

TOWNSHIP OF LOPATCONG

COUNTY OF WARREN

REPORT OF AUDIT

2017

*NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF LOPATCONG

COUNTY OF WARREN

REPORT OF AUDIT

2017

TOWNSHIP OF LOPATCONG
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YEAR ENDED DECEMBER 31, 2017

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TOWNSHIP OF LOPATCONG

PART I

FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2017



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Independent Auditors' Report

The Honorable Mayor and Members
of the Township Committee
Township of Lopatcong, NJ

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* - of the various funds of the Township of Lopatcong in the County of Warren (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 Lopatcong
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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 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 or where applicable, cash flows 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 Lopatcong 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 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 Lopatcong
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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.

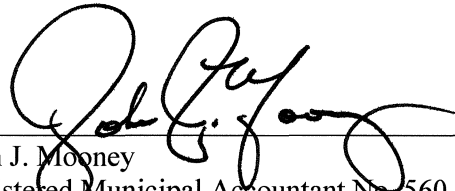
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2018 on our consideration of the Township of Lopatcong'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 Lopatcong's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
May 17, 2018

NISIVOCIA LLP

NISIVOCIA LLP

A handwritten signature in black ink, appearing to read "John J. Mooney", is written over a horizontal line.

John J. Mooney
Registered Municipal Accountant No. 560
Certified Public Accountant

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2017
CURRENT FUND

TOWNSHIP OF LOPATCONG
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2017	2016
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Cash - Treasurer	A-4	\$ 2,225,766.11	\$ 2,990,647.56
Change Fund - Collector		700.00	700.00
Due from State of New Jersey:			
Veterans and Senior Citizens Deductions		10,291.06	8,198.81
		<u>2,236,757.17</u>	<u>2,999,546.37</u>
Receivables and Other Assets With			
Full Reserves:			
Delinquent Property Taxes Receivable	A-6	959,108.27	745,485.33
Tax Title Liens Receivable	A-7	82,018.31	59,535.42
Revenue Accounts Receivable	A-8	4,001.00	3,708.12
Prepaid Local School Taxes	A-10		252,778.26
Property Acquired for Taxes - Assessed Valuation		825,600.00	825,600.00
Due from:			
Federal and State Grant Fund	A		24,775.04
Escrow Trust Fund	B	100.01	75,608.91
Animal Control Trust Fund	B		46.31
Unemployment Compensation Trust Fund	B	831.32	831.32
Sewer Utility Operating Fund	E	3,402.43	
Sewer Assessment Trust Fund	E		4,710.19
Payroll Account		1,333.71	70,512.52
Total Receivables and Other Assets		<u>1,876,395.05</u>	<u>2,063,591.42</u>
With Full Reserves			
Deferred Charges:			
Overexpenditure of Appropriations			18,950.45
Overexpenditure of Appropriation Reserves			2,605.00
Deficit in Reserve for Public Defender Trust Fund			550.00
Expenditure without Appropriation - Federal and State Grant Fund			1,206.38
			<u>23,311.83</u>
Total Regular Fund		<u>4,113,152.22</u>	<u>5,086,449.62</u>
Federal and State Grant Fund:			
Cash and Cash Equivalents	A-4a	41,164.91	31,313.33
Federal and State Grants Receivable	A-11	22,500.00	192,366.33
Due Current Fund	A	29,020.49	
Total Federal and State Grant Fund		<u>92,685.40</u>	<u>223,679.66</u>
<u>TOTAL ASSETS</u>		\$ 4,205,837.62	\$ 5,310,129.28

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

		December 31,	
	Ref.	2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-9	\$ 433,496.57	\$ 272,876.80
Encumbered	A-3;A-9	70,515.73	122,047.40
Total Appropriation Reserves		504,012.30	394,924.20
Prepaid Taxes		396,192.16	132,567.52
Accounts Payable - Vendors		700.45	
Due to County for Added Taxes		78,978.72	23,581.73
Due State of New Jersey - Uniform Construction Code Fees		1,094.00	1,094.00
Due State of New Jersey - Marriage Licenses		215.00	1,315.00
Tax Overpayments		33,161.41	27,045.42
Due to:			
Federal and State Grant Fund	A	29,020.49	
Tax Sale Premium	B	171,600.00	317,600.00
Other Trust Funds	B		1,635.20
Coalition on Affordable Housing Trust Fund	B		1,157.33
Open Space Trust Fund	B	21,040.94	12,765.83
General Capital Fund	C		34,254.52
Sewer Utility Capital Fund	E		1,692,022.00
Due to South Warren Alliance		954.30	954.30
Reserve for Update of Master Plan		7,208.71	7,208.71
Reserve for Sale of Municipal Assets		24.60	24.60
Reserve for Third Party Liens		1,989.92	2,256.88
		1,246,193.00	2,650,407.24
Reserve for Receivables and Other Assets		1,876,395.05	2,063,591.42
Fund Balance	A-1	990,564.17	372,450.96
Total Regular Fund		4,113,152.22	5,086,449.62
Federal and State Grant Fund:			
Appropriated Reserves	A-12	55,682.48	156,998.24
Unappropriated Reserves	A-13	37,002.92	40,276.38
Reserve for Encumbrances			1,630.00
Due Current Fund	A		24,775.04
Total Federal and State Grant Fund		92,685.40	223,679.66
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		\$ 4,205,837.62	\$ 5,310,129.28

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

TOWNSHIP OF LOPATCONG
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		\$ 300,000.00	\$ 300,000.00
Miscellaneous Revenue Anticipated		2,416,770.58	2,017,457.70
Receipts from:			
Delinquent Taxes		726,992.23	680,106.55
Current Taxes		24,992,438.53	24,260,765.65
Nonbudget Revenue		142,450.24	211,713.80
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		227,300.40	37,195.05
Cancellation of Federal and State Grant Funds Appropriated Reserves		115,781.70	
Interfunds and Other Receivables Returned		170,816.82	107,388.00
Total Income		<u>29,092,550.50</u>	<u>27,614,626.75</u>
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes		7,171,265.90	6,596,333.49
County Taxes		6,657,634.45	6,429,354.31
Amount Due County for Added and Omitted Taxes		78,978.72	23,581.73
Local School District Taxes		13,806,526.74	13,760,363.00
Municipal Open Space Tax		264,275.11	261,069.83
Senior Citizens Deductions Disallowed		750.00	500.00
Overexpenditure of Appropriation Reserves			2,605.00
Expenditure without Appropriation			1,206.38
Cancellation of Interfund Receivable		140.04	
Refund of Prior Year Revenue		2,500.00	39,831.25
Cancellation Federal and State Grant Fund Receivables		192,366.33	
Prepaid School Tax			252,778.26
Total Expenditures		<u>28,174,437.29</u>	<u>27,367,623.25</u>
Excess in Revenue		918,113.21	247,003.50
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year:			
Overexpenditure of Appropriation Reserves			2,605.00
Expenditure without Appropriation			1,206.38
Deficit in Public Defender Trust			550.00
Statutory Excess to Fund Balance		918,113.21	251,364.88
<u>Fund Balance</u>			
Balance January 1		<u>372,450.96</u>	<u>421,086.08</u>
		1,290,564.17	672,450.96
Decreased by:			
Utilized as Anticipated Revenue		<u>300,000.00</u>	<u>300,000.00</u>
Balance December 31	A	\$ 990,564.17	\$ 372,450.96

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

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

	Budget	Added by NJS A 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 300,000.00		\$ 300,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	8,000.00		5,988.00	\$ 2,012.00 *
Fees and Permits	12,000.00		57,323.28	45,323.28
Fines and Costs:				
Municipal Court	49,000.00		53,124.16	4,124.16
Interest and Costs on Taxes	130,000.00		165,701.61	35,701.61
Interest on Investments and Deposits	5,000.00		16,816.11	11,816.11
Anticipated Utility Operating Surplus	125,000.00		125,000.00	
Parks and Playgrounds Fees	8,000.00		6,995.00	1,005.00 *
Swimming Pool User Fees	135,000.00		110,861.30	24,138.70 *
Energy Receipts Taxes	948,271.00		948,271.00	
Uniform Construction Code Fees	170,000.00		146,803.00	23,197.00 *
Interlocal Agreement:				
Phillipsburg Board of Education-Police Services	85,198.00		132,574.68	47,376.68
Recycling Tonnage Grant	15,442.07		15,442.07	
Safe and Secure Communities Program	30,000.00		30,000.00	
Reserve for Body Armor Grant	1,622.78		1,622.78	
Reserve for Clean Communities Grant	23,211.53		23,211.53	
Highlands Grant	9,840.00		9,840.00	

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

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Miscellaneous Revenue:				
Utility Operating Surplus of Prior Year	\$ 50,000.00		\$ 50,000.00	
Uniform Fire Safety Act	25,000.00		34,142.29	\$ 9,142.29
Reserve to Pay Debt Service	379,140.12		379,140.12	
Sale of SRECS	23,211.53		16,994.00	6,217.53 *
Payment in Lieu of Taxes	46,000.00		51,857.65	5,857.65
Cable TV Franchise Fee	35,062.00		35,062.00	
Total Miscellaneous Revenue	2,313,999.03		2,416,770.58	102,771.55
Receipts from Delinquent Taxes	725,000.00		726,992.23	1,992.23
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	4,727,675.35		4,827,598.75	99,923.40
Budget Totals	8,066,674.38		8,271,361.56	204,687.18
Nonbudget Revenue			142,450.24	142,450.24
	\$8,066,674.38	\$ -0-	\$ 8,413,811.80	\$ 347,137.42

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

Allocation of Current Tax Collections

Revenue from Collection of Current Taxes	\$ 24,992,438.53
Allocated to County, School, and Local Open Space Taxes	21,060,193.28
	<hr/>
Balance for Support of Municipal Budget	3,932,245.25
Add: Appropriation - Reserve for Uncollected Taxes	895,353.50
	<hr/>
Realized for Support of Municipal Budget	\$ 4,827,598.75
	<hr/>
Collection of Delinquent Taxes	
Taxes Receivable	\$ 726,922.23
Tax Title Liens	70.00
	<hr/>
	\$ 726,992.23
	<hr/>

Analysis of Nonbudget Revenue

Miscellaneous Revenue Not Anticipated:

Treasurer:

Licenses - Other	\$ 1,800.00	
Insurance Claims	18,151.00	
Community Day/Easter/150th Anniversary Donations	3,123.00	
Convenience Fees Refunded	964.84	
Easter Egg Hunt	825.00	
FEMA Reimbursement for Storms	33,795.45	
Refund of Prior Year Expenses	4,028.10	
Senior Citizen and Veteran Administration Fees	1,670.96	
Tax Collector Miscellaneous	4,646.98	
New Jersey D.M.V. Inspection Fees	400.00	
Other Miscellaneous Revenue	73,044.91	
	<hr/>	
		\$ 142,450.24
		<hr/>

Analysis of Interest Earned

Interest Earned in Current Fund	\$ 13,249.25
Interest Due from Federal and State Grant Fund	289.10
Interest Due from General Capital Fund	1,740.59
Interest Due from Other Trust Funds	604.90
Interest Due from Escrow Trust Fund	932.27
	<hr/>
	\$ 16,816.11
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TOWNSHIP OF LOPATCONG
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:					
Other Expenses:					
Postage	\$ 9,300.00	\$ 9,300.00	\$ 6,089.30	\$ 3,210.70	
Computer Services	41,925.00	41,925.00	12,985.69	28,939.31	
Code Book Update	3,600.00	3,600.00	1,351.00	2,249.00	
Administration Other Expense	41,875.00	41,325.00	9,493.51	31,831.49	
Mayor and Council:					
Salaries & Wages	17,070.00	17,070.00	17,070.00		
Other Expenses	1,645.00	4,295.00	3,050.00	1,245.00	
Administration (Municipal Clerk):					
Salaries & Wages	198,486.00	198,486.00	197,279.71	1,206.29	
Other Expenses	21,380.00	21,380.00	16,453.81	4,926.19	
Financial Administration:					
Salaries & Wages	109,172.50	115,672.50	111,431.04	4,241.46	
Other Expenses	25,952.00	25,952.00	14,898.84	11,053.16	
Annual Audit	31,620.00	31,620.00	27,320.00	4,300.00	
Tax Assessment Administration:					
Salaries & Wages	38,760.00	38,760.00	38,760.00		
Other Expenses	21,600.00	21,600.00	9,796.54	11,803.46	
Revenue Administration (Tax Collection):					
Salaries & Wages	25,877.00	25,877.00	25,832.50	44.50	
Other Expenses	10,600.00	10,600.00	8,849.29	1,750.71	
Legal Services and Costs:					
Other Expenses	196,100.00	196,100.00	116,379.37	79,720.63	

TOWNSHIP OF LOPATCONG
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" (continued)					
GENERAL GOVERNMENT (continued):					
Engineering Services and Costs:					
Other Expenses	\$ 50,400.00	\$ 50,400.00	\$ 24,042.50	\$ 26,357.50	
Public Buildings and Grounds:					
Salaries & Wages	13,645.00	13,645.00	13,199.79	445.21	
Other Expenses	62,035.00	62,035.00	48,539.96	13,495.04	
Garbage and Trash Removal:					
Other Expenses	9,800.00	10,800.00	10,800.00		
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Planning Board:					
Salaries & Wages	12,070.00	12,070.00	12,069.99	0.01	
Other Expenses	23,000.00	23,000.00	10,529.39	12,470.61	
Board of Adjustment:					
Salaries & Wages	5,952.00	5,952.00	5,950.49	1.51	
Other Expenses	4,450.00	4,450.00	3,232.52	1,217.48	
Rent Board:					
Salaries & Wages	4,360.00	4,360.00	4,358.99	1.01	
Other Expenses	8,400.00	8,400.00	2,050.04	6,349.96	
Shade Tree Commission:					
Other Expenses	500.00	500.00	95.00	405.00	
Municipal Court:					
Salaries & Wages	105,001.00	105,001.00	104,659.55	341.45	
Other Expenses	10,375.00	10,375.00	7,635.60	2,739.40	

TOWNSHIP OF LOPATCONG
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" (continued)					
PUBLIC SAFETY:					
Fire:					
Miscellaneous Other Expenses:					
Fire Companies	\$ 31,000.00	\$ 31,000.00	\$ 30,796.70	\$ 203.30	
Police:					
Salaries & Wages	1,731,487.00	1,765,487.00	1,764,384.60	1,102.40	
Other Expenses	107,475.00	107,475.00	104,822.77	2,652.23	
Prosecutor's Office:					
Salaries & Wages:					
Lopatcong	20,156.00	20,156.00	19,760.00	396.00	
First Aid Organization - Contribution	15,000.00	15,000.00	13,811.12	1,188.88	
Uniform Fire Safety Act - Fire Inspector:					
Salaries & Wages	33,093.00	33,093.00	26,864.04	6,228.96	
Other Expenses	2,250.00	2,250.00	1,416.05	833.95	
Zoning Officer:					
Salaries & Wages	7,901.00	7,901.00	7,881.85	19.15	
Other Expenses	1,700.00	1,700.00	137.96	1,562.04	
Emergency Management Services:					
Salaries & Wages	3,349.00	3,349.00	3,298.05	50.95	
Other Expenses	400.00	400.00	14.99	385.01	

TOWNSHIP OF LOPATCONG
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" (continued)					
STREETS AND ROADS:					
Road Repairs and Maintenance:					
Salaries & Wages	\$ 383,848.00	\$ 383,848.00	\$ 370,901.48	\$ 12,946.52	
Other Expenses	188,850.00	188,850.00	168,954.18	19,895.82	
Other Expenses - Salt and Grit	60,000.00	60,000.00	59,838.03	161.97	
HEALTH AND WELFARE:					
Animal Control Fund:					
Salaries & Wages	9,797.00	9,797.00	9,338.37	458.63	
Other Expenses	350.00	350.00		350.00	
Environmental Board:					
Other Expenses	500.00	500.00	21.01	478.99	
RECREATION AND EDUCATION:					
Parks and Playgrounds:					
Other Expenses	48,650.00	48,650.00	34,218.83	14,431.17	
Swimming Pool:					
Salaries & Wages	83,933.00	74,333.00	60,341.45	13,991.55	
Other Expenses	118,494.00	84,494.00	74,922.29	9,571.71	
Insurance:					
General Liability	128,587.00	128,587.00	128,587.00		
Workers Compensation	95,855.00	95,855.00	95,855.00		
Employee Group Health	484,134.00	484,134.00	443,615.90	40,518.10	
Health Benefit Waiver	15,000.00	15,000.00	13,333.34	1,666.66	
Eye Care Reimbursement					

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

UNIFORM CONSTRUCTION CODE:

Building Sub Code Official:

Salaries & Wages
Other Expenses

UNCLASSIFIED:

Electricity
Street Lighting
Telephone
Natural Gas
Gasoline
Fire Hydrant Service
Water
Cable

Total Operations within "CAPS"

Contingent

Total Operations Including Contingent
within "CAPS"

Detail:

Salaries & Wages
Other Expenses

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
\$	125,306.00	\$ 125,306.00	\$ 118,319.11	\$ 6,986.89	
	7,750.00	7,750.00	3,877.69	3,872.31	
	53,860.00	53,860.00	51,318.19	2,541.81	
	18,000.00	18,000.00		18,000.00	
	53,250.00	53,250.00	50,081.96	3,168.04	
	19,500.00	19,500.00	15,839.76	3,660.24	
	68,000.00	68,000.00	67,133.36	866.64	
	144,285.00	144,285.00	140,348.40	3,936.60	
	10,900.00	10,900.00	10,183.65	716.35	
	300.00	300.00		300.00	
	5,177,910.50	5,177,910.50	4,754,421.55	423,488.95	
	1,498.00	1,498.00	1,497.99	0.01	
	5,179,408.50	5,179,408.50	4,755,919.54	423,488.96	
	2,929,263.50	2,885,830.50	2,911,701.01	48,066.49	
	2,250,145.00	2,293,578.00	1,844,218.53	375,422.47	

TOWNSHIP OF LOPATCONG
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	
Deferred Charges and Statutory Expenditures - Municipal within "CAPS"					
DEFERRED CHARGES:					
Grant Expenditure without Reserve	\$ 1,207.00	\$ 1,207.00	\$ 1,206.38		\$ 0.62
Overexpenditures of Appropriations	18,951.00	18,951.00	18,950.45		0.55
Deficit in Public Defender Trust Fund	550.00	550.00	550.00		
Overexpenditures of Appropriation Reserves	2,605.00	2,605.00	2,605.00		
STATUTORY EXPENDITURES:					
Social Security (O.A.S.I)	231,500.00	231,500.00	224,372.17	\$ 7,127.83	
Unemployment Compensation	10,000.00	10,000.00	7,610.82	2,389.18	
Public Employees Retirement System	140,363.00	140,363.00	140,363.00		
Police and Firemen's Retirement System	312,248.00	312,248.00	312,247.40	0.60	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	717,424.00	717,424.00	707,905.22	9,517.61	1.17
Total General Appropriations for Municipal Purposes Within "CAPS"	5,896,832.50	5,896,832.50	5,463,824.76	433,006.57	1.17
Operations - Excluded from "CAPS"					
Shared Service Agreements:					
Interlocal Services Agreement with Phillipsburg Board of Education - Police Services	85,198.00	85,198.00	85,198.00		
Total Shared Service Agreements	85,198.00	85,198.00	85,198.00		

TOWNSHIP OF LOPATCONG
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" (continued):					
Public and Private Programs Offset by Revenue:					
Safe and Secure Community Grant	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00		
Reserve for Body Armor Grant	1,622.78	1,622.78	1,622.78		
Recycling Tonnage Grant	15,442.07	15,442.07	15,442.07		
Reserve for Clean Communities Grant	23,211.53	23,211.53	23,211.53		
Highlands Grant	9,840.00	9,840.00	9,840.00		
Total Public and Private Programs Offset by Revenues	80,116.38	80,116.38	80,116.38		
Total Operations - Excluded from "CAPS"	165,314.38	165,314.38	165,314.38		
Capital Improvements - Excluded from "CAPS"					
Capital Improvement Fund	95,000.00	95,000.00	95,000.00		
Public Building Upgrades and Security Improvements	17,000.00	17,000.00	16,510.00	\$ 490.00	
Total Capital Improvements Excluded from "CAPS"	112,000.00	112,000.00	111,510.00	490.00	
Municipal Debt Service - Excluded from "CAPS"					
Payment of Bond Principal	225,000.00	225,000.00	225,000.00		
Payment of Bond Anticipation Notes	649,191.00	649,191.00	649,191.00		
Interest on Bonds	75,760.00	75,760.00	75,758.13		\$ 1.87
Interest on Notes	47,223.00	47,223.00	47,171.06		51.94
Total Municipal Debt Service - Excluded from "CAPS"	997,174.00	997,174.00	997,120.19		53.81

TOWNSHIP OF LOPATCONG
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	
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$ 1,274,488.38	\$ 1,274,488.38	\$ 1,273,944.57	\$ 490.00	\$ 53.81
Subtotal General Appropriations Reserve for Uncollected Taxes	7,171,320.88 895,353.50	7,171,320.88 895,353.50	6,737,769.33 895,353.50	433,496.57	54.98
Total General Appropriations	\$ 8,066,674.38	\$ 8,066,674.38	\$ 7,633,122.83	\$ 433,496.57	\$ 54.98

Ref.

A

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

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>
Adopted Budget		\$ 8,066,674.38	
		<u>\$ 8,066,674.38</u>	
Cash Disbursed			\$ 5,772,463.33
General Capital Payment of Bond Anticipation Notes			696,362.06
Reserve for Uncollected Taxes			895,353.50
Capital Improvement Fund			95,000.00
Deferred Charges:			
Grant Expenditure without Reserve			1,206.38
Overexpenditure of Appropriations			18,950.45
Deficit in Public Defender Trust Fund			550.00
Overexpenditure of Appropriation Reserves			2,605.00
Due to Federal and State Grant Fund			80,116.38
Encumbrances	A		<u>70,515.73</u>
			<u>\$ 7,633,122.83</u>

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

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2017
TRUST FUNDS

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

		December 31,	
	Ref.	2017	2016
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	B-4	\$ 10,093.91	\$ 213.04
Due Payroll Account			4,709.41
		<u>10,093.91</u>	<u>4,922.45</u>
Unemployment Compensation Insurance Fund:			
Cash and Cash Equivalents	B-4	1,382.89	564.76
Due from State of New Jersey		972.49	972.49
		<u>2,355.38</u>	<u>1,537.25</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	1,647,264.00	1,251,590.89
Due from Current Fund:			
Tax Sale Premiums	A	171,600.00	317,600.00
Open Space Trust	A	21,040.94	12,765.83
Other Trust Funds	A		1,635.20
Coalition on Affordable Housing Trust Fund	A		1,157.33
Due from General Capital Fund	C		76,824.23
		<u>1,839,904.94</u>	<u>1,661,573.48</u>
<u>TOTAL ASSETS</u>		<u>\$ 1,852,354.23</u>	<u>\$ 1,668,033.18</u>

TOWNSHIP OF LOPATCONG
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS
(Continued)

		December 31,	
	Ref.	2017	2016
<u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Encumbrances Payable			\$ 920.75
Due to Current Fund	A		46.31
Reserve for Animal Control Fund Expenditures	B-5	\$ 10,093.91	3,955.39
		<u>10,093.91</u>	<u>4,922.45</u>
Unemployment Compensation Insurance Fund:			
Due to Current Fund	A	831.32	831.32
Reserve for Unemployment Compensation Insurance		1,524.06	705.93
		<u>2,355.38</u>	<u>1,537.25</u>
Other Trust Funds:			
Due to Current Fund	A	100.01	75,608.91
Due to Payroll Fund			3,532.32
Reserve for:			
Encumbrances			11,008.64
Sub-Division Escrow		1,040,124.74	720,591.41
Tax Sale Premiums		132,900.00	268,900.00
Affordable Housing Special		4,827.81	1,894.10
Affordable Housing Master		5,045.36	5,017.05
Road Openings		150.00	150.00
Community Day		230.00	230.00
Open Space Trust		27,377.79	19,102.68
Parking Offenses Adjudication Act		622.60	622.60
Public Defender		300.00	
Recreation Trust		14,035.24	15,870.79
Fire Penalties		500.00	
Outside Employment of Police Officers		71,743.52	25,345.05
Council on Affordable Housing (COAH)		205,979.50	193,191.25
Community Hope		234,810.19	232,473.82
Detention Basin/Sidewalk Construction		81,068.18	81,068.18
Donations for Police Equipment		90.00	
Storm Recovery		20,000.00	6,966.68
		<u>1,839,904.94</u>	<u>1,661,573.48</u>
Total Other Trust Funds			
		<u>1,839,904.94</u>	<u>1,661,573.48</u>
<u>TOTAL LIABILITIES AND RESERVES</u>		<u>\$ 1,852,354.23</u>	<u>\$ 1,668,033.18</u>

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

TOWNSHIP OF LOPATCONG
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

TOWNSHIP OF LOPATCONG
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

TOWNSHIP OF LOPATCONG
ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2017
GENERAL CAPITAL FUND

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

		December 31,	
	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 284,805.83	\$ 879,874.26
Due from:			
Current Fund	A		34,254.52
New Jersey Department of Transportation - Grant Receivable		618,175.00	313,175.00
Deferred Charges to Future Taxation:			
Funded		4,495,000.00	4,920,000.00
Unfunded	C-4	<u>2,909,504.00</u>	<u>2,908,695.00</u>
<u>TOTAL ASSETS</u>		<u>\$ 8,307,484.83</u>	<u>\$ 9,055,998.78</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 4,495,000.00	\$ 4,920,000.00
Bond Anticipation Notes Payable	C-7	2,259,504.00	2,908,695.00
Improvement Authorizations:			
Funded	C-5	1,296.69	76,576.00
Unfunded	C-5	638,219.33	297,033.45
Due Other Trust Funds	B		76,824.23
Due Sewer Utility Capital Fund	E		26,178.00
Capital Improvement Fund	C-6	77,285.12	16,724.12
Reserve for:			
Encumbrances		566,492.50	108,183.86
Payment of Debt Service		82,993.19	379,140.12
Receivables		100,000.00	175,000.00
South Third Street Improvements		70,000.00	70,000.00
Fund Balance	C-1	<u>16,694.00</u>	<u>1,644.00</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 8,307,484.83</u>	<u>\$ 9,055,998.78</u>

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

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

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 1,644.00
Increased by:		
Premium on Bond Anticipation Notes		<u>15,050.00</u>
Balance December 31, 2017	C	<u><u>\$ 16,694.00</u></u>

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

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2017
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2017
SEWER UTILITY FUND

TOWNSHIP OF LOPATCONG
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2017	2016
<u>ASSETS</u>			
Operating Fund:			
Cash - Treasurer	E-4	\$ 823,408.31	\$ 530,687.49
Change Fund		50.00	50.00
Due From Sewer Utility Capital Fund	E		84,037.31
		<u>823,458.31</u>	<u>614,774.80</u>
Receivables with Full Reserves:			
Sewer Rents Receivable	E-6	387,704.62	245,030.64
Hook Up Fees Receivable	E-6A	69,716.86	
Sewer Liens Receivable		<u>2,970.86</u>	<u>2,970.86</u>
		<u>460,392.34</u>	<u>248,001.50</u>
Deferred Charges - Overexpenditure of Appropriation Reserves	E-1		12,974.80
			<u>12,974.80</u>
Total Operating Fund		<u>1,283,850.65</u>	<u>875,751.10</u>
Assessment Trust Fund:			
Cash -Treasurer	E-4	40.89	4,562.03
Due Sewer Utility Operating Fund	E		189.05
Assessment Liens		1,530.00	1,530.00
Assessment Lien Interest and Costs		<u>1,211.02</u>	<u>1,211.02</u>
Total Assessment Trust Fund		<u>2,781.91</u>	<u>7,492.10</u>
Capital Fund:			
Cash and Cash Equivalents	E-4	908,701.84	61,195.06
Due from Current Fund	A		1,692,022.00
Due From General Capital Fund	C		26,178.00
Fixed Capital	E-7	3,900,626.98	3,900,626.98
Fixed Capital Authorized and Uncompleted	E-8	<u>3,645,000.00</u>	<u>3,645,000.00</u>
Total Capital Fund		<u>8,454,328.82</u>	<u>9,325,022.04</u>
<u>TOTAL ASSETS</u>		<u>\$ 9,740,961.38</u>	<u>\$ 10,208,265.24</u>

TOWNSHIP OF LOPATCONG
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

		December 31,	
	Ref.	2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Unencumbered	E-3;E-9	\$ 171,024.19	\$ 140,922.96
Encumbered	E-9	11,176.99	9,131.71
		182,201.18	150,054.67
Accounts Payable - Vendors		27,359.00	27,359.00
Due Sewer Utility Assessment Fund	E		189.05
Due Current Fund	A	3,402.43	
Due Payroll Account			29,694.83
Sewer Hook-up Overpayments		8,000.00	8,000.00
Third Party Liens		287.06	287.06
Accrued Interest on Loans		25,117.40	47,309.31
		246,367.07	262,893.92
Reserve for Receivables		460,392.34	248,001.50
Fund Balance	E-1	577,091.24	364,855.68
Total Operating Fund		1,283,850.65	875,751.10
Assessment Trust Fund:			
Due Current Fund	A		4,710.19
Reserve for Assessments and Liens		2,741.02	2,741.02
Fund Balance	E-1a	40.89	40.89
Total Assessment Trust Fund		2,781.91	7,492.10
Capital Fund:			
Bond Anticipation Note Payable	E-13		2,922,500.00
USDA Loans Payable	E-15	2,135,078.50	
Improvement Authorizations - Funded	E-10	22,413.72	22,543.72
Improvement Authorizations - Unfunded	E-10	476,003.77	1,197,940.34
Due Sewer Utility Operating Fund	E		84,037.31
Capital Improvement Fund	E-11	783,117.22	683,117.22
Reserve for Encumbrances		59,274.74	33,862.08
Reserve for Amortization		3,901,170.68	3,901,170.68
Reserve for Deferred Amortization	E-12	1,014,919.50	417,500.00
Fund Balance	E-1b	62,350.69	62,350.69
Total Capital Fund		8,454,328.82	9,325,022.04
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		\$ 9,740,961.38	\$ 10,208,265.24

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

TOWNSHIP OF LOPATCONG
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS

		Year Ended December 31,	
	Ref.	2017	2016
<u>Revenue and Other Income Realized</u>			
Rents		\$ 1,780,141.63	\$ 1,845,562.39
Miscellaneous Revenue		168,521.10	29,421.12
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		138,772.96	
Total Income		2,087,435.69	1,874,983.51
<u>Expenditures</u>			
Budget Expenditures:			
Operating		1,500,953.00	1,439,996.00
Capital Improvement Fund		100,000.00	100,000.00
Debt Service		73,293.77	87,892.64
Deferred Charges and Statutory Expenditures		20,074.80	7,489.11
Refund of Prior Year Revenue		5,878.56	5,738.59
Prior Year Surplus Due Current Fund		50,000.00	75,000.00
Total Expenditures		1,750,200.13	1,716,116.34
Excess in Revenue		337,235.56	158,867.17
<u>Fund Balance</u>			
Balance January 1		364,855.68	355,988.51
		702,091.24	514,855.68
Decreased by:			
Utilized as Anticipated Revenue			
Surplus General Budget		125,000.00	150,000.00
Balance December 31	E	\$ 577,091.24	\$ 364,855.68

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

TOWNSHIP OF LOPATCONG
SEWER ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2016	E	\$ 40.89
Balance December 31, 2017	E	\$ 40.89

SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2016	E	\$ 62,350.69
Balance December 31, 2017	E	\$ 62,350.69

SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit*</u>
Sewer Rents	\$ 1,800,000.00	\$ 1,780,141.63	\$ 19,858.37
Miscellaneous Revenue Not Anticipated	19,500.00	168,521.10	149,021.10
	<u>\$ 1,819,500.00</u>	<u>\$ 1,948,662.73</u>	<u>\$ 129,162.73</u>

Analysis of Realized Revenue

Miscellaneous Revenue Not Anticipated:

Interest on Investments:

Sewer Utility Operating Fund	\$ 3,629.98
Sewer Assessment Trust Fund	25.76
Sewer Utility Capital Fund	762.01
Interest and Costs on Rents	18,966.62
Other Miscellaneous Revenue	1,427.59
Hook-up Fees	143,709.14
	<u>\$ 168,521.10</u>

TOWNSHIP OF LOPATCONG
SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modifi- cation	Paid or Charged	Reserved	
Operating:					
Operations:					
Salaries and Wages	\$ 86,104.00	\$ 86,104.00	\$ 86,026.47	\$ 77.53	
Other Expenses	1,414,849.00	1,414,849.00	1,244,307.78	170,541.22	
Capital Improvements:					
Capital Improvement Fund	100,000.00	100,000.00	100,000.00		
Debt Service:					
Payment of Bond Principal - USDA Loan	14,922.00	14,922.00	14,921.50		\$ 0.50
Interest on Bonds - USDA Loan	54,850.00	54,850.00	54,679.90		170.10
Interest on Notes	3,700.00	3,700.00	3,692.37		7.63
Deferred Charges:					
Overexpenditure of Appropriation Reserves	12,975.00	12,975.00	12,974.80		0.20
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	6,900.00	6,900.00	6,694.56	205.44	
Unemployment Compensation Insurance	200.00	200.00		200.00	
Surplus General Budget	125,000.00	125,000.00	125,000.00		
	<u>\$ 1,819,500.00</u>	<u>\$ 1,819,500.00</u>	<u>\$ 1,648,297.38</u>	<u>\$ 171,024.19</u>	<u>\$ 178.43</u>

Ref.

Analysis of Paid or Charged

Cash Disbursed	\$ 1,306,026.83	
Encumbrances Payable	11,176.99	E
Deferred Charges	12,974.80	
Accrued Interest on Notes	58,372.27	
Due Current Fund	170,624.46	
Due Payroll Account	89,122.03	
	<u>\$ 1,648,297.38</u>	

E

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

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2017
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2017
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2017
GENERAL FIXED ASSETS ACCOUNT GROUP
(UNAUDITED)

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

	December 31,	
	2017	2016
<u>ASSETS</u>		
Land	\$ 3,260,699.62	\$ 3,260,699.62
Buildings	1,145,900.00	1,145,900.00
Machinery and Equipment	4,489,735.33	4,395,435.33
<u>TOTAL ASSETS</u>	<u>\$ 8,896,334.95</u>	<u>\$ 8,802,034.95</u>
<u>RESERVES</u>		
Reserve for General Fixed Assets	\$ 8,896,334.95	\$ 8,802,034.95
<u>TOTAL RESERVES</u>	<u>\$ 8,896,334.95</u>	<u>\$ 8,802,034.95</u>

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

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of the Township of Lopatcong include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Lopatcong, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Township of Lopatcong do not include the operations of the 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 Lopatcong 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 Lopatcong 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 LOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 1: Summary of Significant Accounting Policies

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.

Sewer Utility Operating, Assessment, and Capital Funds - Account for the operations, resources and expenditures for the payment of assessment debt, and acquisition of capital facilities of the municipally owned Sewer Utility.

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

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. Grant revenue is recognized in the Current Fund when it is budgeted. The amounts recorded as property taxes and consumer accounts 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 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 canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

TOWNSHIP OF LOPATCONG
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)

Had the Township of Lopatcong'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 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, fixed assets purchased by the Sewer Utility Capital Fund would be depreciated, and the Township's net pension liability and related deferred inflows and outflows would be recorded.

D. Deferred Charges to Future Taxation

The General 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, or by collecting a grant. The unfunded deferred charge may also be funded by selling bonds, by loans or by capital leases.

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 are stated at cost.

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, where applicable.

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

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

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

E. Other Significant Accounting Policies (Cont'd)

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.

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

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets.

General Fixed Assets (Unaudited) – In accordance with New Jersey Administrative Code accounting requirements, as promulgated by the Division of Local Government Services, the Township has developed a fixed assets accounting and reporting system based on the following:

General fixed assets are recorded at historical or estimated historical cost, except for land which is recorded at assessed value. 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 estimated historical cost. No depreciation has been provided for on general fixed assets. The total value recorded for general fixed assets is offset by a "Reserve for General 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, General Capital Fund and Sewer Utility Funds. The values recorded in the General Fixed Assets Account Group and the Current, General Capital and Sewer Utility Funds 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.

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

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

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

- F. Budget/Budgetary Control – Annual appropriated budgets are usually prepared in the first quarter for the Current operating, Sewer Utility 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 the 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 has 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	\$ 6,754,504.00	\$ 7,828,695.00	\$ 7,603,975.00
Sewer Utility Fund:			
Notes and Loans	2,135,078.50	2,922,500.00	2,960,000.00
Total Issued	<u>8,889,582.50</u>	<u>10,751,195.00</u>	<u>10,563,975.00</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	650,000.00		500.00
Sewer Utility:			
Bonds and Notes	494,458.30	304,456.30	304,456.30
Total Authorized but not Issued	<u>1,144,458.30</u>	<u>304,456.30</u>	<u>304,956.30</u>
Less: Reserve to Pay Debt Service -			
General Capital Fund	<u>82,993.19</u>	<u>379,140.12</u>	
Net Bonds and Notes Issued and			
Authorized but not Issued	<u>\$ 9,951,047.61</u>	<u>\$ 10,676,511.18</u>	<u>\$ 10,868,931.30</u>

TOWNSHIP OF LOPATCONG
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 Year

	Balance 12/31/2015	Additions	Retirements	Balance 12/31/2016
General Capital Fund:				
Serial Bonds	\$ 5,377,000.00	\$ 4,545,000.00	\$ 5,002,000.00	\$ 4,920,000.00
Bond Anticipation Notes	2,226,975.00	2,908,695.00	2,226,975.00	2,908,695.00
Sewer Utility Fund:				
Bond Anticipation Notes	2,960,000.00	2,922,500.00	2,960,000.00	2,922,500.00
Total	<u>\$ 10,563,975.00</u>	<u>\$ 10,376,195.00</u>	<u>\$ 10,188,975.00</u>	<u>\$ 10,751,195.00</u>

Summary of Municipal Debt Issued and Outstanding – Current Year

	Balance 12/31/2016	Additions	Retirements	Balance 12/31/2017
General Capital Fund:				
Serial Bonds	\$ 4,920,000.00		\$ 425,000.00	\$ 4,495,000.00
Bond Anticipation Notes	2,908,695.00	\$ 2,259,504.00	2,908,695.00	2,259,504.00
Sewer Utility Fund:				
USDA Loans Payable		2,150,000.00	14,921.50	2,135,078.50
Bond Anticipation Notes	2,922,500.00		2,922,500.00	
Total	<u>\$ 10,751,195.00</u>	<u>\$ 4,409,504.00</u>	<u>\$ 6,256,195.00</u>	<u>\$ 8,889,582.50</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 .853%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 11,505,000.00	\$ 11,505,000.00	
Sewer Utility Debt	2,629,536.80	2,629,536.80	
General Debt	7,404,504.00	82,993.19	\$ 7,321,510.81
	<u>\$ 21,539,040.80</u>	<u>\$ 14,217,529.99</u>	<u>\$ 7,321,510.81</u>

Net Debt \$7,321,510.81 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$857,950,165.33= .853%.

Borrowing Power Under N.J.S. 40A:2-5 As Amended

3-1/2% Average Equalized Valuation of Real Property	\$ 30,028,255.79
Net Debt	7,321,510.81
Remaining Borrowing Power	<u>\$ 22,706,744.98</u>

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

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

Calculation of "Self-Liquidating Purpose", Sewer Utility Per
N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year		\$ 1,948,662.73
Deductions:		
Operating and Maintenance Costs	\$ 1,621,028.00	
Debt Service	73,472.00	
		<u>1,694,500.00</u>
Excess in Revenue		<u>\$ 254,162.73</u>

Note: If there is a deficit in revenue, then the utility debt is not deductible to the extent of 20 times such deficit amount.

The foregoing information is in agreement with the annual debt statement as filed by the Chief Financial Officer.

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

Series 2016 - General Obligation Refunding Bonds

<u>Purpose</u>	<u>Maturity</u>	<u>Rate</u>	<u>Amount</u>
Various Capital Improvements	9/1/2018	3.00%	\$ 375,000.00
	9/1/2019	4.00%	400,000.00
	9/1/2020	4.00%	415,000.00
	9/1/2021	3.00%	430,000.00
	9/1/2022	4.00%	445,000.00
	9/1/2023	4.00%	450,000.00
	9/1/2024	5.00%	475,000.00
	9/1/2025	4.00%	500,000.00
	9/1/2026	3.50%	505,000.00
	9/1/2027	3.50%	500,000.00
			<u>\$ 4,495,000.00</u>

Bonds Payable:

On December 28, 2016, the Township issued \$4,545,000 refunding bonds with interest rates ranging from 2.00% to 5.00% to refund \$4,642,000 of the \$7,787,000 Series 2007 General Improvement Bonds dated September 1, 2007 with an interest rate of 4.00%. The refunding bonds will mature on September 1, 2027 and constitute an advanced refunding. The refunding met the requirements of an in-substance debt defeasance.

As a result of the advance refunding, the Township reduced its total debt service requirement by \$233,546.87 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$208,470.52.

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

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

Purpose	<u>General Capital Bond Anticipation Notes</u>			
	Maturities of Notes		Interest Rate	Balance Dec. 31, 2017
	<u>Outstanding Dec. 31, 2017</u>			
	<u>Date</u>	<u>Amount</u>		
Installation of Solar Panels and Related Equipment	4/2/2018	\$ 890,424.00	2.25%	\$ 890,424.00
Payments of Amounts Owing to Others for Taxes Levied	4/2/2018	434,000.00	2.25%	434,000.00
Acquisition of Fire Truck	4/2/2018	382,500.00	2.25%	382,500.00
Intersection Improvements at Belvidere Road and Roseberry Streets	4/2/2018	349,360.00	2.25%	349,360.00
South Second Street Improvement Project	4/2/2018	203,220.00	2.25%	203,220.00
				<u>\$ 2,259,504.00</u>
<u>Sewer Utility Capital Fund Loans</u>				
Improvements to Sanitary Sewer System	1/26/2057	\$ 2,135,078.50	2.75%	\$ 2,135,078.50
				<u>\$ 2,135,078.50</u>
Total Debt Issued and Outstanding				<u>\$ 8,889,582.50</u>

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

Calendar Year	<u>General Capital Fund</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 375,000.00	\$ 171,975.00	\$ 546,975.00
2019	400,000.00	160,725.00	560,725.00
2020	415,000.00	144,725.00	559,725.00
2021	430,000.00	128,125.00	558,125.00
2022	445,000.00	115,225.00	560,225.00
2023-2027	2,430,000.00	284,200.00	2,714,200.00
	<u>\$ 4,495,000.00</u>	<u>\$ 1,004,975.00</u>	<u>\$ 5,499,975.00</u>

TOWNSHIP OF LOPATCONG
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 Loans Issued and Outstanding (Cont'd)

Calendar Year	Sewer Utility Capital Fund		
	Principal	Interest	Total
2018	\$ 30,461.33	\$ 58,506.67	\$ 88,968.00
2019	31,304.78	57,663.22	88,968.00
2020	32,171.58	56,796.42	88,968.00
2021	33,062.38	55,905.62	88,968.00
2022	33,977.85	54,990.15	88,968.00
2023-2027	184,533.38	260,306.62	444,840.00
2028-2032	211,535.68	233,304.32	444,840.00
2033-2037	242,489.16	202,350.84	444,840.00
2038-2042	277,971.96	166,868.04	444,840.00
2043-2047	318,646.87	126,193.13	444,840.00
2048-2052	365,273.63	79,566.37	444,840.00
2053-2057	373,649.90	26,124.81	399,774.71
	<u>\$ 2,135,078.50</u>	<u>\$ 1,378,576.21</u>	<u>\$ 3,513,654.71</u>

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$2,964,048 at June 30, 2017. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$7,038,682 at June 30, 2017. See Note 6 for further information on the PERS and PFRS.

Note 3: Fund Balance Appropriated

Fund balance at December 31, 2017, which is appropriated and included in the adopted budget as anticipated revenue in the Current Fund for the year ending December 31, 2018, is \$465,000.

Note 4: School Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

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

	Local District School Tax	
	Balance 12/31/2017	Balance 12/31/2016
Balance of Tax	\$ 6,693,426.00	\$ 6,440,647.73
Deferred	<u>6,693,426.00</u>	<u>6,693,426.00</u>
Tax Payable/(Prepaid Tax)	<u>\$ -0-</u>	<u>\$ (252,778.27)</u>

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

Note 5: Deferred Charges to be Raised in Succeeding Budgets

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

Note 6: 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).

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.nj.gov/treasury/pensions/financial-reports.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

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 with 25 or more years of service credit before age 62 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.

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

Note 6: Pension Plans (Cont'd)

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

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 \$140,363.00 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 June 30, 2017 the Township's liability was \$2,964,048 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the Township's proportion was 0.0127%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Township recognized actual pension expense in the amount of \$140,363.00.

Actuarial Assumptions

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

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

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

Note 6: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more 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 (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the following table:

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

Note 6: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equit	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

Note 6: 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

The following presents the Township's proportionate share of the collective net pension liability as of June 30, 2017 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:

	June 30, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Township's proportionate share of the Net Pension Liability	\$ 3,677,102	\$ 2,964,048	\$ 2,369,985

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.nj.gov/treasury/pensions/financial-reports.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.

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

Note 6: Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

The following represents the membership tiers for PFRS:

Tier	Definition
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	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.

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

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

Note 6: Pension Plans (Cont'd)

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

Special Funding Situation (Cont'd)

(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, 2017 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, 2017 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2017. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Township contributions to PFRS amounted to \$312,247.40 for the year ended December 31, 2017. During the fiscal year ended June 30, 2017, the State of New Jersey contributed \$35,452 to the PFRS for normal pension benefits on behalf of the Township, which is less than the contractually required contribution of \$86,724.

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

Pension Liabilities and Pension Expense

At June 30, 2017, the Township's liability for its proportionate share of the net pension liability was \$7,038,682. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the Township's proportion was 0.041%, which was an increase of 0.003% from its proportion measured as of June 30, 2016.

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

Note 6: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expenses (Cont'd)

Additionally, the State's proportionate share of the net pension liability attributable to the Township is \$708,980 as of June 30, 2017. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the State's proportion was 0.041%, which was an increase of 0.003% from its proportion measured as of June 30, 2016 which is the same proportion as the Township's.

Township's Proportionate Share of the Net Pension Liability	\$ 6,329,702
State's Proportionate Share of the Net Pension Liability Associated with the Township	<u>708,980</u>
Total Net Pension Liability	<u><u>\$ 7,038,682</u></u>

For the year ended December 31, 2017, the Township recognized total pension expense of \$312,247.40.

Actuarial Assumptions

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

Inflation Rate	2.25%
Salary Increases:	
Through 2026	2.10% - 8.98% based on age
Thereafter	3.1% - 9.98% based on age
Investment Rate of Return	7.00%

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

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

Note 6: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

based on the special mortality tables used for the period after disability retirement.

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equi	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

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

Note 6: Pension Plans (Cont'd)

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

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the 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 June 30, 2017 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:

June 30, 2017			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(5.14%)	(6.14%)	(7.14%)

Township's proportionate share of the NPL and the
State's proportionate share of the Net Pension

Liability associated with the Township	\$ 9,274,043	\$ 7,038,682	\$ 5,202,079
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Pension Plan Fiduciary Net Position - PFRS

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

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

Note 7: 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 \$704,807.57 at December 31, 2017. This amount is not reported either as an expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used.

Note 8: 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 the 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 current year may be placed in lien at a tax sale held after December 10.

Comparative Schedule of Tax Rate Information

	2017	2016	2015
<u>Tax Rate</u>	\$ 2.952	\$ 2.883	\$ 2.771
<u>Apportionment of Tax Rate:</u>			
County	0.672	0.652	0.603
County Library	0.053	0.052	0.051
Open Space - County	0.041	0.039	0.037
Open Space - Municipal	0.029	0.029	0.029
Local District School	1.615	1.588	1.558
Municipal	0.542	0.523	0.493
<u>Assessed Valuations:</u>			
2017	\$ 870,004,044.00		
2016		\$ 867,030,961.00	
2015			\$ 861,758,309.00

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>Cash Collections</u>	<u>Percentage of Collection</u>
2017	\$ 26,014,700.00	\$ 24,992,438.53	96.07%
2016	25,089,792.70	24,260,765.65	96.69%
2015	24,059,722.00	23,341,166.27	97.01%

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

Note 8: Selected Tax Information (Cont'd)

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 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, 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:

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

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

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

Deposits: (Cont'd)

In addition to the above collateral requirement, if 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.);
 - (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.

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

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

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

<u>Fund</u>	<u>Cash On Hand</u>	<u>Checking Accounts</u>	<u>Certificate of Deposit</u>	<u>Total</u>
Current	\$ 700.00	\$ 2,225,766.11		\$ 2,226,466.11
Federal and State Grant		41,164.91		41,164.91
Animal Control		10,093.91		10,093.91
Unemployment Compensation Insurance		1,382.89		1,382.89
Other Trust		1,562,189.21	\$ 85,074.79	1,647,264.00
General Capital		284,805.83		284,805.83
Sewer Utility Operating	50.00	823,408.31		823,458.31
Sewer Utility Capital		908,701.84		908,701.84
Sewer Utility Assessment		40.89		40.89
	<u>\$ 750.00</u>	<u>\$ 5,857,553.90</u>	<u>\$ 85,074.79</u>	<u>\$ 5,943,378.69</u>

During the year ended December 31, 2017, the Township did not hold any investments other than certificates of deposits during the year and had no investments at year end. The carrying amount of the Township's cash and cash equivalents at December 31, 2017, was \$5,943,378.69 and the bank balance was \$6,044,651.13

Note 10: 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; and natural disasters. Health benefits are provided to employees through AmeriHealth.

The Township is a member of the Statewide Insurance Fund (the "Fund"). The Fund is a risk-sharing public entity risk pool that is both an insured and self-administered group of governmental entities established for the purpose of providing low-cost insurance coverage for its members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

The following coverage 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 Vehicles
- e.) Environmental

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

Note 10: Risk Management (Cont'd)

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.

The December 31, 2017 audit report for the Fund is not available as of the date of this audit. Selected, summarized financial information for the Fund for the year ended December 31, 2016 is as follows:

Total Assets	\$ 46,196,539
Net Position	<u>\$ 9,047,661</u>
Total Revenue	<u>\$ 28,868,244</u>
Total Expenses	<u>\$ 25,148,277</u>
Change in Net Position	<u>\$ 3,719,967</u>
Members Dividends	<u>\$ -0-</u>

Financial statements for the Fund are available at the office of the Fund's Executive Director:

Statewide Insurance Fund
One Sylvan Way
Parsippany, NJ 07054
(862) 260 – 2050

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 the interest earned, employees and Township contributions, amount reimbursed and the ending balance of the Township's expendable trust fund for the current year and previous two years:

Year	Township Contribution	Employee Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2017	\$ 11,950.00	\$ 4,282.87	\$ 18.59	\$ 15,433.33	\$ 1,524.06
2016	3,227.07	-0-	1.39	5,911.38	705.93
2015	-0-	1,221.00	2.74	638.76	3,388.85

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

Note 11: Interfund Receivables and Payables

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 4,333.76	\$ 221,661.43
Federal and State Grant Fund	29,020.49	
Animal Control Fund		100.01
Other Trust Fund	192,640.94	
Unemployment Compensation Insurance Fund		831.32
Sewer Utility Operating Fund		3,402.43
	<u>\$ 225,995.19</u>	<u>\$ 225,995.19</u>

A majority of the interfund activity throughout the year between the funds consisted of interest earned. There is an interfund due from the Federal and State Grant Fund to the Current Fund for funds disbursed and not yet collected in the Current Fund. The interfund between the Current Fund and the Other Trust Funds consists mostly of tax sale premiums collected in the Current Fund and not turned over by year end. The interfund in the Other Trust Funds was also due to amounts paid by Current Fund on behalf of the Escrow Funds. The interfund between the Sewer Utility Operating with the Current Fund is primarily due to payments being made on sewer expenditures not returned prior to year end.

Note 12: 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. The Township is vigorously contesting these lawsuits and believes the ultimate resolution will not have a material adverse effect on their financial position.

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.

In 2012, the Township received notification from the State of New Jersey that it had been exceeding the allowable twenty percent of administrative expenditures in the Council on Affordable Housing ("COAH") Trust account from fiscal 2007 through June 17, 2012. Upon investigation it was noted that there was \$252,160.99 expended in excess of the allowable twenty percent. In lieu of repayment of those funds to COAH, there was a proposal to utilize Township owned properties to satisfy the administrative overage. The status of this proposal is currently unknown. The Township may be required to re-pay the \$252,160.99, if the proposal is ultimately not accepted.

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

Note 13: 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 14: Open Space Trust Fund

The Township established an Open Space Trust Fund in 2000. The Township has levied a tax equal to three (.03) cents per \$100 of total Township equalized real property valuation. The intention of the municipality is to use this funding to offset the debt issued to acquire open space property in the Township. The funds are being held in the Open Space Trust Reserve on the Other Trust Funds balance sheet. The balance in the Open Space reserve at December 31, 2017 is \$27,377.79 and at December 31, 2016 was \$19,102.68.

Note 15: Fixed Assets (Unaudited)

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017
Land	\$ 3,260,700			\$ 3,260,700
Buildings	1,145,900			1,145,900
Machinery and Equipment	4,395,435	\$ 94,300		4,489,735
	<u>\$ 8,802,035</u>	<u>\$ 94,300</u>	<u>\$ -0-</u>	<u>\$ 8,896,335</u>
	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
Land	\$ 3,260,700			\$ 3,260,700
Buildings	1,145,900			1,145,900
Machinery and Equipment	4,302,259	\$ 93,176		4,395,435
	<u>\$ 8,708,859</u>	<u>\$ 93,176</u>	<u>\$ -0-</u>	<u>\$ 8,802,035</u>

TOWNSHIP OF LOPATCONG

SUPPLEMENTARY DATA

TOWNSHIP OF LOPATCONG
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2017

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Surety</u>
Thomas M. McKay	Mayor		
Joseph Pryor	Council President		
Lou Belcaro	Councilman		
James Palitto	Councilman		
William Wright	Councilman		
Margaret B. Dilts	Municipal Clerk/Administrator/Planning Board Secretary/ Registrar of Vital Statistics, Qualified Purchasing Agent	\$1,000,000.00	* Statewide Insurance Fund
Bernard A. Re	CFO/Treasurer (through 12/31/2017)	1,000,000.00	* Statewide Insurance Fund
Phyllis Coleman	Deputy Municipal Clerk/Deputy Registrar	1,000,000.00	* Statewide Insurance Fund
Rachelynn Mosher	Tax Collector	1,000,000.00	* Statewide Insurance Fund
Rachelynn Mosher	Sewer Rent Collector	1,000,000.00	* Statewide Insurance Fund
Robert Sweeney	Tax Assessor	1,000,000.00	* Statewide Insurance Fund
Paul M. Sterbenz	Engineer		
Joseph Rossi	Building Inspector	1,000,000.00	* Statewide Insurance Fund
Gary Woolf	Emergency Management Coordinator	1,000,000.00	* Statewide Insurance Fund
Joseph Rossi	Zoning Officer	1,000,000.00	* Statewide Insurance Fund
Kevin Maguire	Fire Official	1,000,000.00	* Statewide Insurance Fund
Katrina L. Campbell	Municipal Attorney		
Robert Lagonero	Animal Control Officer	1,000,000.00	* Statewide Insurance Fund
William Mennen	Magistrate	1,000,000.00	* Statewide Insurance Fund
Irene Brownell	Court Administrator/Violations Clerk	1,000,000.00	* Statewide Insurance Fund
Christopher M. Troxell	Municipal Prosecutor		

All bonds were examined and were properly executed.

* A Public Employee Faithful Performance Blanket Position Bond is in force for \$1,000,000 with Statewide Insurance Fund. This bond covers all employees.

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2017
CURRENT FUND

TOWNSHIP OF LOPATCONG
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2016	A	\$ 2,990,647.56
Increased by Receipts:		
Current Year Taxes	\$ 24,773,480.60	
Delinquent Taxes	726,922.23	
Tax Title Liens Redeemed	70.00	
Prepaid Taxes	396,192.16	
Interest and Costs on Taxes	165,701.61	
Revenue Accounts Receivable	1,788,245.61	
Miscellaneous Revenue Not Anticipated	142,450.24	
Third Party Liens	285,332.76	
Tax Overpayments	21,603.36	
Due from State of New Jersey:		
Veterans' and Senior Citizens' Deductions	83,548.16	
Due State of New Jersey - Marriage License Fees	875.00	
Due State of New Jersey - Construction Code Fees	12,248.00	
Due to Federal and State Grant Fund:		
Grants Receivable	7,500.00	
Due General Capital Fund:		
D.O.T. Grant Received in Current Fund	75,000.00	
Due from Animal Control	621.31	
Due from Other Trust Fund:		
Tax Sale Premiums	3,900.00	
Interfund Returned	137.24	
Other Trust Fund	26,520.42	
Escrow Trust	131,876.88	
Due Sewer Operating:		
Interfund Returned	96,620.65	
Sewer Rents Collected in Current Fund	70,601.38	
Due from Payroll Account:		
Interfund Returned	69,178.81	
Due Sewer Assessment Fund:		
Prior Year Interfund Returned	4,710.19	
	<hr/>	<hr/>
		28,883,336.61
		31,873,984.17

TOWNSHIP OF LOPATCONG
CURRENT FUND
SCHEDULE OF CASH - TREASURER

Ref.

Decreased by Disbursements:

2017 Appropriation Expenditures	\$ 5,772,463.33
2016 Appropriation Reserve Expenditures	166,923.35
Serial Bond Payable - Open Space Portion	256,000.00
Local School District Taxes	13,806,526.74
County Taxes	6,681,216.18
Third Party Liens Redeemed	285,599.72
Tax Overpayments Refunded	15,487.37
Refund of Prior Year Revenue	2,500.00
Due to State of New Jersey:	
Marriage License Fees	1,975.00
Construction Code Fees	12,248.00
Due from Federal and State Grant Fund:	
Appropriated Reserves	30,000.00
Due Other Trust Fund:	
Animal Control Fund	575.00
Escrow Trust Fund	55,575.75
COAH Trust Fund	1,157.33
Other Trust Fund	27,687.96
Due Other Trust Fund - Tax Sale Premium:	
Prior Year Interfund Returned	149,900.00
Due General Capital Fund:	
Interfund Returned	519,735.87
Due Sewer Utility Operating Fund:	
Sewer Utility Operating Charges paid by Current Fund	170,624.46
Due Sewer CapitalFund:	
Prior Year Interfund Returned	1,692,022.00

29,648,218.06

Balance December 31, 2017

A

\$ 2,225,766.11

TOWNSHIP OF LOPATCONG
CURRENT FUND
SCHEDULE OF CASH - FEDERAL AND STATE GRANT FUND

	<u>Ref.</u>		
Balance December 31, 2016	A	\$	31,313.33
Increased by Receipts:			
Grants Receivables		\$	9,840.00
Unappropriated Reserves			37,002.92
Due Current Fund:			
Interest on Investments			289.10
			<u>47,132.02</u>
			<u>78,445.35</u>
Decreased by:			
Federal and State Grant Expenditures			<u>37,280.44</u>
Balance December 31, 2017	A	\$	<u><u>41,164.91</u></u>

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

NOT APPLICABLE

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

Year	Balance Dec. 31, 2016	2017 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2017
			2016	2017				
2015	\$ 27,109.64			\$ 22,384.46	\$ (350.68)	\$ 5,075.86		
2016	718,375.69			704,537.77	(399.32)	5,291.13	\$ 5,447.66	\$ 3,498.45
	745,485.33			726,922.23	(750.00)	10,366.99	5,447.66	3,498.45
2017		\$ 26,014,700.00	\$ 132,567.52	24,773,480.60	86,390.41	50,541.80	16,109.85	955,609.82
	\$ 745,485.33	\$ 26,014,700.00	\$ 132,567.52	\$ 25,500,402.83	\$ 85,640.41	\$ 60,908.79	\$ 21,557.51	\$ 959,108.27

Ref. A A

Analysis of 2017 Property Tax Levy

General Purpose Tax	\$ 25,710,286.94	
Added Taxes (54:4-63.1 et seq.)	304,413.06	
	<u>\$ 26,014,700.00</u>	
Tax Levy:		
Local School District Taxes		\$ 14,059,305.00
County Taxes:		
County Taxes	5,848,409.91	
Library Tax	459,261.83	
Open Space Tax	349,962.71	
Due County for Added and Omitted	78,978.72	
	<u>6,736,613.17</u>	
Local Tax for open Space - Due Other Trust Funds	264,275.11	
	<u>21,060,193.28</u>	
Local Tax for Municipal Purposes Only	4,727,675.35	
Add: Additional Tax Levied	226,831.37	
	<u>4,954,506.72</u>	
	<u>\$ 26,014,700.00</u>	

TOWNSHIP OF LOPATCONG
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>		
Balance December 31, 2016	A	\$	59,535.42
Increased by:			
Transferred From Taxes Receivable - 2017		\$	16,109.85
Transferred From Taxes Receivable - 2016			5,447.66
Interests and Costs			<u>995.38</u>
			22,552.89
			<u>82,088.31</u>
Decreased by:			
Tax Title Liens Redeemed			<u>70.00</u>
Balance December 31, 2017	A	\$	<u><u>82,018.31</u></u>

TOWNSHIP OF LOPATCONG
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2016	Accrued in 2017	Collected by Treasurer	Balance Dec. 31, 2017
Clerk:				
ABC Licenses		\$ 5,988.00	\$ 5,988.00	
Municipal Court:				
Fines and Costs	\$ 3,708.12	53,417.04	53,124.16	\$ 4,001.00
Fees and Permits		57,323.28	57,323.28	
Interest on Investments and Deposits		13,249.25	13,249.25	
Anticipated Utility Operating Surplus		125,000.00	125,000.00	
Parks and Playgrounds Fees		6,995.00	6,995.00	
Swimming Pool User Fees		110,861.30	110,861.30	
Interlocal Agreement - Phillipsburg Board of Education		132,574.68	132,574.68	
Energy Receipts Taxes		948,271.00	948,271.00	
Uniform Construction Code Fees		146,803.00	146,803.00	
Sale of SRECS		16,994.00	16,994.00	
Uniform Fire Safety Act		34,142.29	34,142.29	
Payment in Lieu of Taxes		51,857.65	51,857.65	
Cable TV Franchise Fee		35,062.00	35,062.00	
Utility Operating Surplus Prior Year		50,000.00	50,000.00	
	<u>\$ 3,708.12</u>	<u>\$ 1,782,550.49</u>	<u>\$ 1,788,245.61</u>	<u>\$ 4,001.00</u>
<u>Ref.</u>	A			A

TOWNSHIP OF LOPATCONG
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:				
Other Expenses:				
Postage	\$ 4,991.83	\$ 4,991.83	\$ 2,217.14	\$ 2,774.69
Computer Service	5,013.14	6,623.14	5,550.81	1,072.33
Code Book Update	29.44	29.44		29.44
Human Resource Education				
Administration Other Expense	3,930.92	3,930.92	2,377.91	1,553.01
Mayor and Council:				
Salaries and Wages	246.55	246.55		246.55
Administrator (Municipal Clerk):				
Salaries and Wages	6,471.16	1,771.16		1,771.16
Other Expenses	3,211.88	3,211.88	2,396.86	815.02
Financial Administration (Treasury):				
Salaries and Wages	7,728.83	3,228.83		3,228.83
Other Expenses	2,369.35	2,369.35	2,259.60	109.75
Audit Services	100.00	100.00		100.00
Assessment of Taxes:				
Salaries and Wages	221.50	221.50		221.50
Other Expenses	3,202.39	3,202.39	942.87	2,259.52
Revenue Administration (Tax Collection):				
Salaries and Wages	6,669.49	2,232.49		2,232.49
Other Expenses	92.57	292.57	272.87	19.70
Legal Services:				
Other Expenses	66,062.66	66,062.66	15,310.18	50,752.48
Engineering Services and Costs:				
Other Expenses	20,880.25	20,880.25	1,981.25	18,899.00
Public Buildings and Grounds:				
Salaries and Wages	12.65	12.65		12.65
Other Expenses	8,120.01	8,120.01	6,061.23	2,058.78
Garbage and Trash Removal:				
Other Expenses	540.00	540.00		540.00
Planning Board:				
Salaries and Wages	162.02	162.02		162.02
Other Expenses	2,073.50	3,173.50	3,054.98	118.52
Board of Adjustment:				
Salaries and Wages	230.04	230.04		230.04
Other Expenses	291.45	541.45	525.68	15.77
Building Sub Code Official:				
Salaries and Wages	1,084.56	1,084.56		1,084.56
Other Expenses	3,892.23	3,892.23		3,892.23
Rent Board:				
Salaries and Wages	1,677.71	1,677.71		1,677.71
Other Expenses	2,014.78	2,364.78	2,036.84	327.94

TOWNSHIP OF LOPATCONG
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
Shade Tree Commission:				
Other Expenses	\$ 139.41	\$ 139.41	\$ 22.34	\$ 117.07
Fire:				
Fire Companies	10,780.96	18,380.96	18,022.81	358.15
Police:				
Salaries and Wages	39,913.80	35,173.80		35,173.80
Other Expenses	11,989.56	12,972.56	11,854.42	1,118.14
Prosecutor:				
Salaries and Wages	396.08	396.08		396.08
First Aid Organization:				
Other Expenses	10.69	5,150.69	4,232.72	917.97
Fire Inspector:				
Salaries and Wages	4,666.00	4,666.00		4,666.00
Other Expenses	2,000.00	2,000.00		2,000.00
Zoning Officer:				
Salaries and Wages	5,910.00	5,910.00		5,910.00
Other Expenses	1,700.00	1,700.00		1,700.00
Emergency Management Services:				
Salaries and Wages	173.65	173.65		173.65
Other Expenses	400.00	400.00		400.00
Road Repairs and Maintenance:				
Salaries and Wages	6,619.19	6,619.19	1,278.32	5,340.87
Other Expenses	21,482.70	21,482.70	17,284.47	4,198.23
Other Expenses - Salt and Grit	26,451.54	26,451.54	26,451.47	0.07
Animal Control Fund:				
Salaries and Wages	73.66	73.66		73.66
Other Expenses	305.00	305.00		305.00
Environmental Board:				
Other Expenses	58.80	58.80	25.01	33.79
Parks and Playgrounds:				
Other Expenses	334.09	334.09		334.09
Swimming Pool:				
Salaries and Wages	1,027.09	1,027.09		1,027.09
Other Expenses	4,738.63	4,738.63	3,250.00	1,488.63
Electricity	16,022.34	16,022.34	12,369.94	3,652.40
Street Lighting	500.00	500.00		500.00
Telephone	3,663.87	4,807.87	4,782.65	25.22
Natural Gas	10,296.21	10,296.21	1,157.38	9,138.83
Gasoline	9,732.10	9,732.10	6,196.84	3,535.26
Fire Hydrant Service	544.03	544.03		544.03
Water	2,553.45	2,553.45	1,574.58	978.87
Cable	516.01	516.01		516.01
Statutory Expenditures:				
Social Security System (O.A.S.I.)	30,710.89	30,710.89		30,710.89
Unemployment Compensation	11,987.40	11,987.40	11,977.45	9.95

TOWNSHIP OF LOPATCONG
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
Statutory Expenditures:				
Public Employees Retirement System	\$ 56.00	\$ 56.00		\$ 56.00
Police and Firemen's' Retirement System	4,250.70	4,250.70		4,250.70
Municipal Court:				
Salaries and Wages	55.47	55.47		55.47
Insurance:				
Employee Group Health	8,320.60	8,320.60	\$ 966.64	7,353.96
Health Benefit Waiver	1.00	1.00		1.00
Eye Care Reimbursement	1,350.00	1,350.00		1,350.00
Shared Service Agreements:				
Harmony Court	2,358.37	2,358.37	1,188.54	1,169.83
Purchase of HVAC Air Handler	1,514.00	1,514.00		1,514.00
	<u>\$ 394,924.20</u>	<u>\$ 394,924.20</u>	<u>\$ 167,623.80</u>	<u>\$ 227,300.40</u>

Analysis of Balance at December 31, 2016:

	<u>Ref.</u>			
Unencumbered	A	\$ 272,876.80	Cash Disbursed	\$ 166,923.35
Encumbered	A	122,047.40	Accounts Payable	700.45
		<u>\$ 394,924.20</u>		<u>\$ 167,623.80</u>

TOWNSHIP OF LOPATCONG
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE/(PREPAID)

	<u>Ref.</u>	
Balance December 31, 2016		
Prepaid Local School District Tax		\$ (252,778.26)
Deferred School Tax	A	6,693,426.00
		<u>6,440,647.74</u>
Increased by:		
Levy - School Year July 1, 2017		
through June 30, 2018		14,059,305.00
		<u>20,499,952.74</u>
Decreased by:		
Payments to Local School District		13,806,526.74
		<u>\$ 6,693,426.00</u>
Balance December 31, 2017		
Local School District Tax Deferred		6,693,426.00
Balance December 31, 2017		<u>\$ 6,693,426.00</u>
<u>Analysis of Decrease - Deferred School Tax:</u>		
Balance December 31, 2017		6,693,426.00
Balance December 31, 2016		<u>6,693,426.00</u>
Net Decrease Debited to Operations		<u>\$ -0-</u>

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

	Balance Dec. 31, 2016	Budget Revenue Realized	Cash Received	Transfer From Unappropriated Reserves	Cancelled	Balance Dec. 31, 2017
Municipal Alliance:						
2003	\$ 2,455.28				\$ 2,455.28	
2004	378.96				378.96	
Domestic Violence Training Program - 2003	2,082.06				2,082.06	
Body Armor Grant		\$ 1,622.78		\$ 1,622.78		
Recycling Tonnage Grant:						
2007	321.91				321.91	
2017		15,442.07		15,442.07		
Stormwater Management Grant:						
2007	2,117.00				2,117.00	
Fire Company Grant	3,590.00				3,590.00	
U Drink, U Drive, U Lose Grant:						
2006	1,087.12				1,087.12	
2007	2,913.00				2,913.00	
New Jersey Department of Transportation Grant	40,000.00				40,000.00	
Safe and Secure Communities Program:						
2008	30,770.00				30,770.00	
2009	22,025.00				22,025.00	
2010	1,821.00				1,821.00	
2017		30,000.00	\$ 7,500.00			\$ 22,500.00
Community Forestry Grant	119.00				119.00	
Assistance to Firefighters Grant	28,342.00				28,342.00	
Regional Master Plan Highlands Grant:						
2010	17,933.50				17,933.50	
2017		9,840.00	9,840.00			
Obey the Signs or Pay the Fines Grant	175.00				175.00	
NJBPU Clean Energy Program	36,235.50				36,235.50	
Clean Communities Grant		23,211.53		23,211.53		
	<u>\$ 192,366.33</u>	<u>\$ 80,116.38</u>	<u>\$ 17,340.00</u>	<u>\$ 40,276.38</u>	<u>\$ 192,366.33</u>	<u>\$ 22,500.00</u>

Ref.

A	
Received in Federal and State Grant Fund	\$ 9,840.00
Received in Current Fund	7,500.00
	<u>\$ 17,340.00</u>

A

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

	Balance Dec. 31, 2016	Encumbrances Returned	Transferred from 2017 Budget	Cash Disbursed	Unexpended Balance Cancelled	Balance Dec. 31, 2017
Recycling Tonnage Grant:						
2014	\$ 12,493.81			\$ 500.00		\$ 11,993.81
2016			\$ 15,442.07			15,442.07
New Jersey Transportation Trust Fund:						
2012	1,635.53				\$ 1,635.53	
Pothole Repair Program - 1996	0.84				0.84	
Environmental Services Grant - 1999	61.57				61.57	
Geographic Information Systems Grant - 2001	2,500.00				2,500.00	
Federal Recreation Trails Program - 2001	326.67				326.67	
South First Street Developers Share	2,186.76				2,186.76	
Clean Communities Program:						
2012		\$ 1,094.72		1,094.72		
2013	8,715.60	535.28		1,035.28		8,215.60
2014	3,951.71			1,700.00		2,251.71
2015	5,129.55					5,129.55
2017			23,211.53	17,360.50		5,851.03
Donations for Shade Trees - 2002	267.50				267.50	
Emergency Planning Grant - 2004	134.56				134.56	
NJ Motor Vehicle Fines	653.00				653.00	
Safe & Secure Communities Program:						
2009	5,931.05				5,931.05	
2010	1,821.00				1,821.00	
2014	83,132.00				83,132.00	
2017			30,000.00	30,000.00		
Obey the Signs or Pay the Fines	175.00				175.00	
Donations for Police Department	400.00					400.00
Donations for Police Equipment	1,661.90			1,325.55		336.35
Donations for Announcers Booth	561.59				561.59	
Hepatitis B Inoculation	1,140.00				1,140.00	
Assistance to Firefighters Grant	11.03				11.03	
Assistance to Firefighters Grant - Local Match	211.92				211.92	
Wastewater Management Grant	3,543.40				3,543.40	
Reserve for:						
Department of Transportation Local Aid Grant	7,660.00				7,660.00	
Drunk Driving Enforcement Fund	8,863.97			2,801.61		6,062.36
Drive Sober or Get Pulled Over	3,586.20				3,586.20	
Body Armor Grant:						
2015			1,622.78	1,622.78		
Warren County DARE Officers Association	242.08				242.08	
Regional Master Plan Highlands Grant			9,840.00	9,840.00		
	<u>\$ 156,998.24</u>	<u>\$ 1,630.00</u>	<u>\$ 80,116.38</u>	<u>\$ 67,280.44</u>	<u>\$ 115,781.70</u>	<u>\$ 55,682.48</u>
Ref.	A					A

Disbursed in Federal and State Grant Fund	\$ 37,280.44
Disbursed in Current Fund	30,000.00
	<u>\$ 67,280.44</u>

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

	Balance Dec. 31, 2016	Cash Receipts	Transfer to 2017 Budget Revenue	Balance Dec. 31, 2017
Clean Communities Grant	\$ 23,211.53	\$ 19,719.65	\$ 23,211.53	\$ 19,719.65
Body Armor Grant	1,622.78	1,785.52	1,622.78	1,785.52
Recycling Tonnage Grant	15,442.07	3,095.92	15,442.07	3,095.92
Green Communities Grant		3,000.00		3,000.00
Drunk Driving Enforcement Fund		8,046.33		8,046.33
Warren County - Body Cameras		1,355.50		1,355.50
	<u>\$ 40,276.38</u>	<u>\$ 37,002.92</u>	<u>\$ 40,276.38</u>	<u>\$ 37,002.92</u>

Ref.

A

A

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2017
TRUST FUNDS

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1 of 2

TOWNSHIP OF LOPATCONG
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Unemployment Trust Fund</u>	<u>Other Trust Funds</u>
B	\$ 213.04	\$ 564.76	\$ 1,251,590.89
Balance December 31, 2016			
Increased by Receipts:			
Municipal Licensing Fees	\$ 10,708.00		
Due to State Board of Health	1,722.00		
Interest on Investments	35.97		
Miscellaneous	22.28		
Due to Current Fund:			
Interfunds Advanced	575.00		\$ 24,654.64
Storm Recovery Reserve			13,033.32
Transfer from Payroll	4,709.41		
Interest Due Current Fund:			
Interest on Investments			1,537.17
Subdivision Escrow:			
Receipts			841,813.63
Interest on Investments			1,613.20
From Current Fund			55,575.75
From General Capital			76,824.23
Public Defender			300.00
Unemployment Trust		\$ 16,251.46	
COAH Trust:			
Other Receipts			16,092.77
From Current Fund			1,157.33
Recreation Trust:			
Receipts			15,950.00
Outside Employment of Police Officers:			
Other Receipts			139,991.37
Donations for Police Equipment			90.00
Community Hope:			
Interest Earned			2,336.37
Affordable Housing Special:			
Receipts			4,238.39
Affordable Housing Master			
Receipts			28.31
	<u>17,772.66</u>	<u>16,251.46</u>	<u>1,195,236.48</u>
	<u>17,985.70</u>	<u>16,816.22</u>	<u>2,446,827.37</u>

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2 of 2

TOWNSHIP OF LOPATCONG
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

Ref.	Animal Control Fund	Unemployment Trust Fund	Other Trust Funds
Decreased by Disbursements:			
Expenditures under R.S. 4:19 - 15.11	\$ 5,548.48		
Due to State Board of Health	1,722.00		
Subdivision Escrow Trust Fund:			
Disbursements			\$ 533,706.04
Due To Current Fund			131,876.88
Affordable Housing Special:			
Disbursements			1,905.82
Recreation Trust			9,226.67
Unemployment Compensation Insurance		\$ 15,433.33	
COAH Trust:			
Disbursements			3,304.52
Donations for Police Equipment			715.00
Outside Employment of Police Officers			5,828.24
Due Current Fund:			
Interfunds Returned	621.31		137.24
Due Payroll Fund:			
Recreation/Outside Employment of Police			112,862.96
	\$ 7,891.79	\$ 15,433.33	\$ 799,563.37
Balance December 31, 2017	\$ 10,093.91	\$ 1,382.89	\$ 1,647,264.00

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

	<u>Ref.</u>	
Balance December 31, 2016	B	\$ 3,955.39
Increased by:		
2017 Animal Control License Fees Collected		\$ 10,708.00
Encumbrances Returned		920.75
Interest Earned		35.97
Miscellaneous		22.28
		<u>11,687.00</u>
		15,642.39
Decreased by:		
Expenditures under R.S.4:19-15.11:		
Cash Disbursements		5,548.48
		<u>5,548.48</u>
Balance December 31, 2017	B	<u>\$ 10,093.91</u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2015	\$ 10,965.00
2016	9,025.00
	<u>19,990.00</u>
Maximum Allowable Reserve	<u>\$ 19,990.00</u>

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2017
GENERAL CAPITAL FUND

TOWNSHIP OF LOPATCONG
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 879,874.26
Increased by Receipts:		
Bond Anticipation Note Issued	\$ 2,259,504.00	
Bond Anticipation Note Premium	15,050.00	
Reserve to Pay Debt Service	7,993.19	
Due Current Fund:		
Interest Earned	1,740.59	
Interfund Returned	519,735.87	
		<u>2,804,023.65</u>
		3,683,897.91
Decreased by Disbursements:		
Bond Anticipation Note Matured	2,908,695.00	
Improvement Authorization Expenditures	340,223.79	
Due Current Fund:		
Bond Anticipation Note Interest Paid by General Capital	47,171.06	
Due Other Trust Fund	76,824.23	
Due Sewer Capital Fund	26,178.00	
		<u>3,399,092.08</u>
Balance December 31, 2017	C	<u>\$ 284,805.83</u>

TOWNSHIP OF LOPATCONG
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2016	Receipts		Disbursements			Transfers		Balance/ (Deficit) Dec. 31, 2017
		Bond Anticipation Notes	Miscellaneous	Improvement Authorizations	Bond Anticipation Notes	Miscellaneous	From	To	
Fund Balance	\$ 1,644.00		\$ 15,050.00						\$ 16,694.00
Capital Improvement Fund	16,724.12								77,285.12
Due Current Fund	(34,254.52)		521,476.46			\$ 47,171.06	\$ 34,439.00	\$ 95,000.00	
Due Other Trust Fund	76,824.23					76,824.23	819,191.00	379,140.12	
Due Sewer Utility Capital Fund	26,178.00					26,178.00			
New Jersey Department of Transportation Grant Receivable	(138,175.00)								(138,175.00)
New Jersey Department of Transportation Grant Receivable 16-02	(75,000.00)								(75,000.00)
New Jersey Department of Transportation Grant Receivable 16-05	(100,000.00)						380,000.00	75,000.00	(25,000.00)
New Jersey Department of Transportation Grant Receivable 17-06									(380,000.00)
Reserve for:									
Encumbrances	108,183.86								566,492.50
To Pay Debt Service	379,140.12		7,993.19				108,183.86	566,492.50	82,993.19
For Grant Receivable	175,000.00						379,140.12	75,000.00	100,000.00
South Third Street Improvements	70,000.00						75,000.00		70,000.00
Ordinance									
Number									
2010-01		\$ 890,424.00			\$ 922,225.00			31,801.00	
2014-04									
		434,000.00			651,000.00			217,000.00	
		382,500.00			403,750.00			21,250.00	
2014-11									
2016-02									
		349,360.00		\$ 52,088.54	728,500.00			414,147.86	76,732.77
		203,220.00		150,626.10	203,220.00				39,628.40
2016-05									
2016-16				78,703.31			82,717.50	73,176.00	1,296.69
2017-06				58,805.84			483,775.00	414,439.00	(128,141.84)
	\$ 879,874.26	\$ 2,259,504.00	\$ 544,519.65	\$ 340,223.79	\$ 2,908,695.00	\$ 150,173.29	\$ 2,362,446.48	\$ 2,362,446.48	\$ 284,805.83

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

Ord. Date	Improvement Description	Analysis of Balance					
		Balance Dec. 31, 2016	2017 Authorizations	Paid by Budget Appropriation	Balance Dec. 31, 2017	Dec. 31, 2017	
						Bond Anticipation Notes	Unexpended Improvement Authorizations
03/03/10	Installation of Solar Panels and Related Equipment	\$ 922,225.00		\$ 31,801.00	\$ 890,424.00	\$ 890,424.00	
06/11/14	Payment of Amounts Owing to Others for Taxes Levied	651,000.00		217,000.00	434,000.00	434,000.00	
11/19/14	Acquisition of Fire Truck	403,750.00		21,250.00	382,500.00	382,500.00	
03/21/16	Intersection Improvements at Belvidere Road and Roseberry Street	728,500.00		379,140.00	349,360.00	349,360.00	
04/06/16	South Second Street Improvement Project	203,220.00			203,220.00	203,220.00	
09/06/17	Various Capital Improvements		\$ 650,000.00		650,000.00		\$ 521,858.16
		<u>\$2,908,695.00</u>	<u>\$ 650,000.00</u>	<u>\$ 649,191.00</u>	<u>\$ 2,909,504.00</u>	<u>\$ 2,259,504.00</u>	<u>\$ 521,858.16</u>
<u>Ref.</u>		C					
		C					
		Improvement Authorizations - Unfunded					
		Less: Unexpended Proceeds of Bond Anticipation Notes Issued:					
		Ordinance Dated 3/21/16					
		Ordinance Dated 4/6/16					

TOWNSHIP OF LOPATCONG
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Improvement Description	2017 Authorizations											
	Ordinance		Balance December 31, 2016		Prior Year Encumbrances Returned	Capital Improvement Fund	Other Sources	Deferred Charges to Future Taxation Unfunded	Paid or Charged	Balance December 31, 2017		
	Number	Amount	Funded	Unfunded						Funded	Unfunded	
Intersection Improvements at Belvidere Road and Roseberry Street	2016-02	\$ 850,000.00		\$ 93,813.45	\$ 35,007.86				\$ 52,088.54		\$ 76,732.77	
South Second Street Improvement Project	2016-05	300,000.00	\$ 69,752.00	203,220.00					233,343.60		39,628.40	
Purchase of Two Police Vehicles	2016-16	100,000.00	6,824.00		73,176.00				78,703.31	\$ 1,296.69		
Various Capital Improvements	2017-06	1,064,439.00				\$ 34,439.00	\$ 380,000.00	\$ 650,000.00	542,580.84		521,858.16	
			\$ 76,576.00	\$ 297,033.45	\$ 108,183.86	\$ 34,439.00	\$ 380,000.00	\$ 650,000.00	\$ 906,716.29	\$ 1,296.69	\$ 638,219.33	
	Ref.		C	C		State of New Jersey DOT Grant	\$ 380,000.00			C	C	
							Cash Disbursed in General Capital Fund		\$ 340,223.79			
							Encumbrances		566,492.50			
									\$ 906,716.29			

TOWNSHIP OF LOPATCONG
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 16,724.12
Increased By:		
Budget Appropriation		<u>95,000.00</u>
		111,724.12
Decreased By:		
Appropriation to Finance		
Improvement Authorizations		<u>34,439.00</u>
Balance December 31, 2017	C	<u><u>\$ 77,285.12</u></u>

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

Ord. Date	Improvement Description	Date of		Interest Rate	Balance		Matured	Balance Dec. 31, 2017
		Original Issue	Issue		Dec. 31, 2016	Issued		
03/03/10	Installation of Solar Panels and Related Equipment	4/14/2010 4/14/2010	4/4/2016 4/3/2017	2.00% 2.25%	\$ 922,225.00	\$ 890,424.00	\$ 922,225.00	\$ 890,424.00
06/11/14	Payment of Amounts Owing to Others for Taxes Levied	7/31/2014 7/31/2014	4/4/2016 4/3/2017	2.00% 2.25%	651,000.00	434,000.00	651,000.00	434,000.00
11/19/14	Acquisition of Fire Truck	12/17/2014 12/17/2014	12/12/2016 4/3/2017	2.50% 2.25%	403,750.00	382,500.00	403,750.00	382,500.00
03/21/16	Intersection Improvements at Belvidere Road and Roseberry Streets	7/28/2016 7/28/2016	7/28/2016 4/3/2017	2.00% 2.25%	728,500.00	349,360.00	728,500.00	349,360.00
04/06/16	South Second Street Improvement Project	7/28/2016 7/28/2016	7/28/2016 4/3/2017	2.00% 2.25%	203,220.00	203,220.00	203,220.00	203,220.00
					\$ 2,908,695.00	\$ 2,259,504.00	\$ 2,908,695.00	\$ 2,259,504.00
		Ref.	C					
		Paid by Budget Appropriation						
		Renewals						
					\$ 649,191.00	2,259,504.00		
					\$ 2,259,504.00	\$ 2,908,695.00		

TOWNSHIP OF LOPATCONG
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds		Interest Rate	Balance December 31, 2016	Matured	Balance December 31, 2017
			Outstanding	December 31, 2017				
			Date	Amount				
Series 2007 - General Improvements Bonds	9/1/2007	\$ 7,787,000.00				\$ 375,000.00	\$ 375,000.00	
Series 2016 - General Obligation Refunding Bonds	12/28/2016	4,545,000.00	9/1/2018	\$ 375,000.00	3.000%	4,545,000.00	50,000.00	\$ 4,495,000.00
			9/1/2019	400,000.00	4.000%			
			9/1/2020	415,000.00	4.000%			
			9/1/2021	430,000.00	3.000%			
			9/1/2022	445,000.00	4.000%			
			9/1/2023	450,000.00	4.000%			
			9/1/2024	475,000.00	5.000%			
			9/1/2025	500,000.00	4.000%			
			9/1/2026	505,000.00	3.500%			
			9/1/2027	500,000.00	3.500%			
						\$ 4,920,000.00	\$ 425,000.00	\$ 4,495,000.00

Ref.

C

C

TOWNSHIP OF LOPATCONG
GENERAL CAPITAL FUND
SCHEDULE OF LOANS PAYABLE
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

TOWNSHIP OF LOPATCONG
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>2017 Authorizations</u>	<u>Balance December 31, 2017</u>
2017-06	Various Capital Improvements	<u>\$ 650,000.00</u>	<u>\$ 650,000.00</u>
		<u>\$ 650,000.00</u>	<u>\$ 650,000.00</u>

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2017
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2017
SEWER UTILITY FUND

TOWNSHIP OF LOPATCONG
SEWER UTILITY FUND
SCHEDULE OF CASH-TREASURER

<u>Ref.</u>	<u>Operating Fund</u>	<u>Assessment Trust Fund</u>	<u>Capital Fund</u>
E	\$ 530,687.49	\$ 4,562.03	\$ 61,195.06
Balance December 31, 2016			
Increased by Receipts:			
Consumer Accounts Receivable	\$ 1,709,540.25		
Sewer Hook-up Fees	143,709.14		
Interest and Costs on Rents	18,966.62		
Capital Improvement Fund			\$ 100,000.00
USDA Loans			2,150,000.00
USDA Grant			582,498.00
Due Current Fund:			
Interfund Advanced			1,692,022.00
Due from General Capital Fund:			
Interfund Returned			26,178.00
Due from Sewer Capital Fund:			
Interfund Returned	84,799.32		
Due to Sewer Utility Operating Fund:			
Interfund Returned		\$ 163.29	
Interest Earned		25.76	762.01
Miscellaneous Revenue Not Anticipated	1,427.59		
Interest on Investments	3,629.98		
	<u>1,962,072.90</u>	<u>189.05</u>	<u>4,551,460.01</u>
	2,492,760.39	4,751.08	4,612,655.07
Decreased by Disbursements:			
2017 Appropriation Expenditures	1,306,026.83		
2016 Appropriation Reserves	11,281.71		
Bond Anticipation Note Maturity			2,922,500.00
Accrued Interest on Notes	51,001.68		
Accrued Interest on Loans	29,562.50		
Improvement Authorization Expenditures			696,653.91
Refund of Prior Year Revenue	5,878.56		
Due Sewer Utility Operating Fund:			
Interfund Returned			84,799.32
Due Sewer Utility Assessment Fund:			
Interfund Returned	163.29		
Due Current Fund:			
Interfund Returned	146,620.65	4,710.19	
Due to Payroll Fund:			
Prior Year Interfund Returned	118,816.86		
	<u>1,669,352.08</u>	<u>4,710.19</u>	<u>3,703,953.23</u>
	\$ 823,408.31	\$ 40.89	\$ 908,701.84
Balance December 31, 2017			
E			

TOWNSHIP OF LOPATCONG
SEWER ASSESSMENT TRUST FUND
ANALYSIS OF SEWER ASSESSMENT TRUST CASH

	Balance/ (Deficit) Dec. 31, 2016	Receipts Miscellaneous	Disbursements Miscellaneous	Balance Dec. 31, 2017
Fund Balance	\$ 40.89			\$ 40.89
Due from Sewer Utility Operating Fund	(189.05)	\$ 189.05		
Due From Current Fund	4,710.19		\$ 4,710.19	
	<u>\$ 4,562.03</u>	<u>\$ 189.05</u>	<u>\$ 4,710.19</u>	<u>\$ 40.89</u>

TOWNSHIP OF LOPATCONG
SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2016	E	\$ 245,030.64
Increased by:		
Sewer Rents Levied		1,922,815.61
		<u>2,167,846.25</u>
Decreased by:		
Sewer Collections	\$ 1,709,540.25	
Sewer Rents Collected in Current Fund	<u>70,601.38</u>	
		<u>1,780,141.63</u>
Balance December 31, 2017	E	<u><u>\$ 387,704.62</u></u>

TOWNSHIP OF LOPATCONG
SEWER UTILITY OPERATING FUND
SCHEDULE OF HOOK-UP FEES RECEIVABLE
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>	
Increased by:		
Hook up Fees Levied		\$ 213,426.00
Decreased by:		
Collections		<u>143,709.14</u>
Balance December 31, 2017	E	<u><u>\$ 69,716.86</u></u>

TOWNSHIP OF LOPATCONG
SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

	Balance Dec. 31, 2016	Balance Dec. 31, 2017
Construction of Sewerage System	\$ 1,000,000.00	\$ 1,000,000.00
Improvements to Sanitary Sewerage System	1,773,846.00	1,773,846.00
Morris Heights Sewer Line Extension	400,000.00	400,000.00
Delaware Park Trunk Line Extension	100,000.00	100,000.00
Baltimore Street Pump Station Repairs	40,687.08	40,687.08
Park Avenue and Fourth Street Sanitary Sewer Rehabilitation Project	11,637.60	11,637.60
Replacement of Baltimore Street Pumping Station	109,456.30	109,456.30
Improvements to Sanitary Sewerage System	15,000.00	15,000.00
Extension of the Sanitary Sewer Line to Morris Heights	400,000.00	400,000.00
I & I Rehabilitation Study	50,000.00	50,000.00
	<u>\$ 3,900,626.98</u>	<u>\$ 3,900,626.98</u>
<u>Ref.</u>	E	E

TOWNSHIP OF LOPATCONG
SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

<u>Improvement Description</u>	<u>Ord. Date</u>	<u>Ordinance Amount</u>	<u>Balance Dec. 31, 2016</u>	<u>Balance Dec. 31, 2017</u>
Purchase of Street Sweeper	12/29/08	\$ 165,000.00	\$ 165,000.00	\$ 165,000.00
Improvements to Sanitary Sewerage System	08/05/09	3,430,000.00	3,430,000.00	3,430,000.00
Sewer Collection Line Realignment	04/06/16	50,000.00	50,000.00	50,000.00
			<u>\$ 3,645,000.00</u>	<u>\$ 3,645,000.00</u>
		<u>Ref.</u>	E	E

TOWNSHIP OF LOPATCONG
SEWER UTILITY OPERATING FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

	Balance Dec. 31, 2016	Balance After Modification	Paid or Charged	Balance Lapsed
Operating:				
Salaries and Wages	\$ 0.20	\$ 0.20		\$ 0.20
Other Expenses	147,548.88	147,548.88	\$ 11,281.71	136,267.17
Deferred Charges and Statutory Expenditures:				
Statutory Expenditures:				
Contribution to:				
Social Security System	2,505.59	2,505.59		2,505.59
	<u>\$ 150,054.67</u>	<u>\$ 150,054.67</u>	<u>\$ 11,281.71</u>	<u>\$ 138,772.96</u>

Ref.

Analysis of Balance December 31, 2016

	<u>Ref.</u>	
Unencumbered	E	\$ 140,922.96
Encumbered	E	9,131.71
		<u>\$ 150,054.67</u>

TOWNSHIP OF LOPATCONG
SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Improvement Description	Date	Ordinance Number	Amount	Balance Dec. 31, 2016		Paid or Charged	Encumbrances Returned	Balance Dec. 31, 2017	
				Funded	Unfunded			Funded	Unfunded
Purchase of Street Sweeper	12/29/2008	2008-23	\$ 165,000.00	\$ 12,247.72				\$ 12,247.72	
Improvements to Sanitary Sewerage System	08/05/2009	2009-11	3,430,000.00		\$ 1,197,940.34	\$ 755,798.65	\$ 33,862.08	\$ 10,166.00	\$ 476,003.77
Sewer Collection Line Realignment	04/06/2016	2016-04	50,000.00	10,296.00		130.00			
				<u>\$ 22,543.72</u>	<u>\$ 1,197,940.34</u>	<u>\$ 755,928.65</u>	<u>\$ 33,862.08</u>	<u>\$ 22,413.72</u>	<u>\$ 476,003.77</u>
		<u>Ref.</u>		E	E			E	E
Disbursed in Sewer Utility Capital Fund						\$ 696,653.91			
Encumbrances Payable						<u>59,274.74</u>			
						<u>\$ 755,928.65</u>			

TOWNSHIP OF LOPATCONG
SEWER UTILITY FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2016	E	\$ 683,117.22
Increased by:		
Budget Appropriation		<u>100,000.00</u>
Balance December 31, 2017	E	<u><u>\$ 783,117.22</u></u>

TOWNSHIP OF LOPATCONG
SEWER UTILITY CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

Ord. No.	Improvement Description	Date of Ordinance	Balance Dec. 31, 2016	Additions	Balance Dec. 31, 2017
2008-23	Purchase of Street Sweeper	12/29/2008	\$ 165,000.00		\$ 165,000.00
2009-11	Improvements to Sanitary Sewerage System	08/05/2009	202,500.00		202,500.00
2016-04	Sewer Collection Line Realignment	04/06/2016	50,000.00		50,000.00
2009-11	Improvements to Sanitary Sewerage System	08/05/2009		\$ 597,419.50	597,419.50
			<u>\$ 417,500.00</u>	<u>\$ 597,419.50</u>	<u>\$ 1,014,919.50</u>
		<u>Ref.</u>	E		E
		Paydown of USDA Loan	\$ 14,921.50		
		USDA Grant Received		582,498.00	
				<u>\$ 597,419.50</u>	

TOWNSHIP OF LOPATCONG
SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Improvement Description	Date of				Interest Rate	Balance Dec. 31, 2016	Matured
	Issue of Original Note	Issue	Maturity				
Improvements to Sanitary Sewerage System	7/25/12	1/27/16	1/26/17	1.75%	\$ 2,922,500.00	\$ 2,922,500.00	
					\$ 2,922,500.00	\$ 2,922,500.00	
				<u>Ref.</u>	E		
					Redeemed	\$ 2,922,500.00	
						\$ 2,922,500.00	

TOWNSHIP OF LOPATCONG
SEWER UTILITY FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

TOWNSHIP OF LOPATCONG
SEWER UTILITY CAPITAL FUND
SCHEDULE OF USDA LOANS PAYABLE

Ord. No.	Improvement Description	Balance Dec. 31, 2016	Issued	Matured	Balance Dec. 31, 2017
2009-11	Improvements to Sanitary Sewerage System	\$ -0-	\$ 2,150,000.00	\$ 14,921.50	\$ 2,135,078.50
	Payment Number	Due Date	Principal	Interest	Balance of Loan
					\$ 2,135,078.50
	2	1/26/2018	\$ 15,126.67	\$ 29,357.33	2,119,951.83
	3	7/26/2018	15,334.66	29,149.34	2,104,617.17
	4	1/26/2019	15,545.51	28,938.49	2,089,071.66
	5	7/26/2019	15,759.26	28,724.74	2,073,312.40
	6	1/26/2020	15,975.95	28,508.05	2,057,336.45
	7	7/26/2020	16,195.62	28,288.38	2,041,140.83
	8	1/26/2021	16,418.31	28,065.69	2,024,722.52
	9	7/26/2021	16,644.07	27,839.93	2,008,078.45
	10	1/26/2022	16,872.92	27,611.08	1,991,205.53
	11	7/26/2022	17,104.92	27,379.08	1,974,100.61
	12	1/26/2023	17,340.12	27,143.88	1,956,760.49
	13	7/26/2023	17,578.54	26,905.46	1,939,181.95
	14	1/26/2024	17,820.25	26,663.75	1,921,361.70
	15	7/26/2024	18,065.28	26,418.72	1,903,296.42
	16	1/26/2025	18,313.67	26,170.33	1,884,982.75
	17	7/26/2025	18,565.49	25,918.51	1,866,417.26
	18	1/26/2026	18,820.76	25,663.24	1,847,596.50
	19	7/26/2026	19,079.55	25,404.45	1,828,516.95
	20	1/26/2027	19,341.89	25,142.11	1,809,175.06
	21	7/26/2027	19,607.85	24,876.15	1,789,567.21
	22	1/26/2028	19,877.45	24,606.55	1,769,689.76
	23	7/26/2028	20,150.76	24,333.24	1,749,539.00
	24	1/26/2029	20,427.84	24,056.16	1,729,111.16
	25	7/26/2029	20,708.72	23,775.28	1,708,402.44
	26	1/26/2030	20,993.47	23,490.53	1,687,408.97
	27	7/26/2030	21,282.13	23,201.87	1,666,126.84
	28	1/26/2031	21,574.75	22,909.25	1,644,552.09
	29	7/26/2031	21,871.41	22,612.59	1,622,680.68
	30	1/26/2032	22,172.14	22,311.86	1,600,508.54
	31	7/26/2032	22,477.01	22,006.99	1,578,031.53
	32	1/26/2033	22,786.07	21,697.93	1,555,245.46
	33	7/26/2033	23,099.38	21,384.62	1,532,146.08
	34	1/26/2034	23,416.99	21,067.01	1,508,729.09
	35	7/26/2034	23,738.98	20,745.02	1,484,990.11
	36	1/26/2035	24,065.38	20,418.62	1,460,924.73
	37	7/26/2035	24,396.29	20,087.71	1,436,528.44
	38	1/26/2036	24,731.73	19,752.27	1,411,796.71
	39	7/26/2036	25,071.80	19,412.20	1,386,724.91
	40	1/26/2037	25,416.53	19,067.47	1,361,308.38
	41	7/26/2037	25,766.01	18,717.99	1,335,542.37
	42	1/26/2038	26,120.29	18,363.71	1,309,422.08
	43	7/26/2038	26,479.45	18,004.55	1,282,942.63
	44	1/26/2039	26,843.54	17,640.46	1,256,099.09
	45	7/26/2039	27,212.64	17,271.36	1,228,886.45

TOWNSHIP OF LOPATCONG
SEWER UTILITY CAPITAL FUND
SCHEDULE OF USDA LOANS PAYABLE

<u>Payment Number</u>	<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance of Loan</u>
46	1/26/2040	\$ 27,586.81	\$ 16,897.19	\$ 1,201,299.64
47	7/26/2040	27,966.13	16,517.87	1,173,333.51
48	1/26/2041	28,350.66	16,133.34	1,144,982.85
49	7/26/2041	28,740.49	15,743.51	1,116,242.36
50	1/26/2042	29,135.66	15,348.34	1,087,106.70
51	7/26/2042	29,536.29	14,947.71	1,057,570.41
52	1/26/2043	29,942.40	14,541.60	1,027,628.01
53	7/26/2043	30,354.12	14,129.88	997,273.89
54	1/26/2044	30,771.48	13,712.52	966,502.41
55	7/26/2044	31,194.60	13,289.40	935,307.81
56	1/26/2045	31,623.51	12,860.49	903,684.30
57	7/26/2045	32,058.34	12,425.66	871,625.96
58	1/26/2046	32,499.15	11,984.85	839,126.81
59	7/26/2046	32,946.00	11,538.00	806,180.81
60	1/26/2047	33,399.02	11,084.98	772,781.79
61	7/26/2047	33,858.25	10,625.75	738,923.54
62	1/26/2048	34,323.80	10,160.20	704,599.74
63	7/26/2048	34,795.75	9,688.25	669,803.99
64	1/26/2049	35,274.20	9,209.80	634,529.79
65	7/26/2049	35,759.21	8,724.79	598,770.58
66	1/26/2050	36,250.91	8,233.09	562,519.67
67	7/26/2050	36,749.35	7,734.65	525,770.32
68	1/26/2051	37,254.66	7,229.34	488,515.66
69	7/26/2051	37,766.91	6,717.09	450,748.75
70	1/26/2052	38,286.20	6,197.80	412,462.55
71	7/26/2052	38,812.64	5,671.36	373,649.91
72	1/26/2053	39,346.32	5,137.68	334,303.59
73	7/26/2053	39,887.32	4,596.68	294,416.27
74	1/26/2054	40,435.78	4,048.22	253,980.49
75	7/26/2054	40,991.77	3,492.23	212,988.72
76	1/26/2055	41,555.40	2,928.60	171,433.32
77	7/26/2055	42,126.80	2,357.20	129,306.52
78	1/26/2056	42,706.03	1,777.97	86,600.49
79	7/26/2056	43,293.24	1,190.76	43,307.25
80	1/26/2057	43,307.25	595.47	
		<u>\$ 2,135,078.50</u>	<u>\$ 1,378,576.22</u>	

TOWNSHIP OF LOPATCONG
SEWER UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. Date	Improvement Description	Balance Dec. 31, 2016	Funded by USDA		Bond Anticipation Notes Redeemed	Balance Dec. 31, 2017
			Loans	Grants		
03/13/00	Replacement of Baltimore Street Pumping Station	\$ 39,456.30			\$	39,456.30
08/05/09	Improvements to the Sanitary Sewer System	265,000.00	\$ 2,150,000.00	\$ 582,498.00	\$ 2,922,500.00	455,002.00
		\$ 304,456.30	\$ 2,150,000.00	\$ 582,498.00	\$ 2,922,500.00	\$ 494,458.30

TOWNSHIP OF LOPATCONG

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2017

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

Name of Federal Agency or Department Pass Through Department/Cluster Title	C.F.D.A. Account Number	Pass Through Entity ID/Grant #	Grant Award Amount	Grant Period		Receipts	Expenditures	Total Cumulative Expenditures	Amounts Provided to Subrecipients
				From	To				
U.S. Department of Transportation (Passed Through New Jersey Department of Transportation)									
Highway Planning and Construction Cluster:									
Local Aid Infrastructure Fund: Intersection and Improvements at Belvidere Road and Roseberry Street	20.205	14-480-0780-6320-ALM	\$ 300,000.00	1/1/2016	12/31/2016	\$ 75,000.00		\$ 300,000.00	
Sidewalk and Pedestrian Safety Improvements at Belvidere Road and Strykers Road	20.205	N/A	380,000.00	1/1/2017	12/31/2017		\$ 380,000.00	380,000.00	
Total U.S. Department of Transportation / Highway Planning and Construction Cluster						75,000.00	380,000.00	680,000.00	
U.S. Department of Health and Human Services (Passed Through New Jersey Department of Health)									
USDA - Water and Waste Disposal Loan	10.770	N/A	2,150,000.00	1/1/2009	12/31/2017	2,150,000.00	2,150,000.00 *	2,150,000.00	
USDA - Water and Waste Disposal Grant	10.770	N/A	850,000.00	1/1/2009	12/31/2017	582,498.00	582,498.00 *	582,498.00	
Total USDA						2,732,498.00	2,732,498.00	2,732,498.00	
Total Federal Awards						\$ 2,807,498.00	\$ 3,112,498.00	\$ 3,412,498.00	\$ -0-

* - Expended in prior years.
N/A : Not Available

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

Name of State Agency or Department	Name of Program	Program Account No.	Grant Award Amount	Grant Period		Receipts	Expenditures	Total Cumulative Expenditures
				From	To			
Department of Environmental Protection	Clean Communities Grant	765-042-4900- 004-V42Y-6020	\$ 17,550.49	1/1/2013	12/31/2017		\$ 500.00	\$ 9,334.89
			16,547.57	1/1/2014	12/31/2017		1,700.00	1,700.00
			23,211.53	1/1/2016	12/31/2017		17,360.50	17,360.50
			19,719.65	1/1/2017	12/31/2018	\$ 19,719.65		
						19,719.65	19,560.50	28,395.39
Department of Environmental Protection	Green Communities Grant	100-042-4870- 038-110230	3,000.00	1/1/2017	12/31/2018	3,000.00		
Department of Environmental Protection	Recycling Tonnage Grant	765-042-4900- 004-178840	12,993.81	1/1/2014	12/31/2017		500.00	1,000.00
			3,095.92	1/1/2017	12/31/2018	3,095.92		
Total Department of Environmental Protection						25,815.57	20,060.50	29,395.39
New Jersey Highlands Council	Regional Master Plan Grant	N/A	9,840.00	1/1/2017	12/31/2017	9,840.00	9,840.00	9,840.00
						9,840.00	9,840.00	9,840.00
Department of Law and Public Safety	Body Armor Replacement	718-066-1020- 001-6120	1,622.78	1/1/2016	12/31/2017		1,622.78	1,622.78
			1,785.52	1/1/2017	12/31/2018	1,785.52		
						1,785.52	1,622.78	1,622.78
Department of Law and Public Safety	Safe and Secure Communities Grant	100-066-1020- 232-YCJS-6120	30,000.00	1/1/2017	12/31/2017	7,500.00	30,000.00	30,000.00
Department of Law and Public Safety	Drunk Driving Enforcement Fund	100-078-6400- 260-YYYY	8,046.33	1/1/2017	12/31/2018	8,046.33	2,801.61	2,801.61
						17,331.85	34,424.39	122,603.39
Total State Awards						\$ 52,987.42	\$ 64,324.89	\$ 161,838.78

N/A : Not Available

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

TOWNSHIP OF LOPATCONG
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2017

Note 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Township of Lopatcong 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 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 operation 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the modified accrual 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 to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: 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.

Note 4: USDA LOAN

The Township of Lopatcong has the following loans outstanding as of December 31, 2017:

Sewer Utility Fund:	
USDA Loan	<u>\$2,135,078.50</u>

The projects which relate to the loans are complete and there were no current year expenditures.



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

Independent Auditors Report

The Honorable Mayor and Members
of the Township Committee
Township of Lopatcong, 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 Lopatcong, in the County of Warren (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 May 17, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

The Honorable Mayor and Members
of the Township Committee
Page 2

We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2017-01 and 2017-02, which we consider to be significant deficiencies.

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

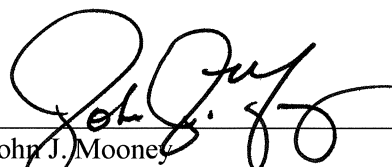
The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
May 17, 2018

NISIVOCIA LLP
NISIVOCIA LLP



John J. Mooney
Certified Public Accountant
Registered Municipal Accountant No. 560



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Report on Compliance For the Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditors' Report

The Honorable Mayor and Members
of the Township Committee
Township of Lopatcong, New Jersey

Report on Compliance for the Major Federal Program

We have audited the Township of Lopatcong's (the "Township's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Township's major federal program for the year ended December 31, 2017. The Township's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal and state statutes, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Township's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance requires that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

The Honorable Mayor and Members
of the Township Committee
Page 2

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Township's compliance.

Opinion on the Major Federal Program

In our opinion, the Township complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the Township is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Township's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mount Arlington, New Jersey
May 17, 2018

NISIVOCIA LLP
NISIVOCIA LLP


John J. Mooney
Certified Public Accountant
Registered Municipal Accountant No. 560

TOWNSHIP OF LOPATCONG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the financial statements of the Township 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 for the year ended December 31, 2017.
- 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.
- There were no significant deficiencies or material weaknesses in internal control over the major federal program disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For the Major Federal Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for its major federal program for the Township expresses an unmodified opinion on the major federal program.
- The audit did not disclose any audit findings, which are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance.

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

Finding 2017-01

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 does not maintain a fixed assets accounting and reporting system. A fixed assets accounting and reporting system would be used to identify assets held by the Township, their cost, acquisition date, location and other pertinent information.

Cause

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

Effect or Potential Effect

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

TOWNSHIP OF LOPATCONG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

Summary of Auditors' Results: (Cont'd)

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

Finding 2017-01 (Cont'd)

Management's Response

The finding was evaluated and the Township will consider soliciting bids for updating the fixed assets accounting and reporting system in 2018.

Finding 2017-02

Tax/Utility Collector

Criteria

The tax/sewer collector is responsible for the collection, posting, and deposit of all sewer and tax payments.

Condition

The tax/sewer collector department does not maintain an accurate record of taxpayer/sewer accounts. There is no independent oversight of these responsibilities. Payments made on taxes are not being posted in a timely manner and the tax collector is not always applying payments to the oldest delinquent balance on accounts. In addition, the tax collector is frequently applying tax payments to the incorrect block and lot. Lastly, the tax collector is not making deposits in a timely manner. Adequate procedures are not in place and it appears controls are being overridden in the tax software. The Township should review and modify procedures to ensure the chief financial officer and tax collector records are reconciled on a monthly basis, and that any differences are addressed in a timely manner.

Cause

Inability of the Tax/Sewer Collector to perform the functions of the position as required.

Effect or Potential Effect

As a result of the above mentioned conditions, it has become apparent that a number of accounts are not being reflected correctly.

Management's Response

The finding was evaluated and the Township is working to ensure that the tax and utility collection functions are corrected going forward.

- The Township's major federal program for the year ended December 31, 2017 consisted of the following award:

	<u>CFDA #</u>	<u>Grant Expenditures</u>
USDA Water and Waste Disposal Program:		
USDA Waste Water Disposal Loan	10.770	\$ 2,150,000.00
USDA Waste Water Disposal Grant	10.770	582,498.00

TOWNSHIP OF LOPATCONG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

Summary of Auditors' Results: (Cont'd)

- The threshold used for distinguishing between Type A and B for federal programs was \$750,000.
- The Township was not determined to be a "low-risk" auditee for federal programs.

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in 2 CFR 200.516(a) of the Uniform Guidance.

Findings and Questioned Costs for State Awards:

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

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

Status of Prior Year Findings:

There were no prior year findings.

TOWNSHIP OF LOPATCONG

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

TOWNSHIP OF LOPATCONG
COMMENTS AND RECOMMENDATIONS

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

N.J.S.A. 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. 1971, 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.A. 40A: 11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. 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 Lopatcong 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 LOPATCONG
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 Utilities

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or utilities on or before the date when they would become delinquent. On January 6, 2017, the governing body adopted a resolution authorizing interest to be charged at the rate of 8% per annum on the first \$1,500 of delinquent taxes and utilities and 18% per annum for delinquent taxes and utilities in excess of \$1,500, and allows an additional penalty of 6% be collected against a delinquency in excess of \$10,000 on properties that fail to pay the delinquency prior to the end of the calendar year.

From our testing of the Tax Collector's records, it appeared that interest was charged for delinquent tax and utility payments in accordance with the above resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 6, 2017, and was complete. Inspection of tax sale certificates 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	12
2016	5
2015	9

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

Verification of Delinquent Taxes and Other Charges

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 2018 Taxes	220
Payments of 2017 Taxes	220
Delinquent Taxes	215
Tax Title Liens	3
Payments/Charges Sewer Utility	20
Delinquent Sewer Utility	15

TOWNSHIP OF LOPATCONG
COMMENTS AND RECOMMENDATIONS
 (Continued)

Verification of Delinquent Taxes and Other Charges (Cont'd)

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 by the New Jersey Administrative Code. They are as follows:

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

The Township is in compliance with directives 1 and 3; however, 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 location of the Township's fixed assets.

Management's Response:

The Township will look into pursuing and maintaining a fixed assets accounting and reporting system to identify additions, deletions, and changes in the location of the Township's fixed assets.

Accounting Records

1. It was noted that there were revenue items that were deposited into the Current Fund bank account; however, they were never posted as revenue within the general ledger. The reason that this appears to have occurred was largely due to a lack of documentation from the Tax/Utility Collector to support what the deposits were for. This created a discrepancy between the cash account in the general ledger and the cash per the bank account, and the Chief Financial Officer being forced to have reconciling items for unknown amounts received from the Tax/Utility Collector despite all efforts made to avoid this. It is recommended that all items of revenue be accurately posted for taxes and sewer rent collections as the transactions occur in order to alleviate discrepancies in cash prior to reconciling the bank accounts.

Management's Response:

All amounts collected by the Tax/Utility Collector will be posted accurately and any discrepancies will be corrected prior to reconciling the bank reconciliations.

2. During our testing of the Sewer Utility Capital Fund, we noted that there was a deficit cash balance for the Replacement for Baltimore Street Pumping Station ordinance. It is recommended that the Township take steps in future budgets to appropriately fund this ordinance.

Management's Response:

The Chief Financial Officer will take steps in future budgets to fund the ordinance for Replacement for Baltimore Street Pumping Station in the Sewer Utility Capital Fund.

TOWNSHIP OF LOPATCONG
COMMENTS AND RECOMMENDATIONS
(Continued)

Payroll

1. During our testing it was noted that there was no year-end analysis of the balance in the payroll agency bank account. This account is an imprest account and all funds that are transferred into the account are to be utilized for payroll or returned to the Current Fund. It is recommended that an analysis of the balance in the payroll agency account be maintained on a monthly basis.

Management's Response:

The Chief Financial Officer will perform an analysis of the balance of the payroll account on a monthly basis.

Tax/Utility Collector

1. It was noted during the course of our audit that there were several properties for which collections were misposted for both taxes and sewer rents. These mispostings caused delinquencies in the balances of the property owners, and created instances where interest was charged erroneously. The tax collector has subsequently made the proper corrections and cancelled interest where applicable. It is recommended that greater care be taken when posting revenue collected to the correct property it is being collected for.

Management's Response:

The Tax Collector will take greater care when posting all tax and sewer rent collections.

2. On a monthly basis we noted there were reconciling items on the Current and Sewer Utility Operating Funds' bank reconciliations from the Tax/Utility Collector which were not being identified until the end of the year. In total there were approximately 80 such open items that needed to be resolved after year end. These reconciling issues were not addressed by the Tax/Utility Collector in a timely manner, and in some cases not until after the end of the year. It is recommended that the Tax/Utility Collector identify all bank reconciling items on a monthly basis, and properly dispose of any erroneous items.

Management's Response:

All reconciling items will be investigated and disposed of on a monthly basis by the Chief Financial Officer with the assistance of the Tax Collector when it is a tax or sewer reconciling item.

3. We noted during our testing that there were long periods of time between when funds were collected and when they were deposited. Delays in such depositing of funds can lead to interest accruing on individual property tax owners. It is recommended that all tax revenue and sewer rents be posted when collected by the Tax/Utility Collector, and deposited within forty-eight hours of receipt.

Management's Response:

All revenue will be posted the day it is collected and all deposits will be made within forty-eight hours of receipt.

TOWNSHIP OF LOPATCONG
COMMENTS AND RECOMMENDATIONS
(Continued)

Tax/Utility Collector (Cont'd)

4. It was found during the course of our audit that there were sewer liens that had an increase in the balance which was held in lien, however, there was no increase recorded in the Utility Collector's records to indicate this. It is recommended that an accurate record of sewer liens be maintained and updated on a regular basis.

Management's Response:

The Utility Collector will begin to update the sewer lien register on a regular basis.

Municipal Court

The Report of the Municipal Court has been forwarded to the Division of Local Government Services and the Township's Magistrate under separate cover. Reflected on the following page is a summary of receipts and disbursements for the year ended December 31, 2017:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Agency</u>	<u>Balance Dec. 31, 2016</u>	<u>Cash Received</u>	<u>Cash Disbursed</u>	<u>Balance Dec. 31, 2017</u>
State of New Jersey				
Fines & Costs	\$ 2,678.88	\$ 42,802.88	\$ 43,372.76	\$ 2,109.00
Weights and Measures	500.00	1,750.00	2,250.00	
County Treasurer:				
Fines & Costs	1,586.50	24,150.08	23,697.58	2,039.00
Municipal Treasurer:				
Lopatcong	3,708.12	52,563.04	52,270.16	4,001.00
Municipality - POAA (FTA)		4.00		4.00
Conditional Discharge		515.00	515.00	
Conditional Dismissal		150.00	150.00	
Public Defender		500.00	500.00	
Bail	600.00	11,102.00	11,602.00	100.00
	<u>\$ 9,073.50</u>	<u>\$ 133,537.00</u>	<u>\$ 134,357.50</u>	<u>\$ 8,253.00</u>

Management Suggestions:

Governmental Accounting Standards Board Statements

The next Governmental Accounting Standards Board ("GASB") statement which will have a significant impact on the Borough will be GASB No. 75, Accounting and Financial Reporting/or 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 New Jersey Division of Pensions.

Corrective Action Plan

The Township has initiated a corrective action plan to resolve comments and recommendations from the 2016 audit report. The prior year's recommendations pertaining to proper classification of appropriation refunds, maintaining supporting documentation for purchases, greater care being taken when paying invoices to avoid duplicate payments or overpayments, and calculation of the employee health benefit contributions were resolved in 2017, while the remaining recommendations are in the 2017 audit.

TOWNSHIP OF LOPATCONG
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. The Township pursue the maintenance of a fixed assets accounting and reporting system which identifies additions, deletions and changes in location of the Township's fixed assets.
2. All items of revenue be accurately posted for tax and sewer rent collection as the transactions occur in order to alleviate discrepancies in cash prior to reconciling the bank accounts.
3. The Township take steps in future budgets to appropriately fund the Baltimore Street Pumping Station ordinance.
4. An analysis of the balance in the payroll agency account be maintained on a monthly basis.
5. Greater care be taken by the Tax/Utility Collector when posting revenue collected to the proper property it is being collected for.
6. The Tax/Utility Collector identify all bank reconciling items on a monthly basis, and properly dispose of any erroneous items in a timely manner to allow for the Chief Financial Officer to prepare an accurate and complete bank reconciliation in a timely manner.
7. All tax revenue and sewer rents be posted when collected by the Tax/Utility Collector, and deposited within forty-eight hours of receipt.
8. An accurate record of tax and sewer liens be maintained and updated on a regular basis.

* * * * *