

TOWNSHIP OF LOPATCONG

COUNTY OF WARREN

REPORT OF AUDIT

2018

*NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF LOPATCONG

COUNTY OF WARREN

REPORT OF AUDIT

2018

TOWNSHIP OF LOPATCONG
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2018

<u>PART I – FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES</u>	<u>Page</u>
Independent Auditors' Report	1-3
<u>Financial Statements</u>	<u>Exhibit</u>
<u>Current Fund</u>	
Comparative Balance Sheet – Regulatory Basis	A
Comparative Statement of Operations and Change in Fund Balance - Regulatory Basis	A-1
Statement of Revenue - Regulatory Basis	A-2
Statement of Expenditures - Regulatory Basis	A-3
<u>Trust Funds</u>	
Comparative Balance Sheet - Regulatory Basis	B
Statement of Fund Balance - Assessment Trust Fund - Regulatory Basis (Not Applicable)	B-1
Statement of Revenue - Assessment Trust Fund - Regulatory Basis (Not Applicable)	B-2
Statement of Expenditures - Assessment Trust Fund - Regulatory Basis (Not Applicable)	B-3
<u>General Capital Fund</u>	
Comparative Balance Sheet- Regulatory Basis	C
Statement of Fund Balance - Regulatory Basis	C-1
<u>Water Utility Fund (Not Applicable)</u>	
<u>Sewer Utility Fund</u>	
Comparative Balance Sheet- Regulatory Basis	E
Comparative Statement of Operations and Change in Utility Operating Fund Balance – Sewer Utility Operating Fund - Regulatory Basis	E-1
Statement of Fund Balance – Sewer Assessment Trust Fund - Regulatory Basis	E-1a
Statement of Revenue – Sewer Utility Operating Fund - Regulatory Basis	E-2
Statement of Expenditures – Sewer Utility Operating Fund - Regulatory Basis	E-3
<u>Public Assistance Fund (Not Applicable)</u>	
<u>Bond and Interest Fund (Not Applicable)</u>	
<u>General Fixed Assets Account Group</u>	
Comparative Balance Sheet - Regulatory Basis (Unaudited)	H
Notes to Financial Statements	<u>Page</u> 1-29
<u>Supplementary Data</u>	<u>Schedule</u>
Officials in Office and Surety Bonds	1
<u>Current Fund</u>	
Schedule of Cash - Treasurer	A-4
Schedule of Cash – Federal and State Grant Fund	A-4a
Schedule of Cash – Collector (Not Applicable)	A-5
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-6
Schedule of Tax Title Liens	A-7
Schedule of Revenue Accounts Receivable	A-8
Schedule of 2017 Appropriation Reserves	A-9
Schedule of Local School District Taxes Payable/(Prepaid)	A-10
Schedule of Federal and State Grants Receivable – Federal and State Grant Fund	A-11
Schedule of Appropriated Reserves - Federal and State Grant Fund	A-12
Schedule of Unappropriated Reserves - Federal and State Grant Fund	A-13

TOWNSHIP OF LOPATCONG
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2018
 (Continued)

<u>PART I – FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES (Cont'd)</u>	<u>Schedule</u>
<u>Supplementary Data (Cont'd)</u>	
<u>Trust Funds</u>	
Schedule of Cash - Treasurer	B-4
Schedule of Reserve for Animal Control Fund Expenditures - Animal Control Fund	B-5
<u>General Capital Fund</u>	
Schedule of Cash	C-2
Analysis of Cash	C-3
Schedule of Deferred Charges to Future Taxation - Unfunded	C-4
Schedule of Improvement Authorizations	C-5
Schedule of Capital Improvement Fund	C-6
Schedule of Bond Anticipation Notes Payable	C-7
Schedule of Serial Bonds Payable	C-8
Schedule of Loans Payable (Not Applicable)	C-9
Schedule of Bonds and Notes Authorized but not Issued	C-10
<u>Water Utility Fund (Not Applicable)</u>	
<u>Sewer Utility Fund</u>	
Schedule of Cash – Treasurer – Sewer Utility Fund	E-4
Analysis of Sewer Capital Cash – Sewer Utility Capital Fund	E-5
Analysis of Sewer Assessment Trust Cash – Sewer Assessment Trust Fund	E-5a
Schedule of Consumer Accounts Receivable – Sewer Utility Operating Fund	E-6
Schedule of Sewer Leins Receivable – Sewer Utility Operating Fund	E-6a
Schedule of Hook-Up Fees Receivable – Sewer Utility Operating Fund	E-6b
Schedule of Fixed Capital – Sewer Utility Operating Fund	E-7
Schedule of Fixed Capital Authorized and Uncompleted – Sewer Utility Capital Fund	E-8
Schedule of 2017 Appropriation Reserves – Sewer Utility Operating Fund	E-9
Schedule of Improvement Authorizations – Sewer Utility Capital Fund	E-10
Schedule of Capital Improvement Fund – Sewer Utility Capital Fund	E-11
Schedule of Deferred Reserve for Amortization – Sewer Utility Capital Fund	E-12
Schedule of Bond Anticipation Notes Payable – Sewer Utility Capital Fund (Not Applicable)	E-13
Schedule of Serial Bonds Payable – Sewer Utility Capital Fund (Not Applicable)	E-14
Schedule of USDA Loans Payable – Sewer Utility Capital Fund	E-15
Schedule of Bonds and Notes Authorized But Not Issued – Sewer Utility Capital Fund	E-16
<u>Public Assistance Fund (Not Applicable)</u>	
<u>Bond and Interest Fund (Not Applicable)</u>	
<u>PART II – SINGLE AUDIT</u>	<u>Page</u>
Schedule of Expenditures of Federal Awards	1
Schedule of Expenditures of State Awards	2
Notes to Schedules of Expenditures of Federal & State Awards	3
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4-5
Schedule of Findings and Questioned Costs	6
Summary Schedule of Prior Audit Findings	7
<u>PART III – COMMENTS AND RECOMMENDATIONS</u>	<u>Page</u>
Comments and Recommendations	1-4
Summary of Recommendations	5

TOWNSHIP OF LOPATCONG

PART I

FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2018



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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, 2018 and 2017, 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.

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

The Honorable Mayor and Members
of the Township Committee
Township of Lopatcong
Page 2

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, 2018 and 2017, 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, 2018 and 2017 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the Township implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the year ended December 31, 2018. Our opinions are not modified with respect to this matter.

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
Page 3

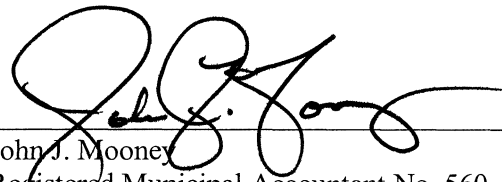
The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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
June 2, 2019

NISIVOCIA LLP
NISIVOCIA LLP



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

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2018
CURRENT FUND

TOWNSHIP OF LOPATCONG
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2018</u>	<u>2017</u>
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Cash - Treasurer	A-4	\$ 3,134,273.26	\$ 2,225,766.11
Change Fund - Collector		700.00	700.00
Due from State of New Jersey:			
Veterans and Senior Citizens Deductions		11,291.06	10,291.06
		<u>3,146,264.32</u>	<u>2,236,757.17</u>
Receivables and Other Assets With			
Full Reserves:			
Delinquent Property Taxes Receivable	A-6	1,193,716.43	959,108.27
Tax Title Liens Receivable	A-7	77,535.10	82,018.31
Revenue Accounts Receivable	A-8	4,084.70	4,001.00
Property Acquired for Taxes - Assessed Valuation		825,600.00	825,600.00
Due from:			
Escrow Trust Fund	B		100.01
Other Trust Fund	B	50.61	
Unemployment Compensation Trust Fund	B		831.32
Sewer Utility Operating Fund	E		3,402.43
Payroll Account			1,333.71
Total Receivables and Other Assets			<u>1,876,395.05</u>
With Full Reserves		<u>2,100,986.84</u>	<u>1,876,395.05</u>
Total Regular Fund		<u>5,247,251.16</u>	<u>4,113,152.22</u>
Federal and State Grant Fund:			
Cash and Cash Equivalents	A-4a	31,670.79	41,164.91
Federal and State Grants Receivable	A-11	53,840.00	22,500.00
Due Current Fund	A		29,020.49
Total Federal and State Grant Fund		<u>85,510.79</u>	<u>92,685.40</u>
<u>TOTAL ASSETS</u>		<u>\$ 5,332,761.95</u>	<u>\$ 4,205,837.62</u>

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

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2018</u>	<u>2017</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-9	\$ 471,980.50	\$ 433,496.57
Encumbered	A-3;A-9	54,723.20	70,515.73
Total Appropriation Reserves		<u>526,703.70</u>	<u>504,012.30</u>
Prepaid Taxes		216,445.90	396,192.16
Accounts Payable - Vendors			700.45
Due to County for Added Taxes		233,032.85	78,978.72
Due State of New Jersey - Uniform Construction Code Fees			1,094.00
Due State of New Jersey - Marriage Licenses		175.00	215.00
Local School District Taxes Payable	A-10	65,478.70	
Tax Overpayments		1,497.68	33,161.41
Due to:			
Federal and State Grant Fund	A		29,020.49
Tax Sale Premium	B	171,600.00	171,600.00
Open Space Trust Fund	B		21,040.94
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		46,592.40	1,989.92
		<u>1,269,713.84</u>	<u>1,246,193.00</u>
Reserve for Receivables and Other Assets		2,100,986.84	1,876,395.05
Fund Balance	A-1	<u>1,876,550.48</u>	<u>990,564.17</u>
Total Regular Fund		<u>5,247,251.16</u>	<u>4,113,152.22</u>
Federal and State Grant Fund:			
Appropriated Reserves	A-12	83,193.59	55,682.48
Unappropriated Reserves	A-13	1,355.50	37,002.92
Reserve for Encumbrances		961.70	
Total Federal and State Grant Fund		<u>85,510.79</u>	<u>92,685.40</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 5,332,761.95</u>	<u>\$ 4,205,837.62</u>

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,	
		2018	2017
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 465,000.00	\$ 300,000.00
Miscellaneous Revenue Anticipated		2,290,889.32	2,416,770.58
Receipts from:			
Delinquent Taxes		921,600.37	726,992.23
Current Taxes		25,732,763.80	24,992,438.53
Nonbudget Revenue		51,218.22	142,450.24
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		399,154.46	227,300.40
Cancellation of Federal and State Grant Funds Appropriated Reserves		217.44	115,781.70
Interfunds and Other Receivables Returned		5,616.86	170,816.82
Total Income		<u>29,866,460.47</u>	<u>29,092,550.50</u>
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes		7,196,123.16	7,171,265.90
County Taxes		6,463,877.82	6,657,634.45
Amount Due County for Added and Omitted Taxes		233,032.85	78,978.72
Local School District Taxes		14,309,122.00	13,806,526.74
Municipal Open Space Tax		273,800.36	264,275.11
Senior Citizens Deductions Disallowed			750.00
Cancellation of Interfund Receivable			140.04
Refund of Prior Year Revenue		39,300.53	2,500.00
Cancellation Federal and State Grant Fund Receivables		217.44	192,366.33
Total Expenditures		<u>28,515,474.16</u>	<u>28,174,437.29</u>
Statutory Excess to Fund Balance		1,350,986.31	918,113.21
<u>Fund Balance</u>			
Balance January 1		990,564.17	372,450.96
		<u>2,341,550.48</u>	<u>1,290,564.17</u>
Decreased by:			
Utilized as Anticipated Revenue		465,000.00	300,000.00
Balance December 31	A	<u>\$ 1,876,550.48</u>	<u>\$ 990,564.17</u>

TOWNSHIP OF LOPATCONG
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 465,000.00		\$ 465,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	5,850.00		11,825.00	\$ 5,975.00
Fees and Permits	45,000.00		74,573.14	29,573.14
Fines and Costs:				
Municipal Court	50,000.00		62,023.12	12,023.12
Interest and Costs on Taxes	135,000.00		187,325.70	52,325.70
Interest on Investments and Deposits	10,000.00		26,461.02	16,461.02
Anticipated Utility Operating Surplus	125,000.00		125,000.00	
Parks and Playgrounds Fees	6,000.00		7,845.00	1,845.00
Swimming Pool User Fees	110,000.00		131,086.65	21,086.65
Energy Receipts Taxes	948,271.00		948,271.00	
Uniform Construction Code Fees	140,000.00		187,847.00	47,847.00
Interlocal Agreement:				
Phillipsburg Board of Education-Police Services	130,000.00		140,632.38	10,632.38
Recycling Tonnage Grant	14,000.00	\$ 3,095.92	17,095.92	
Drunk Driving Enforcement Fund		8,046.33	8,046.33	
Warren County Green Communities Grant		3,000.00	3,000.00	
Safe and Secure Communities Program	30,000.00		30,000.00	
Body Armor Grant		1,785.52	1,785.52	
Clean Communities Grant		38,593.77	38,593.77	
Click It or Ticket Grant		5,500.00	5,500.00	
Highlands Grant	9,840.00		9,840.00	

TOWNSHIP OF LOPATCONG
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	Budget	Added by NJS A 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		41,580.38	\$ 16,580.38
Reserve to Pay Debt Service	82,993.19		82,993.19	
Sale of SRECS	15,000.00		11,142.00	3,858.00 *
Payment in Lieu of Taxes	50,000.00		50,122.20	122.20
Cable TV Franchise Fee	35,000.00		38,300.00	3,300.00
Total Miscellaneous Revenue	<u>2,016,954.19</u>	<u>\$ 60,021.54</u>	<u>2,290,889.32</u>	<u>213,913.59</u>
Receipts from Delinquent Taxes	750,000.00		921,600.37	171,600.37
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	4,958,842.15		5,507,472.11	548,629.96
Budget Totals	<u>8,190,796.34</u>	<u>60,021.54</u>	<u>9,184,961.80</u>	<u>934,143.92</u>
Nonbudget Revenue	<u>\$8,190,796.34</u>	<u>\$ 60,021.54</u>	<u>\$ 9,236,180.02</u>	<u>\$ 985,362.14</u>

TOWNSHIP OF LOPATCONG
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Allocation of Current Tax Collections

Revenue from Collection of Current Taxes	\$ 25,732,763.80
Allocated to County, School, and Local Open Space Taxes	21,279,833.03
Balance for Support of Municipal Budget	4,452,930.77
Add: Appropriation - Reserve for Uncollected Taxes	1,054,541.34
Realized for Support of Municipal Budget	\$ 5,507,472.11
Collection of Delinquent Taxes	
Taxes Receivable	\$ 907,336.76
Tax Title Liens	14,263.61
	\$ 921,600.37

Analysis of Nonbudget Revenue

Miscellaneous Revenue Not Anticipated:

Treasurer:

Certified Copies	\$ 4,154.95	
Sale of Scrap Metal	1,256.60	
Community Day/Easter/150th Anniversary Donations	2,463.00	
Easter Egg Hunt	700.00	
Refund of Prior Year Expenses	9,233.90	
Senior Citizen and Veteran Administration Fees	1,595.00	
Tax Collector Miscellaneous	130.00	
New Jersey D.M.V. Inspection Fees	200.00	
Prior Year Checks Cancelled	11,026.53	
Other Miscellaneous Revenue	20,458.24	
		\$ 51,218.22

Analysis of Interest Earned

Interest Earned in Current Fund	\$ 12,697.35
Interest Due from Federal and State Grant Fund	290.14
Interest Due from General Capital Fund	3,985.75
Interest Due from Other Trust Funds	8,236.70
Interest Due from Escrow Trust Fund	1,251.08
	\$ 26,461.02

TOWNSHIP OF LOPATCONG
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	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	\$ 7,044.71	\$ 2,255.29	
Computer Services	25,000.00	25,000.00	17,809.27	7,190.73	
Code Book Update	3,000.00	3,000.00	1,815.00	1,185.00	
Administration Other Expense	41,500.00	48,500.00	44,351.65	4,148.35	
Mayor and Council:					
Salaries & Wages	17,070.00	17,170.00	17,070.30	99.70	
Other Expenses	4,295.00	4,195.00	2,288.79	1,906.21	
Administration (Municipal Clerk):					
Salaries & Wages	202,486.00	205,986.00	205,978.48	7.52	
Other Expenses	21,380.00	22,880.00	21,379.70	1,500.30	
Financial Administration:					
Salaries & Wages	126,000.00	121,000.00	119,251.44	1,748.56	
Other Expenses	22,000.00	22,000.00	12,254.31	9,745.69	
Annual Audit	35,000.00	35,000.00	34,050.00	950.00	
Tax Assessment Administration:					
Salaries & Wages	38,760.00	39,760.00	39,317.93	442.07	
Other Expenses	21,600.00	20,600.00	6,551.60	14,048.40	
Revenue Administration (Tax Collection):					
Salaries & Wages	36,000.00	24,500.00	21,858.90	2,641.10	
Other Expenses	10,600.00	12,100.00	10,979.47	1,120.53	
Legal Services and Costs:					
Other Expenses	180,000.00	176,000.00	105,737.26	70,262.74	

TOWNSHIP OF LOPATCONG
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018
 (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	\$ 60,000.00	\$ 60,000.00	\$ 59,854.12	\$ 145.88	
Public Buildings and Grounds:					
Salaries & Wages	20,000.00	16,000.00	14,250.53	1,749.47	
Other Expenses	76,260.00	76,260.00	49,214.67	27,045.33	
Garbage and Trash Removal:					
Other Expenses	12,000.00	13,000.00	12,007.50	992.50	
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Planning Board:					
Salaries & Wages	12,070.00	12,120.00	11,862.25	257.75	
Other Expenses	22,000.00	21,950.00	6,151.89	15,798.11	
Board of Adjustment:					
Salaries & Wages	6,000.00	6,000.00	5,950.41	49.59	
Other Expenses	4,450.00	4,450.00	1,537.07	2,912.93	
Rent Board:					
Salaries & Wages	4,500.00	4,500.00	4,226.65	273.35	
Other Expenses	4,450.00	4,450.00	188.03	4,261.97	
Shade Tree Commission:					
Other Expenses	625.00	625.00		625.00	
Municipal Court:					
Salaries & Wages	86,660.00	86,660.00	85,476.51	1,183.49	
Other Expenses	10,375.00	15,375.00	13,969.18	1,405.82	

TOWNSHIP OF LOPATCONG
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018
 (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	\$ 40,000.00	\$ 40,000.00	\$ 35,282.04	\$ 4,717.96	
Police:					
Salaries & Wages	1,805,000.00	1,805,000.00	1,745,107.65	59,892.35	
Other Expenses	183,725.00	186,475.00	170,472.24	16,002.76	
Prosecutor's Office:					
Salaries & Wages	20,156.00	20,156.00	20,155.20	0.80	
First Aid Organization - Contribution	15,000.00	17,000.00	14,987.70	2,012.30	
Uniform Fire Safety Act - Fire Inspector:					
Salaries & Wages	33,093.00	31,593.00	12,478.28	19,114.72	
Other Expenses	2,250.00	3,750.00	1,954.01	1,795.99	
Zoning Officer:					
Salaries & Wages	8,000.00	8,000.00	7,475.56	524.44	
Other Expenses	1,500.00	1,500.00		1,500.00	
Emergency Management Services:					
Salaries & Wages	3,350.00	3,500.00	3,352.43	147.57	
Other Expenses	200.00	50.00	15.99	34.01	

TOWNSHIP OF LOPATCONG
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018
(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	\$ 400,000.00	\$ 400,000.00	\$ 390,571.24	\$ 9,428.76	
Other Expenses	230,900.00	230,900.00	190,340.36	40,559.64	
Other Expenses - Salt and Grit	80,000.00	80,000.00	80,000.00		
HEALTH AND WELFARE:					
Animal Control Fund:					
Salaries & Wages	9,700.00	9,950.00	9,760.02	189.98	
Other Expenses	100.00	100.00		100.00	
Environmental Board:					
Other Expenses	125.00	125.00	104.64	20.36	
RECREATION AND EDUCATION:					
Parks and Playgrounds:					
Other Expenses	76,650.00	76,650.00	52,071.98	24,578.02	
Swimming Pool:					
Salaries & Wages	80,000.00	80,000.00	77,434.83	2,565.17	
Other Expenses	85,000.00	85,000.00	76,443.66	8,556.34	
Insurance:					
General Liability	134,518.00	134,518.00	129,706.50	4,811.50	
Workers Compensation	95,855.00	95,855.00	93,589.34	2,265.66	
Employee Group Health	471,475.00	463,475.00	424,411.38	39,063.62	
Health Benefit Waiver	17,000.00	19,000.00	18,333.34	666.66	

TOWNSHIP OF LOPATCONG
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018
 (Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
UNIFORM CONSTRUCTION CODE:					
Building Sub Code Official:					
Salaries & Wages	\$ 81,592.00	\$ 81,592.00	\$ 80,309.51	\$ 1,282.49	
Other Expenses	7,750.00	7,750.00	4,095.80	3,654.20	
UNCLASSIFIED:					
Electricity	40,000.00	48,000.00	44,364.02	3,635.98	
Street Lighting	15,000.00	25,000.00	20,680.36	4,319.64	
Telephone	53,250.00	53,250.00	52,023.60	1,226.40	
Natural Gas	18,000.00	18,000.00	16,773.80	1,226.20	
Gasoline	70,000.00	70,000.00	66,176.36	3,823.64	
Fire Hydrant Service	144,285.00	134,285.00	133,302.18	982.82	
Water	12,000.00	10,000.00	8,506.07	1,493.93	
Total Operations Including Contingent within "CAPS"	5,348,855.00	5,348,855.00	4,912,707.71	436,147.29	
Detail:					
Salaries & Wages	2,990,437.00	2,893,487.00	2,871,888.12	101,598.08	
Other Expenses	2,358,418.00	2,455,368.00	2,040,819.59	334,549.21	

TOWNSHIP OF LOPATCONG
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Deferred Charges and Statutory Expenditures - Municipal within "CAPS"					
STATUTORY EXPENDITURES:					
Social Security (O.A.S.I)	\$ 240,000.00	\$ 234,000.00	\$ 219,958.22	\$ 14,041.78	
Unemployment Compensation	12,000.00	18,000.00	10,388.28	7,611.72	
Public Employees Retirement System	145,871.00	145,871.00	145,870.28	0.72	
Police and Firemen's' Retirement System	362,863.00	362,863.00	348,684.01	14,178.99	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	760,734.00	760,734.00	724,900.79	35,833.21	
Total General Appropriations for Municipal Purposes Within "CAPS"	6,109,589.00	6,109,589.00	5,637,608.50	471,980.50	
Operations - Excluded from "CAPS" Shared Service Agreements:					
Interlocal Services Agreement with Phillipsburg Board of Education - Police Services	130,000.00	130,000.00	130,000.00		
Total Shared Service Agreements	130,000.00	130,000.00	130,000.00		

TOWNSHIP OF LOPATCONG
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018
(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		
Click it or Ticket (N.J.S.A.40A:4-87 + \$5,500.00)		5,500.00	5,500.00		
Clean Communities Grant (N.J.S.A.40A:4-87 + \$38,593.77)		38,593.77	38,593.77		
Body Armor Grant (N.J.S.A.40A:4-87 + \$1,785.52)		1,785.52	1,785.52		
Recycling Tonnage Grant (N.J.S.A.40A:4-87 + \$3,095.92)	14,000.00	17,095.92	17,095.92		
Drunk Driving Enforcement Fund (NJSA 40A:4-87 + \$8,046.33)		8,046.33	8,046.33		
Green Communities (NJSA 40A:4-87 + \$3,000.00)		3,000.00	3,000.00		
Highlands Grant	9,840.00	9,840.00	9,840.00		
Total Public and Private Programs Offset by Revenues	53,840.00	113,861.54	113,861.54		
Total Operations - Excluded from "CAPS"	183,840.00	243,861.54	243,861.54		
Capital Improvements - Excluded from "CAPS"					
Capital Improvement Fund	25,000.00	25,000.00	25,000.00		
Total Capital Improvements Excluded from "CAPS"	25,000.00	25,000.00	25,000.00		
Municipal Debt Service - Excluded from "CAPS"					
Payment of Bond Principal	175,000.00	175,000.00	175,000.00		
Payment of Bond Anticipation Notes	476,000.00	476,000.00	476,000.00		
Interest on Bonds	115,976.00	115,976.00	115,975.00		\$ 1.00
Interest on Notes	50,850.00	50,850.00	50,697.62		152.38
Total Municipal Debt Service - Excluded from "CAPS"	817,826.00	817,826.00	817,672.62		153.38

TOWNSHIP OF LOPATCONG
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018
 (Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$ 1,026,666.00	\$ 1,086,687.54	\$ 1,086,534.16		153.38
Subtotal General Appropriations Reserve for Uncollected Taxes	7,136,255.00 1,054,541.34	7,196,276.54 1,054,541.34	6,724,142.66 1,054,541.34	\$ 471,980.50	153.38
Total General Appropriations	<u>\$ 8,190,796.34</u>	<u>\$ 8,250,817.88</u>	<u>\$ 7,778,684.00</u>	<u>\$ 471,980.50</u>	<u>153.38</u>

Ref.

A

TOWNSHIP OF LOPATCONG
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018
 (Continued)

	<u>Ref.</u>	Analysis of	
		Budget After Modification	Paid or Charged
Adopted Budget		\$ 8,190,796.34	
Added by N.J.S.A. 40A:4-87		60,021.54	
		\$ 8,250,817.88	
Cash Disbursed			\$ 6,782,102.04
Reserve for Uncollected Taxes			1,054,541.34
Due to Federal and State Grant Fund			113,861.54
Encumbrances	A		54,723.20
			8,005,228.12
Less: Appropriation Refunds			226,544.12
			\$ 7,778,684.00

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

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2018
TRUST FUNDS

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

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2018</u>	<u>2017</u>
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	B-4	\$ 14,292.55	\$ 10,093.91
		<u>14,292.55</u>	<u>10,093.91</u>
Unemployment Compensation Insurance Fund:			
Cash and Cash Equivalents	B-4	8,925.52	1,382.89
Due from State of New Jersey		972.49	972.49
		<u>9,898.01</u>	<u>2,355.38</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	2,447,691.02	1,647,264.00
Due from Current Fund:			
Tax Sale Premiums	A	171,600.00	171,600.00
Open Space Trust	A		21,040.94
		<u>2,619,291.02</u>	<u>1,839,904.94</u>
<u>TOTAL ASSETS</u>		<u>\$ 2,643,481.58</u>	<u>\$ 1,852,354.23</u>

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

	Ref.	December 31,	
		2018	2017
<u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due to State of New Jersey		\$ 360.60	
Encumbrances Payable		329.12	
Prepaid Licenses	A	2,238.76	
Reserve for Animal Control Fund Expenditures	B-5	11,364.07	\$ 10,093.91
		<u>14,292.55</u>	<u>10,093.91</u>
Unemployment Compensation Insurance Fund:			
Due to Current Fund	A		831.32
Reserve for Unemployment Compensation Insurance		9,898.01	1,524.06
		<u>9,898.01</u>	<u>2,355.38</u>
Other Trust Funds:			
Due to Current Fund	A	50.61	100.01
Reserve for:			
Encumbrances		435.00	
Sub-Division Escrow		1,455,764.92	1,040,124.74
Tax Sale Premiums		106,100.00	132,900.00
Affordable Housing Special		1,247.53	4,827.81
Affordable Housing Master		5,080.80	5,045.36
Road Openings			150.00
Community Day		230.00	230.00
Open Space Trust		45,178.15	27,377.79
Parking Offenses Adjudication Act		630.60	622.60
Public Defender		900.00	300.00
Recreation Trust		17,663.02	14,035.24
Fire Penalties		500.00	500.00
Outside Employment of Police Officers		114,103.64	71,743.52
Council on Affordable Housing (COAH)		782,793.13	205,979.50
Community Hope			234,810.19
Detention Basin/Sidewalk Construction		81,068.18	81,068.18
Donations for Police Equipment		212.35	90.00
Storm Recovery		7,333.09	20,000.00
		<u>2,619,291.02</u>	<u>1,839,904.94</u>
Total Other Trust Funds		<u>2,619,291.02</u>	<u>1,839,904.94</u>
<u>TOTAL LIABILITIES AND RESERVES</u>		<u>\$ 2,643,481.58</u>	<u>\$ 1,852,354.23</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, 2018

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, 2018

NOT APPLICABLE

TOWNSHIP OF LOPATCONG
ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

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

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2018
GENERAL CAPITAL FUND

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

	Ref.	December 31,	
		2018	2017
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 152,053.38	\$ 284,805.83
New Jersey Department of Transportation - Grant Receivable		698,175.00	618,175.00
Deferred Charges to Future Taxation:			
Funded		4,120,000.00	4,495,000.00
Unfunded	C-4	4,649,404.00	2,909,504.00
<u>TOTAL ASSETS</u>		<u>\$ 9,619,632.38</u>	<u>\$ 8,307,484.83</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 4,120,000.00	\$ 4,495,000.00
Bond Anticipation Notes Payable	C-7	3,374,504.00	2,259,504.00
Improvement Authorizations:			
Funded	C-5	1,296.69	1,296.69
Unfunded	C-5	1,443,106.25	638,219.33
Capital Improvement Fund	C-6	35,185.12	77,285.12
Reserve for:			
Encumbrances		235,321.32	566,492.50
Payment of Debt Service		301,000.00	82,993.19
Receivables			100,000.00
South Third Street Improvements		70,000.00	70,000.00
Fund Balance	C-1	39,219.00	16,694.00
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 9,619,632.38</u>	<u>\$ 8,307,484.83</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, 2017	C	\$ 16,694.00
Increased by:		
Premium on Bond Anticipation Notes		<u>22,525.00</u>
Balance December 31, 2018	C	<u>\$ 39,219.00</u>

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

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2018
SEWER UTILITY FUND

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

	Ref.	December 31,	
		2018	2017
<u>ASSETS</u>			
Operating Fund:			
Cash - Treasurer	E-4	\$ 948,766.15	\$ 823,408.31
Change Fund		50.00	50.00
		<u>948,816.15</u>	<u>823,458.31</u>
Receivables with Full Reserves:			
Sewer Rents Receivable	E-6	389,232.67	387,704.62
Sewer Liens Receivable	E-6A		2,970.86
Hook Up Fees Receivable	E-6B	35,376.00	69,716.86
Due from Assessment Trust Fund	E	40.89	
		<u>424,649.56</u>	<u>460,392.34</u>
Total Operating Fund		<u>1,373,465.71</u>	<u>1,283,850.65</u>
Assessment Trust Fund:			
Cash -Treasurer	E-4	40.89	40.89
Assessment Liens		1,530.00	1,530.00
Assessment Lien Interest and Costs		1,211.02	1,211.02
Total Assessment Trust Fund		<u>2,781.91</u>	<u>2,781.91</u>
Capital Fund:			
Cash and Cash Equivalents	E-4	840,917.96	908,701.84
Fixed Capital	E-7	3,900,626.98	3,900,626.98
Fixed Capital Authorized and Uncompleted	E-8	3,632,752.28	3,645,000.00
Total Capital Fund		<u>8,374,297.22</u>	<u>8,454,328.82</u>
<u>TOTAL ASSETS</u>		<u>\$ 9,750,544.84</u>	<u>\$ 9,740,961.38</u>

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

	Ref.	December 31,	
		2018	2017
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Unencumbered	E-3;E-9	\$ 50,352.89	\$ 171,024.19
Encumbered	E-9	24,000.00	11,176.99
		<u>74,352.89</u>	<u>182,201.18</u>
Accounts Payable - Vendors			27,359.00
Due Current Fund	A		3,402.43
Due to Phillipsburg - Sewer Hook Up Fees		45,700.00	
Sewer Hook-up Overpayments			8,000.00
Third Party Liens		287.06	287.06
Accrued Interest on Loans		24,758.48	25,117.40
		<u>145,098.43</u>	<u>246,367.07</u>
Reserve for Receivables		424,649.56	460,392.34
Fund Balance	E-1	803,717.72	577,091.24
		<u>1,373,465.71</u>	<u>1,283,850.65</u>
Total Operating Fund			
Assessment Trust Fund:			
Reserve for Assessments and Liens		2,741.02	2,741.02
Fund Balance	E-1a	40.89	40.89
		<u>2,781.91</u>	<u>2,781.91</u>
Total Assessment Trust Fund			
Capital Fund:			
USDA Loans Payable	E-15	2,104,617.17	2,135,078.50
Improvement Authorizations - Funded	E-10	10,166.00	22,413.72
Improvement Authorizations - Unfunded	E-10	199,992.63	476,003.77
Capital Improvement Fund	E-11	795,364.94	783,117.22
Reserve for Encumbrances			59,274.74
Reserve for Amortization		3,901,170.68	3,901,170.68
Reserve for Deferred Amortization	E-12	1,300,635.11	1,014,919.50
Fund Balance	E-1b	62,350.69	62,350.69
		<u>8,374,297.22</u>	<u>8,454,328.82</u>
Total Capital Fund			
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 9,750,544.84</u>	<u>\$ 9,740,961.38</u>

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

	<u>Ref.</u>	<u>Year Ended December 31,</u>	
		<u>2018</u>	<u>2017</u>
<u>Revenue and Other Income Realized</u>			
Rents		\$ 1,803,845.05	\$ 1,780,141.63
Miscellaneous Revenue		60,237.20	168,521.10
Cancellation of Sewer Hook Up Overpayments		8,000.00	
Cancellation of Accounts Payable		27,359.00	
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		163,497.93	138,772.96
Total Income		<u>2,062,939.18</u>	<u>2,087,435.69</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operating		1,538,020.00	1,500,953.00
Capital Improvement Fund			100,000.00
Debt Service		88,609.11	73,293.77
Deferred Charges and Statutory Expenditures		8,000.00	20,074.80
Refund of Prior Year Revenue		26,683.59	5,878.56
Total Expenditures		<u>1,661,312.70</u>	<u>1,700,200.13</u>
Excess in Revenue		<u>401,626.48</u>	<u>387,235.56</u>
<u>Fund Balance</u>			
Balance January 1		<u>577,091.24</u>	<u>364,855.68</u>
		978,717.72	752,091.24
Decreased by:			
Utilized as Anticipated Revenue:			
Surplus General Budget		125,000.00	125,000.00
Prior Year Surplus Due Current Fund		50,000.00	50,000.00
Balance December 31	E	<u>\$ 803,717.72</u>	<u>\$ 577,091.24</u>

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
YEAR ENDED DECEMBER 31, 2018

	<u>Ref.</u>	
Balance December 31, 2017	E	\$ 40.89
Decreased by:		
Due to Sewer Operating Fund		40.89
		40.89

SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2017	E	\$ 62,350.69
Balance December 31, 2018	E	\$ 62,350.69
		62,350.69

SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit*</u>
Sewer Rents	\$ 1,722,000.00	\$ 1,803,845.05	\$ 81,845.05
Miscellaneous Revenue	38,000.00	60,237.20	22,237.20
	\$ 1,760,000.00	\$ 1,864,082.25	\$ 104,082.25

Analysis of Realized Revenue

Miscellaneous Revenue:

Interest on Investments:

Sewer Utility Operating Fund	\$ 6,497.82
Sewer Assessment Trust Fund	0.18
Sewer Utility Capital Fund	5,287.58
Other Miscellaneous Revenue	2,751.62
Hook-up Fees	45,700.00
	\$ 60,237.20

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

TOWNSHIP OF LOPATCONG
SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	Appropriations		Expended by			Unexpended Balance Cancelled
	Budget	Budget After Modifi- cation	Paid or Charged	Reserved		
Operating:						
Operations:						
Salaries and Wages	\$ 106,000.00	\$ 93,000.00	\$ 92,892.07	\$ 107.93		
Other Expenses	1,432,020.00	1,445,020.00	1,397,516.24	47,503.76		
Debt Service:						
Payment of Principal - USDA Loan	30,470.00	30,470.00	30,461.33		\$ 8.67	
Interest on USDA Loan	58,510.00	58,510.00	58,147.78		362.22	
Statutory Expenditures:						
Contribution to:						
Social Security System (O.A.S.I.)	8,000.00	8,000.00	5,258.80	2,741.20		
Surplus General Budget	125,000.00	125,000.00	125,000.00			
	<u>\$ 1,760,000.00</u>	<u>\$ 1,760,000.00</u>	<u>\$ 1,709,276.22</u>	<u>\$ 50,352.89</u>	<u>\$ 370.89</u>	

Ref.
Analysis of Paid or Charged

Cash Disbursed	\$ 1,555,697.41
Encumbrances Payable	24,000.00
Accrued Interest on Notes	58,147.78
Due Payroll Account	71,431.03
	<u>\$ 1,709,276.22</u>

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

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2018
GENERAL FIXED ASSETS ACCOUNT GROUP
(UNAUDITED)

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

	December 31,	
	2018	2017
<u>ASSETS</u>		
Land	\$ 3,260,699.62	\$ 3,260,699.62
Buildings	1,145,900.00	1,145,900.00
Machinery and Equipment	4,523,813.00	4,489,735.33
<u>TOTAL ASSETS</u>	<u>\$ 8,930,412.62</u>	<u>\$ 8,896,334.95</u>
 <u>RESERVES</u>		
Reserve for General Fixed Assets	\$ 8,930,412.62	\$ 8,896,334.95
<u>TOTAL RESERVES</u>	<u>\$ 8,930,412.62</u>	<u>\$ 8,896,334.95</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, 2018

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, 2018
 (Continued)

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

B. Description of Funds (Cont'd)

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

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, 2018
(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 budgeted; 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 OPEB liability and net pension liability and related deferred inflows and outflows, where applicable, 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, 2018
(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 – 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, 2018
(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,		
	2018	2017	2016
<u>Issued:</u>			
General:			
Bonds and Notes	\$ 7,494,504.00	\$ 6,754,504.00	\$ 7,828,695.00
Sewer Utility Fund:			
Notes and Loans	2,104,617.17	2,135,078.50	2,922,500.00
Total Issued	<u>9,599,121.17</u>	<u>8,889,582.50</u>	<u>10,751,195.00</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	1,274,900.00	650,000.00	
Sewer Utility:			
Bonds and Notes	226,956.30	494,458.30	304,456.30
Total Authorized but not Issued	<u>1,501,856.30</u>	<u>1,144,458.30</u>	<u>304,456.30</u>
Less: Reserve to Pay Debt Service -			
General Capital Fund	301,000.00	82,993.19	379,140.12
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 10,799,977.47</u>	<u>\$ 9,951,047.61</u>	<u>\$ 10,676,511.18</u>

TOWNSHIP OF LOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

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

Summary of Municipal Debt Issued and Outstanding – Prior 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	\$ 10,751,195.00	\$ 4,409,504.00	\$ 6,271,116.50	\$ 8,889,582.50

Summary of Municipal Debt Issued and Outstanding – Current Year

	Balance 12/31/2017	Additions	Retirements	Balance 12/31/2018
General Capital Fund:				
Serial Bonds	\$ 4,495,000.00		\$ 375,000.00	\$ 4,120,000.00
Bond Anticipation Notes	2,259,504.00	\$ 3,374,504.00	2,259,504.00	3,374,504.00
Sewer Utility Fund:				
USDA Loans Payable	2,135,078.50		30,461.33	2,104,617.17
Total	\$ 8,889,582.50	\$ 3,374,504.00	\$ 2,664,965.33	\$ 9,599,121.17

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 .965%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 10,870,000.00	\$ 10,870,000.00	
Sewer Utility Debt	2,331,573.47	2,331,573.47	
General Debt	8,769,404.00	301,000.00	\$ 8,468,404.00
	<u>\$ 21,970,977.47</u>	<u>\$ 13,502,573.47</u>	<u>\$ 8,468,404.00</u>

Net Debt \$8,468,404.00 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$877,714,272.67= .965%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 30,719,999.54
Net Debt	<u>8,468,404.00</u>
Remaining Borrowing Power	<u>\$ 22,251,595.54</u>

TOWNSHIP OF LOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

(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		\$ 1,864,123.14
Deductions:		
Operating and Maintenance Costs	\$ 1,546,020.00	
Debt Service	88,609.11	
		1,634,629.11
Excess in Revenue		\$ 229,494.03

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, 2018, the Township had capital debt issued and outstanding described as follows:

Series 2016 - General Obligation Refunding Bonds

Purpose	Maturity	Rate	Amount
Various Capital Improvements	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
			\$ 4,120,000.00

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, 2018
(Continued)

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

Purpose	<u>General Capital Bond Anticipation Notes</u>			
	Maturities of Notes		Interest Rate	Balance Dec. 31, 2018
	Date	Amount		
Installation of Solar Panels and Related Equipment	3/28/2019	\$ 855,424.00	2.75%	\$ 855,424.00
Payments of Amounts Owing to Others for Taxes Levied	3/28/2019	434,000.00	2.75%	217,000.00
Acquisition of Fire Truck	3/28/2019	382,500.00	2.75%	359,500.00
Intersection Improvements at Belvidere Road and Roseberry Streets	3/28/2019	349,360.00	2.75%	349,360.00
South Second Street Improvement Project	3/28/2019	203,220.00	2.75%	203,220.00
Payments of Amounts Owing to Others for Taxes Levied	3/28/2019	740,000.00	2.75%	740,000.00
Various Capital Improvements	3/28/2019	650,000.00	2.75%	650,000.00
				<u>\$ 3,374,504.00</u>
	<u>Sewer Utility Capital Fund Loans</u>			
Improvements to Sanitary Sewer System	1/26/2057	\$ 2,104,617.17	2.75%	\$ 2,104,617.17
				<u>\$ 2,104,617.17</u>

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

Calendar Year	General Capital Fund		
	Principal	Interest	Total
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	450,000.00	97,425.00	547,425.00
2024-2027	1,980,000.00	186,775.00	2,166,775.00
	<u>\$ 4,120,000.00</u>	<u>\$ 833,000.00</u>	<u>\$ 4,953,000.00</u>

TOWNSHIP OF LOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(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

Calendar Year	Sewer Utility Capital Fund		
	Principal	Interest	Total
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	34,918.66	54,049.34	88,968.00
2024-2028	189,642.94	255,197.06	444,840.00
2029-2033	217,392.91	227,447.09	444,840.00
2034-2038	249,203.45	195,636.55	444,840.00
2039-2043	285,668.74	159,171.26	444,840.00
2044-2048	327,469.90	117,370.10	444,840.00
2049-2053	375,387.72	69,452.28	444,840.00
2054-2057	294,416.26	16,390.45	310,806.71
	<u>\$ 2,104,617.17</u>	<u>\$ 1,320,069.54</u>	<u>\$ 3,424,686.71</u>

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$2,331,935 at June 30, 2018. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$6,607,786 at June 30, 2018. See Note 6 for further information on the PERS and PFRS.

Note 3: Fund Balance Appropriated

Fund balance at December 31, 2018, which is appropriated and included in the adopted budget as anticipated revenue in the Current Fund for the year ending December 31, 2019, is \$700,000.

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 12/31/2018	Balance 12/31/2017
Balance of Tax	\$ 6,758,904.70	\$ 6,693,426.00
Deferred	<u>6,693,426.00</u>	<u>6,693,426.00</u>
Tax Payable	<u>\$ 65,478.70</u>	<u>\$ -0-</u>

TOWNSHIP OF LOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

(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, 2018, 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, 2018
(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 is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets.

Township contributions to PERS amounted to \$145,870.28 for 2018.

The employee contribution rate was 7.34% effective July 1, 2017 and increased to 7.50% effective July 1, 2018. Subsequent increases after October 1, 2011 were 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, 2018 the Township's liability was \$2,331,935 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. 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, 2018, the Township's proportion was 0.0118%, which was a decrease of 0.0009% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Township recognized actual pension expense in the amount of \$145,870.28.

Actuarial Assumptions

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

Inflation Rate	2.25%
Salary Increases:	
Through 2026	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, 2018
(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 Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience 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, 2018) 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, 2018 are summarized in the following table:

TOWNSHIP OF LOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(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>
Risk Management Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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 Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. 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 3.87% as of June 30, 2018 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, 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, 2018
 (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, 2018 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, 2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Township's proportionate share of the Net Pension Liability	\$ 2,932,139	\$ 2,331,935	\$ 1,828,402

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, 2018
(Continued)

Note 6: Pension Plans (Cont'd)

B. Police and Firemen’s Retirement System (PFRS) (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 the retirement system, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual amounts over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are 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, 2018
(Continued)

Note 6: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (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, 2018 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, 2018 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2018. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Township contributions to PFRS amounted to \$348,684.01 for the year ended December 31, 2018. During the fiscal year ended June 30, 2018, the State of New Jersey contributed \$46,800 to the PFRS for normal pension benefits on behalf of the Township, which is less than the contractually required contribution of \$93,600.

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

Pension Liabilities and Pension Expense

At June 30, 2018, the Township's liability for its proportionate share of the net pension liability was \$5,817,566. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. 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, 2018, the Township's proportion was 0.043%, which was an increase of 0.002% from its proportion measured as of June 30, 2017.

TOWNSHIP OF LOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 6: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (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 \$790,220 as of June 30, 2018. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. 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, 2018, the State's proportion was 0.043%, which was an increase of 0.002% from its proportion measured as of June 30, 2017 which is the same proportion as the Township's.

Township's Proportionate Share of the Net Pension Liability	\$ 5,817,566
State's Proportionate Share of the Net Pension Liability Associated with the Township	<u>790,220</u>
Total Net Pension Liability	<u><u>\$ 6,607,786</u></u>

For the year ended December 31, 2018, the Township recognized total pension expense of \$348,684.01.

Actuarial Assumptions

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

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

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

TOWNSHIP OF LOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 6: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

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

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, 2018) 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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Management Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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%

TOWNSHIP OF LOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 6: Pension Plans (Cont'd)

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

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. 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 3.87% as of June 30, 2018 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 50% 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 June 30, 2062. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through June 30, 2062, 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, 2018 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, 2018		
	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)

Township's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Township	\$ 8,843,702	\$ 6,607,786	\$ 4,763,563
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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, 2018
(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, 2018. 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

	2018	2017	2016
<u>Tax Rate</u>	\$ 2.947	\$ 2.952	\$ 2.883
<u>Apportionment of Tax Rate:</u>			
County	0.651	0.672	0.652
County Library	0.052	0.053	0.052
Open Space - County	0.031	0.041	0.039
Open Space - Municipal	0.029	0.029	0.029
Local District School	1.622	1.615	1.588
Municipal	0.562	0.542	0.523
<u>Assessed Valuations:</u>			
2018	\$ 881,355,422.00		
2017		\$ 870,004,044.00	
2016			\$ 867,030,961.00

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>
2018	\$ 26,923,659.85	\$ 25,732,763.80	95.58%
2017	26,014,700.00	24,992,438.53	96.07%
2016	25,089,792.70	24,260,765.65	96.69%

TOWNSHIP OF LOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
 (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, 2018

(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, 2018
(Continued)

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

As of December 31, 2018, 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>Total</u>
Current	\$ 700.00	\$ 3,134,273.26	\$ 3,134,973.26
Federal and State Grant		31,670.79	31,670.79
Animal Control		14,292.55	14,292.55
Unemployment			
Compensation Insurance		8,925.52	8,925.52
Other Trust		2,447,691.02	2,447,691.02
General Capital		152,053.38	152,053.38
Sewer Utility Operating	50.00	948,766.15	948,816.15
Sewer Utility Capital		840,917.96	840,917.96
Sewer Utility Assessment		40.89	40.89
	<u>\$ 750.00</u>	<u>\$ 7,578,631.52</u>	<u>\$ 7,579,381.52</u>

During the year ended December 31, 2018, the Township did not hold any investments during the year. The carrying amount of the Township's cash and cash equivalents at December 31, 2018, was \$7,579,381.52 and the bank balance was \$8,361,966.63.

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 the New Jersey State Health Benefits Program.

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, 2018
(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, 2018 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, 2017 is as follows:

Total Assets	\$ 48,640,942
Net Position	<u>\$ 13,386,585</u>
Total Revenue	<u>\$ 28,241,347</u>
Total Expenses	<u>\$ 23,341,898</u>
Change in Net Position	<u>\$ 4,899,449</u>
Members Dividends	<u>\$ 560,525</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
2018	\$ 4,316.41	\$ 4,014.94	\$ 42.60		\$ 9,898.01
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

TOWNSHIP OF LOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 11: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 50.61	\$ 171,600.00
Other Trust Fund	171,600.00	50.61
Sewer Utility Operating Fund		40.89
Sewer Assessment Trust Fund	40.89	
	<u>\$ 171,691.50</u>	<u>\$ 171,691.50</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.

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.

TOWNSHIP OF LOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

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, 2018 is \$45,178.15 and at December 31, 2017 was \$27,377.79.

Note 15: Fixed Assets

	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018
Land	\$ 3,260,700			\$ 3,260,700
Buildings	1,145,900			1,145,900
Machinery and Equipment	4,489,735	\$ 34,078		4,523,813
	\$ 8,896,335	\$ 34,078	\$ -0-	\$ 8,930,413
	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
	\$ 8,802,035	\$ 94,300	\$ -0-	\$ 8,896,335

Note 16: Postemployment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost sharing multiple employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

TOWNSHIP OF LOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
 (Continued)

Note 16: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Contributions

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Special Funding Situation

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

TOWNSHIP OF LOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
 (Continued)

Note 16: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Special Funding Situation (Cont'd)

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. For New Jersey local governments who report under the regulatory basis of accounting, the net OPEB liability and related deferred inflows are not recorded in the financial statements and there is only note disclosure of this information. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources, or deferred inflows of resources 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 OPEB liability that is associated with the local participating employer.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2016 through June 30, 2017. Employer and nonemployer allocation percentages were rounded for presentation purposes.

OPEB Expense

The total OPEB liability as of June 30, 2018 was not available from the State of New Jersey Division of Pensions and Benefits as of the date of this report. The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017.

The State's proportionate share of the net OPEB liability attributable to the Township at June 30, 2017 was \$5,623,063. At June 30, 2017, the State's proportion related to the Township was .064667%. This is the percentage of the total State Share of the net OPEB liability of the Plan.

Additionally, during the year ended June 30, 2017, the State of New Jersey's OPEB expense related to the Township was \$402,421.

TOWNSHIP OF LOPATCONG
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 16: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases*:	
Through 2026	1.65% - 8.98%
Thereafter	2.65% - 9.98%

* - Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

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

Certain actuarial assumptions used in the June 30, 2016 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 – June 30, 2014, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2017 was 3.58%. The discount rate for June 30, 2016 was 2.85%. This represents the municipal bond rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

TOWNSHIP OF LOPATCONG

SUPPLEMENTARY DATA

TOWNSHIP OF LOPATCONG
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2018

Name	Title	Amount of Bond	Name of Corporate Surety
James Mengucci	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
Kimberley Browne	CFO/Treasurer	1,000,000.00	* Statewide Insurance Fund
Phyllis Coleman	Deputy Municipal Clerk/Deputy Registrar	1,000,000.00	* Statewide Insurance Fund
Rachellyn Mosher	Tax Collector (through 10/25/18)	1,000,000.00	* Statewide Insurance Fund
Rachellyn Mosher	Sewer Rent Collector (through 10/25/18)	1,000,000.00	* Statewide Insurance Fund
Danielle Lattig	Tax Collector (starting 11/26/18)	1,000,000.00	* Statewide Insurance Fund
Danielle Lattig	Sewer Rent Collector (starting 11/26/18)	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
Kristen Glinko	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
2018
CURRENT FUND

TOWNSHIP OF LOPATCONG
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2017	A	\$ 2,225,766.11
Increased by Receipts:		
Current Year Taxes	\$ 25,255,821.64	
Delinquent Taxes	907,336.76	
Tax Title Liens Redeemed	14,263.61	
Prepaid Taxes	216,445.90	
Interest and Costs on Taxes	187,325.70	
Revenue Accounts Receivable	1,975,938.41	
Miscellaneous Revenue Not Anticipated	51,218.22	
Third Party Liens	150,862.94	
Tax Overpayments	1,497.68	
Appropriation Refunds	226,544.12	
Due from State of New Jersey:		
Veterans' and Senior Citizens' Deductions	79,750.00	
Due State of New Jersey - Marriage License Fees	1,335.00	
Due State of New Jersey - Construction Code Fees	15,565.00	
Due to Federal and State Grant Fund:		
Interest Earned	290.14	
Due General Capital Fund:		
Interest Earned	3,985.75	
Due from Other Trust Fund:		
Unemployment Trust Fund	831.32	
Interfund Returned	100.01	
Other Trust Fund	8,186.09	
Escrow Trust	1,251.08	
Due Sewer Operating:		
Interfund Returned	60,821.44	
Due from Payroll Account:		
Interfund Returned	1,333.71	
	1,333.71	
		29,160,704.52
		31,386,470.63
Decreased by Disbursements:		
2018 Appropriation Expenditures	\$ 6,782,102.04	
2017 Appropriation Reserve Expenditures	104,857.84	
Accounts Payable	700.45	
Local School District Taxes	14,243,643.30	
County Taxes	6,542,856.54	
Municipal Open Space Levy	294,841.30	
Third Party Liens Redeemed	106,260.46	
Tax Overpayments Refunded	33,161.41	
Refund of Prior Year Revenue	39,300.53	
Due to State of New Jersey:		
Marriage License Fees	1,375.00	
Construction Code Fees	16,659.00	
Due from Federal and State Grant Fund:		
Interfund Returned	29,020.49	
Due Sewer Utility Operating Fund	57,419.01	
	57,419.01	
		28,252,197.37
Balance December 31, 2018	A	\$ 3,134,273.26

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

	<u>Ref.</u>		
Balance December 31, 2017	A		\$ 41,164.91
Increased by Receipts:			
Grants Receivables		\$ 46,656.68	
Due Current Fund:			
Interfund Returned		29,020.49	
Interest on Investments		290.14	
		<hr/>	75,967.31
			<hr/> 117,132.22
Decreased by:			
Federal and State Grant Expenditures		85,171.29	
Due Current Fund:			
Interest on Investments		290.14	
		<hr/>	85,461.43
Balance December 31, 2018	A		<u><u>\$ 31,670.79</u></u>

TOWNSHIP OF LOPATCONG
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

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

Year	Balance		Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2018
	Dec. 31, 2017	2018 Levy	2017	2018				
2016	\$ 3,498.45							\$ 3,498.45
2017	955,609.82			\$ 907,336.76				48,273.06
	959,108.27			907,336.76				51,771.51
2018		\$ 26,923,659.85	\$ 396,192.16	25,255,821.64	\$ 80,750.00	\$ 39,170.73	\$ 9,780.40	1,141,944.92
		\$ 26,923,659.85	\$ 396,192.16	\$ 26,163,158.40	\$ 80,750.00	\$ 39,170.73	\$ 9,780.40	\$ 1,193,716.43

Ref. A

A

Analysis of 2018 Property Tax Levy

General Purpose Tax	\$ 26,001,512.72
Added Taxes (54:4-63.1 et seq.)	922,147.13
	<u>\$ 26,923,659.85</u>
Tax Levy:	
Local School District Taxes	
County Taxes:	\$ 14,309,122.00
County Taxes	5,740,041.61
Library Tax	458,315.98
Open Space Tax	265,520.23
Due County for Added and Omitted	233,032.85
Local Tax for Open Space - Due Other Trust Funds	6,696,910.67
	<u>273,800.36</u>
	<u>21,279,833.03</u>
Local Tax for Municipal Purposes Only	4,958,842.15
Add: Additional Tax Levied	684,984.67
	<u>5,643,826.82</u>
	<u>\$ 26,923,659.85</u>

TOWNSHIP OF LOPATCONG
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2017	A	\$ 82,018.31
Increased by:		
Transferred From Taxes Receivable - 2018		<u>9,780.40</u>
		91,798.71
Decreased by:		
Tax Title Liens Redeemed		<u>14,263.61</u>
Balance December 31, 2018	A	<u><u>\$ 77,535.10</u></u>

TOWNSHIP OF LOPATCONG
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Accrued</u> <u>in 2018</u>	<u>Collected by</u> <u>Treasurer</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
Clerk:				
ABC Licenses		\$ 11,825.00	\$ 11,825.00	
Municipal Court:				
Fines and Costs	\$ 4,001.00	62,106.82	62,023.12	\$ 4,084.70
Fees and Permits		74,573.14	74,573.14	
Interest on Investments and Deposits		12,697.35	12,697.35	
Anticipated Utility Operating Surplus		125,000.00	125,000.00	
Parks and Playgrounds Fees		7,845.00	7,845.00	
Swimming Pool User Fees		131,086.65	131,086.65	
Interlocal Agreement - Phillipsburg Board of Education		140,632.38	140,632.38	
Energy Receipts Taxes		948,271.00	948,271.00	
Uniform Construction Code Fees		187,847.00	187,847.00	
Sale of SRECS		11,142.00	11,142.00	
Uniform Fire Safety Act		41,580.38	41,580.38	
Payment in Lieu of Taxes		50,122.20	50,122.20	
Cable TV Franchise Fee		38,300.00	38,300.00	
Utility Operating Surplus Prior Year		50,000.00	50,000.00	
Reserve to Pay Debt Service		82,993.19	82,993.19	
	<u>\$ 4,001.00</u>	<u>\$ 1,976,022.11</u>	<u>\$ 1,975,938.41</u>	<u>\$ 4,084.70</u>
<u>Ref.</u>	A			A

TOWNSHIP OF LOPATCONG
CURRENT FUND
SCHEDULE OF 2017 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2018

	Balance Dec. 31, 2017	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Administrative and Executive:				
Other Expenses:				
Postage	\$ 3,210.70	\$ 3,210.70		\$ 3,210.70
Computer Service	28,939.31	28,939.31	\$ 1,338.75	27,600.56
Code Book Update	2,249.00	2,249.00		2,249.00
Human Resource Education:				
Administration Other Expense	31,831.49	31,831.49	10,050.00	21,781.49
Mayor and Council:				
Other Expenses	1,245.00	1,245.00		1,245.00
Administrator (Municipal Clerk):				
Salaries and Wages	1,206.29	1,206.29		1,206.29
Other Expenses	5,196.17	5,196.17	290.32	4,905.85
Financial Administration (Treasury):				
Salaries and Wages	4,241.46	4,241.46		4,241.46
Other Expenses	11,053.16	9,953.16	3,913.83	6,039.33
Audit Services	4,300.00	4,300.00	4,300.00	
Assessment of Taxes:				
Other Expenses	12,478.46	12,478.46	672.28	11,806.18
Revenue Administration (Tax Collection):				
Salaries and Wages	44.50	44.50		44.50
Other Expenses	2,695.70	2,695.70	944.99	1,750.71
Legal Services:				
Other Expenses	79,920.63	79,920.63	4,252.33	75,668.30
Engineering Services and Costs:				
Other Expenses	26,357.50	26,357.50	2,300.75	24,056.75
Public Buildings and Grounds:				
Salaries and Wages	445.21	445.21		445.21
Other Expenses	15,166.20	15,166.20	1,954.55	13,211.65
Planning Board:				
Salaries and Wages	0.01	0.01		0.01
Other Expenses	12,470.61	12,470.61	1,080.00	11,390.61
Board of Adjustment:				
Salaries and Wages	1.51	1.51		1.51
Other Expenses	1,217.48	1,217.48	273.01	944.47
Building Sub Code Official:				
Salaries and Wages	6,986.89	6,986.89		6,986.89
Other Expenses	3,872.31	3,872.31	900.00	2,972.31
Rent Board:				
Salaries and Wages	1.01	1.01		1.01
Other Expenses	6,349.96	6,349.96		6,349.96

TOWNSHIP OF LOPATCONG
CURRENT FUND
SCHEDULE OF 2017 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2018

	Balance Dec. 31, 2017	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Shade Tree Commission:				
Other Expenses	\$ 405.00	\$ 405.00		\$ 405.00
Fire:				
Fire Companies	5,037.50	6,137.50	\$ 6,054.68	82.82
Police:				
Salaries and Wages	1,102.40	1,102.40		1,102.40
Other Expenses	16,210.85	16,210.85	15,200.05	1,010.80
Prosecutor:				
Salaries and Wages	396.00	396.00		396.00
First Aid Organization:				
Other Expenses	2,697.74	2,697.74	2,604.55	93.19
Fire Inspector:				
Salaries and Wages	6,228.96	6,228.96		6,228.96
Other Expenses	833.95	833.95		833.95
Zoning Officer:				
Salaries and Wages	19.15	19.15		19.15
Other Expenses	1,562.04	1,562.04		1,562.04
Emergency Management Services:				
Salaries and Wages	50.95	50.95		50.95
Other Expenses	385.01	385.01		385.01
Road Repairs and Maintenance:				
Salaries and Wages	12,946.52	12,946.52		12,946.52
Other Expenses	46,826.69	46,826.69	26,533.60	20,293.09
Other Expenses - Salt and Grit	6,815.97	6,815.97	6,815.97	
Animal Control Fund:				
Salaries and Wages	458.63	458.63		458.63
Other Expenses	350.00	350.00		350.00
Environmental Board:				
Other Expenses	478.99	478.99		478.99
Parks and Playgrounds:				
Other Expenses	14,431.17	14,431.17		14,431.17
Swimming Pool:				
Salaries and Wages	13,991.55	13,991.55		13,991.55
Other Expenses	22,689.76	22,689.76	12,297.80	10,391.96
Electricity	2,541.81	2,541.81	4.17	2,537.64
Street Lighting	18,000.00	18,000.00		18,000.00
Telephone	3,168.04	3,168.04	59.95	3,108.09
Natural Gas	3,660.24	3,660.24		3,660.24
Gasoline	866.64	866.64		866.64
Fire Hydrant Service	3,936.60	3,936.60		3,936.60
Water	716.35	716.35	135.43	580.92
Cable	300.00	300.00		300.00
Contingent	0.01	0.01		0.01
Statutory Expenditures:				
Social Security System (O.A.S.I.)	7,127.83	7,127.83		7,127.83
Unemployment Compensation	2,389.18	2,389.18	2,389.18	

TOWNSHIP OF LOPATCONG
CURRENT FUND
SCHEDULE OF 2017 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2018

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Balance</u> <u>After Modi-</u> <u>fication</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Statutory Expenditures:				
Police and Firemen's' Retirement System	\$ 0.60	\$ 0.60		\$ 0.60
Municipal Court:				
Salaries and Wages	341.45	341.45		341.45
Other Expenses	2,739.40	2,739.40	\$ 200.57	2,538.83
Insurance:				
Health Benefit Waiver	40,668.10	40,668.10	291.08	40,377.02
Eye Care Reimbursement	1,666.66	1,666.66		1,666.66
Public Building Upgrade and Equipment	490.00	490.00		490.00
	<u>\$ 504,012.30</u>	<u>\$ 504,012.30</u>	<u>\$ 104,857.84</u>	<u>\$ 399,154.46</u>

Analysis of Balance at December 31, 2017:

	<u>Ref.</u>	
Unencumbered	A	\$ 433,496.57
Encumbered	A	<u>70,515.73</u>
		<u>\$ 504,012.30</u>

TOWNSHIP OF LOPATCONG
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE

	<u>Ref.</u>	
Balance December 31, 2017		
Deferred School Tax		\$ 6,693,426.00
		6,693,426.00
Increased by:		
Levy - School Year July 1, 2018 through June 30, 2019		14,309,122.00
		21,002,548.00
Decreased by:		
Payments to Local School District		14,243,643.30
		\$ 6,758,904.70
Balance December 31, 2018		
Local School District Tax Payable	A	65,478.70
Local School District Tax Deferred		6,693,426.00
		\$ 6,758,904.70
 <u>Analysis of Decrease - Deferred School Tax:</u>		
Balance December 31, 2018		6,693,426.00
Balance December 31, 2017		6,693,426.00
Net Decrease Debited to Operations		\$ -0-

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

	Balance Dec. 31, 2017	Budget Revenue Realized	Cash Received	Transfer From Unappropriated Reserves	Cancelled	Balance Dec. 31, 2018
Recycling Tonnage Grant		\$ 17,095.52		\$ 3,095.52		\$ 14,000.00
Click it or Ticket		5,500.00	\$ 5,282.56		\$ 217.44	
Clean Communities Grant		38,593.77	18,874.12	19,719.65		
Body Armor Grant		1,785.52		1,785.52		
Safe and Secure Communities Program	\$ 22,500.00	30,000.00	22,500.00			30,000.00
Drunk Driving Enforcement Fund		8,046.33		8,046.33		
Green Communities Grant		3,000.00		3,000.00		
Regional Master Plan Highlands Grant		9,840.00				9,840.00
	<u>\$ 22,500.00</u>	<u>\$ 113,861.14</u>	<u>\$ 46,656.68</u>	<u>\$ 35,647.02</u>	<u>\$ 217.44</u>	<u>\$ 53,840.00</u>

Ref.

A

A

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

	Balance Dec. 31, 2017	Transferred from 2018 Budget	Cash Disbursed	Unexpended Balance Cancelled	Encumbered	Balance Dec. 31, 2018
Recycling Tonnage Grant:						
2014	\$ 11,993.81		\$ 11,993.81			
2016	15,442.07		11,589.49			\$ 3,852.58
2018		\$ 17,095.92				17,095.92
Clean Communities Program:						
2013	8,215.60		8,215.60			
2014	2,251.71		2,251.71			
2015	5,129.55		3,447.64			1,681.91
2017	5,851.03		5,851.03			
2018		38,593.77	17,741.62			20,852.15
Safe & Secure Communities Program		30,000.00				30,000.00
Click it or Ticket		5,500.00	5,282.56	\$ 217.44		
Donations for Police Department	400.00		400.00			
Donations for Police Equipment	336.35		336.35			
Drunk Driving Enforcement Fund	6,062.36	8,046.33	7,081.48			7,027.21
Green Communities Grant		3,000.00	3,000.00			
Body Armor Grant		1,785.52			\$ 961.70	823.82
Regional Master Plan Highlands Grant		9,840.00	7,980.00			1,860.00
	\$ 55,682.48	\$ 113,861.54	\$ 85,171.29	\$ 217.44	\$ 961.70	\$ 83,193.59

Ref.

A

A

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

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Transfer to</u> <u>2018 Budget</u> <u>Revenue</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
Clean Communities Grant	\$ 19,719.65	\$ 19,719.65	
Body Armor Grant	1,785.52	1,785.52	
Recycling Tonnage Grant	3,095.92	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>\$ 37,002.92</u>	<u>\$ 35,647.42</u>	<u>\$ 1,355.50</u>

Ref. A

A

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2018
TRUST FUNDS

TOWNSHIP OF LOPATCONG
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

Ref.	Animal Control Fund	Unemployment Trust Fund	Other Trust Funds
Balance December 31, 2017	\$ 10,093.91	\$ 1,382.89	\$ 1,647,264.00
Increased by Receipts:			
Municipal Licensing Fees	\$ 8,840.24		
Due to State Board of Health	1,870.20		
Prepaid Licenses	2,238.76		
Interest on Investments	102.25		
Miscellaneous	6.69		
Storm Recovery Reserve			\$ 161.97
Interest Due Current Fund:			
Interest on Investments			8,236.70
Subdivision Escrow:			
Receipts			655,001.82
Interest on Investments			23,703.28
Interest Due to Current Fund			1,251.08
Public Defender			600.00
Unemployment Trust:			
Township Contributions		\$ 4,359.01	
Employee Contributions		4,014.94	
COAH Trust:			
Receipts			346,315.90
Recreation Trust:			
Receipts			17,904.00
Tax Sale Premiums			500.00
Outside Employment of Police Officers:			
Other Receipts			213,227.08
Open Space Trust:			
Interfund Returned			38,841.30
Parking Offenses Adjudication Act			8.00
Donations for Police Equipment			2,553.27
Community Hope:			
Interest Earned			1,167.28
Affordable Housing Special:			
Receipts			31.41
Affordable Housing Master:			
Receipts			35.44
	13,058.14	8,373.95	1,309,538.53
	23,152.05	9,756.84	2,956,802.53

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	\$ 7,349.90		
Due to State Board of Health	1,509.60		
Subdivision Escrow Trust Fund:			
Disbursements			\$ 262,629.92
Interest Due To Current Fund			1,251.08
Affordable Housing Special:			
Disbursements			3,611.69
Recreation Trust			4,220.45
Unemployment Compensation Insurance		\$ 831.32	
COAH Trust:			
Disbursements			5,479.74
Donations for Police Equipment			2,430.92
Outside Employment of Police Officers			78,563.52
Tax Sale Premiums - Returned			27,300.00
Road Openings			150.00
Storm Recovery			12,828.88
Due Current Fund:			100.01
Interfunds Returned			
Open Space Trust			
Interest on Investments			8,186.09
Due Payroll Fund:			
Recreation/Outside Employment of Police	\$ 8,859.50		102,359.21
		\$ 831.32	
Balance December 31, 2018	\$ 14,292.55	\$ 8,925.52	\$ 509,111.51
		\$ 8,925.52	\$ 2,447,691.02

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

	<u>Ref.</u>	
Balance December 31, 2017	B	\$ 10,093.91
Increased by:		
2018 Animal Control License Fees Collected		\$ 8,840.24
Interest Earned		102.25
Miscellaneous		6.69
		8,949.18
		19,043.09
Decreased by:		
Expenditures under R.S.4:19-15.11:		
Cash Disbursements		7,349.90
Encumbrances Payable		329.12
		7,679.02
Balance December 31, 2018	B	\$ 11,364.07

License Fees Collected

<u>Year</u>	<u>Amount</u>
2016	\$ 9,025.00
2017	10,708.00
	19,733.00
Maximum Allowable Reserve	\$ 19,733.00

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2018
GENERAL CAPITAL FUND

TOWNSHIP OF LOPATCONG
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 284,805.83
Increased by Receipts:		
Bond Anticipation Note Issued		\$ 3,374,504.00
Bond Anticipation Note Premium		22,525.00
New Jersey Department of Transportation Grant		100,000.00
Due Current Fund:		
Interest Earned		3,985.75
Capital Improvement Fund		25,000.00
Budget Appropriation:		
Payment of Bond Anticipation Notes		275,000.00
Reserve to Pay Debt Service		201,000.00
		4,002,014.75
		4,286,820.58
Decreased by Disbursements:		
Bond Anticipation Note Matured		2,259,504.00
Improvement Authorization Expenditures		1,788,284.26
Due Current Fund:		
Interest Earned		3,985.75
Reserve to Pay Debt Service		82,993.19
		4,134,767.20
Balance December 31, 2018	C	\$ 152,053.38

TOWNSHIP OF LOPATCONG
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2017	Receipts			Disbursements			Balance/ (Deficit) Dec. 31, 2018
		Bond Anticipation Notes	Miscellaneous	Improvement Authorizations	Bond Anticipation Notes	Miscellaneous	Transfers From To	
Fund Balance	\$ 16,694.00		\$ 22,525.00					\$ 39,219.00
Capital Improvement Fund	77,285.12							35,185.12
Due Current Fund	(138,175.00)		303,985.75					(138,175.00)
New Jersey Department of Transportation Grant Receivable	(75,000.00)		75,000.00					(380,000.00)
New Jersey Department of Transportation Grant Receivable 16-02	(25,000.00)		25,000.00					(180,000.00)
New Jersey Department of Transportation Grant Receivable 16-05	(380,000.00)							(380,000.00)
New Jersey Department of Transportation Grant Receivable 17-06								(180,000.00)
New Jersey Department of Transportation Grant Receivable 18-11								
Reserve for:								
Encumbrances	566,492.50							235,321.32
To Pay Debt Service	82,993.19							100,000.00
For Grant Receivable	100,000.00		201,000.00					301,000.00
South Third Street Improvements	70,000.00							70,000.00
Ordinance								
Number								
2010-01	Improvement Description							
2014-04	Installation of Solar Panels and Equipment	\$ 855,424.00			\$ 890,424.00			35,000.00
	Payment of Amounts Owning to Others	217,000.00			434,000.00			217,000.00
	for Taxes Levied	359,500.00			382,500.00			23,000.00
2014-11	Acquisition of Fire Truck							
2016-02	Intersection Improvements at Belvidere Road							
	and Roseberry Street	76,732.77			349,360.00			53,738.91
2016-05	South Second Street Improvement Project	39,628.40			203,220.00			58,632.15
2016-16	Purchase of Two Police Vehicles	1,296.69			63,713.75			1,296.69
2017-06	Various Capital Improvements	(128,141.84)			548,495.21			457,137.95
2018-03	Payment of Amounts Owning to Others							
	for Taxes Levied				731,961.64			8,038.36
2018-09	Various Capital Improvements				87,417.43			(305,900.00)
2018-11	Various Road Improvements				333,702.37			(103,441.12)
		\$ 284,805.83	\$ 627,510.75	\$ 1,788,284.26	\$ 2,259,504.00	\$ 86,978.94	\$ 1,448,913.82	\$ 152,053.38

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

Ord. Date	Improvement Description	Balance Dec. 31, 2017	2018 Authorizations	Paid by Budget Appropriation	Balance Dec. 31, 2018	Bond Anticipation Notes	Analysis of Balance Dec. 31, 2018	
							Expenditures	Unexpended Improvement Authorizations
03/03/10	Installation of Solar Panels and Related Equipment	\$ 890,424.00		\$ 35,000.00	\$ 855,424.00	\$ 855,424.00		
06/11/14	Payment of Amounts Owing to Others for Taxes Levied	434,000.00		217,000.00	217,000.00	217,000.00		
11/19/14	Acquisition of Fire Truck	382,500.00		23,000.00	359,500.00	359,500.00		
03/21/16	Intersection Improvements at Belvidere Road and Roseberry Street	349,360.00			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	650,000.00		
06/28/18	Payments of Amounts Owing to Others for Taxes Levied		\$ 740,000.00		740,000.00	740,000.00		
10/04/18	Various Capital Improvements		305,900.00		305,900.00		\$ 305,900.00	
08/23/18	Various Road Improvements		969,000.00		969,000.00		103,441.12	\$ 865,558.88
		\$2,909,504.00	\$ 2,014,900.00	\$ 275,000.00	\$ 4,649,404.00	\$ 3,374,504.00	\$ 409,341.12	\$ 865,558.88

C	
C	Improvement Authorizations - Unfunded
C	Less: Unexpended Proceeds of Bond Anticipation Notes Issued:
	Ordinance Dated 3/21/16 \$ 53,738.91
	Ordinance Dated 4/6/16 58,632.15
	Ordinance Dated 9/6/17 457,137.95
	Ordinance Dated 6/28/18 8,038.36
	<u>577,547.37</u>
	<u>\$ 865,558.88</u>

TOWNSHIP OF LOPATCONG
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 77,285.12
Increased By:		
Budget Appropriation		25,000.00
		<u>102,285.12</u>
Decreased By:		
Appropriation to Finance		
Improvement Authorizations		<u>67,100.00</u>
Balance December 31, 2018	C	<u><u>\$ 35,185.12</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, 2018
		Original Issue	Issue	Maturity		Dec. 31, 2017	Dec. 31, 2018		
03/03/10	Installation of Solar Panels and Related Equipment	4/14/2010	4/3/2017 3/29/2018	4/2/2018 3/28/2019	2.25% 2.75%	\$ 890,424.00	\$ 855,424.00	\$ 890,424.00	\$ 855,424.00
06/11/14	Payment of Amounts Owing to Others for Taxes Levied	7/31/2014	4/3/2017 3/29/2018	4/2/2018 3/28/2019	2.25% 2.75%	434,000.00	217,000.00	434,000.00	217,000.00
11/19/14	Acquisition of Fire Truck	12/17/2014	4/3/2017 3/29/2018	4/2/2018 3/28/2019	2.25% 2.75%	382,500.00	359,500.00	382,500.00	359,500.00
03/21/16	Intersection Improvements at Belvidere Road and Roseberry Streets	7/28/2016	4/3/2017 3/29/2018	4/2/2018 3/28/2019	2.25% 2.75%	349,360.00	349,360.00	349,360.00	349,360.00
04/06/16	South Second Street Improvement Project	7/28/2016	4/3/2017 3/29/2018	4/2/2018 3/28/2019	2.25% 2.75%	203,220.00	203,220.00	203,220.00	203,220.00
06/28/18	Payments of Amounts Owing to Others for Taxes Levied	6/27/2018	3/29/2018	3/28/2019	2.75%	740,000.00	740,000.00	740,000.00	740,000.00
10/04/17	Various Capital Improvements	3/19/2018	3/29/2018	3/28/2019	2.75%	650,000.00	650,000.00	650,000.00	650,000.00
						\$ 2,259,504.00	\$ 3,374,504.00	\$ 2,259,504.00	\$ 3,374,504.00

Ref.	C
Paid by Budget Appropriation	
Renewals	\$ 275,000.00
New Issues	1,984,504.00
	1,390,000.00
	\$ 3,374,504.00
	\$ 2,259,504.00
	\$ 3,374,504.00

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, 2017	Matured	Balance December 31, 2018
			Outstanding	December 31, 2018	Amount				
Series 2016 - General Obligation Refunding Bonds	12/28/2016	\$ 4,545,000.00	9/1/2019	\$ 400,000.00	4.000%	\$ 4,495,000.00	\$ 375,000.00	\$ 4,120,000.00	
			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%				
						<u>\$ 4,495,000.00</u>	<u>\$ 375,000.00</u>	<u>\$ 4,120,000.00</u>	

Ref. C C

TOWNSHIP OF LOPATCONG
GENERAL CAPITAL FUND
SCHEDULE OF LOANS PAYABLE
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

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

Ordinance Number	Improvement Description	Balance		2018		Bond	
		December 31, 2017	December 31, 2017	Authorizations	Notes Issued	Anticipation	Balance
							December 31, 2018
2017-06	Various Capital Improvements	\$	650,000.00		\$	650,000.00	
2018-03	Payments of Amounts Owing to Others for Taxes Levied			\$	740,000.00	740,000.00	
2018-09	Various Capital Improvements				305,900.00		\$ 305,900.00
2018-11	Various Road Improvements				969,000.00		969,000.00
		\$	650,000.00	\$	2,014,900.00	\$ 1,390,000.00	\$ 1,274,900.00

TOWNSHIP OF LOPATCONG
COUNTY OF WARREN
2018
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>
Balance December 31, 2017	\$ 823,408.31	\$ 40.89	\$ 908,701.84
<u>Increased by Receipts:</u>			
Consumer Accounts Receivable	\$ 1,803,845.05		
Sewer Hook-up Fees	45,700.00		
Sewer Hook-up Fees - Due Phillipsburg	45,700.00		
USDA Grant			\$ 267,502.00
Due Current Fund	57,419.01		
Due from Sewer Capital Fund Fund:			
Interest Earned	5,287.58		
Due to Sewer Utility Operating Fund:			
Interest Earned		\$ 0.18	5,287.58
Due from Sewer Utility Assessment Fund:			
Interest Earned	0.18		
Miscellaneous Revenue	2,751.62		
Interest on Investments	6,497.82		
	<u>1,967,201.26</u>	<u>0.18</u>	<u>272,789.58</u>
	<u>2,790,609.57</u>	<u>41.07</u>	<u>1,181,491.42</u>
<u>Decreased by Disbursements:</u>			
2018 Appropriation Expenditures	1,555,697.41		
2017 Appropriation Reserves	18,703.25		
Interest on Loans	58,506.70		
Improvement Authorization Expenditures			335,285.88
Refund of Prior Year Revenue	26,683.59		
Due Sewer Utility Operating Fund:			
Interest Earned		0.18	5,287.58
Due Current Fund:			
Interfund Returned	60,821.44		
Anticipated Revenue	50,000.00		
Due to Payroll Fund:			
Prior Year Interfund Returned	71,431.03		
	<u>1,841,843.42</u>	<u>0.18</u>	<u>340,573.46</u>
Balance December 31, 2018	<u>\$ 948,766.15</u>	<u>\$ 40.89</u>	<u>\$ 840,917.96</u>

TOWNSHIP OF LOPATCONG
SEWER UTILITY CAPITAL FUND
ANALYSIS OF SEWER CAPITAL CASH

Date of Ord.	Description	Receipts		Transfers		Balance (Deficit) Dec. 31, 2018
		Miscellaneous	Improvement Authorizations	From	To	
	Fund Balance					
	Due Sewer Utility Operating Fund	\$ 5,287.58				\$ 62,350.69
	Capital Improvement Fund					783,117.22
	Reserve for Encumbrances			\$ 59,274.74	\$ 12,247.72	795,364.94
General Improvements						
03/13/00	Replacement for Baltimore Street Pumping Station					(39,456.30)
12/03/08	Purchase of Street Sweeper			12,247.72		
08/05/09	Improvements to Sanitary Sewerage System	267,502.00	\$ 335,285.88		59,274.74	12,492.63
04/06/16	Sewer Collection Line Realignment					10,166.00
		<u>\$ 272,789.58</u>	<u>\$ 335,285.88</u>	<u>\$ 71,522.46</u>	<u>\$ 71,522.46</u>	<u>\$ 840,917.96</u>

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

	Balance Dec. 31, 2017	Receipts		Disbursements		Transfers		Balance Dec. 31, 2018
		Miscellaneous		Miscellaneous		From	To	
Fund Balance	\$ 40.89							
Due from Sewer Utility Operating Fund		\$ 0.18		\$ 0.18		\$ 40.89		\$ 40.89
	\$ 40.89	\$ 0.18		\$ 0.18		\$ 40.89		\$ 40.89

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

	<u>Ref.</u>	
Balance December 31, 2017	E	\$ 387,704.62
Increased by:		
Sewer Rents Levied		1,805,373.10
		<u>2,193,077.72</u>
Decreased by:		
Sewer Collections		1,803,845.05
		<u>1,803,845.05</u>
Balance December 31, 2018	E	<u>\$ 389,232.67</u>

E-6A

TOWNSHIP OF LOPATCONG
SEWER UTILITY OPERATING FUND
SCHEDULE OF SEWER LIENS RECEIVABLE
YEAR ENDED DECEMBER 31, 2018

	<u>Ref.</u>	
Balance December 31, 2017	E	\$ 2,970.86
Decreased by:		
Cancelled by Collector		2,970.86
		<u>2,970.86</u>

TOWNSHIP OF LOPATCONG
SEWER UTILITY OPERATING FUND
SCHEDULE OF HOOK-UP FEES RECEIVABLE

Balance December 31, 2017	<u>Ref.</u> E		\$ 69,716.86
Increased by:			
Hook up Fees Levied			91,400.00
			<u>161,116.86</u>
Decreased by:			
Collections		\$ 45,700.00	
Collections - Due Phillipsburg		45,700.00	
Cancellations		<u>34,340.86</u>	
			<u>125,740.86</u>
Balance December 31, 2018	E		<u><u>\$ 35,376.00</u></u>

TOWNSHIP OF LOPATCONG
SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
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

Improvement Description	Ord. Date	Ordinance Amount	Balance Dec. 31, 2017	Improvement Authorizations Cancelled	Balance Dec. 31, 2018
Purchase of Street Sweeper	12/29/08	\$ 165,000.00	\$ 165,000.00	\$ 12,247.72	\$ 152,752.28
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>\$ 12,247.72</u>	<u>\$ 3,632,752.28</u>

Ref.

E

E

TOWNSHIP OF LOPATCONG
SEWER UTILITY OPERATING FUND
SCHEDULE OF 2017 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2018

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Salaries and Wages	\$ 77.53	\$ 77.53		\$ 77.53
Other Expenses	181,718.21	181,718.21	\$ 18,703.25	163,014.96
Deferred Charges and Statutory Expenditures:				
Statutory Expenditures:				
Contribution to:				
Social Security System	205.44	205.44		205.44
Unemployment Compensation Insurance	200.00	200.00		200.00
	<u>\$ 182,201.18</u>	<u>\$ 182,201.18</u>	<u>\$ 18,703.25</u>	<u>\$ 163,497.93</u>

Ref.

Analysis of Balance December 31, 2017

	<u>Ref.</u>	
Unencumbered	E	\$ 171,024.19
Encumbered	E	11,176.99
		<u>\$ 182,201.18</u>

TOWNSHIP OF LOPATCONG
SEWER UTILITY FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2017	E	\$ 783,117.22
Increased by:		
Improvement Authorizations Cancelled		<u>12,247.72</u>
Balance December 31, 2018	E	<u><u>\$ 795,364.94</u></u>

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

Ord. No.	Improvement Description	Date of Ordinance	Balance		Improvement Authorizations Cancelled	Additions	Balance Dec. 31, 2018
			Dec. 31, 2017				
2008-23	Purchase of Street Sweeper	12/29/2008	\$ 165,000.00		\$ 12,247.72		\$ 152,752.28
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			\$ 297,963.33	895,382.83
			<u>\$ 1,014,919.50</u>		<u>\$ 12,247.72</u>	<u>\$ 297,963.33</u>	<u>\$ 1,300,635.11</u>
		<u>Ref.</u>		<u>E</u>			<u>E</u>
		Paydown of USDA Loan				\$ 30,461.33	
		USDA Grant Received				<u>267,502.00</u>	
						<u>\$ 297,963.33</u>	

TOWNSHIP OF LOPATCONG
SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

TOWNSHIP OF LOPATCONG
SEWER UTILITY FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

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

Ord. No.	Improvement Description	Balance Dec. 31, 2017	Matured	Balance Dec. 31, 2018	
2009-11	Improvements to Sanitary Sewerage System	\$ 2,135,078.50	\$ 30,461.33	\$ 2,104,617.17	
	<u>Payment Number</u>	<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance of Loan</u>
					\$ 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>\$ 2,104,617.17</u>	<u>\$ 1,320,069.55</u>	

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

Ord. Date	Improvement Description	Balance Dec. 31, 2017	Funded by USDA Grants	Balance Dec. 31, 2018
03/13/00	Replacement of Baltimore Street Pumping Station	\$ 39,456.30		\$ 39,456.30
08/05/09	Improvements to the Sanitary Sewer System	455,002.00	\$ 267,502.00	187,500.00
		\$ 494,458.30	\$ 267,502.00	\$ 226,956.30

TOWNSHIP OF LOPATCONG

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2018

TOWNSHIP OF LOPATCONG
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2018

Name of Federal Agency or Department Pass Through Department/Cluster Title	Name of Program	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)	Click it or Ticket Grant	20.600	100-066-1160-119-31750	\$ 5,282.56	1/1/2018	12/31/2018	\$ 5,282.56	\$ 5,282.56	\$ 5,282.56	
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	
	Local Aid Infrastructure Fund: Intersection and Improvements to South Second Street	20.205	480-078-6320-ALS-609165	100,000.00	1/1/2016	12/31/2016	25,000.00		100,000.00	
	Local Aid Infrastructure Fund: Intersection and Improvements to Baltimore Street	20.205	N/A	180,000.00	1/1/2018	12/31/2018		\$ 180,000.00	180,000.00	
Total U.S. Department of Transportation	Highway Planning and Construction Cluster							\$ 180,000.00	180,000.00	
U.S. Department of Agriculture (Passed Through New Jersey Department of Health and Senior Services)	USDA - Water and Waste Disposal Grant	10.770	N/A	850,000.00	1/1/2009	12/31/2017	267,502.00		850,000.00	
Total USDA							267,502.00		850,000.00	
Total Federal Awards							\$ 372,784.56	\$ 185,282.56	\$ 1,435,282.56	\$

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

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

TOWNSHIP OF LOPATCONG
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 YEAR ENDED DECEMBER 31, 2018

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-	\$ 17,550.49	1/1/2013	12/31/2018		\$ 8,215.60	\$ 17,550.49
		004-V42Y-6020	16,547.57	1/1/2014	12/31/2018		2,251.71	16,547.57
			23,211.53	1/1/2016	12/31/2019		3,447.64	21,529.62
			19,719.65	1/1/2017	12/31/2018		5,851.03	19,719.65
		1/1/2018	12/31/2019	\$ 18,874.12	17,741.62	17,741.62		
		1/1/2018	12/31/2019	18,874.12	37,507.60	93,088.95		
	Green Communities Grant	100-042-4870-038-110230	3,000.00	1/1/2017	12/31/2018		3,000.00	3,000.00
	Recycling Tonnage Grant	765-042-4900-004-178840	12,993.81	1/1/2014	12/31/2018		11,993.81	12,993.81
			15,442.07	1/1/2016	12/31/2019		11,589.49	11,589.49
							23,583.30	24,583.30
Total Department of Environmental Protection						18,874.12	64,090.90	120,672.25
New Jersey Highlands Council	Regional Master Plan Grant	N/A	9,840.00	1/1/2017	12/31/2018		7,980.00	7,980.00
Department of Law and Public Safety	Safe and Secure Communities Grant	100-066-1020-	30,000.00	1/1/2017	12/31/2017	22,500.00		
		232-YC-JS-6120						
	Drunk Driving Enforcement Fund	100-078-6400-260-YYYY	8,046.33	1/1/2016	12/31/2018		6,062.36	8,046.33
			8,046.33	1/1/2017	12/31/2019		1,019.12	1,019.12
							7,081.48	9,065.45
Total Department of Law and Public Safety						22,500.00	7,081.48	9,065.45
Total State Awards						\$ 41,374.12	\$ 79,152.38	\$ 137,717.70

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, 2018

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, 2018. 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 not 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, 2018:

Sewer Utility Fund:	
USDA Loan	<u>\$2,104,617.17</u>

The projects which relate to the loans are complete and there were no current year expenditures. There was a current year receipt of \$267,502.00.



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 200 Valley Road, Suite 300
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 973-298-8500 | 973-298-8501 Fax

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 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, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 2, 2019. 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

The Honorable Mayor and Members
of the Township Committee
Page 2

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 Response to the Finding


The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
June 2, 2019

NISIVOCCIA LLP
NISIVOCCIA 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, 2018

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, 2018.
- A significant deficiency disclosed during the audit of the financial statements is reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Township which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Township was not subject to the single audit provisions of the Uniform Guidance and New Jersey OMB's Circular 15-08 for the year ended December 31, 2018 as both the state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

TOWNSHIP OF LOPATCONG
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

Status of Prior Year Findings:

The prior year audit finding concerning the Tax Collector was corrected in the current year and is not included in the current year's report. The prior year audit finding concerning fixed assets has not been corrected and is included in the current year's report

TOWNSHIP OF LOPATCONG

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

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, 2018, 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, 2018 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>
2018	10
2017	12
2016	5

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>
Payment of 2018 and 2019 Taxes	20
Delinquent Taxes	10
Payment of 2018 Sewer Rents	10
Delinquent Sewer Rents	10

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, 2018. 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 accounting requirements 1 and 3; however, fixed assets accounting records are not adequately maintained. It was noted during our audit that fixed assets were not tagged. It is recommended that the Township have an appraisal conducted and inventory tags be placed on all fixed assets.

Management's Response:

The Township will look into having an appraisal conducted and inventory tags be placed on all fixed assets.

Accounting Records

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.

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, 2018:

TOWNSHIP OF LOPATCONG
COMMENTS AND RECOMMENDATIONS
(Continued)

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Agency</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Cash</u> <u>Received</u>	<u>Cash</u> <u>Disbursed</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
State of New Jersey				
Fines & Costs	\$ 2,109.00	\$ 49,267.55	\$ 48,397.75	\$ 2,978.80
Weights and Measures		1,350.00	1,350.00	
County Treasurer:				
Fines & Costs	2,039.00	29,363.50	29,491.00	1,911.50
Municipal Treasurer:				
Lopatcong	4,001.00	62,106.82	62,023.12	4,084.70
Municipality - POAA (FTA)	4.00	4.00	8.00	
Conditional Discharge		715.00	679.00	36.00
Conditional Dismissal		300.00	300.00	
Public Defender		600.00	600.00	
Fish and Game		350.00	350.00	
Restitution		137.00	137.00	
Bail	100.00	12,240.00	11,240.00	1,100.00
	<u>\$ 8,253.00</u>	<u>\$ 156,433.87</u>	<u>\$ 154,575.87</u>	<u>\$ 10,111.00</u>

Corrective Action Plan

1. The Township has initiated a corrective action plan to resolve comments and recommendations from the 2017 audit report. The prior year's recommendations pertaining to proper posting of tax and sewer rent revenues, posting of collection of revenues by the Tax/Utility Collector being made in a timely manner, the Tax/Utility Collector identifying all bank reconciling items on a monthly basis as well as any erroneous items in order to allow for the CFO to appropriately reconcile all accounts, all tax revenue and sewer rents being posted when collected, an accurate record of tax and sewer liens being maintained and updated on a regular basis, and having an analysis of balance for the payroll agency account were resolved in 2018, while the remaining recommendations are in the 2018 audit.

TOWNSHIP OF LOPATCONG
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. The Township have an appraisal conducted and inventory tags be placed on all fixed assets.
2. The Township take steps in future budgets to appropriately fund the Baltimore Street Pumping Station ordinance.

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