

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

**REPORT OF AUDIT  
DECEMBER 31, 2017**



TOWNSHIP OF HARMONY

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**PART I**

**REPORT ON EXAMINATION OF FINANCIAL STATEMENTS**

**December 31, 2017**

## **AUDITORS' REPORTS**





## **ARDITO & Co., LLP**

1110 Harrison Street, Suite C  
Frenchtown, New Jersey 08825-1192  
908-996-4711 Fax: 908-996-4688  
e-mail: anthony@arditoandcompany.com

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

### INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and  
Members of the Township Committee  
Township of Harmony  
3003 Belvidere Road  
County of Warren, Phillipsburg, New Jersey 08865

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements-regulatory basis, which comprise the comparative balance sheets-regulatory basis of the various funds of the Township of Harmony, County of Warren, State of New Jersey (the "Township"), as of December 31, 2017 and 2016, and the related comparative statements of operations and changes in fund balance-regulatory basis for the years then ended, and the related statement of revenues-regulatory basis, and statement of expenditures-regulatory basis of the various funds, and the related notes to the financial statements for the year ended December 31, 2017, which collectively comprise the Township's basic financial statements listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of

-Continued-

the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 to the financial statements, the Township prepares its financial statements in conformity with regulatory basis accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the Township's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, or the results of its operations and changes in its fund balances for the years then ended.

***Opinion on Regulatory Basis of Accounting***

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

***Other Matters***

***Report on Supplementary Information***

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

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

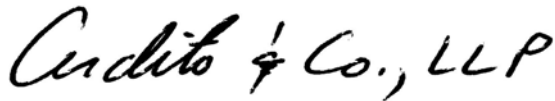
-Continued-

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

***Other Reporting Required by Government Auditing Standards***

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

ARDITO & CO., LLP



Frenchtown, New Jersey  
March 31, 2018



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

## **FINANCIAL STATEMENTS**

CURRENT FUND  
COMPARATIVE BALANCE SHEET

A  
Sheet 1

<b>ASSETS</b>	<u>REF.</u>	<u>BALANCE</u> <u>12/31/17</u>	<u>BALANCE</u> <u>12/31/16</u>
<b>Cash and Cash Equivalents:</b>			
Cash - Treasurer		\$ 3,899,198	\$ 2,221,709
Cash - State Cash Management Fund		154,384	153,083
Cash - Time Savings		<u>2,467,814</u>	<u>2,834,740</u>
Subtotal	A-4	<u>6,521,396</u>	<u>5,209,532</u>
<b>Receivables And Other Assets With Full Reserves:</b>			
Delinquent Property Taxes Receivable	A-6	321,085	569,390
Tax Title Liens Receivable	A-7	317,422	309,666
Property Acquired For Taxes-Assessed Valuation	A-8	507,880	403,080
Amount Due From Dog Fund	B	2	6
Amount Due From General Capital Fund	C	533	747
Revenue Accounts Receivable	A-9	<u>-</u>	<u>-</u>
Subtotal		<u>1,146,922</u>	<u>1,282,889</u>
		<b><u>7,668,318</u></b>	<b><u>6,492,421</u></b>
<b>Federal And State Grant Fund:</b>			
Federal and State Grants Receivable	A-19	263,884	135,042
Amount Due From Current Fund	A	21,438	114,590
Amount Due From General Capital Fund	C	<u>7,208</u>	<u>7,208</u>
		<u>292,530</u>	<u>256,840</u>
<b>TOTAL ASSETS</b>		<b><u>\$ 7,960,848</u></b>	<b><u>\$ 6,749,261</u></b>

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

CURRENT FUND  
COMPARATIVE BALANCE SHEET

A  
Sheet 2

	<u>REF.</u>	<u>BALANCE</u> <u>12/31/17</u>	<u>BALANCE</u> <u>12/31/16</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Appropriation Reserves	A-3:10	\$ 78,502	\$ 201,211
Encumbrances	A-11	1,608	39,134
Accounts Payable	A-12	5,040	5,040
Amount Due To Grants Fund	A	21,438	114,590
Amount Due To Other Trust	B	204,180	238,024
Taxes Collected In Advance	A-13	332,803	55,757
Tax Overpayments	A-14	79,297	76,967
Amount Due To State Of New Jersey For Senior Citizens And Veterans Deductions	A-15	3,396	3,396
Local District School Tax Payable	A-17	2,911,803	2,911,803
Due Other Trust Fund - Municipal Open Space Tax	A-18	239,756	-
Reserve for FEMA Acquisition Reimbursements	A-22	58,510	58,510
Reserve for Sale of Municipal Assets	A-23	600,000	-
Reserve for Tax Appeals	A-24	50,000	-
Subtotal		<u>4,586,333</u>	<u>3,704,432</u>
Reserve For Receivables And Other Assets	A	1,146,922	1,282,889
Fund Balance	A-1	<u>1,935,063</u>	<u>1,505,100</u>
Subtotal		<u><b>7,668,318</b></u>	<u><b>6,492,421</b></u>
<b>Federal And State Grant Fund:</b>			
Amount Due To Other Trust	B	89,283	89,283
Reserve For State Grants	A-20	164,447	115,137
Reserve For State Grants - Unappropriated	A-21	<u>38,800</u>	<u>52,420</u>
Subtotal		<u>292,530</u>	<u>256,840</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<u><b>\$ 7,960,848</b></u>	<u><b>\$ 6,749,261</b></u>

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

CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGE IN FUND BALANCE

A-1

<b>REVENUE AND OTHER INCOME REALIZED</b>	<u>REF.</u>	<u>YEAR</u> <u>2017</u>	<u>YEAR</u> <u>2016</u>
Fund Balance Utilized	A-2	\$ 779,000	\$ 779,000
Miscellaneous Revenue Anticipated	A-2	742,456	578,255
Receipts From Delinquent Taxes	A-2	543,783	424,334
Receipts from Current Taxes	A-2	11,560,939	11,219,958
Non-Budget Revenues	A-2	42,297	44,637
Other Credits To Income:			
Unexpended Balance Of Appropriation Reserves	A-10	159,190	73,814
Refund Prior Year Expenditures	A-4	14,177	13,520
Cancelation of Grants	A-20	-	9,880
Interfunds Returned	A-4	219	-
<b>TOTAL INCOME</b>	<b>1A-4</b>	<b><u>13,842,061</u></b>	<b><u>13,143,398</u></b>
<b>EXPENDITURES</b>			
Budget and Emergency Appropriations:			
Appropriations Within "CAP":			
Operations:			
Salaries and Wages	A-3	390,440	407,519
Other Expenses	A-3	802,685	784,825
Deferred Charges and Statutory Expenditures	A-3	70,898	68,265
Appropriations Excluded from "CAP":			
Operations:			
Other Expenses	A-3	127,372	115,956
Capital Improvements	A-3	175,000	50,000
Municipal Debt Service	A-3	499,454	504,943
County Taxes	A-16	4,067,713	4,094,884
Amount Due County For Added and Omitted Taxes	A-16	16,175	6,842
Local District School Taxes	A-17	6,193,605	6,193,605
Municipal Open Space Levy	A-18	239,756	239,449
Interfund Advances	A-4	-	702
Reserve for Tax Appeals	A-24	50,000	-
<b>TOTAL EXPENDITURES</b>		<b><u>12,633,098</u></b>	<b><u>12,466,990</u></b>
Excess in Revenues		1,208,963	676,408
Statutory Excess To Fund Balance		1,208,963	676,408
Fund Balance January 1	A	<u>1,505,100</u>	<u>1,607,692</u>
		2,714,063	2,284,100
Decreased by:			
Utilization as Anticipated Revenue	A-2	<u>779,000</u>	<u>779,000</u>
Fund Balance December 31	A	<b><u>\$1,935,063</u></b>	<b><u>\$1,505,100</u></b>

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

CURRENT FUND  
STATEMENT OF REVENUES

A-2  
Sheet 1

		<u>ANTICIPATED</u>			<u>EXCESS OR</u>
	<u>REF.</u>	<u>BUDGET</u>	<u>N.J.S. 40A:4-87</u>	<u>REALIZED</u>	<u>DEFICIT</u>
<b>Anticipated Surplus - Cash Surplus</b>	A-1	\$ 779,000		\$ 779,000	
<b>Miscellaneous Revenues:</b>					
<b>LOCAL REVENUES:</b>					
Liquor Licenses-Clerk	A-9	2,000		2,059	\$ 59
Other Licenses-Clerk	A-9	1,500		775	(725)
Other Fees and Permits	A-9	14,000		18,630	4,630
Fines and Costs-Municipal Court	A-9	2,400		1,400	(1,000)
Interest and Costs On Taxes	A-5	29,100		91,222	62,122
Interest on Investments	A-9	7,500		38,277	30,777
<b>Total Local Revenues</b>		56,500		152,363	95,863
<b>STATE AID REVENUES:</b>					
Consolidated Municipal Property Tax Relief Aid	A-9	10,476		10,476	-
Energy Receipts Tax	A-9	233,814		233,814	-
Garden State Trust Fund	A-9	183,966		183,966	-
<b>Total State Aid</b>		428,256		428,256	-

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



CURRENT FUND  
STATEMENT OF REVENUES

A-2  
Sheet 2

	<u>REF.</u>	<u>ANTICIPATED BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR DEFICIT</u>
<b>FEDERAL AND STATE GRANT REVENUES:</b>				
Clean Communities Program	A-19	15,843	15,843	
Warren County MCCTFC - Hoff Vanetta	A-21	13,050	13,050	
Recycling Tonnage Grant	A-19	4,102	4,102	
Municipal Alliance	A-19	3,842	3,842	
NJDOT Grant - Millbrook Road	A-19	\$ 125,000	125,000	
<b>Total Federal and State Grant Revenues</b>		36,837	125,000	161,837
<b>Total Miscellaneous Revenue</b>	A-1	521,593	125,000	742,456
Receipts From Delinquent Taxes	A-1	150,000	-	543,783
<b>Amount To be Raised by Taxes For Support Of Municipal Budget:</b>				
Local Tax For Municipal Purposes	A-2	1,321,015	-	1,874,066
<b>Total General Revenues</b>		2,771,608	125,000	3,939,305
Non-Budget Revenues:				
Other Non-Budget Revenues	A-1		42,297	42,297
		\$ 2,771,608	\$ 125,000	\$ 3,981,602
			\$ 3,981,602	\$ 1,084,994

A-3

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

CURRENT FUND  
STATEMENT OF REVENUES

A-2  
Sheet 3

REF.

**ANALYSIS OF REALIZED REVENUES**

**Allocation Of Current Tax Collections:**

Revenue from Collections		\$ 11,536,351
State of New Jersey, Senior Citizens and Veterans Deductions	A-6	<u>24,588</u>
	A-1	11,560,939

**Allocated To:**

School and County Taxes	A-6	<u>10,517,249</u>
Deficiency Supported by Municipal Revenues		1,043,690
Add (Decreased) by Appropriation: "Reserve For Uncollected Taxes"	A-3	<u>830,376</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 1,874,066</u>

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

CURRENT FUND  
STATEMENT OF REVENUES

A-2  
Sheet 4

**ANALYSIS OF NON-BUDGET REVENUES**

<b>Miscellaneous Revenue Not Anticipated:</b>	<u>REF.</u>	
<b>Treasurer:</b>		
Scrap Metal		\$ 215
Farm Land Rent		5,500
Copies		175
Certified Lists		160
FEMA Reimbursement		18,932
Cancelled Checks		12,909
Miscellaneous		<u>4,406</u>
<b>Miscellaneous Revenue Not Anticipated - Total</b>	A-4	<u>\$ 42,297</u>

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

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 1

<u>OPERATIONS within "CAPS"</u>	<u>APPROPRIATION</u>		<u>EXPENDED</u>	<u>RESERVED</u>	<u>CANCELLED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>		
<b>GENERAL GOVERNMENT FUNCTIONS:</b>					
General Administration:					
Salaries and Wages	\$ 33,770	\$ 29,459	\$ 29,459	-	
Other Expenses	42,000	42,000	41,241	\$ 759	
Mayor and Council:					
Salaries and Wages	14,209	14,209	14,205	4	
Municipal Clerk:					
Salaries and Wages	74,278	74,278	74,278	-	
Financial Administration (Treasury):					
Salaries and Wages	30,767	30,767	30,767		
Other Expenses	4,000	4,000	3,900	100	
Audit Services:					
Other Expenses	23,407	23,407	23,407		
Revenue Administration (Tax Collection):					
Salaries and Wages	29,917	29,917	29,914	3	
Other Expenses	2,500	2,500	2,184	316	
Tax Assessment Administration:					
Salaries and Wages	19,537	19,537	19,534	3	
Other Expenses	3,500	3,500	2,560	940	
Legal Services (Legal Dept.):					
Other Expenses	113,000	153,000	137,689	15,311	
Engineering Services:					
Other Expenses:					
Miscellaneous Other Expenses	50,000	50,000	39,106	10,894	
Historical Sites Office:					
Other Expenses	10,000	10,000	8,228	1,772	
<b>LAND USE ADMINISTRATION:</b>					
Planning Board:					
Salaries and Wages	7,808	7,808	7,808		
Other Expenses	5,000	5,000	976	4,024	
Zoning Board of Adjustment:					
Salaries and Wages	13,928	13,928	13,915	13	
Other Expenses	500	500	500	-	
<b>INSURANCE:</b>					
Liability Insurance	52,000	52,000	51,224	776	
Worker Compensation Insurance	30,000	30,000	29,842	158	
Employee Group Insurance	71,000	56,000	55,050	950	
Unemployment Insurance	1,200	1,200	266	934	

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

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 2

<u>OPERATIONS within "CAPS"</u>	<u>APPROPRIATION</u>		<u>EXPENDED</u>	<u>RESERVED</u>	<u>CANCELLED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>		
<b>PUBLIC SAFETY FUNCTIONS:</b>					
Office of Emergency Management					
Salaries and Wages	7,111	7,111	7,111	-	
Other Expenses	1,500	1,500	325	1,175	
Aid to Volunteer Fire Companies	60,000	60,000	59,250	750	
Contribution to First Aid Organizations	20,000	20,000	20,000	-	
Municipal Prosecutor's Office:					
Other Expenses	100	100		100	
<b>PUBLIC WORKS FUNCTIONS:</b>					
Streets and Road Maintenance:					
Salaries and Wages	182,858	157,858	157,593	265	
Other Expenses	200,000	200,000	187,982	12,018	
Buildings and Grounds:					
Other Expenses	28,000	33,000	30,287	2,713	
<b>HEALTH AND HUMAN SERVICES FUNCTIONS:</b>					
Environmental Health Services:					
Other Expenses	300	300	0	300	
Animal Control Services:					
Salaries and Wages	2,499	2,499	2,497	2	
Other Expenses	3,000	367	156	211	
<b>PARK AND RECREATION FUNCTIONS:</b>					
Maintenance of Parks:					
Other Expenses:					
Community Day Events	11,000	10,299	10,235	64	
Miscellaneous Other Expenses	1,000	1,012	1,012	-	

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

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 3

	<u>APPROPRIATION</u>		<u>EXPENDED</u>	<u>RESERVED</u>	<u>CANCELLED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>		
<b>UTILITY EXPENSES AND BULK PURCHASES:</b>					
Electricity	7,500	7,500	6,909	591	
Street Lighting	1,000	1,000	636	364	
Telephone (excluding equipment acquisition)	9,000	9,000	8,627	373	
Fuel Oil	8,000	8,000	7,116	884	
Gasoline	14,500	14,500	12,578	1,922	
<b>LANDFILL/SOLID WASTE DISPOSAL COSTS:</b>					
Salaries and Wages	3,069	3,069	3,068	1	
Other Expenses	3,000	3,000	9	2,991	
<b>Total Operations within "CAPS"</b>	<b>1,195,758</b>	<b>1,193,125</b>	<b>1,131,444</b>	<b>61,681</b>	
<b>Total Operations Including Contingent</b>	<b>1,195,758</b>	<b>1,193,125</b>	<b>1,131,444</b>	<b>61,681</b>	
Detail:					
Salaries and Wages	419,751	390,440	390,149	291	
Other Expenses	776,007	802,685	741,295	61,390	
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES within "CAPS"</b>					
<b>Statutory Expenditures:</b>					
Contribution To:					
Social Security System ( O.A.S.I. )	32,500	32,500	28,949	3,551	
Statutory Expenditures:					
Contribution to PERS	35,765	38,398	38,398		
<b>Total Deferred Charges and Statutory Expenditures within "CAPS"</b>	<b>68,265</b>	<b>70,898</b>	<b>67,347</b>	<b>3,551</b>	
<b>Total Appropriations within "CAPS"</b>	<b>1,264,023</b>	<b>1,264,023</b>	<b>1,198,791</b>	<b>65,232</b>	
<b>OPERATIONS EXCLUDED FROM "CAPS"</b>					
Affordable Housing (COAH-Fair Share Housing):					
Other Expenses	50,000	50,000	50,000		
	50,000	50,000	50,000		

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

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 4

	<u>APPROPRIATION</u>		<u>EXPENDED</u>	<u>RESERVED</u>	<u>CANCELLED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>		
<b>Interlocal Municipal Service Agreements:</b>					
Municipal Court (Belvidere):	26,000	26,000	23,230	2,770	
Other Expenses	26,000	26,000	23,230	2,770	
<b>Public and Private Programs Offset by Revenues:</b>					
Clean Communities Program:					
Other Expenses	14,073	14,073	14,073		
PY Expenses	1,770	1,770	1,770		
Recycling Tonnage Grant:					
Other Expenses	4,102	4,102	4,102		
Matching Share for Grants	10,500	10,500	-	10,500	
Municipal Alliance	3,842	3,842	3,842		
Municipal Alliance Local Share	4,035	4,035	4,035		
Warren Cty Perserve - Hoff/Vannatta	13,050	13,050	13,050		
<b>Total Public and Private Programs Offset by Revenues-Excluded from "CAPS"</b>	<b>51,372</b>	<b>51,372</b>	<b>40,872</b>	<b>10,500</b>	
<b>Capital Improvements Excluded from "CAPS":</b>					
NJDOT Grant - Millbrook Road	-	125,000	125,000		
Capital Improvement Fund	50,000	50,000	50,000		
<b>Total Capital Improvements Excluded from "CAPS"</b>	<b>50,000</b>	<b>175,000</b>	<b>175,000</b>		
<b>Municipal Debt Service Excluded from "CAPS":</b>					
Payment of Notes	440,337	440,337	440,337		
Payment of Interest on Notes	59,500	59,500	59,117	\$ 383	
<b>Total Municipal Debt Service</b>	<b>499,837</b>	<b>499,837</b>	<b>499,454</b>		<b>383</b>
<b>Total Appropriations Excluded from "CAPS"</b>	<b>677,209</b>	<b>802,209</b>	<b>788,556</b>	<b>13,270</b>	<b>383</b>
<b>Subtotal General Appropriations</b>	<b>1,941,232</b>	<b>2,066,232</b>	<b>1,987,347</b>	<b>78,502</b>	<b>383</b>
<b>Reserve For Uncollected Taxes</b>	<b>830,376</b>	<b>830,376</b>	<b>830,376</b>		
<b>TOTALS</b>	<b>\$ 2,771,608</b>	<b>\$ 2,896,608</b>	<b>\$ 2,817,723</b>	<b>\$ 78,502</b>	<b>\$ 383</b>

A

Adopted Budget	A-2	\$ 2,771,608
Approp. By 40A:4-87		<u>125,000</u>
		<u>\$ 2,896,608</u>

Reserve for State Grants	A-20	\$ 165,872
Reserve for Encumbrances	A-11	1,821,475
Reserve for Uncollected Taxes	A-2	<u>830,376</u>
		<u>\$ 2,817,723</u>

TRUST FUND  
COMPARATIVE BALANCE SHEET

B

<b>ASSETS</b>	<u>REF.</u>	<u>BALANCE</u> <u>12/31/17</u>	<u>BALANCE</u> <u>12/31/16</u>
<b>Dog License Fund:</b>			
<b>Cash and Cash Equivalents:</b>			
Cash - Treasurer	B-2	\$ 11	\$ 1,666
<b>Total Dog License Fund</b>		<u>\$ 11</u>	<u>\$ 1,666</u>
<b>Other Trust Funds:</b>			
<b>Cash and Cash Equivalents:</b>			
Cash - Treasurer	B-2	\$ 2,174,434	\$ 2,126,633
Amount Due From Grants Fund	B-18	89,283	89,283
Amount Due From Current Fund	B-6	<u>443,936</u>	<u>238,024</u>
<b>Total Other Trust Funds</b>		<u>\$ 2,707,653</u>	<u>\$ 2,453,940</u>
<b>TOTAL ASSETS</b>		<u><b>\$ 2,707,664</b></u>	<u><b>\$ 2,455,606</b></u>

**LIABILITIES, RESERVES AND FUND BALANCE**

<b>Dog License Fund:</b>			
Due Current Fund	B-5	\$ 2	\$ 6
Reserve for Dog Fund Expenditures	B-3	9	1,654
Due State of New Jersey	B-4	<u>-</u>	<u>6</u>
<b>Total Dog License Fund</b>		<u>\$ 11</u>	<u>\$ 1,666</u>
<b>Other Trust Fund:</b>			
Reserve for Escrow Review Deposits	B-7	\$ 89,978	\$ 76,664
Reserve for Monitoring Escrow Deposits	B-8	6,650	6,650
Reserve for Municipal Open Space Trust Deposits	B-9	2,114,080	1,883,028
Reserve for COAH Trust Deposits	B-10	253,462	210,318
Reserve for Driveway Bond Deposits	B-11	1	1
Reserve for Tax Sale Premiums	B-12	115,000	180,900
Reserve for Off Track Improvements	B-13	11,000	11,000
Reserve for Emergency Snow Removal	B-14	13,261	13,261
Reserve for Property Escrow Deposit	B-15	38,086	38,086
Reserve for Playground Donations	B-16	340	340
Reserve for Third Party Tax Liens	B-17	<u>65,795</u>	<u>33,692</u>
<b>Total Other Trust Fund</b>		<u>\$ 2,707,653</u>	<u>\$ 2,453,940</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<u><b>\$ 2,707,664</b></u>	<u><b>\$ 2,455,606</b></u>

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



GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET

C

<b>ASSETS</b>	<u>REF.</u>	<u>BALANCE</u> <u>12/31/17</u>	<u>BALANCE</u> <u>12/31/16</u>
<b>Cash and Cash Equivalents:</b>			
Cash - Treasurer	C-2	\$ 243,649	\$ 431,842
Grants Receivable	C-8	67,300	67,300
<b>Deferred Charges to Future Taxation:</b>			
Unfunded	C-3	<u>4,777,213</u>	<u>4,742,550</u>
		<b><u>\$ 5,088,162</u></b>	<b><u>\$ 5,241,692</u></b>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>  			
Due Current Fund	C-4	\$ 533	\$ 747
Capital Improvement Fund	C-5	24,821	242,396
Bond Anticipation Note Payable	C-7	4,302,213	4,742,550
Due Grants Fund	C-9	7,208	7,208
Fund Balance	C-1	24,545	24,545
Improvement Authorizations:			
Unfunded	C-6	487,571	12,571
Funded	C-6	<u>241,271</u>	<u>211,675</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<b><u>\$ 5,088,162</u></b>	<b><u>\$ 5,241,692</u></b>

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

GENERAL CAPITAL FUND  
SCHEDULE OF FUND BALANCE

C-1

	<u>REF.</u>	
Balance December 31, 2016	C	<u>\$ 24,545</u>
Balance December 31, 2017	C	<u>\$ 24,545</u>

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

STATEMENT OF GENERAL FIXED ASSETS  
DECEMBER 31, 2017

F

	<u>BALANCE</u> <u>12/31/17</u>	<u>BALANCE</u> <u>12/31/16</u>
General Fixed Assets:		
Land	\$ 7,272,450	\$ 7,272,450
Buildings	1,205,923	1,100,123
Machinery and Equipment	<u>1,753,937</u>	<u>1,683,343</u>
 Total General Fixed Assets	 <b><u>\$ 10,232,310</u></b>	 <b><u>\$ 10,055,916</u></b>
 Investment In General Fixed Assets	 <b><u>\$ 10,232,310</u></b>	 <b><u>\$ 10,055,916</u></b>

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

PAYROLL AGENCY FUND  
COMPARATIVE BALANCE SHEET

G

<b>ASSETS</b>	<b>BALANCE</b> <u>12/31/17</u>	<b>BALANCE</b> <u>12/31/16</u>
<b>Cash and Cash Equivalents:</b>		
Cash - Treasurer	<u>\$ 17,301</u>	<u>\$ 10,171</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 17,301</u></b>	<b><u>\$ 10,171</u></b>
 <b>LIABILITIES AND RESERVES</b>  		
Payroll Deductions	\$ 17,301	\$ 10,171
Due Current Fund	<u>          -</u>	<u>          -</u>
<b>TOTAL LIABILITIES AND RESERVES</b>	<b><u>\$ 17,301</u></b>	<b><u>\$ 10,171</u></b>

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

## **NOTES TO FINANCIAL STATEMENTS**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

**B. Description of Funds**

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

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

**Current Fund**

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

**Trust Funds**

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

**General Capital Fund**

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting (Continued)**

**Public Assistance Fund**

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

**General Fixed Assets Account Group**

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

**C. Basis of Accounting**

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

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

**Revenues**--are recorded as received in cash except for certain amounts which are due from other governmental units. Receipts from State grants are realized as revenue when anticipated in the Township budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township which are susceptible of accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

**Expenditures**--are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements and constitute part of the Township's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body.

Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

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

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

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

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

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

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

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

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



NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

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

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

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value.

No depreciation is to be provided for in the financial statements. Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

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

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

- Taxes and other receivables are fully reserved.
- Interfund receivables in the Current Fund are fully reserved.
- Unexpended and uncommitted appropriations are reflected as expenditures.
- Overexpended appropriations and emergency appropriations are deferred to the succeeding years' operations.
- Undetermined contributions to state-administered pension plans applicable to the six months ended December 31 are not accrued.
- Estimated losses arising from tax appeals and other contingencies are not recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

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

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

**Note 2: CASH AND CASH EQUIVALENTS**

**Deposits:**

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 2: CASH AND CASH EQUIVALENTS (Continued)**

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

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

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

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

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

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

	Cash and Cash <u>Equivalents</u>	<u>Total</u>
Checking	\$ 8,802,407	\$ 8,802,407
	<u>\$ 8,802,407</u>	<u>\$ 8,802,407</u>

The carrying amount of the municipality's cash and cash equivalents at December 31, 2017, was \$8,802,407 and the bank balance was \$8,535,537. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$339,978 was covered by federal depository insurances and \$8,195,559 was covered by collateral pool.

**Investments**

Pursuant to the Enabling Act, the funds of the municipality may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the municipality may approve.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 2: CASH AND CASH EQUIVALENTS (Continued)**

In order to maximize liquidity, the municipality utilizes the New Jersey Cash Management Fund ("NJCMF") and investments in direct obligations of the United States of America as its sole investments. The NJCMF is administered by the New Jersey Department of Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At December 31, 2017, the municipality's investment balance was as follows:

New Jersey Cash Management Fund	\$ 154,384	
	\$ 154,384	

**Custodial Credit Risk:** Pursuant to GASB 40, the NJCMF, which is a pooled investment, is exempt from custodial credit risk disclosure. The municipality does not have a policy for custodial credit risk.

**Credit Risk:** The municipality does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJCMF is not rated by a rating agency.

**Interest Rate Risk:** The municipality does not have a policy to limit interest rate risk. The average maturity of the municipality's investments is less than one year.

**Note 3: LONG-TERM DEBT**

	<b>Beginning Balance</b>	<b>Issued</b>	<b>Paid</b>	<b>Ending Balance</b>
Long Term Debt:				
Bond Anticipation Notes	\$ 4,742,550		\$ 440,337	\$ 4,302,213
Compensated absences payable	None			None
Total Long-Term Debt	\$ 4,742,550	-	\$ 440,337	\$ 4,302,213

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 3: LONG-TERM DEBT (Continued)**

The Township debt is summarized as follows:

**Summary of Municipal Debt**

	YEAR <u>2017</u>	YEAR <u>2016</u>	YEAR <u>2015</u>
Net Debt Issued	\$ 4,302,213	\$ 4,742,550	\$ 5,182,887
<b><u>Authorized But Not Issued</u></b>			
Total Authorized But Not Issued	<u>475,000</u>	<u>-</u>	<u>-</u>
<b>Net Bonds and Notes Issued and Authorized But Not Issued</b>	<b><u>\$ 4,777,213</u></b>	<b><u>\$ 4,742,550</u></b>	<b><u>\$ 5,182,887</u></b>

**Summary of Statutory Debt Condition - Annual Debt Statement**

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.89%.

	<b><u>Gross Debt</u></b>	<b><u>Deductions</u></b>	<b><u>Net Debt</u></b>
Local School District Debt	None	None	
General Debt	<u>4,777,213</u>	<u>-</u>	<u>\$ 4,777,213</u>
	<b><u>\$ 4,777,213</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,777,213</u></b>

Net Debt \$4,777,213 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2  
as amended, \$ 537,013,045 equals 0.890%

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 18,795,457
Net Debt	<u>4,777,213</u>
Remaining Borrowing Power	<b><u>\$ 14,018,244</u></b>

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 3: LONG-TERM DEBT (Continued)**

**Bond Anticipation Notes - (Continued)**

The Township has outstanding at December 31, 2017, a bond anticipation note in the amount of \$4,302,213 payable to TBGC Investment Corp. This note matures on April 20, 2018. The interest rate on the note was 1.58%. Principal and interest on this note is paid from the current fund budget of the Township.

	<u>Outstanding</u>
Total General Capital Loans Above	\$ 4,302,213

**Note 4: GENERAL FIXED ASSETS**

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

	<u>Balance</u>		<u>Additions</u>		<u>Adjustments/ Deletions</u>		<u>Balance</u>
	<u>1/1/17</u>				<u>Deletions</u>		<u>12/31/17</u>
Land	\$ 7,272,450		-		-		\$ 7,272,450
Buildings	1,100,123	\$	105,800		-		1,205,923
Equipment	1,683,343		70,594		-		1,753,937
	<u>\$10,055,916</u>	\$	<u>176,394</u>		<u>-</u>		<u>\$ 10,232,310</u>

**Note 5: FUND BALANCES APPROPRIATED**

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

Current Fund (Introduced) - \$779,000

**Note 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 7: SCHOOL TAXES**

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

	<b>TOTAL DEFERRED TAX <u>12/31/17</u></b>	<b>LOCAL DISTRICT SCHOOL TAX BALANCE <u>12/31/17</u></b>	<b>BALANCE <u>12/31/16</u></b>
Balance of Tax		\$ 2,911,803	\$ 2,911,803
Deferred		<u>185,000</u>	<u>185,000</u>
Tax Payable		<u>\$ 3,096,803</u>	<u>\$ 3,096,803</u>
Tax Deferred	\$ <u>185,000</u>		

**Note 8: PENSION PLANS**

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

*Public Employees' Retirement System (PERS)* - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school municipality, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

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



NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 8: PENSION PLANS - (Continued)**

The following represents the membership tiers for PERS:

Tier   Definition

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 8: PENSION PLANS (Continued)**

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

At June 30, 2017, the municipality disclosed a liability of \$1,025,926 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The municipality's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2017 and 2016. At June 30, 2017, the municipality's proportion was 0.00441% which was an increase of 0.00008% from its proportion measured as of June 30, 2016.

*For the year ended June 30, 2017, the municipality's portion of the plan's pension expense was \$85,465. At June 30, 2017, deferred outflows of resources and deferred inflows of resources for PERS relating to the municipality's proportionate share are from the following sources:*

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 24,157	
Changes of assumptions	206,689	\$ 205,931
Net difference between projected and actual earnings on pension plan investments	6,986	
Changes in proportion and differences between municipality contributions and proportionate share of contributions	41,823	
Total	\$ 279,655	205,931

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

	<u>Year Ended June 30:</u>
2018	\$16,598
2019	16,598
2020	19,230
2021	16,156
2022	<u>5,142</u>
Total	<u>\$73,724</u>

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 8: PENSION PLANS (Continued)**

	<u>6/30/2016</u>	<u>6/30/2017</u>
Collective deferred outflows of resources	\$8,685,338,380	\$6,424,455,842
Collective deferred inflows of resources	870,133,595	5,700,625,981
Collective net pension liability (Non State - Local Group)	\$29,617,131,759	\$23,278,401,588
municipality's proportionate share of net pension liability	\$1,280,118	\$1,025,926
municipality's proportion %	0.004322222%	0.00440720%

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

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

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 8: PENSION PLANS (Continued)**

*Discount rate.* The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on contribution rate in the most recent fiscal year.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Municipality's proportionate share of the net pension liability measured as of June 30, 2017, calculated using the discount rate of 5.00%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% Increase</u>
	<u>(4.00%)</u>	<u>(5.00%)</u>	<u>(6.00%)</u>
Municipality's proportionate share of the net pension liability	\$ 1,272,731	\$1,025,926	\$ 820,307

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

**Defined Contribution Retirement Plan (DCRP)** - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 8: PENSION PLANS (Continued)**

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

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

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

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. □ New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. □ In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

**Three-Year Trend Information for PERS**

<u>Year</u>	<u>Annual</u>	<u>Percentage</u>
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>
	<u>Cost (APC)</u>	<u>Contributed</u>
2017	\$38,398	100%
2016	\$35,765	100%
2015	\$33,938	100%

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 9: POST-RETIREMENT BENEFITS**

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

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

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The Municipality does not provide post-employment benefits other than pension. Healthcare provided to eligible PERS retirees through the NJ State Health Benefits Program are paid by the the State of New Jersey and as such, no municipal OPEB liability exists.

**Note 10: LEASES**

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

**Note 11: ACCRUED SICK AND VACATION BENEFITS**

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

The Township permits full-time employees to annually accrue unused vacation and sick pay, which can be taken as time off at a later date. No payment provision is included in this policy.

In accordance with New Jersey principles, the amount is not reported as an expenditure or liability in the financial statements.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 12: CONTINGENT LIABILITIES**

**GRANT PROGRAMS**

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

**LITIGATION**

There are pending lawsuits in which the Township is involved. The pending claim is a tax appeal involving the largest taxpayer in the township including claims for past and future tax assessments. The township estimates that the potential claims against the township not covered by insurance resulting from such litigation will be settled in 2018 and that such settlement would not materially affect the financial statements of the township.

**Note 13: OTHER REQUIRED DISCLOSURES**

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

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Current Fund	\$ 535	\$ 465,374
Federal/State Grants Fund	28,646	89,283
Dog License Fund		2
Other Trust Funds	533,219	
General Capital Fund	-	7,741
	<u>\$ 562,400</u>	<u>\$ 562,400</u>

**Note 14: RISK FINANCING**

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

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 15: OTHER POST-RETIREMENT BENEFITS**

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 1991, Harmony Township authorized participation in the SHBP's post-retirement benefit program through resolution.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions/gasb-43-sept2017.pdf](http://www.state.nj.us/treasury/pensions/gasb-43-sept2017.pdf)

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

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

**Note 16: TAX ABATEMENTS**

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



**PART II**  
**SUPPLEMENTARY INFORMATION**

## **CURRENT FUND SCHEDULES**

CURRENT FUND  
SCHEDULE OF CASH -TREASURER

A-4

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 5,209,532
<b>Increased by Receipts:</b>		
Collector	A-5	\$ 12,459,128
Miscellaneous Revenue Not Anticipated	A-2	42,297
Revenue Accounts Receivable	A-9	489,397
Amount Due State of New Jersey for		
Senior Citizens/Veterans Deductions	A-15	24,588
Interfunds Returned/Refunds	A-1	14,396
Other Trust Interfund Advanced	B	(33,844)
Sale of Municipal Assets	A-23	600,000
State Grant Funds	A-19:21	17,448
		13,613,410
		18,822,942
<b>Decreased by Disbursements:</b>		
Interfunds Advanced	A-1	-
2016 Appropriation Reserves	A-10	42,021
Reserve for Encumbrances	A-11	1,859,001
Tax Overpaid	A-14	8,396
County Taxes	A-16	4,083,888
Local District School Tax	A-17	6,193,605
State Grant Funds	A-20	114,635
		12,301,546
Balance December 31, 2017	A	\$ 6,521,396

CURRENT FUND  
SCHEDULE OF CASH - COLLECTOR

A-5

REF.

**Received:**

Interest and Costs on Taxes	A-2	\$	91,222	
Taxes Receivable	A-6		11,984,599	
Tax Title Liens	A-7		39,778	
2017 Prepaid Taxes	A-13		332,803	
Tax Overpayments	A-14		<u>10,726</u>	\$ <u>12,459,128</u>

**Decreased by Disbursements:**

Payments to Treasurer	A-4			\$ <u>12,459,128</u>
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CURRENT FUND  
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF TAX LEVY

A-6

YEAR	BALANCE	2017	ADDED	CASH COLLECTIONS		TRANSFERRED		BALANCE
	<u>12/31/16</u>	<u>LEVY</u>		<u>2016</u>	<u>2017</u>	<u>TO TAX</u>	<u>CANCELLED</u>	
2001	\$ 92							\$ 92
2002	107							107
2004	25							25
2011	1,910						\$ 485	1,425
2013	1,297		\$ 689		\$ 1,970			16
2014	2,689		879		2,114			1,454
2015	18,194		862		7,805			11,251
2016	545,076		7,324		492,116	\$ 3,837		56,447
	569,390		9,754		504,005	3,837	485	70,817
2017		\$ 11,858,575		\$ 55,757	11,505,182	41,287	\$ 6,081	250,268
TOTALS	<b>\$ 569,390</b>	<b>\$ 11,858,575</b>	<b>\$ 9,754</b>	<b>\$ 55,757</b>	<b>\$ 12,009,187</b>	<b>\$ 45,124</b>	<b>\$ 6,566</b>	<b>\$ 321,085</b>

REF.	A	REF.	A-13	A-7	A
State of New Jersey --Senior Citizens and Veterans Deductions Received by Collector		A-2 A-5		\$ 24,588 <u>11,984,599</u> <b><u>\$ 12,009,187</u></b>	
<b>ANALYSIS OF PROPERTY TAX LEVY:</b>					
<b>Tax Yield:</b>					
General Purpose Tax				\$ 11,583,310	
Levy Special District Taxes				238,808	
Added/Omitted Taxes (54:4-63.1 et.seq.)				<u>36,457</u>	<b><u>\$ 11,858,575</u></b>
<b>Tax Levy:</b>					
Local District School Tax		A-17		\$ 6,193,605	
Municipal Open Space		A-18		239,756	
County Taxes:					
County Tax (Abstract)			\$ 3,570,995		
County Library Tax (Abstract)			281,904		
County Open Space Tax			214,814		
Due County for Added and Omitted Taxes (54.4-63.1, et.seq.)		A-16	<u>16,175</u>	4,083,888	
Local Tax for Municipal		A-2		1,321,015	
Add: Additional Tax Levied			53	<u>20,311</u>	<b><u>\$ 11,858,575</u></b>

CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS

A-7

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 309,666
<b>Increased by:</b>		
Interest and Costs		\$ 16,502
Transfers from Taxes Receivable	A-6	<u>45,124</u>
		<u>61,626</u>
		371,292
<b>Decreased by:</b>		
Transferred to Foreclosed Property	A-8	14,092
Paid	A-5	<u>39,778</u>
		<u>53,870</u>
Balance December 31, 2017	A	<u>\$ 317,422</u>

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

A-8

	<u>REF.</u>		
Balance December 31, 2016	A		\$ 403,080
<b>Increased by:</b>			
Transferred from Tax Title Liens	A-7	\$ 14,092	
Adjustment to Assessed Valuation		<u>90,708</u>	<u>104,800</u>
Balance December 31, 2017	A		<u>\$ 507,880</u>

CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

A-9

		BALANCE ACCRUED	COLLECTED	BALANCE
<u>REF.</u>	<u>12/31/16</u>	<u>IN 2017</u>	<u>BY</u> <u>TREASURER</u>	<u>12/31/17</u>
Clerk:				
Licenses:				
Alcoholic Beverages	A-2	\$ 2,059	\$ 2,059	
Other Licenses	A-2	775	775	
Fees and Permits	A-2	18,630	18,630	
Fines and Costs-Municipal Court	A-2	1,569	1,400	
Interest on Investments and Deposits	A-2	38,277	38,277	
State Aid	A-2	428,256	428,256	
 Totals		 <u>\$ - \$ 489,566</u>	 <u>\$ 489,397</u>	 <u>-</u>
	A		A-2:4	A



CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES - 2016

A-10

	<u>BALANCE</u> <u>12/31/16</u>	<u>BALANCE</u> <u>AFTER</u> <u>TRANSFERS</u>	<u>PAID</u> <u>OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
General Administration:				
Other Expenses	\$ 6,161	\$ 6,161	\$ 1,308	\$ 4,853
Financial Administration:				
Other Expenses	619	619	267	352
Tax Collection:				
Other Expenses	964	964	-	964
Legal Services (Legal Dept.):				
Other Expenses	25,747	25,747	4,754	20,993
Engineering Services:				
Other Expenses	21,556	21,556	9,064	12,492
Historical Sites:				
Other Expenses	1,034	1,034	1,000	34
Planning Board:				
Other Expenses	3,424	3,424	16	3,408
Contribution to First Aid Org	20,000	20,000	20,000	-
Streets and Road Maintenance:				
Other Expenses	58,333	58,333	3,620	54,713
Buildings and Grounds:				
Other Expenses	4,500	4,500	508	3,992
Animal Control:				
Other Expenses	-	-	-	-
Electricity	2,026	2,026	1,149	877
Street Lighting	395	395	-	395
Telephone	238	238	-	238
Fuel Oil	3,338	3,338	-	3,338
Gasoline	6,798	6,798	335	6,463
Other Accounts - No Change	46,078	46,078		46,078
<b>TOTALS</b>	<b><u>\$ 201,211</u></b>	<b><u>\$ 201,211</u></b>	<b><u>\$ 42,021</u></b>	<b><u>\$ 159,190</u></b>
REF.	A		A-4	A-1

CURRENT FUND  
SCHEDULE OF RESERVE FOR ENCUMBRANCES

A-11

	<u>REF.</u>		
Balance December 31, 2016	A	\$	39,134
<b>Increased by:</b>			
Transfer from Current Year Appropriations	A-3	\$ 1,821,475	
Additional/Canceled Encumbrance Appropriations		<u>                  -</u>	<u>\$ 1,821,475</u>
			1,860,609
<b>Decreased by:</b>			
Encumbrances Paid	A-4	<u>1,859,001</u>	<u>1,859,001</u>
Balance December 31, 2017	A	\$	<u><u>1,608</u></u>

CURRENT FUND  
SCHEDULE OF ACCOUNTS PAYABLE

A-12

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 5,040
Balance December 31, 2017	A	<u>\$ 5,040</u>

<u>Detail:</u>	
COAH	\$ 5,000
POAA - Court	14
Other	<u>26</u>
	<u>\$ 5,040</u>

CURRENT FUND  
SCHEDULE OF TAXES COLLECTED IN ADVANCE

A-13

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 55,757
<b>Increased by:</b>		
2018 Taxes Collected in Advance	A-5	<u>332,803</u>
		388,560
<b>Decreased by:</b>		
Applied to 2017 Taxes Receivable	A-6	<u>55,757</u>
Balance December 31, 2017	A	<u>\$ 332,803</u>

CURRENT FUND  
SCHEDULE OF TAX OVERPAYMENTS

A-14

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 76,967
<b>Increased by:</b>		
2017 Tax Overpayments	A-5	<u>10,726</u> 87,693
<b>Decreased by:</b>		
Refunded	A-4	<u>8,396</u>
Balance December 31, 2017	A	<u>\$ 79,297</u>

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

A-15

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 3,396
<b>Increased by:</b>		
Received In Cash From State	A-4	<u>24,588</u>
		27,984
<b>Decreased by:</b>		
Disallowed by Collector		\$ (3,662)
Senior Citizens Deductions per Tax Billings		5,750
Veterans Deductions per Tax Billings		<u>22,500</u> <u>24,588</u>
 Balance December 31, 2017	 A	 <u>\$ 3,396</u>

**ANALYSIS OF BALANCE**

Amount Due to State of New Jersey -- Pre 1/1/78	\$ 7,072	
Amount Due to State of New Jersey -- Post 1/1/78	<u>(3,676)</u>	<u>\$ 3,396</u>

CURRENT FUND  
SCHEDULE OF COUNTY TAXES PAYABLE

A-16

REF.

**Increased by:**

2017 Levy:

County Taxes	A-1:6	\$ 3,570,995	
County Library Taxes	A-1:6	281,904	
County Open Space Tax	A-1:6	214,814	
Prior Year Added and Omitted Taxes	A-1:6	<u>16,175</u>	<u>\$4,083,888</u>
			4,083,888

**Decreased by:**

Payments	A-4		<u>\$4,083,888</u>
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CURRENT FUND  
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

A-17

REF.

**Balance December 31, 2016:**

School Tax Payable	A	\$ 2,911,803	
School Tax Deferred		<u>185,000</u>	\$ 3,096,803

**Increased by:**

Levy - School Year July 1, 2017 to June 30, 2018	A-6		<u>6,193,605</u>
			9,290,408

**Decreased by:**

Payments	A-4		<u>6,193,605</u>
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**Balance December 31, 2017:**

School Tax Payable	A	2,911,803	
School Tax Deferred		<u>185,000</u>	<u>\$ 3,096,803</u>

**2017 Liability for Local District School Tax:**

Tax Paid		\$ 6,193,605	
Tax Payable 12/31/17		<u>3,096,803</u>	
			9,290,408

Less -- Tax Payable 12/31/16			<u>3,096,803</u>
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<b>Amount Charged to 2017 Operations</b>	A-1		<u>\$ 6,193,605</u>
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CURRENT FUND  
SCHEDULE OF MUNICIPAL OPEN SPACE TAX PAYABLE

A-18

REF.

**Increased by:**

Levy 2017	A-6	\$ 238,808	
Added Levy 2017	A-6	<u>948</u>	<u>\$ 239,756</u>
			239,756
Balance December 31, 2017	A		<u>\$ 239,756</u>

CURRENT FUND  
SCHEDULE OF STATE GRANTS RECEIVABLE

A-19

<u>PURPOSE</u>	<u>BALANCE</u> <u>12/31/16</u>	<u>RECEIVABLE</u>	<u>RECEIVED</u>	<u>CANCELLED</u>	<u>BALANCE</u> <u>12/31/17</u>
Clean Communities		\$ 14,073	\$ 12,146	\$ 1,927	
Stormwater Grant FY 07	\$ 5,000				\$ 5,000
State of NJ EMA	5,000				5,000
Harmony Township Athletic Association	4,000				4,000
Highlands - Plan Conformance	56,200				56,200
Highlands - Initial Assessment	14,000				14,000
Garden State Historic Preservation Trust Grant	47,000			-	47,000
Recycling Tonnage Grant	-	4,102	4,102		-
Municipall Alliance	3,842	3,842			7,684
NJDOT Grant - Millbrook Road	<u>-</u>	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>125,000</u>
	<u>\$ 135,042</u>	<u>\$ 147,017</u>	<u>\$ 16,248</u>	<u>\$ 1,927</u>	<u>\$ 263,884</u>
	A	A-2	A-4	A-20	A

CURRENT FUND  
SCHEDULE OF RESERVE FOR STATE GRANTS

A-20

	BALANCE <u>12/31/16</u>	TRANSFER FROM			BALANCE <u>12/31/17</u>
		2017 BUDGET <u>APPROPRIATIONS</u>	<u>EXPENDED</u>	<u>CANCELED</u>	
Clean Communities Grant					
CY 2017		\$ 14,073	\$ 6,098	\$ 1,927	\$ 6,048
Prior Years	\$ 3,226	1,770	4,996		-
State Police Exercise Pass Thru	201				201
Stormwater Grant FY 06	5,000				5,000
Stormwater Grant FY 05	346				346
Stormwater Grant FY 07	4,672				4,672
PCAF Clean Environment Grant	99				99
ANJEC Smart Growth Grant	4,000				4,000
State of NJ EMA	5,000				5,000
Hoff-Vannetta Farm - Phase II	975				975
Highlands - Plan Conformance	53,170				53,170
Highlands - Initial Assessment	14,000				14,000
Recycling Tonnage Grant	8,161	4,102	6,039		6,224
Warren County MCCTFC - Hoff-Vanetta	-	13,050	1,650		11,400
Warren County MCCTFC - Local Share	8,410				8,410
NJDOT Grant - Millbrook Road		125,000	95,852		29,148
Municipal Alliance	3,842	3,842			7,684
Municipal Alliance-Local Share	4,035	4,035			8,070
<b>Totals</b>	<b>\$ 115,137</b>	<b>\$ 165,872</b>	<b>\$ 114,635</b>	<b>\$ 1,927</b>	<b>\$ 164,447</b>

REF.

A

A-3

A-4

A-19

A

CURRENT FUND  
SCHEDULE OF STATE GRANTS - UNAPPROPRIATED

A-21

	<u>BALANCE</u> <u>12/31/16</u>	TRANSFER TO 2017 BUDGET <u>APPROPRIATIONS</u>	<u>RECEIVED</u>	<u>CANCELED</u>	<u>BALANCE</u> <u>12/31/17</u>
Hoff Vanetta Grant	\$ 13,050	\$ 13,050			-
Clean Communities	1,770	1,770			-
Recycling Tonnage Grant			\$ 1,200		\$ 1,200
Smart Growth Grant	37,600				37,600
Totals	<u>\$ 52,420</u>	<u>\$ 14,820</u>	<u>\$ 1,200</u>	<u>\$ -</u>	<u>\$ 38,800</u>
REF.	A	A-20	A-4	A-20	A

CURRENT FUND  
SCHEDULE OF RESERVE FOR FEMA ACQUISITION REIMBURSEMENTS

A-22

	<u>REF.</u>	
Balance December 31, 2016	A	<u>\$ 58,510</u>
Balance December 31, 2017	A	<u>\$ 58,510</u>

CURRENT FUND  
SCHEDULE OF RESERVE FOR SALE OF MUNICIPAL ASSETS

A-23

	<u>REF.</u>	
<b>Increased by:</b>		
Sale of Township Property	A-4	<u>\$ 600,000</u>
Balance December 31, 2017	A	<u>\$ 600,000</u>

CURRENT FUND  
SCHEDULE OF RESERVE FOR TAX APPEALS

A-24

	<u>REF.</u>	
<b>Increased by:</b>		
Reserve for Tax Appeals	A-1	<u>\$ 50,000</u>
Balance December 31, 2017	A	<u>\$ 50,000</u>

## **TRUST FUND SCHEDULES**





TRUST FUND  
SCHEDULE OF CASH - TREASURER

B-2

	<u>REF.</u>	<u>DOG LICENSES</u>	<u>OTHER</u>
Balance December 31, 2016	B	\$ <u>1,666</u>	\$ <u>2,126,633</u>
<b>Increased by Receipts:</b>			
Dog License Fees	B-3	2,925	
State Dog License Fees	B-4	422	
Amount Due Current Fund	B-5:6	2	
Escrow Trust Deposits	B-7		24,120
Municipal Open Space Trust Deposits	B-9		2,296
COAH Deposits-Interest	B-10		58,309
Tax Lien Redemptions	B-17	<u>-</u>	<u>47</u>
<b>Total Receipts</b>		<u>3,349</u>	<u>84,772</u>
		<u><b>5,015</b></u>	<u><b>2,211,405</b></u>
<b>Decreased by Disbursements:</b>			
Expenditures Under R. S. 4:19-15.11	B-3	4,570	
State Dog License Fees	B-4	428	
Due Current Fund	B-5:6	6	-
Escrow Trust Deposits Refunded	B-7		10,806
Municipal Open Space Trust Disbursements	B-9		11,000
COAH Disbursements	B-10	<u>-</u>	<u>15,165</u>
<b>Total Disbursements</b>		<u>5,004</u>	<u>36,971</u>
Balance December 31, 2017	B	<u>\$ 11</u>	<u>\$ 2,174,434</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

B-3

	<u>REF.</u>	
Balance December 31, 2016	B	\$ 1,654
<b>Increased by:</b>		
Dog License Fees Collected	B-2	<u>2,925</u>
		4,579
<b>Decreased by:</b>		
Expenditures Under R.S. 4:29-15.11	B-2	<u>4,570</u>
Balance December 31, 2017	B	<u><u>\$ 9</u></u>

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

B-4

REF.

Balance December 31, 2016	B	\$ 6
<b>Increased by:</b>		
Collected in 2017:		
State Board of Health Fees	B-2	<u>422</u>
		428
<b>Decreased By:</b>		
Payments	B-2	<u>\$ 428</u>

DOG LICENSE FUND  
SCHEDULE OF DUE TO CURRENT FUND

B-5

	<u>REF.</u>	
Balance December 31, 2016	B	\$ <u>6</u>
<b>Increased by:</b>		
Interest Due Current Fund	B-2	<u>2</u> 8
<b>Decreased By:</b>		
Payments to Current Fund	B-2	<u>6</u>
Balance December 31, 2017	B	\$ <u><u>2</u></u>

TRUST FUND  
SCHEDULE OF AMOUNT DUE FROM CURRENT FUND

B-6

	<u>REF.</u>		
Balance December 31, 2016	B		\$ 238,024
<b>Increased by:</b>			
Third Party Liens Received in Current Fund	B-17	\$ 32,056	
Tax Sale Premiums Received in Current Fund	B-12	46,700	
2017 Municipal Open Space Tax Levy, Including Added Taxes	B-9	<u>239,756</u>	<u>318,512</u>
			556,536
<b>Decreased by:</b>			
Tax Sale Premiums Returned in Current Fund	B-17		<u>112,600</u>
Balance December 31, 2017	B		<u>\$ 443,936</u>
<b><u>Detail:</u></b>			
Hoff-Vanetta Elevation			\$ 13,032
Municipal Open Space			239,756
Off-Track Improvements			11,000
Third Party Tax Lien Redemptions			65,748
Tax Sale Premiums			<u>114,400</u>
			<u>\$ 443,936</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR ESCROW TRUST FUND DEPOSITS

B-7

	<u>REF.</u>	
Balance December 31, 2016	B	\$ 76,664
<b>Increased by:</b>		
Escrow Deposits	B-2	<u>24,120</u>
		100,784
<b>Decreased by:</b>		
Escrow Deposits Refunded	B-2	<u>10,806</u>
Balance December 31, 2017	B	<u>\$ 89,978</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR MONITORING ESCROW DEPOSITS

B-8

	<u>REF.</u>	
Balance December 31, 2016	B	<u>\$ 6,650</u>
Balance December 31, 2017	B	<u>\$ 6,650</u>



TRUST FUND  
SCHEDULE OF RESERVE FOR MUNICIPAL OPEN SPACE TRUST

B-9

	<u>REF.</u>	
Balance December 31, 2016	B	\$ 1,883,028
<b>Increased by:</b>		
Municipal Open Space Tax Levy	B-6	\$ 239,756
Interest Earned	B-2	<u>2,296</u>
		<u>242,052</u>
		2,125,080
<b>Decreased by:</b>		
Municipal Open Space Operating Expenditures	B-2	<u>11,000</u>
Balance December 31, 2017	B	<u>\$ 2,114,080</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR COAH DEPOSITS  
TRUST DEPOSITS

B-10

	<u>REF.</u>		
Balance December 31, 2016	B		\$ 210,318
<b>Increased by:</b>			
COAH Deposits-Budget Appropriations	B-2	\$ 50,000	
COAH Deposits-Development Fee	B-2	8,133	
COAH Deposits-Interest	B-2	<u>176</u>	<u>58,309</u>
			268,627
<b>Decreased by:</b>			
COAH Disbursements	B-2		<u>15,165</u>
Balance December 31, 2017	B		<u>\$ 253,462</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR DRIVEWAY BONDS  
TRUST DEPOSITS

B-11

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

TRUST FUND  
SCHEDULE OF RESERVE FOR TAX SALE PREMIUM  
TRUST DEPOSITS

B-12

	<u>REF.</u>	
Balance December 31, 2016	B	\$ 180,900
<b>Increased by:</b>		
Tax Sale Premiums Received in Current Fund	B-6	<u>46,700</u>
		227,600
<b>Decreased by:</b>		
Tax Sale Premiums Returned in Current Fund	B-6	<u>112,600</u>
Balance December 31, 2017	B	<u>\$ 115,000</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR OFF TRACK IMPROVEMENTS  
TRUST DEPOSITS

B-13

	<u>REF.</u>	
Balance December 31, 2016	B	<u>\$ 11,000</u>
Balance December 31, 2017	B	<u>\$ 11,000</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR EMERGENCY SNOW REMOVAL  
TRUST DEPOSITS

B-14

	<u>REF.</u>	
Balance December 31, 2016	B	<u>\$ 13,261</u>
Balance December 31, 2017	B	<u>\$ 13,261</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR PROPERTY ESCROW DEPOSITS

B-15

REF.

Balance December 31, 2016	B	\$ 38,086
Balance December 31, 2017	B	<u>\$ 38,086</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR PLAYGROUND DONATIONS

B-16

	<u>REF.</u>	
Balance December 31, 2016	B	<u>\$ 340</u>
Balance December 31, 2017	B	<u>\$ 340</u>



TRUST FUND  
SCHEDULE OF RESERVE FOR THIRD PARY TAX LIENS  
TRUST DEPOSITS

B-17

	<u>REF.</u>		
Balance December 31, 2016	B		\$ 33,692
<b>Increased by:</b>			
Interest Earned	B-2	\$ 47	
Third Party Liens Received in Current Fund	B-6	<u>32,056</u>	<u>32,103</u>
Balance December 31, 2017	B		<u>\$ 65,795</u>

TRUST FUND  
SCHEDULE OF AMOUNT DUE GRANTS FUND

B-18

	<u>REF.</u>	
Balance December 31, 2016	B	<u>\$ 89,283</u>
Balance December 31, 2017	B	<u>\$ 89,283</u>

## **GENERAL CAPITAL FUND SCHEDULES**

GENERAL CAPITAL FUND  
SCHEDULE OF CASH - TREASURER

C-2

	<u>REF.</u>		
Balance December 31, 2016	C		\$ 431,842
<b>Increased by:</b>			
Capital Improvement Fund/ Current Fund Budget	C-4	\$ 50,000	
Interest Due Current Fund	C-4	<u>533</u>	<u>50,533</u>
			482,375
<b>Decrease by:</b>			
Capital Improvement Funded Projects	C-6	237,979	
Prior Year Interest Paid to Current	C-4	<u>747</u>	238,726
Balance December 31, 2017	C		<u>\$ 243,649</u>

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

C-3

<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u> <u>12/31/16</u>	<u>INCREASED</u>	<u>DECREASED</u> <u>PAID BY</u> <u>BUDGET</u>	<u>BALANCE</u> <u>12/31/17</u>	<u>ANALYSIS OF BALANCE</u>	
					<u>BONDS/NOTES</u> <u>AUTHORIZED</u> <u>NOT ISSUED</u>	<u>BOND</u> <u>ANTICIPATION</u> <u>NOTES</u>
General Improvements:						
Acquisition of Property - Dowel	\$ 4,742,550		\$ 440,337	\$ 4,302,213	-	\$ 4,302,213
Acquisition of Pumper Fire Truck - 17-10	<u>          -</u>	<u>\$ 475,000</u>	<u>          -</u>	<u>475,000</u>	<u>\$ 475,000</u>	<u>          -</u>
	<u>\$ 4,742,550</u>	<u>\$ 475,000</u>	<u>\$ 440,337</u>	<u>\$ 4,777,213</u>	<u>475,000</u>	<u>\$ 4,302,213</u>
REF.	C	C-6	C-7	C	C-6	C-7

GENERAL CAPITAL FUND  
SCHEDULE OF AMOUNT DUE CURRENT FUND

C-4

	<u>REF.</u>		
Balance December 31, 2016	C	\$	747
<b>Increased by:</b>			
2017 Budget Appropriation - Capital Improvement Fund	C-2	\$ 50,000	
Interest Credits	C-2	<u>533</u>	<u>50,533</u>
			51,280
<b>Decreased by:</b>			
Prior Year Interest Paid to Current	C-2	747	
Capital Improvement Fund/Current Fund Budget	C-5	<u>50,000</u>	<u>50,747</u>
Balance December 31, 2017	C	\$	<u><u>533</u></u>

GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

C-5

	<u>REF.</u>	
Balance December 31, 2016	C	\$ 242,396
<b>Increased by:</b>		
2017 Budget Appropriation	C-4	<u>50,000</u>
		292,396
<b>Decreased by:</b>		
Fully Funded Ordinances	C-6	<u>267,575</u>
Balance December 31, 2017	C	<u><u>\$ 24,821</u></u>

GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

C-6

<u>IMPROVEMENT DESCRIPTION</u>	<u>NUMBER</u>	<u>ORDINANCE</u>		<u>FUNDED</u>	<u>BALANCE</u> <u>12/31/16</u>		<u>2017</u> <u>AUTHORIZATIONS</u>	<u>CAPITAL</u> <u>IMP. FUND</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>12/31/17</u>						
		<u>DATE</u>	<u>AMOUNT</u>		<u>UNFUNDED</u>	<u>FUNDED</u>				<u>UNFUNDED</u>						
Acquisition of Farmland for Preservation B/L 33/17	06-19	12/5/06	\$ 104,000	\$ 68,050						\$ 68,050						
Acquisition of Fire Apparatus (Fire Truck and Access)	06-17	9/5/06	570,953		\$ 12,571						\$ 12,571					
Pavement Roller and Trailer - DPW	07-06	4/3/07	57,000	500						500						
Goat Farm Road Reconstruction	07-07	5/1/07	45,000	12,900						12,900						
Playground Equipment	09-04	4/7/09	12,405	95						95						
Township Paving Projects	09-14	11/5/09	50,000	28,926						28,926						
Playground Equipment	09-15	12/1/09	7,500	11						11						
Recreation Site Upgrades	10-04	7/6/10	15,000	3,450						3,450						
Harmony Station Road Construction Project	10-05	9/7/10	220,000	14,045						14,045						
Goat Farm Road Construction Costs	11-7	9/6/11	10,000	28						28						
Garrison Road Culvert Upgrade	12-3	4/3/12	6,000	789						789						
Fire Dept Turnout Gear, Munic Bldg Entrance Renovation, DPW Road Sweeper and Debris Blower, and Garrison Road Resurfacing	12-4	9/4/12	145,000	78,281						78,281						
New Server	14-5	9/2/14	4,600	4,600						4,600						
UV Lighting for Sanitation System	17-2	4/4/17	15,000				\$ 15,000	\$ 11,000		4,000						
Roof Repairs at Mun Bldg & Twp. Garage	17-5	4/4/17	48,775				48,775	48,775		-						
Construction of Salt Shed & Generator Repairs	17-6	5/2/17	105,800				105,800	105,800		-						
Repairs & Installation of Barn Floor at Van-Nest et al	17-7	5/2/17	2,000				2,000	1,810		190						
Case International Tractor & Ferri Mower	17-8	6/6/17	71,000				71,000	70,594		406						
Pumper Fire Truck	17-10	8/8/17	500,000			\$ 475,000	25,000			25,000	475,000					
<b>\$ 211,675</b>											<b>\$ 12,571</b>	<b>\$ 475,000</b>	<b>\$ 267,575</b>	<b>\$ 237,979</b>	<b>\$ 241,271</b>	<b>\$ 487,571</b>

REF.

C

C

C-3

C-5

C-2

C

C



GENERAL CAPITAL FUND  
SCHEDULE OF BOND ANTICIPATION NOTES

C-7

<u>PURPOSE</u>	<u>ORIGINAL ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE 12/31/16</u>	<u>DECREASED</u>	<u>BALANCE 12/31/17</u>
Acquisition of Property - Dowel	5/06/10	4/11/17	4/20/18	1.58%	\$ 4,742,550	\$ 440,337	\$ 4,302,213
					<b><u>\$ 4,742,550</u></b>	<b><u>\$ 440,337</u></b>	<b><u>\$ 4,302,213</u></b>
					C	C-3	C

GENERAL CAPITAL FUND  
SCHEDULE OF GRANTS ACCOUNTS RECEIVABLE

C-8

Balance December 31, 2016	<u>REF.</u> C	<u>\$ 67,300</u>
Balance December 31, 2017	C	<u>\$ 67,300</u>

**DETAIL:**

Warren County Open Space		\$ 15,300
State Agricultural Development Committee		<u>52,000</u>
		<u>\$ 67,300</u>

GENERAL CAPITAL FUND  
SCHEDULE OF AMOUNT DUE GRANTS FUND

C-9

Balance December 31, 2016	<u>REF.</u> C	<u>\$ 7,208</u>
Balance December 31, 2017	C	<u>\$ 7,208</u>

## **SCHEDULE OF GENERAL FIXED ASSETS**

GENERAL FIXED ASSETS  
DECEMBER 31, 2017  
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS

F-1

	<u>BALANCE</u> <u>12/31/16</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/17</u>
General Fixed Assets:				
Land	\$ 7,272,450			\$ 7,272,450
Buildings	1,100,123	\$ 105,800		1,205,923
Machinery and Equipment	<u>1,683,343</u>	<u>70,594</u>	<u>-</u>	<u>1,753,937</u>
Total General Fixed Assets	<u>\$ 10,055,916</u>	<u>176,394</u>	<u>-</u>	<u>\$ 10,232,310</u>
 Investment In General Fixed Assets	 <u>\$ 10,055,916</u>	 <u>176,394</u>	 <u>-</u>	 <u>\$ 10,232,310</u>

**PART III  
SUPPLEMENTARY INFORMATION**

**General Comments**

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

**Schedule of Federal/State Awards**

**Status of Prior Audit Findings**

**Schedule of Findings and Responses**

## **GENERAL COMMENTS**

### **Scope of Audit**

The audit of the financial statements of the Township of Harmony, County of Warren, New Jersey, as required by the Division of Local Government Services, covered the financial transactions of the Treasurer, Tax Collector, the activities of the Township and various outside departments.

### **Contracts and Agreements Requiring Advertisement for Bids**

Effective April 17, 2000, N.J.S.A.40A:11-1 et.seq (Local Public Contracts Law) was revised by P.L.1999,c.440 (originally known as Assembly Bill No. 3519). Rules and regulations pertaining to the amended law are to be promulgated by the Division of Local Government Services.

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

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in the contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the governing body without public advertising for bids and bidding therefore, except that the governing body may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending before the Legislature as section 15 of this bill) of section 9 of P.L.1971,c.198(C.40A:11-9) the governing body may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (i) of paragraph (a) of subsection (1) of Section 5 of P.L.1971, C.198(C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.
- c. Commencing in the fifth year after the year in which P.L.1999,c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.40A:11-3(c), and shall round the adjustment to the nearest \$1,000. The Governor shall notify all municipal units of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made.

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

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

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

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

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

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

### **Collection of Interest on Delinquent Taxes and Assessments**

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

The governing body, on January 3, 2017, adopted the following resolution authorizing interest to be charged on delinquent taxes:

Resolved, that commencing with the installment payments due on February 1, 2017, for real and/or personal property taxes and thereafter during each and every succeeding quarterly period, interest shall be charged at the rate of eight (8) per cent per annum on the first \$1,500 and eighteen (18) per cent per annum any amount in excess of \$1,500 upon all unpaid installments when the same became delinquent, provided, however, that no interest shall be charged if payment of any installment is made within ten (10) days after the date upon which the same became payable.

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

The governing body, on January 3, 2017, adopted a resolution enabling the \$10,000 delinquency penalty provisions.

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



**Delinquent Taxes and Tax Title Liens**

The delinquent taxes at December 31, 2017, include only real property items on the 2001, 2002, 2004, 2011, 2013, 2014, 2015, 2016 and 2017 tax levies. Delinquent amounts for prior years' levies are bankrupt properties.

The last tax sale was held October 11, 2017

Inspection of tax sale certificates on file revealed that all tax sale certificates from tax sales were not available for audit.

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

<u>Year</u>	<u>Number of Liens</u>
2017	19
2016	21
2015	20

**Verification of Delinquent Taxes and Other Charges**

Verification notices were mailed to confirm balances as of November 17, 2017. The items that were returned were compared to and are in agreement with the Township's records. For items not returned, alternative procedures were performed.

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

<u>Verification Type</u>	<u>Request Form</u>	<u>Total No. of Items</u>	<u>Total</u>	
			<u>No. of Circular</u>	<u>Total No. Returned</u>
2017 Property Tax	Positive	1,792	60	22
2018 Property Tax	Positive	1,792	60	22
2017 Delinquent Tax	Negative	325	25	6

## Technical Accounting Directives

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

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

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

**REVENUE AND OTHER INCOME REALIZED**

	<u>YEAR 2017</u>	<u>%</u>	<u>YEAR 2016</u>	<u>%</u>
Fund Balance Utilized	\$ 779,000	5.63%	\$ 779,000	5.93%
Miscellaneous - From Other Than				
Local Property Tax Levies	958,339	6.92%	720,106	5.48%
Collection of Delinquent Taxes and				
Tax Title Liens	543,783	3.93%	424,334	3.23%
Collection of Current Tax Levy	<u>11,560,939</u>	<u>83.52%</u>	<u>11,219,958</u>	<u>85.37%</u>
<b>Total Income</b>	<u>13,842,061</u>	<u>100.00%</u>	<u>13,143,398</u>	<u>100.00%</u>

**EXPENDITURES**

Budget Expenditures:				
Municipal Purposes	2,065,849	16.35%	1,931,508	15.49%
County Taxes	4,083,888	32.33%	4,101,726	32.90%
Local and Regional Taxes	6,193,605	49.03%	6,193,605	49.68%
Municipal Open Space Tax	239,756	1.90%	239,449	1.92%
Other Expenditures	<u>50,000</u>	<u>0.40%</u>	<u>702</u>	<u>0.01%</u>
<b>Total Expenditures</b>	<u>\$ 12,633,098</u>	<u>100.00%</u>	<u>\$ 12,466,990</u>	<u>100.00%</u>
Excess in Revenue	1,208,963		676,408	
Statutory Excess To Fund Balance	1,208,963		676,408	
Fund Balance January 1	1,505,100		1,607,692	
Less:				
Utilization as Anticipated Revenue	<u>779,000</u>		<u>779,000</u>	
Fund Balance December 31	<u>\$ 1,935,063</u>		<u>\$ 1,505,100</u>	

**Comparative Schedule of Tax Rate Information**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	<u>\$2.476</u>	<u>\$2.479</u>	<u>\$2.446</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	\$0.277	\$0.272	\$0.270
County	\$0.853	\$0.859	\$0.832
Local School	\$1.297	\$1.298	\$1.294
Municipal Open Space Tax	\$0.049	\$0.050	\$0.050

Assessed Valuation:

<u>Year</u>	<u>Amount</u>
2017	\$477,616,305
2016	\$477,170,139
2015	\$478,283,861

**Comparison of Tax Levies and Collection Currently**

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

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2017	\$11,858,575	\$11,560,939	97.49%
2016	\$11,849,046	\$11,219,958	94.69%
2015	\$11,698,373	\$11,228,446	95.98%

**Delinquent Taxes and Tax Title Liens**

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

<u>Dec.31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2017	\$317,422	\$321,085	\$638,507	5.38%
2016	\$309,666	\$569,390	\$879,056	7.42%
2015	\$257,461	\$446,146	\$703,607	6.01%

**Property Acquired by Tax Title Lien Liquidation**

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

<u>Year</u>	<u>Amount</u>
2017	\$403,080
2016	\$403,080
2015	\$403,080

**Comparitive Schedule of Fund Balances**

<u>Year</u>	<u>Balance December 31</u>	<u>Regular</u>	<u>Utilized In Budget of Succeeding Year</u>	
				<u>Defer School Tax</u>
2017	\$ 1,935,063	\$ 779,000		NONE
2016	\$ 1,505,100	\$ 779,000		NONE
2015	\$ 1,607,692	\$ 779,000		NONE
2014	\$ 1,562,405	\$ 740,000		NONE
2013	\$ 1,558,866	\$ 740,000		NONE
2012	\$ 1,391,257	\$ 724,000		NONE
2011	\$ 1,102,980	\$ 774,875		NONE

**Officials in Office and Surety Bonds**

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name Of Corporate Surety</u>
Brian Tipton	Mayor		
Richard Cornely	Committeeperson		
Diane Yamrock	Committeeperson		
Kelley D. Smith	Clerk; Registrar or Vital Statistics; Assessment Search Officer		
Rachellyn Edinger	Tax Collector	\$1,000,000	Fidelity and Deposit Co of Maryland

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name Of Corporate Surety</u>
Dawn Stanchina	Certified Municipal Finance Officer	\$1,000,000	Fidelity and Deposit Co of Maryland
Richard I. Motyka	Assessor		
Katrina L. Campbell	Attorney		
John S. Fritts	Zoning Officer		
Theresa Cowan Rogers	Dog Control Officer; Planning Board Secretary		

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

<u>Year</u>	<u>Amount</u>
2017	\$109,123

Blanket bond coverage was provided for other officials handling monies.

All the bonds were examined and were properly executed.



## **ARDITO & Co., LLP**

1110 Harrison Street, Suite C  
Frenchtown, New Jersey 08825-1192  
908-996-4711 Fax: 908-996-4688  
e-mail: anthony@arditoandcompany.com

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

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

Independent Auditor's Report

The Honorable Mayor and  
Members of the Township Committee  
Township of Harmony  
3003 Belvidere Road  
County of Warren, New Jersey  
Phillipsburg, New Jersey 08865

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

**Internal Control Over Financial Reporting**

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

-Continued-

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

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

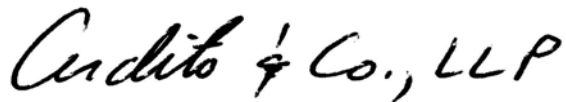
### **Compliance and Other Matters**

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


### **Purpose of this Report**

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

ARDITO & CO., LLP



Frenchtown, New Jersey  
March 31, 2018



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



## **SCHEDULE OF FEDERAL/STATE AWARDS**

**SCHEDULE OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**K-3**

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>CFDA</u>	<u>STATE ACCOUNT NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>GRANT PERIOD</u>	<u>FUND REF.</u>	<u>CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 1/1/17</u>	<u>RECEIPTS PROGRAM</u>	<u>OTHER RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 12/31/17</u>	<u>TOTAL DISBURSEMENTS</u>
Flood Mitigation Assistance Program	97.029	066 1200 100 656 09	\$ 2,831,394	2008-2014	A	\$ 58,510				\$ 58,510	\$ 2,787,082
						<u>\$ 58,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 58,510</u>	<u>\$ 2,787,082</u>

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.  
 Note: This Schedule was not subject to an audit in accordance with OMB Uniform Guidance.

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

K-4

STATE GRANTOR/PROGRAM TITLE	STATE ACCOUNT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD	FUND REF.	CASH ACCRUED OR DEFERRED REVENUE			OTHER	DISBURSEMENTS	CASH ACCRUED OR DEFERRED REVENUE		TOTAL DISBURSEMENTS
					BALANCE AT 1/1/17	RECEIPTS PROGRAM	BALANCE AT 12/31/17			BALANCE AT 12/31/17		
<b>DEPT. OF ENVIR. PROTECTION</b>												
Solid Waste Admin.-Clean Communities Program	042490076500410	\$ 12,146	2017 Pr Yrs	A		\$ 12,146		\$ 6,099	\$ 6,047	\$ 6,099		
				A	\$ 4,995			4,995	-		36,506	
<b>DEPT. OF COMMUNITY AFFAIRS</b>												
Municipal Alliance Program N.J.S.40A:11-5(a)	N/A	3,842	2017	A					-			
<b>OFFICE OF EMERGENCY MANAGEMENT</b>												
NJ State Police Emergency Management Exercise pass-through Grant	N/A	8,219	2004	A		201			201		8,018	
<b>DEPT. OF TRANSPORTATION</b>												
NJ Transportation Fund Authority Act Millbrook Road	N/A	125,000	2017	A				95,852	(95,852)		95,852	
<b>OTHER STATE AIDS</b>												
Storm Water Management Grant	N/A	5,000	2008	A	(328)				(328)		328	
Storm Water Management Grant	N/A	5,000	2006	A	5,000				5,000		-	
Storm Water Management Grant	N/A	5,000	2005	A	346				346		4,654	
PCAF Clean Environment Grant	Local Grant	5,000	2006	A	99				99		4,901	
ANJEC Smart Growth	Local Grant	4,000	2008	A	4,000				4,000		-	
ANJEC Smart Growth	Local Grant	37,600	2011	A	37,600				37,600			
Recycling Tonnage Grant		2,689	2011	A	1,892			1,892	-		2,689	
Recycling Tonnage Grant		1,651	2012	A	1,651			1,651	-		1,651	
Recycling Tonnage Grant		517	2014	A	517			517	-		517	
Recycling Tonnage Grant		4,102	2017	A	4,102			1,979	2,123		1,979	
Recycling Tonnage Grant		5,302	2017	A		5,302			5,302			
Warren County MCCTFC	Local Grant	120,000	2015	A	13,050				13,050		71,328	
Warren County MCCTFC	Local Grant	13,050	2017	A				1,650	(1,650)		1,650	
Highlands-Plan Conformance	Local Grant	56,200	2014	A	(3,030)				(3,030)		3,030	
Highlands-Initial Assessment	Local Grant	14,000	2014	A					-			
Historic Grant	Local Grant	47,000	2011	A	(47,000)				(47,000)		47,000	
<b>TOTAL STATE ASSISTANCE</b>					\$ 23,095	\$ 17,448	\$ -	\$ 114,635	\$ (74,092)	\$ 286,202		

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.  
Note: This Schedule was not subject to an audit in accordance with NJOMB Circular 15-08.

TOWNSHIP OF HARMONY

NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS  
DECEMBER 31, 2016

**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying Schedules of Expenditures of Federal and State Awards are presented using the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of federal OMB Uniform Guidance, Audits of States, Local Governments and Nonprofit Organizations, but was not audited in accordance with the circulars.

**NOTE 3. RELATIONSHIP TO THE FINANCIAL STATEMENTS**

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

## **STATUS OF PRIOR AUDIT FINDINGS**

**STATUS OF PRIOR AUDIT FINDINGS**

2016-1 \* Various interfund balances in excess of \$449,858 existed as of December 31, 2017.

**Finding is repeated in 2017.**

\* Finding repeated in current year.

**SCHEDULE OF FINDINGS AND RESPONSES**  
**GENERAL FINDINGS**

**SCHEDULE OF FINDINGS AND RESPONSES**

**GENERAL FINDINGS**

YEAR ENDED DECEMBER 31, 2017

Summary of Auditor's Results

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

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

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

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

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

Finding

2017-1 \* Various interfund balances in excess of \$562,400 existed as of December 31, 2017.

I recommend that all interfund loans be transferred back to their respective funds before the end of the calendar year.

2017-2 There were various differences between the Collector's tax system cash book and the bank deposits in the cumulative shortfall amount of \$47,395.71. There were numerous instances where property tax payments were recorded in the tax system, but never deposited into the bank account. There were also instances where the property tax payments were not deposited in a timely basis, sometimes as late as three months. There were also numerous instances where the property tax payments recorded in the tax system were different than the amounts deposited into the bank account.

I recommend that the Collector's cash book deposits be reconciled to the bank statements on a monthly basis and that the Township investigate any short falls or variances between the tax system deposits and the bank deposits.

\* Finding repeated from prior year