ 962,727.02	\$ 962,727.02	\$ 962,727.02		
LOSAP Program	71,300.00	71,300.00	52,325.00	\$ 18,975.00	
Shared Service Agreements:					
Fire Fighting:					
Other Expenses	42,794.00	42,794.00	42,794.00		
Police/Court Services:					
Salaries and Wages	298,652.00	298,652.00	298,652.00		
Finance:					
Salaries and Wages	37,272.00	37,272.00	37,272.00		
Health:					
Salaries and Wages	68,243.00	68,243.00	68,243.00		
Court:					
Salaries and Wages	19,000.00	19,000.00	19,000.00		
Tax Collection					
Salaries and Wages	31,212.00	31,212.00	31,212.00		
Police:					
Salaries and Wages	60,000.00	60,000.00	60,000.00		
Additional Appropriations Offset by Revenues:					
Planning Board					
Salaries and Wages	9,800.00	9,800.00	9,800.00		
Construction Code					
Salaries and Wages	66,000.00	66,000.00	66,000.00		
State and Federal Programs Offset by Revenues:					
Reserve for Drunk Driving Enforcement Fund	2,976.91	2,976.91	2,976.91		
Clean Communities Program	60,876.00	60,876.00	60,876.00		
Municipal Alliance on Alcoholism and Drug Abuse (N.J.S.A. 40A:4-87 + \$2,000)	13,717.00	15,717.00	15,717.00		
Reserves for Police Donation	350.00	350.00	350.00		

TOWNSHIP OF WASHINGTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS" (Cont'd):					
State and Federal Programs Offset by Revenues: (Cont'd)					
Health Officer Association Grant					
(N.J.S.A. 40A:4-87 + \$2,320)		\$ 2,320.00	\$ 2,320.00		
Reserve for Clean Communities Program	\$ 17,086.43	17,086.43	17,086.43		
Supplemental Municipal Alliance Grant	2,000.00	2,000.00	2,000.00		
Recreation Trails Program					
(N.J.S.A. 40A:4-87 + \$25,200)		25,200.00	25,200.00		
Total Operations Excluded from "CAPS"	1,764,006.36	1,793,526.36	1,774,551.36	\$ 18,975.00	
Detail:					
Salaries and Wages	423,167.00	454,379.00	454,379.00		
Other Expenses	1,340,839.36	1,339,147.36	1,320,172.36	18,975.00	
Capital Improvements-Excluded from "CAPS":					
Capital Improvement Fund	381,325.00	381,325.00	381,325.00		
Road Improvements	255,000.00	255,000.00	202,096.40	52,903.60	
Police Equipment	21,900.00	21,900.00	21,845.28	54.72	
Emergency Services Equipment	88,495.00	88,495.00	86,473.70	2,021.30	
Reserve for Fire Truck Refurbishment	64,000.00	64,000.00	64,000.00		
Computer/Technology Upgrade	27,135.00	27,135.00	22,802.35	4,332.65	
Improve Municipal Facilities	159,145.00	159,145.00	115,111.60	44,033.40	
Total Capital Improvements Excluded from "CAPS"	997,000.00	997,000.00	893,654.33	103,345.67	

TOWNSHIP OF WASHINGTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Municipal Debt Service Excluded from "CAPS":					
Payment of Bond Principal	\$ 548,194.00	\$ 548,194.00	\$ 548,194.00		
Payment of Bond Anticipation Notes	50,000.00	50,000.00	50,000.00		
Interest on Bonds	253,515.00	253,515.00	253,514.16		\$ 0.84
Interest on Notes	20,750.00	20,750.00	20,750.00		
Total Municipal Debt Service Excluded from "CAPS"	872,459.00	872,459.00	872,458.16		0.84
Total General Appropriations Excluded from "CAPS"	3,633,465.36	3,662,985.36	3,540,663.85	\$ 122,320.67	0.84
Subtotal General Appropriations	15,710,357.36	15,739,877.36	14,977,914.95	761,961.57	0.84
Reserve for Uncollected Taxes	1,495,000.00	1,495,000.00	1,495,000.00		
Total General Appropriations	\$ 17,205,357.36	\$ 17,234,877.36	\$ 16,472,914.95	\$ 761,961.57	\$ 0.84

Ref.

A

TOWNSHIP OF WASHINGTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(continued)

		Analysis of	
<u>Ref.</u>	Budget After Modification		Paid or Charged
Adopted Budget	\$ 17,205,357.36		
Additional Appropriations (N.J.S.A. 40A:4-87)	29,520.00		
	\$ 17,234,877.36		
Reserve for Uncollected Taxes		\$ 1,495,000.00	
Cash Disbursed		14,687,274.38	
Due to Federal and State Grant Fund		126,526.34	
Encumbrances	A	164,114.23	
		\$ 16,472,914.95	

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF WASHINGTON
COUNTY OF MORRIS
2017
TRUST FUNDS

TOWNSHIP OF WASHINGTON
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS

	Ref.	December 31,	
		2017	2016
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	B-1	\$ 34,657.80	\$ 32,900.94
Change Fund - Collector		50.00	50.00
		<u>34,707.80</u>	<u>32,950.94</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-1	2,689,665.30	2,814,094.93
		<u>2,689,665.30</u>	<u>2,814,094.93</u>
<u>TOTAL ASSETS</u>		<u>\$ 2,724,373.10</u>	<u>\$ 2,847,045.87</u>
 <u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due to State Board of Health		\$ 39.00	
Reserve for Animal Control Expenditures	B-2	34,668.80	\$ 32,950.94
		<u>34,707.80</u>	<u>32,950.94</u>
Other Trust Funds:			
Due to State of New Jersey:			
Training Fees		7,138.00	6,023.75
Reserve for:			
Open Space Trust Fund		267,611.20	446,481.62
State Unemployment Insurance Trust Fund		79,460.60	61,975.72
Developers' Deposits		567,734.20	539,817.70
Recreation		38,527.39	37,640.57
Recycling		15,098.57	3,173.08
Forfeited Assets		5,756.97	7,647.28
Washington Uniform Construction Code Fees		22,643.32	49,487.82
Mansfield Uniform Construction Code Fees		5,063.00	2,839.25
Housing Trust		588,370.85	609,250.94
Tax Sale Premiums		552,500.00	751,500.00
Municipal Alliance Fund		3,519.95	3,519.95
Parking Offense Adjudication Fees		49.55	49.55
Parking Offense Adjudication Fees - Califon		4.00	
Storm Recovery Fund		85,000.00	85,000.00
Fairview Avenue Housing Fund		129,687.70	129,687.70
Accumulated Absences		320,000.00	80,000.00
Fire Prevention Penalty		1,500.00	
		<u>2,689,665.30</u>	<u>2,814,094.93</u>
<u>TOTAL LIABILITIES AND RESERVES</u>		<u>\$ 2,724,373.10</u>	<u>\$ 2,847,045.87</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF WASHINGTON
COUNTY OF MORRIS
2017
GENERAL CAPITAL FUND

TOWNSHIP OF WASHINGTON
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2017	2016
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 817,923.62	\$ 920,922.45
New Jersey Department of Transportation Grants Receivable		82,626.75	82,626.75
Deferred Charges to Future Taxation:			
Funded		7,270,000.00	8,020,000.00
Unfunded	C-4	3,615,000.00	2,875,000.00
<u>TOTAL ASSETS</u>		<u>\$ 11,785,550.37</u>	<u>\$ 11,898,549.20</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 7,270,000.00	\$ 8,020,000.00
Bond Anticipation Notes Payable	C-7	2,825,000.00	2,075,000.00
Improvement Authorizations:			
Funded	C-5	78,276.82	382,334.63
Unfunded	C-5	671,595.03	937,813.70
Capital Improvement Fund	C-6	466,939.80	127,614.80
Reserve for Fire Equipment		20,010.29	8,831.66
Reserve for Police Equipment		3,191.02	3,191.02
Reserve for Recreation Facilities		13,230.13	13,230.13
Reserve for Fire Truck Refurbishment		250,884.00	170,000.00
Fund Balance	C-1	186,423.28	160,533.26
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 11,785,550.37</u>	<u>\$ 11,898,549.20</u>

TOWNSHIP OF WASHINGTON
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 160,533.26
Increased by:		
Premium on Bond Sale		36,813.02
		<u>197,346.28</u>
Decreased by:		
Appropriated to 2017 Budget Revenue - Current Fund		10,923.00
		<u>10,923.00</u>
Balance December 31, 2017	C	<u>\$ 186,423.28</u>

TOWNSHIP OF WASHINGTON
COUNTY OF MORRIS
2017
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF WASHINGTON
COUNTY OF MORRIS
2017
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF WASHINGTON
COUNTY OF MORRIS
2017
GENERAL FIXED ASSET ACCOUNT GROUP

(UNAUDITED)

TOWNSHIP OF WASHINGTON
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(UNAUDITED)

<u>ASSETS</u>	December 31,	
	2017	2016
Land	\$ 4,879,000.00	\$ 4,879,000.00
Building	9,911,467.43	9,911,467.43
Equipment and Vehicles	5,979,711.75	5,979,711.75
<u>TOTAL ASSETS</u>	\$ 20,770,179.18	\$ 20,770,179.18
<u>RESERVE</u>		
Reserve for Fixed Assets	\$ 20,770,179.18	\$ 20,770,179.18
<u>TOTAL RESERVE</u>	\$ 20,770,179.18	\$ 20,770,179.18

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Township of Washington include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Washington, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Township of Washington do not include the operations of the municipal library, or volunteer fire and first aid squads.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Township of Washington conform to the accounting practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township of Washington accounts for its financial transactions through the following separate funds:

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

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

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

B. Description of Funds (Cont'd)

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

General Fixed Assets Account Group (Unaudited) - estimated values of land, buildings and certain fixed assets of the Township as discussed in Note 1E.

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The more significant accounting policies in New Jersey follow:

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the Current Fund when it is budgeted, and in the Capital Fund when improvements are authorized. The amounts recorded as property taxes receivable have not been included in revenue. Other amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations generally based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the 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 cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Had the Township's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when received; inventories would not be reflected as expenditures at the time of purchase, investments would generally be stated at fair value and the Township's net pension liability and related deferred inflows and outflows would be recorded. The cash basis of accounting is followed in the Trust and Capital Funds.

D. Deferred Charges to Future Taxation – The Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means that debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, by collecting a grant, by selling bonds, by issuing loans or by capital lease purchase agreements.

E. Other significant accounting policies include:

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments, if any, are stated at cost.

Grants Receivable – Grants receivable represent total grant awards less amounts collected to date. Because the amount of grants funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

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

Inventories of Supplies - The 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.

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

E. Other significant accounting policies include: (Cont'd)

General Fixed Assets (Unaudited) - General fixed assets are recorded at cost, except for land and buildings, which are recorded at estimated historical cost. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided for on general fixed assets. The total value recorded for general fixed assets is offset by a "Reserve for Fixed Assets." When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund and the General Capital Fund. The values recorded in the General Fixed Assets Account Group and the Current Fund and General Capital Fund may not always agree due to differences in valuation methods, timing of recognition of assets, and the recognition of infrastructures. Fixed assets are reviewed for impairment.

F. Budget/Budgetary Control

Annual appropriated budgets are usually prepared in the first quarter for the Current operating and Open Space Trust Funds. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Township during the year.

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bonds to finance general Township capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Township are general obligation bonds. The Township's full faith and credit and taxing power have been pledged to the payment of the general obligation debt principal and interest.

Summary of Municipal Debt

	December 31,		
	2017	2016	2015
<u>Issued</u>			
General Bonds and Notes	\$ 10,095,000.00	\$10,095,000.00	\$ 9,940,000.00
<u>Authorized but Not Issued:</u>			
General Bonds and Notes	790,000.00	800,000.00	800,000.00
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 10,885,000.00</u>	<u>\$10,895,000.00</u>	<u>\$ 10,740,000.00</u>

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt Issued and Outstanding – Prior and Current Year

	Balance 12/31/2015	Additions	Retirements	Balance 12/31/2016
General Capital Fund:				
Serial Bonds	\$ 8,665,000.00		\$ 645,000.00	\$ 8,020,000.00
Bond Anticipation Notes	1,275,000.00	\$ 2,075,000.00	1,275,000.00	2,075,000.00
Total	<u>\$ 9,940,000.00</u>	<u>\$ 2,075,000.00</u>	<u>\$ 1,920,000.00</u>	<u>\$ 10,095,000.00</u>

	Balance 12/31/2016	Additions	Retirements	Balance 12/31/2017
General Capital Fund:				
Serial Bonds	\$ 8,020,000.00	\$ 4,310,000.00	\$ 5,060,000.00	\$ 7,270,000.00
Bond Anticipation Notes	2,075,000.00	2,825,000.00	2,075,000.00	2,825,000.00
Total	<u>\$ 10,095,000.00</u>	<u>\$ 7,135,000.00</u>	<u>\$ 7,135,000.00</u>	<u>\$ 10,095,000.00</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .379%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 7,580,000.00	\$ 7,580,000.00	
Regional School District Debt	13,255,000.00	13,255,000.00	
General Debt	10,885,000.00		\$ 10,885,000.00
	<u>\$ 31,720,000.00</u>	<u>\$ 20,835,000.00</u>	<u>\$ 10,885,000.00</u>

Net Debt \$10,885,000 divided by Equalized Valuation Basis Per N.J.S. 40A:2-2 as Amended, \$2,874,430,218= .379%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 100,605,057.63
Net Debt	<u>10,885,000.00</u>
Remaining Borrowing Power	<u>\$ 89,720,057.63</u>

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 2: Long-Term Debt (Cont'd)

Schedule of Annual Debt Service for Principal and Interest for the Next Five Years and Thereafter for Bonded Debt Issued and Outstanding

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 695,000.00	\$ 272,502.22	\$ 967,502.22
2019	725,000.00	240,450.00	965,450.00
2020	755,000.00	210,850.00	965,850.00
2021	785,000.00	180,050.00	965,050.00
2022	805,000.00	152,275.00	957,275.00
2023-2026	3,505,000.00	286,100.00	3,791,100.00
	<u>\$ 7,270,000.00</u>	<u>\$ 1,342,227.22</u>	<u>\$ 8,612,227.22</u>

At December 31, 2017, the Township had capital debt issued and outstanding described as follows:

General Capital Serial Bonds Payable

<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2017</u>
General Improvements 2011	03/01/21	4.00%	\$ 2,960,000.00
Refunding Bonds 2017	03/01/26	3.00-4.00%	4,310,000.00
			<u>\$ 7,270,000.00</u>

General Capital Bond Anticipation Notes

<u>Purpose</u>	<u>Maturities of Notes</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2017</u>
	<u>Outstanding Dec. 31, 2017 Date</u>	<u>Amount</u>		
Purchase of Fire Truck	8/31/2018	\$ 335,000.00	2.25%	\$ 335,000.00
Various Improvements	8/31/2018	390,000.00	2.25%	390,000.00
Road Improvements	8/31/2018	500,000.00	2.25%	500,000.00
Various Improvements	8/31/2018	800,000.00	2.25%	800,000.00
Various Improvements	8/31/2018	800,000.00	2.25%	800,000.00
				<u>\$ 2,825,000.00</u>

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$16,615,665 at December 31, 2016. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$16,960,296 at December 31, 2016. See Note 5 for further information on the PERS and PFRS.

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 3: Fund Balances Appropriated

Fund Balance at December 31, 2017, which is appropriated and included in the adopted budget as anticipated revenue for the year ending December 31, 2018 budget is as follows:

Current Fund	\$ 1,530,000.00
--------------	-----------------

Note 4: Local and Regional School District 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.

The Township of Washington has elected not to defer school taxes.

Note 5: Pension Plans

Township employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee's Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

Benefits Provided

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

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

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$498,398 for 2017.

The employee contribution rate was 7.20% effective July 1, 2016 and increased to 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At December 31, 2016, the Township's liability was \$16,615,665 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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 members, actuarially determined. At June 30, 2016, the Township's proportion was 0.056%, which was an increase of 0.001% from its proportion measured as of June 30, 2015. The Township has rolled forward the net pension liability to December 31, 2016 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2016 pension information in the Notes to the Financial Statements as the June 30, 2017 pension information has not been released as of the date of this audit.

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities and Pension Expense (Cont'd)

For the year ended December 31, 2017, the Township recognized actual pension expense in the amount of \$498,398.

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table 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 tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability 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 one year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2016 are summarized in the following table:

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Township's proportionate share of the collective net pension liability as of December 31, 2016 calculated using the discount rate as disclosed below, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Sensitivity of the Township's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Cont'd)

	December 31, 2017		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Township's proportionate share of the Net Pension Liability	\$ 20,360,558	\$ 16,615,665	\$ 13,523,931

Pension Plan Fiduciary Net Position

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

B. Police and Firemen's Retirement System (PFRS)

Plan Description

The State of New Jersey, State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after 4 years of service.

The following represents the membership tiers for PFRS:

Definition
Members who were enrolled prior to May 22, 2010
Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual amounts over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. The June 30, 2016 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense for the fiscal year ended June 30, 2016 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2016. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Township contributions to PFRS amounted to \$723,904 for the year ended December 31, 2017. During the fiscal year ended June 30, 2016, the State of New Jersey contributed \$54,573 to the PFRS for normal pension benefits on behalf of the Township, which is less than the contractually required contribution of \$181,910.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Pension Liabilities and Pension Expense

At December 31, 2016, the Township's liability for its proportionate share of the net pension liability was \$16,960,296. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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 members, actuarially determined. At June 30, 2016, the Township's proportion was 0.088%, which was a decrease of 0.003% from its proportion measured as of June 30, 2015. The Township has rolled forward the net pension liability to December 31, 2016 with no adjustments. The State of New Jersey Police and Firemen's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2016 pension information in the Notes to the Financial Statements as the June 30, 2017 pension information has not been released as of the date of this audit.

Additionally, the State's proportionate share of the net pension liability attributable to the Township is \$1,424,244 as of June 30, 2016. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The State's proportionate share of the net pension liability associated with the Township 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 members, actuarially determined. At June 30, 2016, the State's proportion was 0.088%, which was a decrease of 0.003% from its proportion measured as of June 30, 2015 which is the same proportion as the Township's. The Township has rolled forward the net pension liability to December 31, 2016 with no adjustments. The State of New Jersey Police and Firemen's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation.

Township's Proportionate Share of the Net Pension Liability	\$ 16,960,296
State's Proportionate Share of the Net Pension Liability Associated with the Township	<u>1,424,244</u>
Total Net Pension Liability	<u>\$ 18,384,540</u>

For the year ended December 31, 2017, the Township recognized total pension expense of \$723,904.

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	2.10% - 8.98% based on age
Thereafter	3.10% - 9.98% based on age
Investment Rate of Return	7.65%

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Actuarial Assumptions (Cont'd)

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the Township) to Changes in the Discount Rate

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Township) as of December 31, 2016 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	December 31, 2017		
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
Township's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Township	\$ 23,705,517	\$ 18,384,540	\$ 14,045,604
<u>Pension</u>			

Plan Fiduciary Net Position - PFRS

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

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 5: Pension Plans (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Township recognized pension expense of \$3,261.78 for the year ended December 31, 2017. Employee contributions to DCRP amounted to \$6,354.44 for the year ended December 31, 2017.

Note 6: Accrued Sick and Vacation Benefits

The Township permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$25,517.75 at December 31, 2017. The Township also permits employees to accrue earned compensation time. The estimated current cost of this time is approximately \$377,448.56 at December 31, 2017. These amounts are not reported either as an expenditure or a liability. However, it is expected that the cost of such unpaid compensation would be included in the Township's operating expenditures in the year in which it is used. This amount has been partially funded in the Reserve for Accumulated Absences of \$320,000 on the Trust Fund balance sheet at December 31, 2017.

Note 7: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after March 8 and through December 31. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 7: Selected Tax Information (Cont'd)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	2.499	2.423	2.374
<u>Apportionment of Tax Rate</u>			
Municipal	.439 *	.432 *	.426 *
Municipal Open Space	.012	.013	.012
County	.258	.250	.240
County Open Space	.010	.009	.010
Local School	1.223	1.190	1.170
Regional High School	.557	.529	.516
<u>Assessed Valuations</u>			
2017	<u>\$ 2,818,062,000</u>		
2016		<u>\$ 2,814,845,187</u>	
2015			<u>\$ 2,805,493,817</u>

* Includes Municipal Library Tax

Comparison of Tax Levies and Collection Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2017	\$ 70,702,737.53	\$ 69,824,739.52	98.75%
2016	68,414,681.91	67,547,887.31	98.73%
2015	66,749,643.20	65,774,316.48	98.53%

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 8: Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Health benefits are provided to employees through the State of New Jersey Health Benefits Plan.

Property and Liability

The Township of Washington is a member of the Morris County Municipal Joint Insurance Fund (the "Fund"). The Fund is both an insured and self-administered group of municipalities established for the purpose of providing certain employee benefits for member municipalities in order to keep local property taxes at a minimum.

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 8: Risk Management (Cont'd)

Property and Liability (Cont'd)

The following coverages are offered by this fund to its members:

- a.) Workers' Compensation and Employers' Liability
- b.) Liability Other Than Motor Vehicles
- c.) Property Damage Other Than Motor Vehicles
- d.) Motor Vehicle
- e.) Environmental

As a member of the Fund, the Township could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The December 31, 2017 audit report of the Morris County Municipal Joint Insurance Fund is not filed as of the date of this audit. Summarized, selected financial information for the Fund as of December 31, 2016 is as follows:

	<u>Morris County Municipal Joint Insurance Fund</u>
Total Assets	\$ <u>27,753,863</u>
Net Position	\$ <u>12,178,035</u>
Total Revenue	\$ <u>19,261,910</u>
Total Expenditures	\$ <u>15,715,706</u>
Change in Net Position	\$ <u>3,546,204</u>
Members Dividends	\$ <u>-0-</u>

Financial statements for the Fund are available at the Office of the Executive Director:

Morris County Municipal Joint Insurance Fund
PERMA Risk Management Services
9 Campus Drive, Suite 216
Parsippany, New Jersey 07054
(201) 881-7632

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
 (Continued)

Note 8: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the Township is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Township is billed quarterly for amounts due to the State.

The following is a summary of Township and employee contributions and reimbursements to the State for benefits paid and the ending balance of the Township’s trust fund for the current and previous two years:

<u>Year</u>	<u>Township Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017	\$ 9,000.00	\$ 8,710.76	\$ 225.88	\$ 79,460.60
2016	18,000.00	8,378.10	163.50	61,975.72
2015		8,154.76	160.50	35,761.12

Note 9: Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost. The Township classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Township in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government’s deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Township ensures that any deposit or investments matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Township limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed on the following page.

Custodial Credit Risk – The Township’s policy with respect to custodial credit risk requires that the Township ensures that Township funds are only deposited in financial institutions in which NJ municipalities are permitted to invest their funds.

Deposits:

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

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

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

(Continued)

Note 9: Cash and Cash Equivalents (Cont'd)

Deposits (Cont'd)

The market value of the collateral must equal 5% of the average daily balance of collected public funds on deposit, and

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

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

Investments

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

(Continued)

Note 9: Cash and Cash Equivalents (Cont'd)

Investments (Cont'd)

- (b) the custody of collateral is transferred to a third party;
- (c) the maturity of the agreement is not more than 30 days;
- (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
- (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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

Fund	Savings and Checking Accounts	Petty Cash/ Change Funds	Totals
Current	\$ 9,366,532.85	\$ 575.00	\$ 9,367,107.85
Animal Control	34,657.80	50.00	34,707.80
Other Trust	2,689,665.30		2,689,665.30
General Capital	817,923.62		817,923.62
	<u>\$12,908,779.57</u>	<u>\$ 625.00</u>	<u>\$12,909,404.57</u>

At December 31, 2017, the Township did not hold any investments. The carrying amount of the Township's cash and cash equivalents at December 31, 2017, was \$12,909,404.57 and the bank balance was \$10,695,683.60.

Note 10: Interfund Receivables and Payables

Fund	Interfund Receivable	Interfund Payable
Current Fund	\$ 10,453.23	
Federal and State Grant Fund		\$ 10,453.23
	<u>\$ 10,453.23</u>	<u>\$ 10,453.23</u>

The Chief Financial Officer monitors all interfunds for the various funds and liquidates them periodically throughout the year. The balances remaining at December 31, 2017, represent activity not liquidated by year end which were subsequently liquidated in 2018.

Note 11: Commitments and Contingencies

The Township is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury and various contract disputes. In the opinion of management, the ultimate outcome of these lawsuits will not have a material adverse effect on the Township's financial position as of December 31, 2017.

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 11: Commitments and Contingencies (Cont'd)

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Township as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Township officials expect such amounts, if any, to be immaterial.

Note 12: Economic Dependency

The Township receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Township's programs and activities.

Note 13: Open Space Trust Fund

The Township created an Open Space Trust Fund with a tax levy of \$.012 per \$100 of assessed valuation in 1993. The funds collected are used to acquire and maintain open space property in the Township. The balances in the Open Space Trust Fund at December 31, 2017 and 2016 were \$267,611.20 and \$446,481.62 respectively.

Note 14: Deferred Compensation Plans

The Township offers its employees a deferred compensation plan (the "plan") created in accordance with Section 457 of the Internal Revenue Code. The plan, which is administered by Nationwide Retirement Solutions, is available to all Township employees and permits participants to defer a portion of their salary. The deferred compensation is not available to employees until termination, retirement, unforeseeable emergency or upon death to their beneficiaries.

Note 15: Post-Retirement Benefits

In addition to the pension benefits described in Note 5, the Township provides other post-retirement benefits to certain Township employees after retirement, substantially similar in nature to the health benefits provided to employees presently working.

The Township 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. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP.

The Township provides post-retirement benefits to Township employees who meet the following criteria. The benefits are as follows:

If retiring with twenty-five years or more of pension contributions and between zero and twenty-five years of service with the Township, depending on when the employee was hired and which bargaining contract the employee falls under, the Township will pay health benefits premiums until the employee reaches the age of sixty-five. Should the retiree die, the widow(er) will be offered coverage through New Jersey State Health Benefits Program at his/her expense. The Township does not pay for coverage of the survivors.

TOWNSHIP OF WASHINGTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 15: Post-Retirement Benefits (Cont'd)

Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to:

State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

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 on a monthly basis.

The Township's portion of post-retirement benefits is funded on a pay-as-you go basis from the Current Fund operating budget. During 2017 and 2016, the Township had approximately 21 and 20 employees who met eligibility requirements and recognized expenses of approximately \$710,801.96 and \$680,487.29 respectively.

Note 16: Fixed Assets (Unaudited)

The following is a summarization of general fixed assets for the years ended December 31, 2016 and 2017.

	Balance Dec. 31, 2016	Balance Dec. 31, 2017
Land	\$ 4,879,000.00	\$ 4,879,000.00
Buildings	9,911,467.43	9,911,467.43
Equipment and Vehicles	5,979,711.75	5,979,711.75
	\$ 20,770,179.18	\$ 20,770,179.18

TOWNSHIP OF WASHINGTON

SUPPLEMENTARY DATA

TOWNSHIP OF WASHINGTON
OFFICIALS IN OFFICE AND SURETY BONDS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Name	Title	Amount of Bond	Name of Corporate or Personal Surety
William Roehrich	Mayor		
Kenneth W. Short	Vice Mayor		
Gregg Forsbrey	Committeeman		
James LiaBraaten	Committeeman		
Matthew Murello	Committeeman		
Andrew Coppola	Administrator		(A)
Nina DiGregorio	Township Clerk		(A)
Kevin Lifer	Township Treasurer / Chief Financial Officer	\$ 1,000,000.00	(B)
Donna Re	Tax Assessor		(A)
Amy Monahan	Tax Collector	1,000,000.00	(B)
John Jansen	Township Attorney		
Leon Hall	Township Engineer		
Frank Leanza	Magistrate	1,000,000.00	(A)
Jan Simonetti	Court Administrator	1,000,000.00	(A)
Leslie Strozski	Deputy Court Administrator	1,000,000.00	(A)
Maryann O'Donnell McCoy	Municipal Prosecutor		
Jeffrey Almer	Chief of Police		(A)
Scott Frech	Superintendent, Department of Public Works- (1/1/17 to 2/28/17)		(A)
Roger Read	Superintendent, Department of Public Works- (3/1/17 to 12/31/17)		(A)
Neil Ruggiero	Construction Official		(A)
Teri Lyons	Planning and Zoning Secretary		(A)
Ryan Conklin	Zoning Officer - (1/1/17 to 6/30/17)		(A)
Dennis Allen	Zoning Officer - (7/1/17 to 12/31/17)		(A)

(A) There is a Public Employee's Faithful Performance Policy with the MCMJIF covering all employees for \$50,000 and with MELJIF covering all employees for \$950,000 for the year 2017.

(B) The employees are covered through the Public Employee's Faithful Performance Policy as noted above, but are also individually identified as covered, per state statute, for the year 2017.

TOWNSHIP OF WASHINGTON
COUNTY OF MORRIS
2017
CURRENT FUND

TOWNSHIP OF WASHINGTON
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2016	A	\$ 4,386,985.82
Increased by Receipts:		
Tax Collector	\$ 76,507,382.27	
Revenue Accounts Receivable	2,813,422.15	
Miscellaneous Revenue Not Anticipated	185,696.88	
Due from State of N.J. - Veterans' and Senior Citizens' Deductions	89,764.29	
Appropriation Reserve Refunds	37,988.35	
Due Federal and State Grant Fund:		
Unappropriated Grant Reserves	13,506.58	
Grants Receivable	69,428.46	
Due to State of New Jersey:		
Marriage License Fees	1,225.00	
Reserve for:		
Payroll Expenses	15,125,052.29	
Sale of Municipal Assets	16,472.67	
	<hr/>	94,859,938.94
		<hr/>
		99,246,924.76
Decreased by Disbursements:		
2017 Appropriation Expenditures	14,687,274.38	
2016 Appropriation Reserves	727,395.81	
County Taxes	7,538,117.49	
Local School District Taxes	34,439,436.00	
Regional High School Taxes	15,696,772.00	
Due Federal and State Grant Fund:		
Appropriated Grant Reserves	88,416.92	
Due Other Trust Funds:		
Reserve for Open Space Trust Fund	359,253.75	
Reserve for Tax Sale Premiums	397,200.00	
Tax Overpayments Refunded	93,854.30	
Refund of Prior Year Revenue	140.00	
Accounts Payable	1.50	
Third Party Tax Title Lien Refunds	702,345.65	
Reserve for Municipal Utility Authority	504.22	
Reserve for Payroll Expenses	15,148,154.89	
Due to State of New Jersey:		
Marriage License Fees	1,525.00	
	<hr/>	89,880,391.91
		<hr/>
Balance December 31, 2017	A	\$ 9,366,532.85

TOWNSHIP OF WASHINGTON
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2017

Increased by Receipts:

Taxes Receivable	\$ 70,087,022.40	
Tax Title Liens	24,105.32	
2018 Prepaid Taxes	5,069,979.01	
Interest and Costs on Taxes	172,899.20	
Year End Penalty	13,506.30	
Tax Overpayments	40,324.39	
Third Party Tax Title Liens	702,345.65	
Tax Sale Premiums	397,200.00	
	<hr/>	\$ 76,507,382.27

Decreased by:

Payments to Treasurer		<hr/> <hr/> \$ 76,507,382.27
-----------------------	--	------------------------------

SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

Year	Balance		Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Trans- ferred to Tax Title Liens	Balance Dec. 31, 2017
	Dec. 31, 2016	2017 Levy	2016	2017				
2015	\$ 6,240.82		\$ 6,990.82	\$ (750.00)				
2016	676,182.01		644,231.91	(728.18)	\$ 28,717.41	\$ 3,960.87		
2017	682,422.83	\$ 70,702,737.53	651,222.73	(1,478.18)	28,717.41	3,960.87	\$ 704,588.54	
	\$ 682,422.83	\$ 70,702,737.53	\$ 297,633.61	91,306.24	51,475.72	121,933.75	\$ 704,588.54	
			\$ 70,087,022.40	\$ 89,828.06	\$ 80,193.13	\$ 125,894.62	\$ 704,588.54	
<u>Ref.</u>							<u>A</u>	
Analysis of 2017 Property Tax Levy								
Tax Yield:								
General Purpose Tax								
Added and Omitted Taxes								
			\$ 70,423,373.09					
			279,364.44					
				\$ 70,702,737.53				
Tax Levy:								
Regional High School Taxes								
			15,696,772.00					
Local School District Taxes								
			34,439,436.00					
Municipal Open Space Taxes								
County Taxes								
			7,515,625.09					
Due County for Added and Omitted Taxes								
			29,940.26					
Local Tax for Municipal Purposes Levied								
Minimum Library Tax								
			11,434,915.00					
Add: Additional Tax Levied								
			962,727.02					
			264,068.41					
				12,661,710.43				
				\$ 70,702,737.53				

TOWNSHIP OF WASHINGTON
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2016	A	\$ 2,204,350.52
Increased by:		
Transfer from Taxes Receivable		\$ 125,894.62
Interest and Costs Accrued at Tax Sale		<u>998.24</u>
		<u>126,892.86</u>
		<u>2,331,243.38</u>
Decreased by:		
Cash Collections		<u>24,105.32</u>
Balance December 31, 2017	A	<u><u>\$ 2,307,138.06</u></u>

TOWNSHIP OF WASHINGTON
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec 31, 2016	Accrued In 2017	Collected by Treasurer	Balance Dec 31, 2017
Licenses:				
Alcoholic Beverages	\$ 17,688.00		\$ 17,688.00	
Other		3,623.00	3,623.00	
Fees and Permits:				
Other		279,844.77	279,844.77	
Municipal Court	\$ 15,910.33	197,521.23	200,357.43	\$ 13,074.13
Interest on Investments and Deposits		75,980.21	75,980.21	
Consolidated Municipal Property Tax Relief		25,181.00	25,181.00	
Energy Receipts Taxes		1,385,178.00	1,385,178.00	
Garden State Trust Fund		15,441.00	15,441.00	
Watershed Aid		799.00	799.00	
Shared Services:				
Fire Fighting - Tewksbury Township		42,794.00	42,794.00	
Police/Court Services - Borough of Califon		298,652.00	298,652.00	
Finance/Tax Collection- Borough of Califon		37,272.00	37,272.00	
Health - Chester Township		68,243.00	68,243.00	
Court Services - Borough of Califon		15,900.03	15,900.03	
Tax Collection - Mansfield Township		31,212.00	31,212.00	
School Resource Officer		55,128.00	55,128.00	
Land Use Coordinator		9,800.00	9,800.00	
Uniform Construction Code Services - Mansfield		89,326.69	89,326.69	
Uniform Construction Code Services - Chester		24,033.56	24,033.56	
General Capital Fund Balance		10,923.00	10,923.00	
Washington Library - Pension Contribution		67,300.86	67,300.86	
Cell Tower Rental		48,555.18	48,555.18	
Department of Public Works Services		2,413.00	2,413.00	
Reserve for First Aid Equipment		7,776.42	7,776.42	
	<u>\$ 15,910.33</u>	<u>\$ 2,810,585.95</u>	<u>\$ 2,813,422.15</u>	<u>\$ 13,074.13</u>

Ref.

A

A

TOWNSHIP OF WASHINGTON
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

	Balance Dec. 31, 2016	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Administrative and Executive:				
Salaries and Wages	\$ 5,759.91	\$ 4,759.91	\$ 1,922.06	\$ 2,837.85
Other Expenses	10,303.15	9,303.15	9,299.99	3.16
Municipal Clerk:				
Salaries and Wages	1,135.00	1,135.75	1,135.75	
Other Expenses	877.01	877.01	81.84	795.17
Financial Administration:				
Salaries and Wages	2,420.04	2,420.04	2,131.33	288.71
Other Expenses	1,524.70	2,424.70	2,077.98	346.72
Audit Service	26,455.00	26,455.00	26,455.00	
IT/Website/Data Processing:				
Salaries and Wages	8,381.12	8,381.12	478.45	7,902.67
Other Expenses	866.35	866.35	496.54	369.81
Collection of Taxes:				
Salaries and Wages	2,318.11	2,318.11	949.08	1,369.03
Other Expenses	1,803.01	1,803.01	1,063.21	739.80
Assessment of Taxes:				
Salaries and Wages	4,858.10	4,858.10	1,616.02	3,242.08
Other Expenses	923.01	923.01	12.25	910.76
Legal Services and Costs:				
Other Expenses	22,158.19	22,158.19	2,338.76	19,819.43
Engineering Services and Costs:				
Other Expenses	5,595.22	5,595.22	1,234.45	4,360.77
Historical Preservation:				
Other Expenses	744.00	744.00		744.00
Planning Board:				
Salaries and Wages	3,017.89	3,017.89		3,017.89
Other Expenses	3,040.57	3,040.57	855.35	2,185.22
Zoning Officer:				
Salaries and Wages	1,280.36	1,280.36	514.25	766.11
Other Expenses	613.01	613.01	35.00	578.01
Insurance:				
Other Liability Insurance Premiums	99.67	99.67		99.67
Group Insurance Plan for Employees	17,069.51	15,069.51		15,069.51
Police:				
Salaries and Wages	379,603.16	379,603.16	252,688.25	126,914.91
Other Expenses	19,704.12	19,704.12	14,629.82	5,074.30
Purchase of Police Cars	2,656.44	2,656.44	2,087.97	568.47
Joint Police, Fire and First Aid				
Communications:				
Other Expenses	7,737.08	7,737.08	608.16	7,128.92

TOWNSHIP OF WASHINGTON
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Balance Dec. 31, 2016	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Office of Emergency Management:				
Salaries and Wages	\$ 800.00	\$ 800.00		\$ 800.00
Other Expenses	565.57	565.57	\$ 562.65	2.92
Radio Maintenance:				
Other Expenses:	3,610.00	3,610.00	2,240.00	1,370.00
Fire:				
Other Expenses:				
Miscellaneous Other Expenses	50,531.73	50,531.73	38,626.24	11,905.49
First Aid Organization - Contribution	53,308.72	53,308.72	50,338.39	2,970.33
Fire Safety Act:				
Salaries and Wages	389.94	449.56	449.56	
Other Expenses	784.42	784.42	193.75	590.67
Municipal Prosecutor:				
Other Expenses	1,750.00	1,750.00	908.65	841.35
Road Repairs and Maintenance:				
Salaries and Wages	91,040.27	88,005.55	19,178.60	68,826.95
Other Expenses	137,671.06	137,671.06	101,105.47	36,565.59
Shade Trees:				
Other Expenses	218.50	218.50		218.50
Sanitation/Recycling:				
Other Expenses	1,000.00	1,000.00		1,000.00
Public Buildings and Grounds:				
Other Expenses	716.16	6,716.16	3,959.54	2,756.62
Community Services Act	1,044.29	1,044.29	519.77	524.52
Board of Health:				
Salaries and Wages	11,102.80	11,102.80	6,328.63	4,774.17
Other Expenses	1,705.12	1,705.12	1,372.44	332.68
Environmental Commission:				
Other Expenses	930.00	930.00		930.00
Recreation Committee:				
Salaries and Expense	923.99	924.81	924.81	
Other Expenses	854.21	854.21	750.00	104.21
Senior Citizens Program:				
Salaries and Wages	640.92	1,614.45	1,614.45	
Other Expenses	14.68	14.68		14.68
Field Maintenance:				
Other Expenses	8,043.59	8,043.59	1,745.80	6,297.79
Utility Expenses and Bulk Purchases	78,180.88	78,180.88	15,076.12	63,104.76
Municipal Court:				
Salaries and Wages	2,745.17	2,745.17	1,009.43	1,735.74
Other Expenses	1,175.62	1,175.62	775.42	400.20
Public Defender:				
Other Expenses	2,400.00	2,400.00	500.00	1,900.00

TOWNSHIP OF WASHINGTON
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Balance Dec. 31, 2016	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Social Security System (O.A.S.I.)	\$ 17,059.05	\$ 16,159.05	\$ 6,328.38	\$ 9,830.67
Defined Contribution Retirement Program	1,277.30	1,277.30	788.00	489.30
LOSAP Program	28,750.00	28,750.00	3,450.00	25,300.00
Capital Improvements:				
Police Equipment	253.09	253.09	228.38	24.71
Communication Equipment	34,763.00	34,763.00	34,763.00	
Emergency Services - Fire Equipment	32,753.82	32,753.82	32,753.82	
Reserve for Fire Truck Refurbishment	40,000.00	40,000.00	40,000.00	
Computer/Technology Upgrade	4,720.90	4,720.90	4,669.10	51.80
	<u>\$ 1,142,668.53</u>	<u>\$ 1,142,668.53</u>	<u>\$ 693,871.91</u>	<u>\$ 448,796.62</u>
 <u>Balance December 31, 2016</u>				
	<u>Ref.</u>			
Unencumbered	A	\$ 895,419.16		
Encumbered	A	<u>247,249.37</u>		
		<u>\$ 1,142,668.53</u>		
 <u>Analysis of Paid or Charged:</u>				
Cash Disbursed			\$ 727,395.81	
Accounts Payable			4,464.45	
			<u>731,860.26</u>	
Less: Refunds Received			37,988.35	
			<u>\$ 693,871.91</u>	

TOWNSHIP OF WASHINGTON
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2017

Increased by:	
Levy - Calendar Year 2017	<u>\$ 34,439,436.00</u>
Decreased by:	
Payments to Local School District	<u><u>\$ 34,439,436.00</u></u>

CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2017

Increased by:	
Levy - Calendar Year 2017	<u>\$ 15,696,772.00</u>
Decreased by:	
Payments to Regional High School District	<u><u>\$ 15,696,772.00</u></u>

TOWNSHIP OF WASHINGTON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF GRANTS RECEIVABLE

	Balance Dec. 31, 2016	2017 Budget Revenue Realized	Grant Funds Received	Transferred from Unappropriated Reserves	Cancelled	Balance Dec. 31, 2017
Municipal Alliance on Alcoholism and Drug Abuse - 2015	\$ 2,036.79		\$ 1,807.05		\$ 229.74	\$ 1,813.80
Municipal Alliance on Alcoholism and Drug Abuse - 2016	13,717.00		11,903.20			13,717.00
Municipal Alliance on Alcoholism and Drug Abuse - 2017		\$ 13,717.00				
Municipal Alliance on Alcoholism and Drug Abuse - Supplemental - 2017		2,000.00	2,000.00			
Municipal Alliance on Alcoholism and Drug Abuse - Supplemental - 2017		2,000.00	2,000.00			
Drunk Driving Enforcement Fund - 2017		2,976.91		\$ 2,976.91		
Clean Communities Grant - 2017		77,962.43	51,718.21	17,086.43	9,157.79	
Association of New Jersey Environmental Commissions Grant	333.00					333.00
Recreation Trail Grant		25,200.00				25,200.00
Health Association Grant		2,320.00		2,320.00		
NJ Highlands Plan Conformance Grant	247,354.40					247,354.40
Police Donations:		350.00		350.00		
Federal Emergency Management Agency-						
Hazard Mitigation Grant - Municipal Building Generator	49,500.00					49,500.00
Federal Emergency Management Agency-						
Hazard Mitigation Grant - Department of Public Works Generator	15,000.00					15,000.00
Morris County Community Development Block Grant	2,802.09					2,802.09
	<u>\$ 330,743.28</u>	<u>\$ 126,526.34</u>	<u>\$ 69,428.46</u>	<u>\$ 22,733.34</u>	<u>\$ 9,387.53</u>	<u>\$ 355,720.29</u>

Ref.

A

A

TOWNSHIP OF WASHINGTON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVES

	Balance		Transferred from		Expended in		Balance	
	Dec. 31, 2016	2017 Budget Appropriations	2017 Budget Appropriations	Current Fund	Cancelled	Dec. 31, 2017	Cancelled	Dec. 31, 2017
Assistance to Firefighters Grant - 2010	\$ 1.57					\$ 1.57		
New Jersey Body Armor Grant - 2016	1,891.77	\$ 961.70				930.07		
Drunk Driving Enforcement Fund - 2016	3,865.07	821.85				3,043.22		
Drunk Driving Enforcement Fund - 2017		\$ 2,976.91				2,976.91		
Clean Communities Grant - 2016	37,918.47	37,918.47						
Clean Communities Grant - 2017	9,440.76	77,962.43		4,420.61	\$ 9,157.79	64,384.03		
Reserver for Clean Communities Grant	0.23	9,440.76				0.23		
Municipal Court Alcohol Education Rehabilitation Fund - 2012	198.96				198.96			
Municipal Alliance on Alcoholism and Drug Abuse - 2014	730.78			700.00	30.78			
Municipal Alliance on Alcoholism and Drug Abuse - 2015	12,117.00			12,110.25		6.75		
Municipal Alliance on Alcoholism and Drug Abuse - 2016				1,600.00				
Municipal Alliance on Alcoholism and Drug Abuse - 2017		13,717.00		2,000.00				
Municipal Alliance on Alcoholism and Drug Abuse - Supplemental - 2017		2,000.00		2,000.00				
Municipal Alliance on Alcoholism and Drug Abuse - Supplemental - 2017		2,000.00						
Association of New Jersey Environmental Commissions Grant	656.80			656.80		2,000.00		
Federal Bulletproof Vest Grant	2,406.75					2,406.75		
Police Donation - 2013	250.00			100.00		150.00		
Police Donation - 2015	520.00					520.00		
Police Donation - 2016	100.00					100.00		
Police Donation - 2017		350.00				350.00		
Recreation Trail Grant		25,200.00		433.23		24,766.77		
Health Association Grant		2,320.00				2,320.00		
NJ Highlands Plan Conformance Grant	230,866.26	17,253.25				213,613.01		
Community Foundation Grant	1,667.74					1,667.74		
Morris County Community Development Block Grant	2,726.43					2,726.43		
	<u>\$ 305,358.59</u>	<u>\$ 126,526.34</u>		<u>\$ 88,416.92</u>		<u>\$ 9,387.53</u>		<u>\$ 334,080.48</u>

Ref. A

A

TOWNSHIP OF WASHINGTON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF UNAPPROPRIATED RESERVES

	Balance Dec. 31, 2016	Transferred to 2017 Budget Revenue	Received in Current Fund	Balance Dec. 31, 2017
Drunk Driving Enforcement Fund	\$ 2,976.91	\$ 2,976.91	\$ 4,321.47	\$ 4,321.47
Clean Communities Grant	17,086.43	17,086.43		
Police Donation	350.00	350.00	150.00	150.00
New Jersey Body Armor Grant			2,830.01	2,830.01
Federal Bulletproof Vest Grant			2,885.10	2,885.10
Health Association Grant		2,320.00	2,320.00	
Association of New Jersey Environmental Commissions Grant (ANJEC)			1,000.00	1,000.00
	<u>\$ 20,413.34</u>	<u>\$ 22,733.34</u>	<u>\$ 13,506.58</u>	<u>\$ 11,186.58</u>

Ref.

A

A

TOWNSHIP OF WASHINGTON
COUNTY OF MORRIS
2017
TRUST FUNDS

TOWNSHIP OF WASHINGTON
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Balance December 31, 2016	B	\$ 32,900.94	\$ 2,814,094.93
Increased by Receipts:			
Dog, Cat and Other License Fees		32,973.40	
State Fees		4,153.20	
Penalty Fees - Late Payments and Other Miscellaneous		6,543.00	
Interest Earned - Due to Current Fund		474.82	10,314.56
Reserve for Open Space Trust Fund:			
Tax Levy			360,970.23
Forfeited Assets Deposits			59.69
Recreation Deposits			121,342.47
Developers' Deposits			287,286.30
Washington Uniform Construction Code Fees			371,468.00
Mansfield Uniform Construction Code Fees			121,326.00
Due to State of N.J. - State Training Fees			30,904.00
Recycling Revenue			27,230.38
Housing Trust Deposits			55,432.06
State Unemployment Insurance			17,710.76
Tax Sale Premiums			397,200.00
Fire Prevention Penalty			1,500.00
Parking Offense Adjudication Act - Califon			4.00
Accumulated Absences			240,000.00
		<u>44,144.42</u>	<u>2,042,748.45</u>
		<u>77,045.36</u>	<u>4,856,843.38</u>
Decreased by Disbursements:			
Expenditures Under R.S.4:19-15.11		37,798.54	
Due to State Board of Health		4,114.20	
Due to Current Fund:			
Interest Earned		474.82	10,314.56
Reserve for Open Space Trust Fund:			
Expenditures			539,840.65
Washington Uniform Construction Code Fees			398,312.50
Mansfield State Uniform Construction Code Fees			119,102.25
Due to State of N.J. - State Training Fees			29,789.75
Recreation			120,455.65
Recycling			15,304.89
Forfeited Assets			1,950.00
State Unemployment Insurance Expenditures			225.88
Refund of:			
Developers' Deposits			259,369.80
Housing Trust Deposits			76,312.15
Tax Sale Premiums			596,200.00
		<u>42,387.56</u>	<u>2,167,178.08</u>
Balance December 31, 2017	B	\$ 34,657.80	\$ 2,689,665.30

TOWNSHIP OF WASHINGTON
ANIMAL CONTROL FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>	
Balance December 31, 2016	B	\$ 32,950.94
Increased by:		
Dog, Cat and Other License Fees Collected		\$ 32,973.40
Penalty Fees - Late Payments and Other Miscellaneous		<u>6,543.00</u>
		<u>39,516.40</u>
		72,467.34
Decreased by:		
Expenditures Under R.S.4:19-15.11		<u>37,798.54</u>
Balance December 31, 2017	B	<u><u>\$ 34,668.80</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2015	\$ 41,548.80
2016	<u>33,717.64</u>
Maximum Allowable Reserve	<u><u>\$ 75,266.44</u></u>

TOWNSHIP OF WASHINGTON
COUNTY OF MORRIS
2017
GENERAL CAPITAL FUND

TOWNSHIP OF WASHINGTON
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 920,922.45
Increased by:		
Budget Appropriation		
Capital Improvement Fund	\$	381,325.00
Reserve for Fire Truck Refurbishment		80,884.00
Reserve for Fire Equipment		11,178.63
Bond Anticipation Notes Issued		800,000.00
Premium on Bond Sale		36,813.02
Improvement Authorization Refunds		6,000.00
Due to Current Fund - Interest Income		3,958.25
		<hr style="width: 100%;"/>
		1,320,158.90
Decreased by:		
Improvement Authorization Expenditures		1,408,276.48
General Capital Fund Balance:		
Appropriated to 2017 Budget Revenue - Current Fund		10,923.00
Due to Current Fund - Interest Income		3,958.25
		<hr style="width: 100%;"/>
		1,423,157.73
		<hr style="width: 100%;"/>
Balance December 31, 2017	C	<u>\$ 817,923.62</u>

TOWNSHIP OF WASHINGTON
GENERAL CAPITAL FUND
ANALYSIS OF CASH

Ord. No.	Improvement Description	Balance/ (Deficit) Dec. 31, 2016		Receipts		Disbursements		Transfers		Balance/ (Deficit) Dec. 31, 2017	
				Bond Anticipation Notes	Budget Appropriation	Miscellaneous	Improvement Authorizations	Miscellaneous	From		To
	Fund Balance	\$	160,533.26								
	Capital Improvement Fund		127,614.80		\$ 381,325.00	\$ 36,813.02		\$ 10,923.00	\$ 42,000.00		\$ 186,423.28
	Due Current Fund		(82,626.75)			3,958.25		3,958.25			466,939.80
	New Jersey Department of Transportation Grants Receivable		170,000.00		80,884.00						(82,626.75)
	Reserve for New Fire Truck		8,831.66		11,178.63						250,884.00
	Reserve for Fire Equipment		3,191.02								20,010.29
	Reserve for Police Equipment		13,230.13								3,191.02
	Reserve for Recreation Facilities										13,230.13
	Total		\$ 920,922.45		\$ 800,000.00	\$ 46,771.27	\$ 1,408,276.48	\$ 14,881.25	\$ 42,000.00	\$ 42,000.00	\$ 817,923.62
	10-04 Improvement of Recreational Facilities		2,624.43								2,624.43
	12-07 Various Improvements		13,573.11								13,573.11
	21-08 Sidewalk Construction		29,978.26				\$ 10,567.28				19,410.98
	07-09 Various Improvements		1,045.55								1,045.55
	12-11 Telephone System		2,973.33								2,973.33
	07-12 Road Improvements		4,816.50								4,816.50
	11-12 Fire Truck		52,950.77								52,950.77
	16-12 Acquisition of Property		31,368.28								31,368.28
	14-13 Various Improvements		96,597.72				86,456.86				10,140.86
	08-14 Road Improvements		198,856.91								198,856.91
	04-15 Sidewalk and Fire Truck Refurbishment		295,427.21				293,490.53				1,936.68
	05-15 Various Improvements		308,796.67				289,310.96				19,485.71
	06-16 Acquire Open Space Property		527.96								527.96
	08-16 Various Improvements		(519,388.37)		\$ 800,000.00	6,000.00					237,485.72
	07-17 Various Improvements						679,324.94		\$ 42,000.00		(637,324.94)

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

Ord. No.	Improvement Description	2017		Funded by		Analysis of Balance		Unexpended Improvement Authorization
		Balance Dec. 31, 2016	Improvement Authorizations	Budget Appropriation	Balance Dec. 31, 2017	Expenditures	Bond Anticipation Notes	
11-12	Fire Truck	\$ 385,000.00		\$ 50,000.00	\$ 335,000.00	\$ 335,000.00		
14-13	Various Improvements	390,000.00			390,000.00	390,000.00		
8-14	Road Improvements	500,000.00			500,000.00	500,000.00		
5-15	Various Improvements	800,000.00			800,000.00	800,000.00		
8-16	Various Improvements	800,000.00			800,000.00	800,000.00		
7-17	Various Improvements		\$ 790,000.00		790,000.00	\$ 637,324.94		\$ 152,675.06
		<u>\$ 2,875,000.00</u>	<u>\$ 790,000.00</u>	<u>\$ 50,000.00</u>	<u>\$ 3,615,000.00</u>	<u>\$ 637,324.94</u>	<u>\$ 2,825,000.00</u>	<u>\$ 152,675.06</u>

C	C
Ref.	
	Improvement Authorizations Unfunded:
	Less: Unexpended Proceeds of Bond Anticipation Notes Issued:
	Ordinance #11-12 Fire Truck
	Ordinance #14-13 Various Improvements
	Ordinance #08-14 Road Improvements
	Ordinance #05-15 Various Improvements
	Ordinance #08-16 Various Improvements
	\$ 671,595.03
	(52,950.77)
	(10,140.86)
	(198,856.91)
	(19,485.71)
	<u>(237,485.72)</u>
	<u>\$ 152,675.06</u>

TOWNSHIP OF WASHINGTON
 GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Amount	Balance Dec. 31, 2016		2017 Authorizations		Balance Dec. 31, 2017		
			Funded	Unfunded	Capital Improvement Fund	Deferred Charges to Future Taxation - Unfunded	Funded	Unfunded	
10-04	Improvement of Recreational Facilities	\$ 1,700,000.00	\$ 2,624.43					\$ 2,624.43	
12-07	Various Improvements	1,315,000.00	13,573.11					13,573.11	
21-08	Sidewalk Construction	84,000.00	29,978.26			\$ 10,567.28		19,410.98	
07-09	Various Improvements	740,000.00	1,045.55					1,045.55	
12-11	Telephone System	60,000.00	2,973.33					2,973.33	
07-12	Road Improvements	975,000.00	4,816.50					4,816.50	
11-12	Fire Truck	450,000.00		\$ 52,950.77					\$ 52,950.77
16-12	Acquisition of Property	240,000.00	31,368.28					31,368.28	
14-13	Various Improvements	580,000.00		96,597.72					10,140.86
08-14	Road Improvements	920,000.00		198,856.91					198,856.91
04-15	Sidewalk and Fire Truck Refurbishment	456,225.00	295,427.21					1,936.68	
05-15	Various Improvements	1,198,100.00		308,796.67					19,485.71
06-16	Acquire Open Space Property	210,000.00	527.96					527.96	
08-16	Various Improvements	849,000.00		280,611.63		\$ 42,000.00			237,485.72
07-17	Various Improvements	832,000.00				\$ 790,000.00			152,675.06
			\$ 382,334.63	\$ 937,813.70	\$ 42,000.00	\$ 1,402,276.48	\$ 78,276.82	\$ 671,595.03	
			C	C	C	C	C	C	C
<u>Ref.</u>						Cash Disbursements	\$ 1,408,276.48		
						Refunds	(6,000.00)		
							<u>\$ 1,402,276.48</u>		

TOWNSHIP OF WASHINGTON
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 127,614.80
Increased by:		
Current Fund Budget Appropriation		<u>381,325.00</u>
		508,939.80
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>42,000.00</u>
Balance December 31, 2017	C	<u><u>\$ 466,939.80</u></u>

TOWNSHIP OF WASHINGTON
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ord. No.	Improvement Description	Date of				Interest Rate	Balance Dec. 31, 2016	Issued	Matured	Balance Dec. 31, 2017	
		Issue of Original Note	Issue	Maturity							
11-12	Purchase of Fire Truck	09/04/15	09/01/16 08/31/17	09/01/17 08/31/18	1.00% 2.25%	\$ 385,000.00	\$ 335,000.00	\$ 385,000.00	\$ 335,000.00		
14-13	Various Improvements	09/04/15	09/01/16 08/31/17	09/01/17 08/31/18	1.00% 2.25%	390,000.00	390,000.00	390,000.00	390,000.00		
8-14	Road Improvements	09/04/15	09/01/16 08/31/17	09/01/17 08/31/18	1.00% 2.25%	500,000.00	500,000.00	500,000.00	500,000.00		
5-15	Various Improvements	09/01/16	09/01/16 08/31/17	09/01/17 08/31/18	1.00% 2.25%	800,000.00	800,000.00	800,000.00	800,000.00		
8-16	Various Improvements	08/31/17	08/31/17	08/31/18	2.25%		800,000.00		800,000.00		
							<u>\$ 2,075,000.00</u>	<u>\$ 2,075,000.00</u>	<u>\$ 2,825,000.00</u>	<u>\$ 2,825,000.00</u>	
							Ref. C	C			
							New Issues	\$ 800,000.00			
							Renewals	2,025,000.00	\$ 2,025,000.00		
							Paid by Budget Appropriation	50,000.00	50,000.00		
							<u>\$ 2,825,000.00</u>	<u>\$ 2,075,000.00</u>	<u>\$ 2,075,000.00</u>		

TOWNSHIP OF WASHINGTON
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding December 31, 2017			Interest Rate	Balance Dec. 31, 2016	Issued	Matured	Defeased	Balance Dec. 31, 2017	
			Date	Amount								
General Improvements	09/01/11	\$ 11,000,000.00	03/01/18	\$ 695,000.00	4.00%	\$ 8,020,000.00						
			03/01/19	725,000.00	4.00%							
			03/01/20	755,000.00	4.00%							
			03/01/21	785,000.00	4.00%							
Refunding Bonds	07/25/17	4,310,000.00	03/01/22	805,000.00	3.00%							
			03/01/23	830,000.00	4.00%							
			03/01/24	865,000.00	4.00%							
			03/01/25	895,000.00	4.00%							
			03/01/26	915,000.00	4.00%							
			\$ 4,310,000.00								4,310,000.00	
						\$ 8,020,000.00		\$ 670,000.00			\$ 4,390,000.00	\$ 2,960,000.00
							\$ 4,310,000.00	\$ 670,000.00			\$ 4,390,000.00	\$ 7,270,000.00

Ref.

C

C

Current Fun \$ 552,739.00
Open Space 117,261.00
\$ 670,000.00

TOWNSHIP OF WASHINGTON
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>2017</u> <u>Authorizations</u>	<u>Bond</u> <u>Anticipation</u> <u>Notes Issued</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
08-16	Various Improvements	\$ 800,000.00		\$ 800,000.00	
07-17	Various Improvements		\$ 790,000.00		\$ 790,000.00
		<u>\$ 800,000.00</u>	<u>\$ 790,000.00</u>	<u>\$ 800,000.00</u>	<u>\$ 790,000.00</u>

TOWNSHIP OF WASHINGTON

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2017

TOWNSHIP OF WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2017

Name of Federal Agency or Department/Cluster Title	Name of Program	C.F.D.A. Number	State Grant Account/Grant Number	Grant Period		Grant Award Amount	Amount Received	Amount of Expenditures	Cumulative Expenditures	Amounts Provided to Subrecipients
				From	To					
U.S. Department of Justice (Passed through New Jersey Department of Law and Public Safety)	Bulletproof Vest Partnership Program	16 607	N/A	01/01/17	12/31/17	2,885.10	\$ 2,885.10			
Total U.S. Department of Justice							2,885.10			
TOTAL FEDERAL AWARDS							\$ 2,885.10	\$ -0-	\$ -0-	\$ -0-

N/A - Not Available/Applicable

TOWNSHIP OF WASHINGTON
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2017

New Jersey Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures
			From	To				
Department of the Treasury (Passed Through the County of Morris - Governor's Council on Alcoholism and Drug Abuse)	Municipal Alliance Grant	100-082-2000- 044-995120	7/1/15	6/30/16	\$ 15,717.00	\$ 1,807.05	\$ 700.00	\$ 15,686.22
			7/1/16	6/30/17	13,717.00	11,903.20	12,110.25	13,710.25
			7/1/17	6/30/18	13,717.00		1,600.00	
	Municipal Alliance Grant - Supplemental		7/1/2017	6/30/2018	4,000.00	4,000.00	2,000.00	2,000.00
Total - Department of the Treasury								
Department of Law and Public Safety	Drunk Driving Enforcement Fund	100-078-6400-YYYY	1/1/15	12/31/17	5,331.23		821.85	2,288.01
			1/1/14	12/31/18	4,321.47	4,321.47		
			1/1/16	12/31/17	2,825.76		961.70	1,895.69
	Body Armor Grant	718-066-1020-6120	1/1/17	12/31/18	2,830.01	2,830.01		
Total - Department of Law and Public Safety								
Department of Environmental Protection	Clean Communities Act	4900-765- 178900-60	1/1/15	12/31/17	53,230.59		9,440.76	53,230.59
			1/1/16	12/31/17	60,876.26		37,918.47	43,789.83
			1/1/17	12/31/18	51,718.21	51,718.21	4,420.61	4,420.61
	Association of New Jersey Environmental Commissions Grant (ANJEC)	N/A	1/1/17	12/31/18	1,000.00	1,000.00		
Total - Department of Environmental Protection								
New Jersey Highlands Council	Plan Conformance Grant	09-033-011-1438	1/1/11	12/31/17	256,100.00		17,253.25	42,486.99
Total - New Jersey Highlands Council								
TOTAL STATE AWARDS						\$ 77,579.94	\$ 87,226.89	\$ 179,508.19

N/A - Not Available/Applicable

SEE ACCOMPANYING NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF WASHINGTON
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2017

A. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) includes the federal and state grant activity of the Township of Washington under programs of the federal and state governments for the year ended December 31, 2017. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Township, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Township.

B. Summary of Significant Accounting Policies

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Township has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

C. Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

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 Auditors' Report

The Honorable Mayor and Members
 of the Township Committee
 Township of Washington
 Long Valley, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - *regulatory basis* - of the various funds of the Township of Washington, in the County of Morris (the "Township") as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated April 23, 2018. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. That qualified report also indicated that we did not audit the general fixed assets account group.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2017-01, and 2017-02 that we consider to be significant deficiencies.

The Honorable Mayor and Members
of the Township Committee
Township of Washington
Long Valley, New Jersey

Compliance and Other Matters

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

The Township's Responses to the Findings

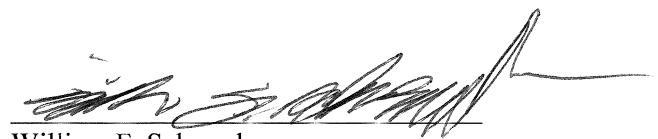
The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey
April 23, 2018

NISIVOCCIA LLP



William F. Schroeder
Certified Public Accountant
Registered Municipal Accountant No. 452

TOWNSHIP OF WASHINGTON
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the Township's financial statements, prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as the general fixed assets account group was not audited.
- Significant deficiencies disclosed during the audit of the financial statements are reported in the *Independent Auditors' 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*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Township which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Township was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08 for the year ended December 31, 2017 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

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

- The audit disclosed the following significant deficiencies required to be reported under Generally Accepted Government Auditing Standards:

Finding 2017-1

Segregation of Duties

Criteria

Concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Condition

The Township does not maintain an adequate segregation of duties with respect to the recording and treasury functions.

The various departments/offices of the Township are responsible for the issuance of permits and licenses; collection of taxes, and permit and license fees; and recording of these collections. Also, the reconciliation of bank accounts, the preparation of the general ledger for the various funds, disbursement of funds and the deposit and recording of receipts for the various funds are performed by the Chief Financial Officer.

Cause

This is due, in part, to the limited number of personnel of the Township and the decentralized nature of governmental collection procedures.

TOWNSHIP OF WASHINGTON
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017

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

Finding 2017-1 (Cont'd)

Segregation of Duties (Cont'd)

Effect or Potential Effect

Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time.

Management's Response

The Township's segregation of duties finding has been evaluated. However, due to budgetary constraints, no resolution can be made at this time.

Finding 2017-2

Fixed Assets

Criteria

A fixed assets accounting and reporting system is required to be in compliance with the New Jersey Administrative Code Accounting Requirements.

Condition

The Township had implemented a fixed assets accounting and reporting system in prior years. However, the fixed assets accounting records are not adequately maintained. At the present time, fixed assets are not safeguarded against loss from unauthorized use or disposition.

Cause

Sufficient Township personnel and/or financial resources are not available to perform the initial inventory of the Township's fixed assets.

Effect or Potential Effect

The Township is not in compliance with the New Jersey Administrative Code Accounting Requirements. Township fixed assets records are not available which could be possibly used to aid in the planning for replacement of assets.

Management's Response

The Township's fixed assets accounting and reporting system finding has been evaluated. However, due to budgetary constraints, no resolution can be made at this time.

TOWNSHIP OF WASHINGTON
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017

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

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not applicable since state expenditures were below the single audit threshold.

TOWNSHIP OF WASHINGTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

The Township's prior year findings 2016-1 regarding segregation of duties and 2016-2 regarding a fixed assets accounting and reporting system have not been resolved due to budgetary constraints and are included as findings 2017-1 and 2017-2.

TOWNSHIP OF WASHINGTON

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

TOWNSHIP OF WASHINGTON
COMMENTS AND RECOMMENDATIONS

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

N.J.S. 40A:11-3 states:

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1071, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A: 11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L.1971, c.198 (C.40A11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

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

Effective July 1, 2015 and thereafter, the bid thresholds in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) are \$17,500 for a contracting unit without a qualified purchasing agent and \$40,000 for a contracting unit with a qualified purchasing agent.

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

TOWNSHIP OF WASHINGTON
COMMENTS AND RECOMMENDATIONS
(Continued)

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

The minutes indicated that bids were requested by public advertising per N.J.S. 40A:11-4. The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per N.J.S. 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. None were noted.

Collection of Interest on Delinquent Taxes and Assessments

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

On January 7, 2017, the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED by the Township Committee of the Township of Washington, Morris County, that the rate of interest to be paid upon delinquent taxes for the year 2017 shall be fixed at the rate of 8 percent per annum to \$1,500.00, and any amount in excess of \$1,500.00 shall be fixed at the rate of 18 percent per annum until total delinquency is paid regardless of year. However, interest shall not be collected upon taxes that are not delinquent over ten (10) days. After the tenth day of "grace period", interest reverts back to the due date. The interest to be charged a delinquent taxpayer for nonpayment of real property taxes shall be an additional penalty of six percent if the amount of delinquency is in excess of \$10,000 at the end of the calendar year.

It appears from an examination of the Collector's records, on a test basis, that interest was collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 25, 2017, and included all eligible properties.

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

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

<u>Year</u>	<u>Number of Liens</u>
2017	54
2016	63
2015	57

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

TOWNSHIP OF WASHINGTON
COMMENTS AND RECOMMENDATIONS
(Continued)

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, consisting of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2016 Taxes	20
Payments of 2017 Taxes	20
Delinquent Taxes	15
Tax Title Liens	5

Verification notices were mailed to confirm balances as of December 31, 2017. The items that were returned were checked and in agreement with the Township's records. For receivable items not returned, alternative procedures were performed.

New Jersey Administrative Code Accounting Requirements

The Division of Local Government Services has established three (3) accounting requirements which are prescribed in the New Jersey Administrative Code. They are as follows:

1. Maintenance of an encumbrance accounting system.
2. Fixed assets accounting and reporting system.
3. General ledger accounting and record system

The Township is in compliance with accounting requirements 1 and 3; however, the fixed assets accounting records are not adequately maintained. It is recommended that the Township pursue the maintenance of a fixed assets accounting and reporting system which identifies additions, deletions and changes in the location of the Township's fixed assets.

Management's Response

The Township's fixed assets accounting and reporting system finding has been evaluated. However, due to budgetary constraints, no resolution can be made at this time.

TOWNSHIP OF WASHINGTON
COMMENTS AND RECOMMENDATIONS
(Continued)

Municipal Court

The transactions for the year 2017 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

<u>AGENCY</u>	<u>Balance</u> <u>12/31/2016</u>	<u>Cash</u> <u>Received</u>	<u>Cash</u> <u>Disbursed</u>	<u>Balance</u> <u>12/31/2017</u>
State of New Jersey	\$ 12,933.67	\$ 152,371.51	\$ 153,690.32	\$ 11,614.86
County of Morris	8,582.50	89,913.26	91,817.76	6,678.00
Township of Washington	15,910.33	197,521.23	200,357.43	13,074.13
Local Park Commission		581.00	481.00	100.00
Forest and Parks		125.00	125.00	
Weights and Measures	1,900.00	14,350.00	13,450.00	2,800.00
Public Defender	726.50	7,486.00	7,787.50	425.00
Bail	1,900.00	39,123.00	39,673.00	1,350.00
TOTAL	\$ 41,953.00	\$ 501,471.00	\$ 507,382.01	\$ 36,041.99

Purchase Order Process

During our review of the purchase orders processed during the year, we noted instances where purchase orders were dated after invoices.

It is recommended that a purchase order be created prior to the purchase of any goods or services.

Management Response

The Township will ensure that a purchase order is always created prior to the purchase of any goods or service being performed.

Management Suggestions:

Grant Funds

During our review of the appropriated grant funds and grant receivables, we noticed several grants with old balances that have not been used and where old receivables have not been collected. We suggest that the Township reviews the appropriated grant reserves and uses or cancels these funds accordingly, and that the grant receivables be reviewed, and collection be pursued or canceled accordingly.

Governmental Accounting Standards Board Statements

The next Governmental Accounting Standards Board ("GASB") statement which will have a significant impact on the Township will be GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, will be effective for the year ending December 31, 2018. This standard replaces GASB No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. It is similar to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in that successful implementation of this standard will require the provision of certain key financial and non-financial information from the State of New Jersey.

TOWNSHIP OF WASHINGTON
COMMENTS AND RECOMMENDATIONS
(Continued)

Corrective Action Plan

The recommendations pertaining to an inadequate segregation of duties, implementation of a fixed assets accounting system, and purchase orders being dated prior to the purchase orders were not corrected and are included in the current year's report.

TOWNSHIP OF WASHINGTON
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. The duties of personnel be reviewed to determine where a more adequate segregation of duties can be provided.
2. The fixed assets accounting and reporting system be properly maintained to be in complete compliance with the accounting requirements prescribed by the New Jersey Administrative Code.
3. A purchase order be created prior to the purchase of any goods or services.

* * * * *