

*TOWNSHIP OF WASHINGTON*

*COUNTY OF MORRIS*

*REPORT OF AUDIT*

*2018*

*NISIVOCCIA LLP  
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF WASHINGTON

COUNTY OF MORRIS

REPORT OF AUDIT

2018

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TOWNSHIP OF WASHINGTON

PART I

INDEPENDENT AUDITORS' REPORT AND

FINANCIAL STATEMENTS AND

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2018

## Independent Auditors' Report

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

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

We have audited the financial statements – *regulatory basis* - of the various funds of the Township of Washington, in the County of Morris (the "Township") as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, as listed in the table of contents.

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

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

#### ***Auditors' Responsibility***

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

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

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

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

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

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

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

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

***Basis for Qualified Opinion***

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

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

In our opinion, except for the effects on the December 31, 2018 and 2017 financial statements of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds of the Township of Washington as of December 31, 2018 and 2017, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

***Emphasis of Matter***

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

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

*Supplementary Information*

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

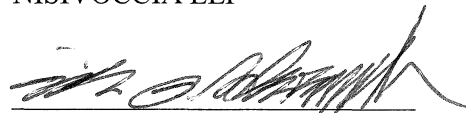
The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2019 on our consideration of the Township of Washington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Mount Arlington, New Jersey  
June 3, 2019

NISIVOCCIA LLP



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



TOWNSHIP OF WASHINGTON  
COUNTY OF MORRIS  
2018  
CURRENT FUND

TOWNSHIP OF WASHINGTON  
CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2018	2017
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents	A-4	\$ 5,385,938.02	\$ 9,366,532.85
Petty Cash		200.00	200.00
Change Funds		375.00	375.00
		<u>5,386,513.02</u>	<u>9,367,107.85</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	796,431.56	704,588.54
Tax Title Liens Receivable	A-8	2,404,450.54	2,307,138.06
Year End Penalty Receivable		36,657.54	39,125.80
Property Acquired for Taxes at Assessed Valuation		880,500.00	880,500.00
Revenue Accounts Receivable	A-9	8,581.40	13,074.13
Due from Federal and State Grant Fund	A	27,331.19	10,453.23
Total Receivables and Other Assets		<u>4,153,952.23</u>	<u>3,954,879.76</u>
Total Regular Fund		<u>9,540,465.25</u>	<u>13,321,987.61</u>
Federal and State Grant Fund:			
Grants Receivable	A-13	417,825.06	355,720.29
Total Federal and State Grant Fund		<u>417,825.06</u>	<u>355,720.29</u>
<u>TOTAL ASSETS</u>		<u>\$ 9,958,290.31</u>	<u>\$ 13,677,707.90</u>

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

	Ref.	December 31,	
		2018	2017
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-10	\$ 1,059,759.17	\$ 761,961.57
Encumbered	A-3;A-10	837,880.53	164,114.23
Total Appropriation Reserves		1,897,639.70	926,075.80
Accounts Payable - Vendors		4,879.96	4,464.45
Due to:			
State of New Jersey:			
Marriage License Fees		350.00	125.00
Senior Citizens and Veterans Deductions		7,321.47	7,265.23
Local District School Taxes Payable		0.50	
County Taxes Payable		3,605.26	29,940.26
Prepaid Taxes		432,387.07	5,069,979.01
Tax Overpayments		118,926.13	30,021.96
Due to Other Trust Fund - Reserve for			
Open Space Trust Fund	B	161.85	
Reserve for:			
Sale of Municipal Assets		50,000.00	50,000.00
Third Party Liens		2,825.94	2,825.94
Payroll Expenses		96,573.86	92,111.35
		2,614,671.74	6,212,809.00
Reserve for Receivables and Other			
Assets	A	4,153,952.23	3,954,879.76
Fund Balance	A-1	2,771,841.28	3,154,298.85
Total Regular Fund		9,540,465.25	13,321,987.61
Federal and State Grant Fund:			
Appropriated Reserves	A-14	385,257.37	334,080.48
Unappropriated Reserves	A-15	5,236.50	11,186.58
Due to Current Fund	A	27,331.19	10,453.23
Total Federal and State Grant Fund		417,825.06	355,720.29
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 9,958,290.31</u>	<u>\$ 13,677,707.90</u>

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

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

	Ref.	Year Ended December 31,	
		2018	2017
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 1,530,000.00	\$ 1,300,000.00
Miscellaneous Revenue Anticipated		3,708,046.58	3,112,847.69
Receipts from:			
Delinquent Taxes		690,939.84	675,328.05
Current Taxes		71,187,304.22	69,824,739.52
Nonbudget Revenue		157,517.31	185,696.88
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		337,977.20	448,796.62
Cancellation of Reserve for Sale of Municipal Assets		12,923.89	16,472.67
Cancellation of Federal and State Grant Fund Appropriated Reserves		2,263.74	9,387.53
Year End Penalty Received		19,717.95	13,506.30
Total Income		<u>77,646,690.73</u>	<u>75,586,775.26</u>
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes		16,871,687.27	15,739,876.52
County Taxes		7,554,136.00	7,545,565.35
School Taxes		51,631,064.00	50,136,208.00
Open Space Taxes		359,117.85	359,253.75
Prior Year Senior Citizen Deductions Disallowed		779.44	1,478.18
Interfunds Advanced		16,877.96	5,481.88
Refund of Prior Year Revenue		300.00	140.00
Cancellation of Federal and State Grant Fund Receivables		2,263.74	9,387.53
Prior Year Taxes Applied to Prepaid Taxes		10,921.31	
Prior Year Taxes Applied to Overpayments		52,000.73	53,529.91
Total Expenditures		<u>76,499,148.30</u>	<u>73,850,921.12</u>
Excess in Revenue		1,147,542.43	1,735,854.14
Balance January 1		3,154,298.85	2,718,444.71
		<u>4,301,841.28</u>	<u>4,454,298.85</u>
Decreased by:			
Utilized as Anticipated Revenue		1,530,000.00	1,300,000.00
Balance December 31	A	<u>\$ 2,771,841.28</u>	<u>\$ 3,154,298.85</u>

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

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

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 1,530,000.00		\$ 1,530,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	17,500.00		15,188.00	\$ 2,312.00 *
Other	1,500.00		5,108.00	3,608.00
Fees and Permits:				
Other	185,000.00		307,276.38	122,276.38
Fines and Costs:				
Municipal Court	180,000.00		170,021.32	9,978.68 *
Interest and Costs on Taxes	172,000.00		182,629.16	10,629.16
Interest on Investments and Deposits	42,000.00		103,762.76	61,762.76
Energy Receipts Tax (P.L. 1999, Chapters 162 & 167)	1,410,359.00		1,410,359.00	
Garden State Preservation Trust Fund	15,441.00		15,441.00	
Watershed Aid	799.00		799.00	
Shared Services-				
Fire Fighting - Tewksbury Township	53,650.00		53,650.00	
Police/Court Services - Borough of Califon	303,878.00		303,878.00	
Finance/Tax Collection- Borough of Califon	37,644.00		37,644.00	
Health - Chester Township	69,266.00		69,266.00	
Court Services - Borough of Califon	15,900.00		18,408.48	2,508.48
Tax Collection - Mansfield Township	31,836.00		15,918.00	15,918.00 *
School Resource Officer	60,000.00		59,616.00	384.00 *
Uniform Construction Code Services - Mansfield	42,073.00		121,001.50	78,928.50
Uniform Construction Code Services - Chester	27,927.00		27,927.60	0.60
DPW Services - MUA Maintenance	38,000.00			38,000.00 *
Police Donations	150.00		150.00	
Body Armor Grant	2,830.01		2,830.01	
Reserve for Drunk Driving Enforcement Fund	4,321.47		4,321.47	
Association of New Jersey Environmental Commissions Grant	1,500.00		1,500.00	
Clean Communities Program Grant	51,718.00		51,718.00	
Municipal Alliance on Alcoholism and Drug Abuse	13,717.00	\$ 2,000.00	15,717.00	

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

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Miscellaneous Revenue (Cont'd):				
Assistance to Firefighters Grant		\$ 457,040.00	\$ 457,040.00	
West Morris Regional - Class III School Resource Officer		19,488.50		\$ 19,488.50 *
Washington Township Board of Education - School Resource Officer		81,730.50		81,730.50 *
Recreation Trails Program		88,915.20	88,915.20	
Federal Bulletproof Vest Grant	\$ 2,885.10		2,885.10	
General Capital Fund Balance	39,514.00		39,514.00	
Washington Library - Pension Contribution	59,493.00		59,493.29	0.29
Cell Tower Rental	43,000.00		61,568.75	18,568.75
Department of Public Works Services	4,711.00			4,711.00 *
Fire Prevention Services	7,500.00		4,499.56	3,000.44 *
	<u>2,936,112.58</u>	<u>649,174.20</u>	<u>3,708,046.58</u>	<u>122,759.80</u>
Receipts from Delinquent Taxes	640,000.00		690,939.84	50,939.84
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	11,661,973.48		12,188,558.18	526,584.70
Minimum Library Tax	964,428.19		964,428.19	
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>12,626,401.67</u>		<u>13,152,986.37</u>	<u>526,584.70</u>
Budget Totals	17,732,514.25	649,174.20	19,081,972.79	700,284.34
Nonbudget Revenue			157,517.31	157,517.31
	<u>\$ 17,732,514.25</u>	<u>\$ 649,174.20</u>	<u>\$ 19,239,490.10</u>	<u>\$ 857,801.65</u>

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

Analysis of Realized Revenue

Allocation of Current Tax Collections:		
Collection of Current Taxes		\$ 71,187,304.22
Allocated to:		
School and County Taxes	\$ 59,185,200.00	
Open Space Taxes	359,117.85	
		59,544,317.85
		11,642,986.37
Add: Appropriation "Reserve for Uncollected Taxes"		1,510,000.00
Realized for Support of Municipal Budget		\$ 13,152,986.37
Receipts from Delinquent Taxes:		
Delinquent Tax Collections		\$ 670,418.84
Tax Title Lien Collections		20,521.00
		\$ 690,939.84
Fees and Permits - Other:		
Treasurer:		
Township Clerk		\$ 17,001.00
Cable TV Franchise Fee		71,015.00
Police		7,589.90
Tax Collector		1,208.00
Planning Board/Board of Adjustments		47,519.90
Zoning		10,255.00
Police Impound		14,920.00
Fire Safety		37,784.00
Health Officer		49,190.00
Recreation		10,460.10
Fire Safety Fees		40,343.48
		\$ 307,286.38
Less:		
Refunded		(10.00)
		\$ 307,276.38

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

Analysis of Interest on Investments and Deposits

Current Fund Interest	\$ 74,187.05
Municipal Court Interest	343.79
Animal Control Fund Interest	643.17
Other Trust Funds Interest	22,743.51
General Capital Fund Interest	5,845.24
	<u>\$ 103,762.76</u>

Analysis of Nonbudget Revenue

Miscellaneous Revenue Not Anticipated:

Library Insurance Payment	\$ 17,892.37
Various Prior Year Reimbursements	22,084.80
Prior Year Storm Reimbursements - FEMA	38,929.43
Miscellaneous Rental Payments	26,823.25
Inspection Fines	1,757.00
Police Outside Service Administration Fees	41,002.76
Other Miscellaneous Reimbursements	4,044.33
Medicare Reimbursement - Flu Shots	4,983.37
	<u>\$ 157,517.31</u>

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



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

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
Administrative and Executive:					
Salaries and Wages	\$ 198,200.00	\$ 198,200.00	\$ 186,636.25	\$ 11,563.75	
Other Expenses	56,850.00	51,850.00	41,477.84	10,372.16	
Mayor and Council:					
Other Expenses	1,330.00	1,330.00	1,330.00		
Municipal Clerk:					
Salaries and Wages	70,706.00	70,706.00	69,405.00	1,301.00	
Other Expenses	12,900.00	13,700.00	13,509.19	190.81	
Financial Administration:					
Salaries and Wages	94,298.00	94,298.00	91,151.88	3,146.12	
Other Expenses	15,188.00	16,188.00	15,224.95	963.05	
Audit Services	28,500.00	28,500.00	1,730.00	26,770.00	
IT/Website/Data Processing:					
Salaries and Wages	56,719.00	56,719.00	55,651.00	1,068.00	
Other Expenses	20,518.00	20,518.00	16,537.25	3,980.75	
Collection of Taxes:					
Salaries and Wages	61,205.00	61,205.00	58,216.42	2,988.58	
Other Expenses	16,531.00	16,531.00	14,032.44	2,498.56	
Assessment of Taxes:					
Salaries and Wages	92,242.00	92,242.00	80,933.93	11,308.07	
Other Expenses	10,220.00	10,220.00	7,646.49	2,573.51	
Legal Services and Costs:					
Other Expenses	154,000.00	148,600.00	104,660.09	43,939.91	

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

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
GENERAL GOVERNMENT (continued):					
Engineering Services and Costs:					
Other Expenses	\$ 15,675.00	\$ 15,675.00	\$ 13,072.92	\$ 2,602.08	
Historic Preservation:					
Other Expenses	874.00	874.00	150.00	724.00	
Planning Board:					
Other Expenses	46,005.00	46,005.00	32,453.02	13,551.98	
Zoning Officer:					
Salaries and Wages	44,998.00	44,998.00	26,483.09	18,514.91	
Other Expenses	2,600.00	2,600.00	1,375.82	1,224.18	
Insurance:					
Other Liability Insurance Premiums	253,064.00	253,064.00	252,963.53	100.47	
Workers Compensation	162,095.00	162,095.00	162,094.36	0.64	
Group Insurance Plan for Employees	1,786,602.00	1,786,602.00	1,765,614.31	20,987.69	
PUBLIC SAFETY:					
Police:					
Salaries and Wages	2,884,734.00	2,884,734.00	2,812,859.07	71,874.93	
Other Expenses	112,329.00	112,329.00	101,965.31	10,363.69	
Purchase of Police Cars	145,100.00	145,100.00	145,084.58	15.42	
Joint Police, Fire and First Aid Communications:					
Other Expenses	345,814.00	345,814.00	339,016.90	6,797.10	
Office of Emergency Management:					
Salaries and Wages	3,500.00	3,500.00	1,600.00	1,900.00	
Other Expenses	1,500.00	1,500.00	1,495.74	4.26	

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

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
PUBLIC SAFETY (continued):					
Radio Maintenance:					
Other Expenses	\$ 4,000.00	\$ 4,000.00	\$ 815.50	\$ 3,184.50	
Fire:					
Other Expenses:					
Miscellaneous Other Expenses	72,273.00	72,273.00	47,679.97	24,593.03	
Fire Hydrant Service	4,080.00	4,080.00	3,060.00	1,020.00	
First Aid Organization - Contribution					
Miscellaneous Other Expenses	48,574.00	48,574.00	40,346.43	8,227.57	
Fire Safety Act:					
Salaries and Wages	47,596.00	54,396.00	53,537.02	858.98	
Other Expenses	3,890.00	3,890.00	2,548.83	1,341.17	
Municipal Prosecutor:					
Other Expenses	12,250.00	12,250.00	10,500.00	1,750.00	
STREETS AND ROADS:					
Road Repairs and Maintenance:					
Salaries and Wages	1,979,738.00	1,979,738.00	1,928,041.44	51,696.56	
Other Expenses	731,072.00	726,072.00	710,651.78	15,420.22	
Shade Trees:					
Other Expenses	4,790.00	4,790.00	1,125.27	3,664.73	

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

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
OTHER MUNICIPAL SERVICES:					
Public Buildings and Grounds:					
Other Expenses	\$ 72,515.00	\$ 77,515.00	\$ 75,804.78	\$ 1,710.22	
Community Services Act	1,500.00	1,500.00	1,500.00		
HEALTH AND WELFARE:					
Board of Health:					
Salaries and Wages	218,357.00	218,357.00	209,435.32	8,921.68	
Other Expenses	25,974.00	25,974.00	23,464.23	2,509.77	
Environmental Commission (R.S.40:56A-1 et seq):					
Other Expenses	2,105.00	2,105.00	422.00	1,683.00	
RECREATION AND EDUCATION:					
Recreation and Education:					
Salaries and Wages	57,924.00	57,924.00	55,938.00	1,986.00	
Other Expenses	6,160.00	6,160.00	6,003.57	156.43	
Senior Citizens Program:					
Salaries and Wages	66,531.00	66,931.00	65,802.35	1,128.65	
Other Expenses	3,250.00	3,250.00	3,236.83	13.17	
Field Maintenance:					
Other Expenses	25,970.00	25,970.00	18,588.73	7,381.27	
Utility Expenses and Bulk Purchases	387,000.00	387,000.00	368,283.26	18,716.74	

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

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Cont'd):					
Municipal Court:					
Salaries and Wages	\$ 137,487.00	\$ 137,487.00	\$ 133,131.02	\$ 4,355.98	
Other Expenses	11,345.00	11,345.00	9,579.62	1,765.38	
Public Defender:					
Other Expenses	1,400.00	2,800.00	1,744.00	1,056.00	
Total Operations Within "CAPS"	10,620,078.00	10,620,078.00	10,185,611.33	434,466.67	
Detail:					
Salaries and Wages	6,014,235.00	6,021,435.00	5,828,821.79	192,613.21	
Other Expenses	4,605,843.00	4,598,643.00	4,356,789.54	241,853.46	
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	531,472.48	531,472.48	508,609.07	22,863.41	
Social Security System (O.A.S.I.)	499,400.00	499,400.00	498,627.33	772.67	
Police and Firemen's Retirement System of New Jersey	742,666.00	742,666.00	742,666.00		
Unemployment Compensation Insurance	5,000.00	5,000.00	5,000.00		
Defined Contribution Retirement Program	5,000.00	5,000.00	4,234.15	765.85	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	1,783,538.48	1,783,538.48	1,759,136.55	24,401.93	
Total General Appropriations for Municipal Purposes Within "CAPS"	12,403,616.48	12,403,616.48	11,944,747.88	458,868.60	

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

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS":					
Maintenance of Free Public Library	\$ 964,428.19	\$ 964,428.19	\$ 964,428.19		
LOSAP Program	62,000.00	62,000.00	26,450.00	\$ 35,550.00	
Shared Service Agreements:					
Fire Fighting:					
Other Expenses	43,650.00	43,650.00	43,650.00		
Police/Court Services:					
Salaries and Wages	303,878.00	303,878.00	303,877.98	0.02	
Finance:					
Salaries and Wages	37,644.00	37,644.00	37,643.97	0.03	
Health:					
Salaries and Wages	69,266.00	69,266.00	69,265.98	0.02	
Court:					
Salaries and Wages	15,900.00	15,900.00	15,900.00		
Tax Collection					
Salaries and Wages	31,836.00	31,836.00	31,836.00		
Police:					
Salaries and Wages	60,000.00	60,000.00	60,000.00		
Class III Officer - West Morris (N.J.S.A 40A: 4-87 + \$19,488.50):					
Salaries and Wages				13,050.00	
Other Expenses				6,438.50	
School Resource Officers - WTBOE (N.J.S.A 40A: 4-87 + \$81,730.50):					
Salary and Wages			19,182.24	57,548.26	
Other Expenses			3,788.85	1,211.15	
Additional Appropriations Offset by Revenues:					
Construction Code					
Salaries and Wages	70,000.00	70,000.00	69,999.96	0.04	
DPW Services - MUA Maintenance	38,000.00	38,000.00		38,000.00	

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

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS" (Cont'd):					
State and Federal Programs Offset by Revenues:					
Association of New Jersey Environmental Commissions Grant	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00		
Reserve for Drunk Driving Enforcement Fund	4,321.47	4,321.47	4,321.47		
Clean Communities Program	51,718.00	51,718.00	51,718.00		
Municipal Alliance on Alcoholism and Drug Abuse (N.J.S.A. 40A:4-87 + \$2,000 )	13,717.00	15,717.00	15,717.00		
Reserves for Police Donation	150.00	150.00	150.00		
Assistance to Firefighters Grant Program (N.J.S.A. 40A:4-87 + \$457,040 )		457,040.00	457,040.00		
Reserve for Federal Bulletproof Vest Grant	2,885.10	2,885.10	2,885.10		
Reserve for Body Armor Grant	2,830.01	2,830.01	2,830.01		
Recreation Trails Program (N.J.S.A. 40A:4-87 + \$88,915.20 )		88,915.20	88,915.20		
<b>Total Operations Excluded from "CAPS"</b>	<b>1,773,723.77</b>	<b>2,422,897.97</b>	<b>2,271,099.95</b>	<b>\$ 151,798.02</b>	
Detail:					
Salaries and Wages	426,688.00	458,524.00	458,523.93	0.07	
Other Expenses	1,347,035.77	1,964,373.97	1,812,576.02	151,797.95	

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

	Appropriations		Paid or Charged	Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification		Reserved	Reserved	
Capital Improvements-Excluded from "CAPS":						
Capital Improvement Fund	\$ 63,625.00	\$ 63,625.00	\$ 63,625.00			
Police Equipment	9,000.00	9,000.00	9,000.00			
DPW Equipment	172,625.00	172,625.00	172,171.17	\$ 453.83		
Emergency Services Equipment	490,750.00	490,750.00	43,717.88	447,032.12		
Improve Municipal Facilities	95,000.00	95,000.00	93,819.91	1,180.09		
Reserve for New Fire Truck	189,000.00	189,000.00	188,573.49	426.51		
Total Capital Improvements Excluded from "CAPS"	1,020,000.00	1,020,000.00	570,907.45	449,092.55		
Municipal Debt Service Excluded from "CAPS":						
Payment of Bond Principal	568,649.00	568,649.00	568,649.00			
Payment of Bond Anticipation Notes	170,000.00	170,000.00	170,000.00			
Interest on Bonds	222,962.00	222,962.00	222,961.32		\$ 0.68	
Interest on Notes	63,563.00	63,563.00	63,562.50		0.50	
Total Municipal Debt Service Excluded from "CAPS"	1,025,174.00	1,025,174.00	1,025,172.82		1.18	
Total General Appropriations Excluded from "CAPS"	3,818,897.77	4,468,071.97	3,867,180.22	\$ 600,890.57	1.18	
Subtotal General Appropriations	16,222,514.25	16,871,688.45	15,811,928.10	1,059,759.17	1.18	
Reserve for Uncollected Taxes	1,510,000.00	1,510,000.00	1,510,000.00			
Total General Appropriations	\$ 17,732,514.25	\$ 18,381,688.45	\$ 17,321,928.10	\$ 1,059,759.17	\$ 1.18	

Ref.

A



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

		Analysis of	
	Ref.	Budget After Modification	Paid or Charged
Adopted Budget		\$ 17,732,514.25	
Additional Appropriations (N.J.S.A. 40A:4-87)		649,174.20	
		\$ 18,381,688.45	
Reserve for Uncollected Taxes			\$ 1,510,000.00
Cash Disbursed			14,760,085.33
Due to Federal and State Grant Fund			625,076.78
Encumbrances	A		837,880.53
			17,733,042.64
Less: Refunds Received			411,114.54
			\$ 17,321,928.10

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

TOWNSHIP OF WASHINGTON  
COUNTY OF MORRIS  
2018  
TRUST FUNDS

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

	Ref.	December 31,	
		2018	2017
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	B-1	\$ 33,374.80	\$ 34,657.80
Change Fund - Collector		50.00	50.00
		<u>33,424.80</u>	<u>34,707.80</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-1	2,514,603.70	2,689,665.30
Due from Current Fund - Reserve for Open Space Trust Fund	A	161.85	
		<u>2,514,765.55</u>	<u>2,689,665.30</u>
<u>TOTAL ASSETS</u>		<u>\$ 2,548,190.35</u>	<u>\$ 2,724,373.10</u>
 <u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due to State Board of Health		\$ 1.20	\$ 39.00
Reserve for Animal Control Expenditures	B-2	33,423.60	34,668.80
		<u>33,424.80</u>	<u>34,707.80</u>
Other Trust Funds:			
Due to State of New Jersey:			
Training Fees		3,746.00	7,138.00
Reserve for:			
Open Space Trust Fund		186,880.84	267,611.20
State Unemployment Insurance Trust Fund		93,622.13	79,460.60
Developers' Deposits		604,045.57	567,734.20
Recreation		49,739.47	38,527.39
Recycling		4,181.24	15,098.57
Forfeited Assets		5,258.16	5,756.97
Washington Uniform Construction Code Fees		95.44	22,643.32
Mansfield Uniform Construction Code Fees		15,259.75	5,063.00
Housing Trust		469,095.50	588,370.85
Tax Sale Premiums		543,400.00	552,500.00
Municipal Alliance Fund		3,519.95	3,519.95
Parking Offense Adjudication Fees		49.55	49.55
Parking Offense Adjudication Fees - Califon		4.00	4.00
Storm Recovery Fund		85,000.00	85,000.00
Fairview Avenue Housing Fund		129,687.70	129,687.70
Accumulated Absences		320,000.00	320,000.00
Police Department Events		755.25	
Fire Prevention Penalty		425.00	1,500.00
		<u>2,514,765.55</u>	<u>2,689,665.30</u>
<u>TOTAL LIABILITIES AND RESERVES</u>		<u>\$ 2,548,190.35</u>	<u>\$ 2,724,373.10</u>

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

TOWNSHIP OF WASHINGTON  
COUNTY OF MORRIS  
2018  
GENERAL CAPITAL FUND

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

		December 31,	
<u>ASSETS</u>	<u>Ref.</u>	2018	2017
Cash and Cash Equivalents	C-2	\$ 796,690.50	\$ 817,923.62
New Jersey Department of Transportation Grants Receivable			82,626.75
Deferred Charges to Future Taxation:			
Funded		6,575,000.00	7,270,000.00
Unfunded	C-4	4,340,000.00	3,615,000.00
<u>TOTAL ASSETS</u>		<u>\$ 11,711,690.50</u>	<u>\$ 11,785,550.37</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 6,575,000.00	\$ 7,270,000.00
Bond Anticipation Notes Payable	C-7	3,445,000.00	2,825,000.00
Improvement Authorizations:			
Funded	C-5	459,756.92	78,276.82
Unfunded	C-5	780,541.85	671,595.03
Capital Improvement Fund	C-6	130,564.80	466,939.80
Reserve for First Aid Vehicle		565.00	
Reserve for Fire Equipment		13,350.59	20,010.29
Reserve for Police Equipment		3,245.74	3,191.02
Reserve for Recreation Facilities		57,248.54	13,230.13
Reserve for Fire Truck Refurbishment			250,884.00
Reserve to Pay Debt Service		20,000.00	
Reserve for Computer/Technology Equipment		2,984.78	
Reserve for Roadwork		52,903.00	
Fund Balance	C-1	170,529.28	186,423.28
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 11,711,690.50</u>	<u>\$ 11,785,550.37</u>

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

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 186,423.28
Increased by:		
Premium on Notes Sale		23,620.00
		<u>210,043.28</u>
Decreased by:		
Appropriated to 2018 Budget Revenue - Current Fund		39,514.00
		<u>39,514.00</u>
Balance December 31, 2018	C	<u>\$ 170,529.28</u>

TOWNSHIP OF WASHINGTON  
COUNTY OF MORRIS  
2018  
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF WASHINGTON  
COUNTY OF MORRIS  
2018  
BOND AND INTEREST FUND

NOT APPLICABLE



TOWNSHIP OF WASHINGTON  
COUNTY OF MORRIS  
2018  
GENERAL FIXED ASSETS ACCOUNT GROUP  
  
(UNAUDITED)

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

	December 31,	
	2018	2017
<u>ASSETS</u>		
Land	\$ 4,879,000.00	\$ 4,879,000.00
Building	9,911,467.43	9,911,467.43
Equipment and Vehicles	5,979,711.75	5,979,711.75
<u>TOTAL ASSETS</u>	<u>\$ 20,770,179.18</u>	<u>\$ 20,770,179.18</u>
 <u>RESERVE</u>		
Reserve for Fixed Assets	\$ 20,770,179.18	\$ 20,770,179.18
<u>TOTAL RESERVE</u>	<u>\$ 20,770,179.18</u>	<u>\$ 20,770,179.18</u>

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

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Description of Funds

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

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

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

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

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

B. Description of Funds (Cont'd)

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

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

C. Basis of Accounting

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

The more significant accounting policies in New Jersey follow:

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

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

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

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

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

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

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

C. Basis of Accounting (Cont'd)

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

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

E. Other significant accounting policies include:

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

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

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

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

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

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

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

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

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

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

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

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

F. Budget/Budgetary Control

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

Note 2: Long-Term Debt

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

Summary of Municipal Debt

	<u>December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Issued</u>			
General Bonds and Notes	\$10,020,000.00	\$10,095,000.00	\$10,095,000.00
<u>Authorized but Not Issued:</u>			
General Bonds and Notes	895,000.00	790,000.00	800,000.00
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$10,915,000.00</u>	<u>\$10,885,000.00</u>	<u>\$10,895,000.00</u>

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

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

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

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

	<u>Balance</u> <u>12/31/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2018</u>
General Capital Fund:				
Serial Bonds	\$ 7,270,000.00		\$ 695,000.00	\$ 6,575,000.00
Bond Anticipation Notes	<u>2,825,000.00</u>	<u>3,445,000.00</u>	<u>2,825,000.00</u>	<u>3,445,000.00</u>
Total	<u>\$ 10,095,000.00</u>	<u>\$ 3,445,000.00</u>	<u>\$ 3,520,000.00</u>	<u>\$ 10,020,000.00</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .377%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 6,375,000.00	\$ 6,375,000.00	
Regional School District Debt	3,947,167.35	3,947,167.35	
General Debt	<u>10,915,000.00</u>		<u>\$ 10,915,000.00</u>
	<u>\$ 21,237,167.35</u>	<u>\$ 10,322,167.35</u>	<u>\$ 10,915,000.00</u>

Net Debt \$10,915,000 divided by Equalized Valuation Basis Per N.J.S. 40A:2-2 as Amended, \$2,891,794,867.33= .377%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 101,212,820.35
Net Debt	<u>10,915,000.00</u>
Remaining Borrowing Power	<u>\$ 90,297,820.35</u>

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

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

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

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

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 725,000.00	\$ 240,450.00	\$ 965,450.00
2020	755,000.00	210,850.00	965,850.00
2021	785,000.00	180,050.00	965,050.00
2022	805,000.00	152,275.00	957,275.00
2023	830,000.00	123,600.00	953,600.00
2024-2026	<u>2,675,000.00</u>	<u>162,500.00</u>	<u>2,837,500.00</u>
	<u>\$ 6,575,000.00</u>	<u>\$ 1,069,725.00</u>	<u>\$ 7,644,725.00</u>

At December 31, 2018, the Township had capital debt issued and outstanding described as follows:

General Capital Serial Bonds Payable

<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>
General Improvements 2011	03/01/21	4.00%	\$ 2,265,000.00
Refunding Bonds 2017	03/01/26	3.00-4.00%	4,310,000.00
			<u>\$ 6,575,000.00</u>

General Capital Bond Anticipation Notes

<u>Purpose</u>	<u>Maturities of Notes</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>
	<u>Outstanding Dec. 31, 2018 Date</u>	<u>Amount</u>		
Purchase of Fire Truck	8/30/2019	\$ 213,000.00	2.75%	\$ 213,000.00
Various Improvements	8/30/2019	369,000.00	2.75%	369,000.00
Road Improvements	8/30/2019	473,000.00	2.75%	473,000.00
Various Improvements	8/30/2019	800,000.00	2.75%	800,000.00
Various Improvements	8/30/2019	800,000.00	2.75%	800,000.00
Various Improvements	8/30/2019	790,000.00	2.75%	790,000.00
				<u>\$ 3,445,000.00</u>

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability at June 30, 2018 was calculated to be \$10,790,165. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$11,663,091 at June 30, 2018. See Note 5 for further information on the PERS.



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

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

A. Net OPEB Liability

The Township's Net OPEB liability related to the State Health Benefit Local Government Retired Employees Plan at June 30, 2017 was calculated to be \$17,123,947. Additionally, the State's proportionate share of the net OPEB liability attributable to the Township at June 30, 2017 was \$11,870,891. See Note 16 for further information on these net OPEB liabilities.

Note 3: Fund Balances Appropriated

Fund Balance at December 31, 2018, which is appropriated and included in the adopted budget as anticipated revenue for the year ending December 31, 2019 budget is as follows:

Current Fund	\$ 1,300,000.00
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Note 4: Local and Regional School District Taxes

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

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

Note 5: Pension Plans

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

Note 5: Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$508,609.07 for 2018.

The employee contribution rate was 7.34% effective July 1, 2017 and increased to 7.50% effective July 1, 2018. Subsequent increases after October 1, 2011 were being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2018, the Township's liability was \$10,790,165 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The Borough's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the Township's proportion was .0548%, which was an increase of 0.002% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Township recognized actual pension expense in the amount of \$508,609.07.

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

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions

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

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

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2018 are summarized in the following table:

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

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

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

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Township's proportionate share of the collective net pension liability as of June 30, 2018 calculated using the discount rate as disclosed below, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

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

Note 5: Pension Plans (Cont'd)

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

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

	June 30, 2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Township's proportionate share of the Net Pension Liability	\$ 13,567,388	\$ 10,790,165	\$ 8,460,251

Pension Plan Fiduciary Net Position

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

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

Plan Description

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

Benefits Provided

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

The following represents the membership tiers for PFRS:

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

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

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

Note 5: Pension Plans (Cont'd)

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

Contributions

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

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. The June 30, 2018 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense for the fiscal year ended June 30, 2018 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2018. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Township contributions to PFRS amounted to \$742,666 for the year ended December 31, 2018. During the fiscal year ended June 30, 2018, the State of New Jersey contributed \$93,825 to the PFRS for normal pension benefits on behalf of the Township, which is less than the contractually required contribution of \$187,650.

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

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

Note 5: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense

At June 30, 2018, the Township's liability for its proportionate share of the net pension liability was \$11,663,091. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the Township's proportion was .862%, which was a decrease of .002% from its proportion measured as of June 30, 2017.

Additionally, the State's proportionate share of the net pension liability attributable to the Township is \$1,584,238 as of June 30, 2018. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The State's proportionate share of the net pension liability associated with the Township was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the State's proportion was .0862%, which was a decrease of .002% from its proportion measured as of June 30, 2017 which is the same proportion as the Township's.

Township's Proportionate Share of the Net Pension Liability	\$ 11,663,091
State's Proportionate Share of the Net Pension Liability Associated with the Township	1,584,238
Total Net Pension Liability	\$ 13,247,329

For the year ended December 31, 2018, the Township recognized total pension expense of \$742,666.

Actuarial Assumptions

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

Inflation Rate	2.25%
Salary Increases:	
Through 2026	2.10% - 8.98% based on age
Thereafter	3.10% - 9.98% based on age
Investment Rate of Return	7.00%

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

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

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

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2018 are summarized in the following table:

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



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

Note 5: Pension Plans (Cont'd)

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

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2062. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through June 30, 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Borough) as of June 30, 2018 calculated using the discount rate as disclosed above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
Township's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Township	\$ 17,729,906	\$ 13,247,329	\$ 9,550,019

Pension

Plan Fiduciary Net Position - PFRS

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

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution

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

Note 5: Pension Plans (Cont'd)

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

retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

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

For DCRP, the Township recognized pension expense of \$4,234.15 for the year ended December 31, 2018. Employee contributions to DCRP amounted to \$5,876.78 for the year ended December 31, 2018.

Note 6: Accrued Sick and Vacation Benefits

The Township permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$25,698.27 at December 31, 2018. The Township also permits employees to accrue earned compensation time. The estimated current cost of this time is approximately \$412,859.07 at December 31, 2018. These amounts are not reported either as an expenditure or a liability. However, it is expected that the cost of such unpaid compensation would be included in the Township's operating expenditures in the year in which it is used. This amount has been partially funded in the Reserve for Accumulated Absences of \$320,000 on the Trust Fund balance sheet at December 31, 2018.

Note 7: Selected Tax Information

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

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

Note 7: Selected Tax Information (Cont'd)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate</u>	2.554	2.499	2.423
<u>Apportionment of Tax Rate</u>			
Municipal	.446 *	.439 *	.432 *
Municipal Open Space	.012	.012	.013
County	.259	.258	.250
County Open Space	.010	.010	.009
Local School	1.256	1.223	1.190
Regional High School	.571	.557	.529
<u>Assessed Valuations</u>			
2018	<u>\$ 2,826,428,100</u>		
2017		<u>\$ 2,818,062,000</u>	
2016			<u>\$ 2,814,845,187</u>

\* Includes Municipal Library Tax

Comparison of Tax Levies and Collection Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	\$ 72,221,086.01	\$ 71,187,304.22	98.56%
2017	70,702,737.53	69,824,739.52	98.75%
2016	68,414,681.91	67,547,887.31	98.73%

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

Note 8: Risk Management

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

Property and Liability

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

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

Note 8: Risk Management (Cont'd)

Property and Liability (Cont'd)

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

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

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

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

The December 31, 2018 audit report of the Morris County Municipal Joint Insurance Fund is not filed as of the date of this audit. Summarized, selected financial information for the Fund as of December 31, 2017 is as follows:

Total Assets	<u>\$ 31,142,868</u>
Net Position	<u>\$ 15,160,449</u>
Total Revenue	<u>\$ 18,917,254</u>
Total Expenditures	<u>\$ 15,934,840</u>
Change in Net Position	<u>\$ 2,982,414</u>
Members Dividends	<u>\$ -0-</u>

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

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

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

Note 8: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

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

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

<u>Year</u>	<u>Township Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 5,000.00	\$ 11,621.45	\$ 2,459.92	\$ 93,622.13
2017	9,000.00	8,710.76	225.88	79,460.60
2016	18,000.00	8,378.10	163.50	61,975.72

Note 9: Cash and Cash Equivalents

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

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

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

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

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

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

Deposits:

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

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

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

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

Deposits (Cont'd)

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

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

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

Investments

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

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

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

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

Investments (Cont'd)

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

As of December 31, 2018, cash and cash equivalents of the Township of Washington consisted of the following:

<u>Fund</u>	<u>Savings and Checking Accounts</u>	<u>Petty Cash/ Change Funds</u>	<u>Totals</u>
Current	\$ 5,385,938.02	\$ 575.00	\$ 5,386,513.02
Animal Control	33,374.80	50.00	33,424.80
Other Trust	2,514,603.70		2,514,603.70
General Capital	796,690.50		796,690.50
	<u>\$ 8,730,607.02</u>	<u>\$ 625.00</u>	<u>\$ 8,731,232.02</u>

At December 31, 2018, the Township did not hold any investments. The carrying amount of the Township's cash and cash equivalents at December 31, 2018, was \$8,731,232.02 and the bank balance was \$8,814,888.85.

Note 10: Interfund Receivables and Payables

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 27,331.19	\$ 161.85
Federal and State Grant Fund		27,331.19
Other Trust - Open Space Trust	161.85	
	<u>\$ 27,493.04</u>	<u>\$ 27,493.04</u>

The Chief Financial Officer monitors all interfunds for the various funds and liquidates them periodically throughout the year. The balances remaining at December 31, 2018, represent activity not liquidated by year end which were subsequently liquidated in 2019.

Note 11: Commitments and Contingencies

The Township is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury and various contract disputes. In the opinion of management, the ultimate outcome of these lawsuits will not have a material adverse effect on the Township's financial position as of December 31, 2018.

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

Note 11: Commitments and Contingencies (Cont'd)

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

Note 12: Economic Dependency

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

Note 13: Open Space Trust Fund

The Township created an Open Space Trust Fund with a tax levy of \$.012 per \$100 of assessed valuation in 1993. The funds collected are used to acquire and maintain open space property in the Township. The balances in the Open Space Trust Fund at December 31, 2018 and 2017 were \$186,880.84 and \$267,611.20 respectively.

Note 14: Deferred Compensation Plans

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

Note 15: Fixed Assets (Unaudited)

The following is a summarization of general fixed assets for the years ended December 31, 2017 and 2018.

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
Land	\$ 4,879,000.00	\$ 4,879,000.00
Buildings	9,911,467.43	9,911,467.43
Equipment and Vehicles	5,979,711.75	5,979,711.75
	<u>\$ 20,770,179.18</u>	<u>\$ 20,770,179.18</u>



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

Note 16: Postemployment Benefits Other than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

Plan Description

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

Benefits Provided

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

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

The Township shall continue insurance coverage for employees who retire with at least twenty-five years of service in the New Jersey State Pension System and 20 years with Washington Township at the rate for family, employee/spouse, or single coverage, depending on the employee's marital status. Coverage ends at the year Medicare coverage commences or 65 years of age, whichever is sooner.

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

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

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

General Information about the OPEB Plan (Cont'd)

Contributions

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

Special Funding Situation

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

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

Allocation Methodology

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

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

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

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

OPEB Expense

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

At June 30, 2017, the Township had a liability of \$17,123,947 for its proportionate share of the net OPEB liability. At June 30, 2017, the Township's proportion was .0083876% which was a decrease of .0005% from its proportion measured as of June 30, 2016. Additionally, the State's proportionate share of the net OPEB liability attributable to the Township at June 30, 2017 was \$11,870,891. At June 30, 2017, the State's proportion related to the Township was .136519%. This is the percentage of the total State Share of the net OPEB liability of the Plan.

For the year ended June 30, 2017 the Township's OPEB expense as determined by the State of New Jersey Division of Pensions and Benefits was \$1,017,890. Additionally, during the year ended June 30, 2017, the State of New Jersey's OPEB expense related to the Township was \$849,553.

The Township's actual post retirement payments in 2018 for 22 retiree employees were \$746,560.92.

Actuarial Assumptions and Other Inputs

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

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

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

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

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

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

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

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

Health Care Trend Assumptions

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

Discount Rate

The discount rate for June 30, 2017 was 3.58%. The discount rate for June 30, 2016 was 2.85%. This represents the municipal bond rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the Net OPEB Liability Attributable to the Township to Changes in the Discount Rate

The following presents the net OPEB Liability of the Township as of June 30, 2017, calculated using the discount rate as disclosed in this note, as well as what the net OPEB Liability of the Township would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
Net OPEB Liability Attributable to the Township	\$ 20,198,206	\$ 17,123,947	\$ 14,684,574

Sensitivity of the Net OPEB Liability Attributable to the Township to Changes in the Healthcare Trend Rate

The following presents the net OPEB Liability of the Township as of June 30, 2017, calculated using the healthcare trend rate as disclosed in this note, as well as what the net OPEB Liability of the Township would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability Attributable to the Township	\$ 14,230,500	\$ 17,123,947	\$ 20,891,550

TOWNSHIP OF WASHINGTON

SUPPLEMENTARY DATA

TOWNSHIP OF WASHINGTON  
OFFICIALS IN OFFICE AND SURETY BONDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Name	Title	Amount of Bond	Name of Corporate or Personal Surety
William Roehrich	Mayor		
Matthew Murello	Vice Mayor		
Gregg Forsbrey	Committeeman		
James LiaBraaten	Committeeman		
Kenneth Short	Committeeman		
Andrew Coppola	Administrator/Township Treasurer / Chief Financial Officer (May 1, 2018 - December 31, 2018)		(A)
Nina DiGregorio	Township Clerk		(A)
Kevin Lifer	Township Treasurer / Chief Financial Officer (January 1, 2018 - April 30, 2018)	\$ 1,000,000.00	(B)
Amy Monahan	Acting Township Treasurer / Chief Financial Officer (May 1, 2018 - Present)	\$ 1,000,000.00	(B)
Donna Re	Tax Assessor		(A)
Amy Monahan	Tax Collector (January 1, 2018 - April 30, 2018)	1,000,000.00	(B)
Laura Amada	Tax Collector (May 1, 2018 - Present)	1,000,000.00	(B)
John Jansen	Township Attorney		
Leon Hall	Township Engineer		
Frank Leanza	Magistrate	1,000,000.00	(A)
Jan Simonetti	Court Administrator	1,000,000.00	(A)
Leslie Strozkeski	Deputy Court Administrator	1,000,000.00	(A)
Maryann O'Donnell McCoy	Municipal Prosecutor		
Jeffrey Almer	Chief of Police		(A)
Roger Read	Superintendent, Department of Public Works		(A)
Neil Ruggiero	Construction Official		(A)
JoAnn Griffith	Planning and Zoning Secretary		(A)
Dennis Allen	Zoning Officer		(A)

(A) There is a Public Employee's Faithful Performance Policy with the MCMJIF covering all employees for \$50,000 and with MELJIF covering all employees for \$950,000 for the year 2018.

(B) The employees are covered through the Public Employee's Faithful Performance Policy as noted above, but are also individually identified as covered, per state statute, for the year 2018.

TOWNSHIP OF WASHINGTON  
COUNTY OF MORRIS  
2018  
CURRENT FUND

TOWNSHIP OF WASHINGTON  
CURRENT FUND  
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2017	A	\$ 9,366,532.85
Increased by Receipts:		
Tax Collector	\$ 67,812,780.94	
Revenue Accounts Receivable	2,900,340.64	
Miscellaneous Revenue Not Anticipated	157,517.31	
Due from State of N.J. - Veterans' and Senior Citizens' Deductions	85,276.80	
Appropriation Refunds	411,114.54	
Appropriation Reserve Refunds	7,583.89	
Due Federal and State Grant Fund:		
Unappropriated Grant Reserves	5,236.50	
Grants Receivable	549,521.69	
Due to State of New Jersey:		
Marriage License Fees	1,575.00	
Reserve for:		
Payroll Expenses	9,053,137.24	
Sale of Municipal Assets	12,923.89	
		80,997,008.44
		90,363,541.29
Decreased by Disbursements:		
2017 Appropriation Expenditures	14,760,085.33	
2016 Appropriation Reserves	590,802.53	
County Taxes	7,580,471.00	
Local School District Taxes	35,492,924.50	
Regional High School Taxes	16,138,139.00	
Due Federal and State Grant Fund:		
Appropriated Grant Reserves	571,636.15	
Due Other Trust Funds:		
Reserve for Open Space Trust Fund	358,956.00	
Reserve for Tax Sale Premiums	118,500.00	
Tax Overpayments Refunded	55,323.22	
Refund of Prior Year Revenue	300.00	
Accounts Payable	4,464.45	
Third Party Tax Title Lien Refunds	255,976.36	
Reserve for Payroll Expenses	9,048,674.73	
Due to State of New Jersey:		
Marriage License Fees	1,350.00	
		84,977,603.27
Balance December 31, 2018	A	\$ 5,385,938.02



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

Increased by Receipts:

Taxes Receivable	\$	66,701,744.05
Tax Title Liens		20,521.00
2019 Prepaid Taxes		421,465.76
Interest and Costs on Taxes		182,629.16
Year End Penalty		19,717.95
Tax Overpayments		92,226.66
Third Party Tax Title Liens		255,976.36
Tax Sale Premiums		118,500.00
		118,500.00

\$ 67,812,780.94

Decreased by:

Payments to Treasurer

\$ 67,812,780.94

SCHEDULE OF CASH - GRANT FUNDS  
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

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

Year	Balance		Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Trans- ferred to Tax Title Liens	Balance Dec. 31, 2018
	Dec. 31, 2017	2018 Levy	2017	2018				
2017	\$ 704,588.54		\$ 670,418.84	\$ (779.44)	\$ 34,704.24	\$ 244.90		
2018		\$ 72,221,086.01	\$ 5,069,979.01	86,000.00	119,820.37	117,529.86	\$ 796,431.56	
	\$ 704,588.54	\$ 72,221,086.01	\$ 5,069,979.01	\$ 85,220.56	\$ 154,524.61	\$ 117,774.76	\$ 796,431.56	
<u>Ref.</u>	A							
<u>Analysis of 2018 Property Tax Levy</u>								
Tax Yield:								
	General Purpose Tax		\$ 72,186,973.89					
	Added and Omitted Taxes		34,112.12					
			<u>\$ 72,221,086.01</u>					
Tax Levy:								
	Regional High School Taxes		16,138,139.00					
	Local School District Taxes		35,492,925.00					
	Municipal Open Space Taxes		358,956.00					
	Add: Additional Municipal Open Space Tax Levied		161.85					
	County Taxes		7,550,530.74					
	Due County for Added and Omitted Taxes		3,605.26					
			<u>7,554,136.00</u>					
			59,544,317.85					
	Local Tax for Municipal Purposes Levied		11,661,973.48					
	Minimum Library Tax		964,428.19					
	Add: Additional Tax Levied		50,366.49					
			<u>12,676,768.16</u>					
			<u>\$ 72,221,086.01</u>					

TOWNSHIP OF WASHINGTON  
CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2017	A	\$ 2,307,138.06
Increased by:		
Transfer from Taxes Receivable		\$ 117,774.76
Interest and Costs Accrued at Tax Sale		<u>58.72</u>
		<u>117,833.48</u>
		<u>2,424,971.54</u>
Decreased by:		
Cash Collections		<u>20,521.00</u>
Balance December 31, 2018	A	<u><u>\$ 2,404,450.54</u></u>

TOWNSHIP OF WASHINGTON  
CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec 31, 2017	Accrued In 2018	Collected by Treasurer	Balance Dec 31, 2018
Licenses:				
Alcoholic Beverages	\$ 15,188.00	\$ 15,188.00	\$ 15,188.00	
Other		5,108.00	5,108.00	
Fees and Permits:				
Other		307,276.38	307,276.38	
Municipal Court	\$ 13,074.13	165,528.59	170,021.32	\$ 8,581.40
Interest on Investments and Deposits		103,762.76	103,762.76	
Energy Receipts Taxes		1,410,359.00	1,410,359.00	
Garden State Trust Fund		15,441.00	15,441.00	
Watershed Aid		799.00	799.00	
Shared Services:				
Fire Fighting - Tewksbury Township		53,650.00	53,650.00	
Police/Court Services - Borough of Califon		303,878.00	303,878.00	
Finance/Tax Collection- Borough of Califon		37,644.00	37,644.00	
Health - Chester Township		69,266.00	69,266.00	
Court Services - Borough of Califon		18,408.48	18,408.48	
Tax Collection - Mansfield Township		15,918.00	15,918.00	
School Resource Officer		59,616.00	59,616.00	
Uniform Construction Code Services - Mansfield		121,001.50	121,001.50	
Uniform Construction Code Services - Chester		27,927.60	27,927.60	
General Capital Fund Balance		39,514.00	39,514.00	
Washington Library - Pension Contribution		59,493.29	59,493.29	
Cell Tower Rental		61,568.75	61,568.75	
Reserve for First Aid Equipment		4,499.56	4,499.56	
	<u>\$ 13,074.13</u>	<u>\$ 2,895,847.91</u>	<u>\$ 2,900,340.64</u>	<u>\$ 8,581.40</u>

Ref.      A

A

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

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Balance</u> <u>After Modi-</u> <u>fication</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Administrative and Executive:				
Salaries and Wages	\$ 6,115.56	\$ 6,115.56	\$ 3,131.21	\$ 2,984.35
Other Expenses	15,115.49	15,115.49	6,859.12	8,256.37
Municipal Clerk:				
Salaries and Wages	1,440.00	1,440.00	1,222.97	217.03
Other Expenses	575.04	575.04	191.56	383.48
Financial Administration:				
Salaries and Wages	2,410.00	2,410.00	2,206.89	203.11
Other Expenses	1,854.43	1,854.43	1,819.00	35.43
Audit Service	26,880.00	26,880.00	26,880.00	
IT/Website/Data Processing:				
Salaries and Wages	1,058.99	1,058.99	982.21	76.78
Other Expenses	4,034.48	4,034.48	3,645.61	388.87
Collection of Taxes:				
Salaries and Wages	2,426.73	2,856.86	2,856.86	
Other Expenses	142.49	142.49		142.49
Assessment of Taxes:				
Salaries and Wages	3,175.79	3,175.79	684.41	2,491.38
Other Expenses	2,641.96	2,641.96	572.20	2,069.76
Legal Services and Costs:				
Other Expenses	28,970.59	28,970.59	8,576.23	20,394.36
Engineering Services and Costs:				
Other Expenses	3,649.90	3,649.90	2,061.11	1,588.79
Historical Preservation:				
Other Expenses	525.28	525.28		525.28
Planning Board:				
Salaries and Wages	60.00	60.00		60.00
Other Expenses	7,442.12	7,442.12	2,287.26	5,154.86
Zoning Officer:				
Salaries and Wages	263.16	807.52	807.52	
Other Expenses	2,366.09	2,366.09	156.20	2,209.89
Insurance:				
Other Liability Insurance Premiums	149.72	149.72		149.72
Workers Compensation	0.05	0.05		0.05
Group Insurance Plan for Employees	33,069.65	33,069.65		33,069.65
Police:				
Salaries and Wages	135,323.21	135,323.21	39,919.09	95,404.12
Other Expenses	24,542.61	24,542.61	10,636.49	13,906.12
Purchase of Police Cars	97.33	97.33		97.33
Joint Police, Fire and First Aid				
Communications:				
Other Expenses	7,660.14	7,660.14	1,656.12	6,004.02

TOWNSHIP OF WASHINGTON  
CURRENT FUND  
SCHEDULE OF 2017 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

	Balance Dec. 31, 2017	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Office of Emergency Management:				
Salaries and Wages	\$ 800.00	\$ 800.00		\$ 800.00
Other Expenses	1,063.71	1,063.71	\$ 1,060.13	3.58
Radio Maintenance:				
Other Expenses:	4,000.00	4,000.00		4,000.00
Fire:				
Other Expenses:				
Miscellaneous Other Expenses	55,315.37	55,315.37	47,899.30	7,416.07
First Aid Organization - Contribution	16,257.92	16,257.92	13,768.95	2,488.97
Fire Safety Act:				
Salaries and Wages	981.89	1,837.39	1,837.39	
Other Expenses	2,068.86	2,068.86	36.00	2,032.86
Municipal Prosecutor:				
Other Expenses	2,450.00	2,450.00	1,400.00	1,050.00
Road Repairs and Maintenance:				
Salaries and Wages	99,149.12	99,149.12	20,170.54	78,978.58
Other Expenses	146,809.68	146,809.68	144,169.87	2,639.81
Shade Trees:				
Other Expenses	1,976.09	1,976.09		1,976.09
Sanitation/Recycling:				
Other Expenses	1,000.00	1,000.00		1,000.00
Public Buildings and Grounds:				
Other Expenses	9,333.33	12,477.12	12,227.12	250.00
Board of Health:				
Salaries and Wages	5,429.75	6,511.36	6,511.36	
Other Expenses	5,696.04	5,696.04	1,602.07	4,093.97
Environmental Commission:				
Other Expenses	1,745.00	1,745.00	1,495.00	250.00
Recreation Committee:				
Salaries and Expense	165.23	958.76	958.76	
Other Expenses	820.03	820.03	780.00	40.03
Senior Citizens Program:				
Salaries and Wages	844.98	1,614.15	1,614.15	
Other Expenses	92.64	92.64	19.52	73.12
Field Maintenance:				
Other Expenses	7,927.92	7,927.92	1,003.65	6,924.27
Utility Expenses and Bulk Purchases	81,218.84	68,552.61	50,256.72	18,295.89
Municipal Court:				
Salaries and Wages	7,001.77	7,001.77	988.47	6,013.30
Other Expenses	1,056.23	1,056.23	707.63	348.60
Public Defender:				
Other Expenses	1,400.00	1,400.00	450.00	950.00

TOWNSHIP OF WASHINGTON  
CURRENT FUND  
SCHEDULE OF 2017 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Balance</u> <u>After Modi-</u> <u>fication</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Social Security System (O.A.S.I.)	\$ 1,755.64	\$ 6,803.78	\$ 6,803.78	
Defined Contribution Retirement Program	2,538.22	2,538.22		\$ 2,538.22
LOSAP Program	18,975.00	18,975.00	18,975.00	
Capital Improvements:				
Road Improvements	52,903.60	52,903.60	52,903.00	0.60
Police Equipment	54.72	54.72	54.72	
Emergency Services - First Aid Squad and Fire Equipment	6,994.80	6,994.80	6,994.80	
Improve Municipal Facilities	64,192.27	64,192.27	64,192.27	
Computer/Technology Upgrade	12,066.34	12,066.34	12,066.34	
	<u>\$ 926,075.80</u>	<u>\$ 926,075.80</u>	<u>\$ 588,098.60</u>	<u>\$ 337,977.20</u>
 <u>Balance December 31, 2017</u>				
	<u>Ref.</u>			
Unencumbered	A	\$ 761,961.57		
Encumbered	A	<u>164,114.23</u>		
		<u>\$ 926,075.80</u>		
 <u>Analysis of Paid or Charged:</u>				
Cash Disbursed			\$ 590,802.53	
Accounts Payable			4,879.96	
			<u>595,682.49</u>	
Less: Refunds Received			7,583.89	
			<u>\$ 588,098.60</u>	

TOWNSHIP OF WASHINGTON  
CURRENT FUND  
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2018

Increased by:		
Levy - Calendar Year 2018		\$ 35,492,925.00
Decreased by:		
Payments to Local School District		<u>35,492,924.50</u>
Balance December 31, 2018	A	<u>\$ 0.50</u>

CURRENT FUND  
SCHEDULE OF REGIONAL HIGH SCHOOL TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2018

Increased by:		
Levy - Calendar Year 2018		<u>\$ 16,138,139.00</u>
Decreased by:		
Payments to Regional High School District		<u>\$ 16,138,139.00</u>



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

	Balance	2018	Grant	Transferred	Cancelled	Balance
	Dec. 31, 2017	Budget				
		Revenue	Received	Unappropriated		
		Realized		Reserves		
Municipal Alliance on Alcoholism and Drug Abuse - 2016	\$ 1,813.80		\$ 1,813.80			
Municipal Alliance on Alcoholism and Drug Abuse - 2017	13,717.00		11,791.78			\$ 1,925.22
Municipal Alliance on Alcoholism and Drug Abuse - 2018		\$ 13,717.00				13,717.00
Municipal Alliance on Alcoholism and Drug Abuse - Supplemental - 2018		2,000.00				2,000.00
New Jersey Body Armor Grant - 2018		2,830.01		\$ 2,830.01		
Drunk Driving Enforcement Fund - 2018		4,321.47		4,321.47		
Clean Communities Grant - 2018		51,718.00	49,454.26		\$ 2,263.74	
Federal Bulletproof Vest Grant - 2018		2,885.10		2,885.10		
Association of New Jersey Environmental Commissions Grant	333.00	1,500.00	500.00	1,000.00		333.00
Recreation Trail Grant	25,200.00	88,915.20				114,115.20
Assistance Firefighter Grant		457,040.00	457,040.00			
NJ Highlands Plan Conformance Grant	247,354.40		28,921.85			218,432.55
Police Donations		150.00		150.00		
Federal Emergency Management Agency- Hazard Mitigation Grant - Municipal Building Generator	49,500.00					49,500.00
Federal Emergency Management Agency- Hazard Mitigation Grant - Department of Public Works Generator	15,000.00					15,000.00
Morris County Community Development Block Grant	2,802.09					2,802.09
	<u>\$ 355,720.29</u>	<u>\$ 625,076.78</u>	<u>\$ 549,521.69</u>	<u>\$ 11,186.58</u>	<u>\$ 2,263.74</u>	<u>\$ 417,825.06</u>

Ref.	A	Federal	A
		State	
		\$ 457,540.00	
		91,981.69	
		<u>\$ 549,521.69</u>	

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

	Balance Dec. 31, 2017	Transferred from 2018 Budget Appropriations	Expended in Current Fund	Balance Cancelled	Balance Dec. 31, 2018
Assistance to Firefighters Grant - 2010	\$ 1.57		\$ 1.57		
Assistance to Firefighters Grant - 2018		\$ 457,040.00	457,040.00		
New Jersey Body Armor Grant - 2016	930.07		478.35		\$ 451.72
New Jersey Body Armor Grant - 2018		2,830.01			2,830.01
Drunk Driving Enforcement Fund - 2016	3,043.22		2,349.54		693.68
Drunk Driving Enforcement Fund - 2017	2,976.91				2,976.91
Drunk Driving Enforcement Fund - 2018		4,321.47			4,321.47
Clean Communities Grant - 2017	64,384.03		48,744.09	\$ 2,263.74	13,376.20
Clean Communities Grant - 2018		51,718.00			51,718.00
Municipal Court Alcohol Education Rehabilitation Fund - 2012	0.23				0.23
Municipal Alliance on Alcoholism and Drug Abuse - 2016	6.75				6.75
Municipal Alliance on Alcoholism and Drug Abuse - 2017	12,117.00		12,117.00		
Municipal Alliance on Alcoholism and Drug Abuse - Supplemental - 2017	2,000.00		1,833.58		166.42
Municipal Alliance on Alcoholism and Drug Abuse - Supplemental - 2018		13,717.00	4,881.77		8,835.23
Municipal Alliance on Alcoholism and Drug Abuse - Supplemental - 2018		2,000.00			2,000.00
Municipal Alliance on Alcoholism and Drug Abuse - Supplemental - 2018		1,500.00	1,276.06		223.94
Association of New Jersey Environmental Commissions Grant		2,885.10	3,439.25		1,852.60
Federal Bulletproof Vest Grant	2,406.75				150.00
Police Donation - 2013	150.00				520.00
Police Donation - 2015	520.00				100.00
Police Donation - 2016	100.00				350.00
Police Donation - 2017	350.00				150.00
Police Donation - 2018		150.00			103,128.88
Recreation Trail Grant	24,766.77	88,915.20	10,553.09		2,320.00
Health Association Grant	2,320.00				184,691.16
NJ Highlands Plan Conformance Grant	213,613.01		28,921.85		1,667.74
Community Foundation Grant	1,667.74				2,726.43
Morris County Community Development Block Grant	2,726.43				
	\$ 334,080.48	\$ 625,076.78	\$ 571,636.15	\$ 2,263.74	\$ 385,257.37

Ref.

A

A

Federal	\$ 460,480.82
State	100,602.24
Local	10,553.09
	<u>\$ 571,636.15</u>

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

	Balance Dec. 31, 2017	Transferred to 2018 Budget Revenue	Received in Current Fund	Balance Dec. 31, 2018
Drunk Driving Enforcement Fund	\$ 4,321.47	\$ 4,321.47	\$ 5,163.27	\$ 5,163.27
Municipal Court Alcohol Rehabilitation Fund			73.23	73.23
Police Donation	150.00	150.00		
New Jersey Body Armor Grant	2,830.01	2,830.01		
Federal Bulletproof Vest Grant	2,885.10	2,885.10		
Association of New Jersey Environmental Commissions Grant (ANJEC)	1,000.00	1,000.00		
	<u>\$ 11,186.58</u>	<u>\$ 11,186.58</u>	<u>\$ 5,236.50</u>	<u>\$ 5,236.50</u>

Ref.

A

A

TOWNSHIP OF WASHINGTON  
COUNTY OF MORRIS  
2018  
TRUST FUNDS

TOWNSHIP OF WASHINGTON  
TRUST FUNDS  
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Balance December 31, 2017	B	<u>\$ 34,657.80</u>	<u>\$ 2,689,665.30</u>
Increased by Receipts:			
Dog, Cat and Other License Fees		28,300.60	
State Fees		3,827.40	
Penalty Fees - Late Payments and Other Miscellaneous		6,564.51	
Interest Earned - Due to Current Fund		643.17	22,743.51
Reserve for Open Space Trust Fund:			
Tax Levy			358,956.00
Interest Earnings			2,529.90
Forfeited Assets Deposits			68.16
Recreation Deposits			139,304.04
Developers' Deposits			289,277.24
Washington Uniform Construction Code Fees			503,508.22
Mansfield Uniform Construction Code Fees			203,713.75
Due to State of N.J. - State Training Fees			26,825.00
Recycling Revenue			10,748.07
Housing Trust Deposits			52,783.86
State Unemployment Insurance			16,621.45
Tax Sale Premiums			118,500.00
Police Department Events			1,585.00
		<u>39,335.68</u>	<u>1,747,164.20</u>
		<u>73,993.48</u>	<u>4,436,829.50</u>
Decreased by Disbursements:			
Expenditures Under R.S.4:19-15.11		36,110.31	
Due to State Board of Health		3,865.20	
Due to Current Fund:			
Interest Earned		643.17	22,743.51
Reserve for Open Space Trust Fund:			
Expenditures			302,827.11
Debt Service			126,351.00
Improvement Authorization			13,200.00
Reserve for Housing Trust Fund - Due to General Capital			
Washington Uniform Construction Code Fees			526,056.10
Mansfield State Uniform Construction Code Fees			193,517.00
Due to State of N.J. - State Training Fees			30,217.00
Recreation			128,091.96
Recycling			21,665.40
Forfeited Assets			566.97
State Unemployment Insurance Expenditures			2,459.92
Police Department Events			829.75
Fire Prevention Penalty			1,075.00
Refund of:			
Developers' Deposits			252,965.87
Housing Trust Deposits			172,059.21
Tax Sale Premiums			127,600.00
		<u>40,618.68</u>	<u>1,922,225.80</u>
Balance December 31, 2018	B	<u>\$ 33,374.80</u>	<u>\$ 2,514,603.70</u>

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

	<u>Ref.</u>	
Balance December 31, 2017	B	\$ 34,668.80
Increased by:		
Dog, Cat and Other License Fees Collected		\$ 28,300.60
Penalty Fees - Late Payments and Other Miscellaneous		<u>6,564.51</u>
		<u>34,865.11</u>
		69,533.91
Decreased by:		
Expenditures Under R.S.4:19-15.11		<u>36,110.31</u>
Balance December 31, 2018	B	<u><u>\$ 33,423.60</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2016	\$ 33,717.64
2017	<u>31,089.30</u>
Maximum Allowable Reserve	<u><u>\$ 64,806.94</u></u>

TOWNSHIP OF WASHINGTON  
COUNTY OF MORRIS  
2018  
GENERAL CAPITAL FUND

TOWNSHIP OF WASHINGTON  
GENERAL CAPITAL FUND  
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 817,923.62
Increased by:		
Budget Appropriation:		
Capital Improvement Fund	\$	63,625.00
Reserve for Fire Truck Refurbishment		100,000.00
Reserve for Fire Equipment		1,456.30
Reserve for Roadwork		52,903.00
Police Equipment		54.72
First Aid Vehicle		565.00
Municipal Facility Improvements		44,018.41
Computer Technology Update		2,984.78
Bond Anticipation Notes Issued		790,000.00
Open Space Trust Fund - Improvement Authorization		13,200.00
Reserve for Debt Service		20,000.00
New Jersey Department of Transportation Grant:		
Naughtright Road		41,376.75
Sidewalk Grant		41,250.00
Morris County Open Space Preservation Trust		52,800.00
Premium on Bond Sale		23,620.00
Due to Current Fund - Interest Income		5,845.24
		1,253,699.20
Decreased by:		
Improvement Authorization Expenditures		1,229,573.08
General Capital Fund Balance:		
Anticipated Revenue - Current Fund		39,514.00
Due to Current Fund - Interest Income		5,845.24
		1,274,932.32
Balance December 31, 2018	C	\$ 796,690.50





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

Ord. No.	Improvement Description	2018		Funded by		Analysis of Balance		Unexpended Improvement Authorization
		Balance Dec. 31, 2017	Improvement Authorizations	Budget Appropriation	Balance Dec. 31, 2018	Expenditures	Bond Anticipation Notes	
11-12	Fire Truck	\$ 335,000.00		\$ 122,000.00	\$ 213,000.00	\$ 213,000.00		
14-13	Various Improvements	390,000.00		21,000.00	369,000.00	369,000.00		
8-14	Road Improvements	500,000.00		27,000.00	473,000.00	473,000.00		
5-15	Various Improvements	800,000.00			800,000.00	800,000.00		
8-16	Various Improvements	800,000.00			800,000.00	800,000.00		
7-17	Various Improvements	790,000.00			790,000.00	790,000.00		
7-18	Various Improvements		\$ 895,000.00		895,000.00	\$ 590,052.05		\$ 304,947.95
		<u>\$ 3,615,000.00</u>	<u>\$ 895,000.00</u>	<u>\$ 170,000.00</u>	<u>\$ 4,340,000.00</u>	<u>\$ 590,052.05</u>	<u>\$ 3,445,000.00</u>	<u>\$ 304,947.95</u>

Ref.

C

C

Improvement Authorizations Unfunded:  
Less: Unexpended Proceeds of Bond Anticipation Notes Issued:  
    Ordinance #11-12 Fire Truck \$ 780,541.85  
    Ordinance #14-13 Various Improvements (52,950.77)  
    Ordinance #08-14 Road Improvements (10,140.86)  
    Ordinance #05-15 Various Improvements (198,856.91)  
    Ordinance #08-16 Various Improvements (13,597.47)  
    Ordinance #07-17 Various Improvements (108,382.35)  
    (91,665.54)  
\$ 304,947.95



TOWNSHIP OF WASHINGTON  
GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 466,939.80
Increased by:		
Current Fund Budget Appropriation		63,625.00
		<u>530,564.80</u>
Decreased by:		
Appropriated to Finance Improvement Authorizations		400,000.00
		<u>400,000.00</u>
Balance December 31, 2018	C	<u>\$ 130,564.80</u>

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

Ord. No.	Improvement Description	Date of		Maturity	Interest Rate	Balance		Matured	Balance Dec. 31, 2018
		Issue of Original Note	Issue			Dec. 31, 2017	Issued		
11-12	Purchase of Fire Truck	09/04/15	08/31/17 08/30/18	08/31/18 08/30/19	2.25% 2.75%	\$ 335,000.00	\$ 213,000.00	\$ 335,000.00	\$ 213,000.00
14-13	Various Improvements	09/04/15	08/31/17 08/30/18	08/31/18 08/30/19	2.25% 2.75%	390,000.00	369,000.00	\$ 390,000.00	369,000.00
8-14	Road Improvements	09/04/15	08/31/17 08/30/18	08/31/18 08/30/19	2.25% 2.75%	500,000.00	473,000.00	\$ 500,000.00	473,000.00
5-15	Various Improvements	09/01/16	08/31/17 08/30/18	08/31/18 08/30/19	2.25% 2.75%	800,000.00	800,000.00	\$ 800,000.00	800,000.00
8-16	Various Improvements	08/31/17	08/31/17 08/30/18	08/31/18 08/30/19	2.25% 2.75%	800,000.00	800,000.00	\$ 800,000.00	800,000.00
7-17	Various Improvements	08/30/18	08/30/18	08/30/19	2.75%	790,000.00	790,000.00	790,000.00	790,000.00
						\$ 2,825,000.00	\$ 3,445,000.00	\$ 2,825,000.00	\$ 3,445,000.00
						C			
						Ref.			
						C			
						New Issues			
						Renewals			
						Paid by Budget Appropriation			
						\$ 790,000.00	\$ 2,655,000.00	\$ 2,655,000.00	\$ 2,655,000.00
							170,000.00	170,000.00	170,000.00
						\$ 3,445,000.00	\$ 3,445,000.00	\$ 2,825,000.00	\$ 2,825,000.00

TOWNSHIP OF WASHINGTON  
GENERAL CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Bonds				Matured	Balance Dec. 31, 2018
			Outstanding		Interest Rate	Balance Dec. 31, 2017		
			Date	Amount				
General Improvements	09/01/11	\$ 11,000,000.00	03/01/19	\$ 725,000.00	4.00%			
			03/01/20	755,000.00	4.00%			
			03/01/21	785,000.00	4.00%	\$ 2,960,000.00	\$ 2,265,000.00	
Refunding Bonds	07/25/17	4,310,000.00	03/01/22	805,000.00	3.00%			
			03/01/23	830,000.00	4.00%			
			03/01/24	865,000.00	4.00%			
			03/01/25	895,000.00	4.00%			
			03/01/26	915,000.00	4.00%	4,310,000.00	4,310,000.00	
						\$ 7,270,000.00	\$ 6,575,000.00	

Ref.

C

C

Current Fund Budget	\$ 568,649.00
Open Space Trust Fund	126,351.00
	<u>\$ 695,000.00</u>

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

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2017</u>	<u>2018 Authorizations</u>	<u>Bond Anticipation Notes Issued</u>	<u>Balance Dec. 31, 2018</u>
07-17	Various Improvements	\$ 790,000.00		\$ 790,000.00	
7-18	Various Improvements		\$ 895,000.00		\$ 895,000.00
		<u>\$ 790,000.00</u>	<u>\$ 895,000.00</u>	<u>\$ 790,000.00</u>	<u>\$ 895,000.00</u>

TOWNSHIP OF WASHINGTON

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2018



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

Name of Federal Agency or Department/Cluster Title	Name of Program	C.F.D.A. Number	State Grant Account/Grant Number	Grant Period		Grant Award Amount	Amount Received	Amount of Expenditures	Cumulative Expenditures	Amounts Provided to Subrecipients
				From	To					
U.S. Department of Transportation: (Passed through New Jersey Department of Transportation)	State Highway Projects - Municipal Aid	20.205	078-6320-480-AMF	01/01/15	12/31/18	\$ 245,000.00	\$ 61,250.00	\$ 20,000.00 *	245,000.00	
	Local Infrastructure Fund	20.205	078-6320-480-AL5	01/01/16	12/31/18	150,000.00	41,376.75	20,000.00	150,000.00	
	East Mill Road Sidewalk Improvements					395,000.00	102,626.75	20,000.00	395,000.00	
Total U.S. Department of Transportation										
U.S. Department of Justice (Passed through New Jersey Department of Law and Public Safety)	Bulletproof Vest	16.607	N/A	01/01/16	12/31/18	2,406.75		2,406.75	2,406.75	
	Partnership Program	16.607	N/A	01/01/17	12/31/18	2,885.10		1,032.50	2,885.10	
	Total U.S. Department of Justice							3,439.25	5,291.85	
U.S. Department of Homeland Security:	Assistance to Firefighters Grant	97.044	EMW-2008-FO-04562	02/20/10	02/20/18	63,440.00		1.57	63,440.00	
	Public Assistance - FEMA Winter Storm Quinn	97.044	EMW-2017-FO-02956	02/20/17	02/20/19	457,040.00	457,040.00	457,040.00	457,040.00	
	Total U.S. Department of Homeland Security									
TOTAL FEDERAL AWARDS										
							\$ 598,596.18	\$ 519,410.25	\$ 857,331.85	\$ -0-

N/A - Not Available/Applicable  
 \* - Expended in Prior Years

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

New Jersey Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures
			From	To				
Department of the Treasury (Passed Through the County of Morris - Governor's Council on Alcoholism and Drug Abuse)	Municipal Alliance Grant	100-082-2000-044-995120	7/1/16	6/30/18	13,717.00	\$ 1,813.80	\$ 12,117.00	\$ 13,710.25
			7/1/17	6/30/18	13,717.00	11,791.78	4,881.77	13,717.00
			7/1/18	6/30/19	13,717.00			
Total - Department of the Treasury	Municipal Alliance Grant - Supplemental		7/1/17	6/30/18	4,000.00	13,605.58	1,833.58	3,833.58
							18,832.35	36,142.60
Department of Law and Public Safety	Drunk Driving Enforcement Fund	100-078-6400-YYYY	1/1/15	12/31/18	5,331.23		2,349.54	4,637.55
			1/1/18	12/31/19	4,321.47	5,163.27		
			1/1/18	12/31/19	73.23	73.23		
Total - Department of Law and Public Safety	Body Armor Grant	718-066-1020-6120	1/1/16	12/31/18	2,825.76		478.35	2,374.04
							2,827.89	7,011.59
Department of Environmental Protection	Clean Communities Act	4900-765-178900-60	1/1/16	12/31/19	60,876.26		17,086.43	43,789.83
			1/1/17	12/31/19	51,718.21		31,657.66	31,657.66
			1/1/18	12/31/20	49,454.26	49,454.26		
Total - Department of Environmental Protection	Association of New Jersey Environmental Commissions Grant (ANJEC)	N/A	1/1/17	12/31/18	1,000.00		1,000.00	1,000.00
			1/1/18	12/31/19	500.00	500.00	276.06	276.06
New Jersey Highlands Council	Plan Conformance Grant	09-033-011-1438	1/1/11	12/31/18	256,100.00	28,921.85	28,921.85	71,408.84
Total - New Jersey Highlands Council						28,921.85	28,921.85	71,408.84
TOTAL STATE AWARDS						\$ 97,718.19	\$100,602.24	\$ 191,286.58

N/A - Not Available/Applicable

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

TOWNSHIP OF WASHINGTON  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED DECEMBER 31, 2018

A. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) includes the federal and state grant activity of the Township of Washington under programs of the federal and state governments for the year ended December 31, 2018. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Township, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Township.

B. Summary of Significant Accounting Policies

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

C. Relationship to Federal and State Financial Reports

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

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

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - *regulatory basis* - of the various funds of the Township of Washington, in the County of Morris (the "Township") as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 3, 2019. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. That qualified report also indicated that we did not audit the general fixed assets account group.

**Internal Control Over Financial Reporting**

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2018-01 and 2018-02 that we consider to be significant deficiencies.

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

### **Compliance and Other Matters**

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

### ***The Township's Responses to the Findings***

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

### ***Purpose of this Report***

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

Mount Arlington, New Jersey  
June 3, 2019

NISIVOCCIA LLP



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

TOWNSHIP OF WASHINGTON  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2018

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the Township's financial statements, prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as the general fixed assets account group was not audited.
- Significant deficiencies disclosed during the audit of the financial statements are reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Township which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Township was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08 for the year ended December 31, 2018 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

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

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

Finding 2018-01

Segregation of Duties

Criteria

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

Condition

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

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

Cause

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

Effect or Potential Effect

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

TOWNSHIP OF WASHINGTON  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2018

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

Finding 2018-01 (Cont'd)

Segregation of Duties (Cont'd)

Recommendation

It is recommended that an adequate segregation of duties be maintained with respect to the recording and treasury functions.

Management's Response

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

Finding 2018-02

Fixed Assets

Criteria

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

Condition

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

Cause

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

Effect or Potential Effect

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

Recommendation

It is recommended that the Township pursue the maintenance of a fixed assets accounting and reporting system which identifies additions, deletions and changes in the location of the Township's fixed assets.

Management's Response

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

TOWNSHIP OF WASHINGTON  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2018

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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



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

The Township's prior year findings 2017-01 regarding segregation of duties and 2017-02 regarding a fixed assets accounting and reporting system have not been resolved due to budgetary constraints and are included as findings 2018-01 and 2018-02.

TOWNSHIP OF WASHINGTON

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

TOWNSHIP OF WASHINGTON  
COMMENTS AND RECOMMENDATIONS

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

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

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

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

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

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

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

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

TOWNSHIP OF WASHINGTON  
COMMENTS AND RECOMMENDATIONS  
(Continued)

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

The minutes indicated that bids were requested by public advertising per N.J.S. 40A:11-4. The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per N.J.S. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

Collection of Interest on Delinquent Taxes and Assessments

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

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

BE IT RESOLVED by the Township Committee of the Township of Washington, Morris County, that the rate of interest to be paid upon delinquent taxes for the year 2018 shall be fixed at the rate of 8 percent per annum to \$1,500.00, and any amount in excess of \$1,500.00 shall be fixed at the rate of 18 percent per annum until total delinquency is paid regardless of year. However, interest shall not be collected upon taxes that are not delinquent over ten (10) days. After the tenth day of "grace period", interest reverts back to the due date. The interest to be charged a delinquent taxpayer for nonpayment of real property taxes shall be an additional penalty of six percent if the amount of delinquency is in excess of \$10,000 at the end of the calendar year.

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 10, 2018 and included all eligible properties.

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

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

<u>Year</u>	<u>Number of Liens</u>
2018	51
2017	54
2016	63

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

TOWNSHIP OF WASHINGTON  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, consisting of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2018 Taxes	20
Payments of 2019 Taxes	20
Delinquent Taxes	15
Tax Title Liens	5

Verification notices were mailed to confirm balances as of December 31, 2018. The items that were returned were checked and in agreement with the Township's records. For receivable items not returned, alternative procedures were performed.

New Jersey Administrative Code Accounting Requirements

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

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

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

Management's Response

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

TOWNSHIP OF WASHINGTON  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Municipal Court

The transactions for the year 2018 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

<u>AGENCY</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Cash</u> <u>Received</u>	<u>Cash</u> <u>Disbursed</u>	<u>Balance</u> <u>12/31/2018</u>
State of New Jersey	\$ 11,614.87	\$ 136,463.90	\$ 138,560.68	\$ 9,518.09
County of Morris	6,678.00	79,895.51	82,349.00	4,224.51
Township of Washington	13,074.13	165,459.59	169,964.32	8,569.40
Township of Washington - POAA		69.00	57.00	12.00
Local Park Commission	100.00	650.00	750.00	
Forest and Parks		50.00	50.00	
Weights and Measures	2,800.00	19,800.00	20,800.00	1,800.00
Public Defender	425.00	2,961.00	3,156.00	230.00
Bail	1,350.00	26,111.00	26,961.00	500.00
<b>TOTAL</b>	<b>\$ 36,042.00</b>	<b>\$ 431,460.00</b>	<b>\$ 442,648.00</b>	<b>\$ 24,854.00</b>

Purchase Order Process

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

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

Management Suggestions:

Grant Funds

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

Corrective Action Plan

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

TOWNSHIP OF WASHINGTON  
SUMMARY OF RECOMMENDATIONS

It is recommended that:

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

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