

TOWNSHIP OF READINGTON
HUNTERDON COUNTY, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2015

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TOWNSHIP OF READINGTON

HUNTERDON COUNTY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED DECEMBER 31, 2015



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and Members
of the Township Council
Township of Readington
Readington, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Township of Readington, as of December 31, 2015, and the related statements of operations and changes in fund balance - regulatory basis, statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year then ended and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’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 entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Township of Readington on the basis of the financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Township of Readington as of December 31, 2015, or changes in financial position, or, where applicable, cash flows for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Township’s financial statements as of and for the year ended December 31, 2015. The LOSAP Trust Fund financial activities are included in the Township’s Trust Funds, and represent 41 percent of the assets and liabilities, respectively, of the Township’s Trust Funds as of December 31, 2015.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Township of Readington as of December 31, 2015, and the results of operations and changes in fund balance – regulatory basis and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year then ended in accordance with the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Prior Year’s Financial Statements Audited by Other Auditors

The financial statements of the Township of Readington as of and for the year ended December 31, 2014 were audited by other auditors whose report dated July 16, 2015 expressed an adverse opinion on the financial statements because they were not prepared in accordance with accounting principles generally accepted in the United States of America but rather the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities. Their report also expressed an unmodified opinion on those financial statements – regulatory basis prepared in accordance with the regulatory basis of accounting.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Township of Readington as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Township of Readington.

The supplementary schedules listed in the table of contents, schedule of expenditure of federal awards and schedule of expenditures of state financial assistance 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

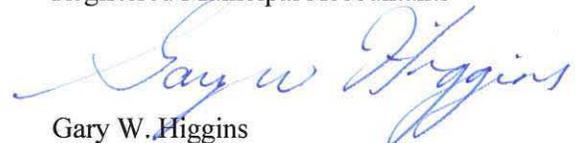
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 9, 2016 on our consideration of the Township of Readington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township of Readington's internal control over financial reporting and compliance.


LERCH, VINCI & HIGGINS, LLP

Certified Public Accountants
Registered Municipal Accountants



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
June 9, 2016

**TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2015 AND 2014**

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Regular Fund			
Cash	A-4	\$ 7,505,946	\$ 6,589,751
Cash - Change Fund	A-5	650	450
Due from State - Senior Citizens and Veterans Deductions	A-7	<u>49,146</u>	<u>48,587</u>
		<u>7,555,742</u>	<u>6,638,788</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes Receivable	A-8	1,114,876	1,226,268
Tax Title Liens Receivable	A-9	105,482	102,540
Due from Other Trust Fund	B-10	-	1,932
Due from Net Payroll	A-30	-	2,474
Due From Animal Control Fund	B-7	-	3
Due from General Capital Fund	C-5	311	581
Due from Sewer Operating Fund	D-9	6,884	-
Revenue Accounts Receivable	A-10	<u>6,383</u>	<u>-</u>
		<u>1,233,936</u>	<u>1,333,798</u>
Deferred Charges:			
Special Emergency Authorizations	A-20	-	155,396
Emergency Authorizations	A-28	<u>-</u>	<u>395,000</u>
		<u>-</u>	<u>550,396</u>
Total Regular Fund		<u>8,789,678</u>	<u>8,522,982</u>
Grants Fund			
Grants Receivable	A-21	10,000	5,552
Due from Current Fund	A-23	<u>38,101</u>	<u>17,200</u>
Total Grants Fund		<u>48,101</u>	<u>22,752</u>
Total Assets		<u>\$ 8,837,779</u>	<u>\$ 8,545,734</u>

TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,A-11	\$ 677,374	\$ 413,505
Encumbrances Payable	A-12	157,003	186,425
Reserve for Master Plan	A-19	76,514	83,311
Reserve for Sale of Assets	A-24	30,912	561
Prepaid Taxes	A-13	401,167	358,687
Regional School Taxes Payable	A-17	3,052,130	3,052,130
County Taxes Payable	A-15	53,005	27,489
Miscellaneous Fees Payable	A-18	11,210	8,353
Due to Grants Fund	A-23	38,101	17,200
Reserve for Tax Sale Premiums	A-25	465,700	605,700
Reserve for Tax Appeals	A-27	308,002	308,002
Tax Overpayments	A-14	<u>174,567</u>	<u>63,906</u>
		5,445,685	5,125,269
Reserve for Receivables	A	1,233,936	1,333,798
Fund Balance	A-1	<u>2,110,057</u>	<u>2,063,915</u>
Total Regular Fund		<u>8,789,678</u>	<u>8,522,982</u>
Grants Fund			
Encumbrances Payable	A-29	4,461	7,326
Reserve for Grants and Donations - Appropriated	A-22	<u>43,640</u>	<u>15,426</u>
Total Grants Fund		<u>48,101</u>	<u>22,752</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 8,837,779</u>	<u>\$ 8,545,734</u>

TOWNSHIP OF READINGTON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 1,190,678	\$ 1,340,200
Miscellaneous Revenues	A-2	3,481,280	5,594,060
Receipts from Delinquent Taxes	A-2	796,268	890,331
Receipts from Current Taxes	A-2	71,469,125	71,788,250
Non-Budget Revenues	A-2	112,099	89,874
Other Credits to Income:			
Interfunds and Other Receivables Returned	A	4,679	850
Other Cancellations	A	-	674
Unexpended Balance of Appropriation Reserves	A-11	325,111	328,222
		<u>77,379,240</u>	<u>80,032,461</u>
Total Income			
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	6,031,860	6,034,735
Other Expenses	A-3	6,584,407	6,894,630
Capital Improvements	A-3	270,000	250,000
Municipal Debt Service	A-3	2,936,295	3,283,579
Deferred Charges and Statutory			
Expenditures	A-3	1,906,920	3,511,492
Regional School District Tax	A-17	18,051,369	18,306,232
Local District School Tax	A-16	28,731,847	28,693,682
County Tax	A-15	11,039,654	11,494,752
County Share of Added and Omitted Taxes	A-15	53,005	27,489
Local Open Space Tax	A-31	521,877	532,663
Local Open Space Added Taxes	A-31	2,493	1,270
Grant Receivables Cancelled	A-21	131	
Refund of Prior Year Revenue	A-4	5,678	
Interfunds Established	A	6,884	-
		<u>76,142,420</u>	<u>79,030,524</u>
Total Expenditures			
Excess of Revenues over Expenditures		1,236,820	1,001,937
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-1	-	395,000
		<u>1,236,820</u>	<u>1,396,937</u>
Statutory Excess to Fund Balance			
		1,236,820	1,396,937
FUND BALANCE, JANUARY 1	A	<u>2,063,915</u>	<u>2,007,178</u>
		3,300,735	3,404,115
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>1,190,678</u>	<u>1,340,200</u>
FUND BALANCE, DECEMBER 31	A	<u>\$ 2,110,057</u>	<u>\$ 2,063,915</u>

The Accompanying Notes are an Integral Part of these Financial Statements

TOWNSHIP OF READINGTON
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Reference	2015 Anticipated		2015 Realized	Excess or (Deficit)
		Budget	Added by: NJS 40A:4-87		
Fund Balance Anticipated	A-1	\$ 1,190,678	-	\$ 1,190,678	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-10	18,000		20,381	\$ 2,381
Fees and Permits					
Other	A-2	165,000		169,379	4,379
Fines and Costs					
Municipal Court	A-10	105,000		123,383	18,383
Interest and Costs on Taxes	A-10	225,000		272,686	47,686
Interest on Investments and Deposits	A-2	15,000		28,153	13,153
Energy Receipts Tax	A-10	1,421,711		1,421,711	-
Garden State Trust Fund	A-10	3,962		3,962	-
Uniform Construction Code Fees	A-10	535,000		573,655	38,655
State and Federal Revenues Offset with Appropriations					
Clean Communities Program	A-21		\$ 55,184	55,184	
Drunk Driving Enforcement Fund	A-21		16,345	16,345	
Body Armor Grant	A-21		2,436	2,436	
Click it or Ticket	A-21		4,000	4,000	
Drive Sober I	A-21		2,800	2,800	
Drive Sober II	A-21		5,000	5,000	
Alcohol Education & Rehabilitation	A-21		4,302	4,302	
Sustainable Jersey	A-21		10,000	10,000	
NJ Historic Commission - Museum	A-21		8,000	8,000	
Other Special Items					
Uniform Safety Act	A-10	25,000		24,903	(97)
General Capital Fund Balance	C-5	325,000		325,000	-
Housing Trust Fund Balance	A-10	60,000		60,000	-
Sewer Utility Operating Fund Balance	A-10	100,000		100,000	-
Sewer Utility Expansion Trust Fund Balance	D-11	250,000	-	250,000	-
Total Miscellaneous Revenues	A-1	3,248,673	108,067	3,481,280	124,540
Receipts from Delinquent Taxes	A-2	850,000	-	796,268	(53,732)

**TOWNSHIP OF READINGTON
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

		2015 <u>Anticipated</u>			
	<u>Reference</u>	<u>Budget</u>	<u>Added by: NJS 40A:4-87</u>	<u>2015 Realized</u>	<u>Excess or (Deficit)</u>
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax For Municipal Purposes Including Reserve for Uncollected Taxes		\$ 13,542,704	-	\$ 14,268,880	\$ 726,176
 Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>13,542,704</u>	-	<u>14,268,880</u>	<u>726,176</u>
 Total General Revenue	A-3	<u>\$ 18,832,055</u>	<u>\$ 108,067</u>	19,737,106	<u>\$ 796,984</u>
 Non-Budget Revenue	A-1,A-2			<u>112,099</u>	
				<u>\$ 19,849,205</u>	

**TOWNSHIP OF READINGTON
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-1,A-8	\$ 71,469,125
Allocated to		
Local School, Regional High School, ^ County and Municipal Open Space Tax	A-15,A-16, 17, 31	<u>58,400,245</u>
		13,068,880
Add: Appropriation for Reserve for Uncollected Taxes	A-3	<u>1,200,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 14,268,880</u>
Analysis of Delinquent Taxes		
Taxes Receivable	A-2, A-8	<u>\$ 796,268</u>
Fees and Permits - Other		
Township Clerk	A-10	\$ 31,405
Board of Health /Registrar of Vital Statistics	A-10	37,464
Fire Prevention	A-10	61,136
Planning and Zoning Boards	A-10	21,419
Department of Public Works	A-10	14,020
Police	A-10	<u>3,935</u>
	A-2	<u>\$ 169,379</u>
Interest on Investments		
Cash Receipts	A-10	\$ 18,642
Due from Animal Control Fund	B-7	46
Due from Other Trust Fund	B-10	4,329
Due from General Capital Fund	C-5	<u>5,136</u>
	A-2	<u>\$ 28,153</u>
Non-Budget Revenues		
Senior Citizens and Veterans Deductions Administrative Fee		\$ 2,749
Library Aid		765
Cable Franchise Fee		17,688
Recycling		6,564
Tax Collector		480
FEMA Reimbursement		64,164
Payments in Lieu of Taxes on Real Property		12,878
Miscellaneous		<u>6,811</u>
	A-2, A-4	<u>\$ 112,099</u>

The Accompanying Notes are an Integral Part of these Financial Statements

TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015		2015 Expended		Cancelled
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 334,900	\$ 334,900	\$ 334,799	\$ 101	
Other Expenses					
Elections	13,000	13,000	10,503	2,497	
Miscellaneous Other Expenses	107,000	107,000	92,713	14,287	
Mayor and Committee					
Salaries and Wages	43,700	43,700	43,700		
Financial Administration					
Salaries and Wages	197,960	197,960	186,794	11,166	
Other Expenses	12,000	12,000	9,778	2,222	
Audit Services	38,000	38,000	38,000	-	
Revenue Administration					
Salaries and Wages	79,500	79,500	78,694	806	
Other Expenses	24,000	24,000	21,097	2,903	
Assessment of Taxes					
Salaries and Wages	71,800	71,800	71,763	37	
Other Expenses					
Revision of Tax Map	15,000	15,000	8,499	6,501	
Miscellaneous Other Expenses	7,000	7,000	5,544	1,456	
Legal Service and Costs					
Other Expenses	375,000	510,000	500,711	9,289	
Engineering Services and Costs					
Other Expenses	125,000	155,000	149,248	5,752	
Museum Committee					
Salaries and Wages	25,600	25,600	20,680	4,920	
Other Expenses	18,000	18,000	12,664	5,336	
Historic Preservation Committee					
Other Expenses	2,500	2,500	29	2,471	
Planning Board					
Salaries and Wages	24,300	24,300	24,300	-	
Other Expenses	4,000	4,000	1,103	2,897	
Board of Adjustment					
Salaries and Wages	50,400	50,400	50,400		
Other Expenses	3,500	3,500	996	2,504	
Environmental Health Commission					
Salaries and Wages	2,550	2,550	2,550	-	
Other Expenses					
Consultants	100,000	125,000	120,063	4,937	
Miscellaneous Other Expenses	4,000	4,000	3,655	345	
Insurance					
General Liability	455,100	455,100	432,642	22,458	
Employee Group Insurance	1,950,000	1,950,000	1,901,617	48,383	
Worker's Compensation	223,740	223,740	223,740	-	
PUBLIC SAFETY FUNCTIONS					
Police					
Salaries and Wages	2,693,950	2,693,950	2,648,695	45,255	
Other Expenses	240,000	240,000	226,919	13,081	
Patrol of School Crossings					
Salaries and Wages	26,100	26,100	25,499	601	
Emergency Management Services					
Salaries and Wages	13,900	13,900	13,867	33	
Other Expenses	3,500	3,500	1,862	1,638	

TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015		2015 Expended		Cancelled
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS (Cont'd)					
Fire					
Other Expenses					
Aid to Volunteer Fire Co.	\$ 120,000	\$ 120,000	\$ 120,000	-	
Purchase of Equipment for Volunteer Fire Co.	88,640	88,640	78,009	\$ 10,631	
Training Fire Department Personnel	16,000	16,000	11,871	4,129	
Uniform Fire Safety Act					
Salaries and Wages	67,500	67,500	67,500	-	
Other Expenses	4,000	4,000	2,293	1,707	
Supplemental Fire Service Program					
Other Expenses	10,000	10,000	6,894	3,106	
Aid to Volunteer Ambulance Companies					
Whitehouse First Aid Organization	30,000	30,000	30,000	-	
Purchase of Equipment for First Aid Organizations	22,160	22,160	22,083	77	
Municipal Prosecutors Office					
Other Expenses	37,000	37,000	30,284	6,716	
PUBLIC WORK FUNCTIONS					
Road Repairs and Maintenance					
Salaries and Wages	1,478,400	1,376,900	1,282,354	94,546	
Other Expenses	375,000	375,000	343,443	31,557	
Waste Collection/Recycling					
Salaries and Wages	23,500	23,500	23,500	-	
Other Expenses	700,000	700,000	666,326	33,674	
Snow Removal					
Other Expenses	200,000	200,000	199,792	208	
Buildings and Grounds					
Salaries and Wages	226,100	226,100	224,427	1,673	
Other Expenses	106,700	106,700	84,799	21,901	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	42,500	42,500	41,420	1,080	
Other Expenses	23,000	23,000	22,822	178	
Animal Control Services					
Other Expenses	15,000	15,000		15,000	
Administration of Public Assistance					
Salaries and Wages	110,700	110,700	110,520	180	
Other Expenses	2,500	2,500	783	1,717	
PARK AND RECREATION FUNCTIONS					
Recreation					
Salaries and Wages	88,600	88,600	87,794	806	
Other Expenses	35,000	35,000	27,960	7,040	
Senior Citizens Transportation					
Other Expenses	9,000	9,000	2,761	6,239	
Expense of Participation of Free County Library					
Salaries and Wages	145,900	145,900	133,685	12,215	
Other Expenses	10,000	10,000	4,827	5,173	
Cost of PEOSHA Requirements					
Other Expenses	55,000	55,000	53,596	1,404	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
Construction Code Official					
Salaries and Wages	314,500	279,500	271,254	8,246	
Other Expenses	65,000	45,000	40,193	4,807	

The Accompanying Notes are an Integral Part of these Financial Statements

TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015		2015 Expended		Cancelled
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
UTILITIES					
Fire Hydrant Service	\$ 90,000	\$ 90,000	\$ 78,467	\$ 11,533	
Electricity	150,000	150,000	123,574	26,426	
Street Lighting	50,000	50,000	36,966	13,034	
Telephone	79,000	79,000	69,775	9,225	
Fuel Oil	8,500	-	-	-	
Gasoline	200,000	175,000	113,425	61,575	
Celebration of Public Events					
Other Expenses	8,000	8,000	6,463	1,537	
Municipal Court					
Salaries and Wages	106,000	106,000	101,017	4,983	
Other Expenses	17,000	17,000	15,325	1,675	
Public Defender					
Other Expenses	15,000	15,000	14,072	928	-
Contingent	3,000	3,000	1,320	1,680	-
Total Operations Within "CAPS"	12,433,200	12,433,200	11,814,718	618,482	-
Detail:					
Salaries and Wages	6,168,360	6,031,860	5,845,212	186,648	
Other Expenses	6,264,840	6,401,340	5,969,506	431,834	-
DEFERRED CHARGES AND STATUTORY					
EXPENDITURES - MUNICIPAL					
WITHIN "CAPS"					
Social Security System (O.A.S.I.)	480,000	480,000	431,330	48,670	
Public Employees' Retirement System	390,912	390,912	390,912	-	
Police and Firemen's Retirement System	480,611	480,611	480,611	-	
Unemployment Insurance	5,000	5,000	2,677	2,323	-
Total Deferred Charges and Statutory	1,356,523	1,356,523	1,305,530	50,993	-
Expenditures - Municipal Within "CAPS"	13,789,723	13,789,723	13,120,248	669,475	-
Total General Appropriations for Municipal	13,789,723	13,789,723	13,120,248	669,475	-
Purposes Within "CAPS"	13,789,723	13,789,723	13,120,248	669,475	-

**TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015		2015 Expended		
	Appropriated		Paid or Charged	Reserved	Cancelled
	Budget	Budget After Modification			
OPERATIONS - EXCLUDED FROM "CAPS"					
Length of Service Award Program (LOSAP)	\$ 75,000	\$ 75,000	\$ 67,200	\$ 7,800	-
Total Other Operations Excluded from "CAPS"	<u>75,000</u>	<u>75,000</u>	<u>67,200</u>	<u>7,800</u>	<u>-</u>
Public and Private Programs Offset by Revenues					
Clean Communities Program		\$ 55,184	\$ 55,184	-	
Drunk Driving Enforcement Fund		16,345	16,345		
Body Armor Grant		2,436	2,436		
Click it or Ticket		4,000	4,000		
Drive Sober I		2,800	2,800	-	
Drive Sober II		5,000	5,000	-	
Alcohol Education & Rehabilitation		4,302	4,302	-	
Sustainable Jersey		10,000	10,000	-	
NJ Historic Commission - Museum	-	8,000	8,000	-	-
Total Public and Private Programs Offset by Revenues	<u>-</u>	<u>108,067</u>	<u>108,067</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>75,000</u>	<u>183,067</u>	<u>175,267</u>	<u>7,800</u>	<u>-</u>
Detail:					
Other Expenses	<u>75,000</u>	<u>183,067</u>	<u>175,267</u>	<u>7,800</u>	<u>-</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	70,000	70,000	70,000		
Road Repairs and Improvements	200,000	200,000	199,901	99	-
Total Capital Improvements Excluded from "CAPS"	<u>270,000</u>	<u>270,000</u>	<u>269,901</u>	<u>99</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	785,000	785,000	785,000	-	
Payment of Bond Anticipation Notes	425,100	425,100	425,100	-	
Interest on Bonds	806,035	806,035	806,035	-	
Interest on Notes	495,600	495,600	494,637	-	\$ 963
Green Trust Loan Program: Loan Repayments of Principal and Interest	435,200	435,200	425,524	-	9,676
Total Municipal Debt Service Excluded from "CAPS"	<u>2,946,935</u>	<u>2,946,935</u>	<u>2,936,296</u>	<u>-</u>	<u>10,639</u>

**TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015		2015 Expended		
	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
DEFERRED CHARGES					
Emergency Authorizations	\$ 395,000	\$ 395,000	\$ 395,000	-	
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55.1 & 40A:4-55.13)	<u>155,397</u>	<u>155,397</u>	<u>155,396</u>	-	\$ 1
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>550,397</u>	<u>550,397</u>	<u>550,396</u>	-	1
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,842,332</u>	<u>3,950,399</u>	<u>3,931,860</u>	\$ 7,899	<u>10,640</u>
Subtotal General Appropriations	17,632,055	17,740,122	17,052,108	677,374	10,640
Reserve for Uncollected Taxes	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	-	-
Total General Appropriations	<u>\$ 18,832,055</u>	<u>\$ 18,940,122</u>	<u>\$ 18,252,108</u>	<u>\$ 677,374</u>	<u>\$ 10,640</u>
<u>Reference</u>	A-2			A	

TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Reference</u>	<u>Budget After Modification</u>	
Budget as Adopted	A-2	\$ 18,832,055	
Added by N.J.S. 40A:4-87	A-2	<u>108,067</u>	
		<u>\$ 18,940,122</u>	
			<u>Paid or Charged</u>
Cash Disbursed	A-4		\$ 16,236,642
Encumbrances Payable	A-12		157,003
Deferred Charges:			
Special Emergency Appropriations	A-20		155,396
Transferred to Appropriated Grant Reserves	A-22		108,067
Deferred Charge - Emergency Appropriation	A-28		395,000
Reserve for Uncollected Taxes	A-2		<u>1,200,000</u>
			<u>\$ 18,252,108</u>

TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-3	\$ 9,448	\$ 9,703
Total Assets		<u>9,448</u>	<u>9,703</u>
OTHER TRUST FUND			
Cash	B-3	1,685,377	1,731,181
Due Net Payroll - Payroll Deduction	B-8		1,875
Accounts Receivable -Other	B-9	400,000	400,000
		<u>2,085,377</u>	<u>2,133,056</u>
LENGTH OF SERVICE AWARDS PROGRAM(LOSAP) FUND (UNAUDITED)			
Investments	B	1,377,626	1,331,844
Intergovernmental Receivable	B	65,600	67,200
		<u>1,443,226</u>	<u>1,399,044</u>
Total Assets		<u>\$ 3,538,051</u>	<u>\$ 3,541,803</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to Current Fund	B-7		\$ 3
Due to the State of New Jersey	B-6	\$ 650	
Prepaid Licenses	B-5	6,508	912
Reserve for Animal Control Expenditures	B-4	2,290	8,788
		<u>9,448</u>	<u>9,703</u>
OTHER TRUST FUND			
Miscellaneous Reserves	B-11	2,085,377	2,131,124
Due to Current Fund	B-10	-	1,932
		<u>2,085,377</u>	<u>2,133,056</u>
LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) FUND (UNAUDITED)			
Reserve for LOSAP Benefits	B	1,443,226	1,399,044
Total Liabilities, Reserves and Fund Balance		<u>\$ 3,538,051</u>	<u>\$ 3,541,803</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**TOWNSHIP OF READINGTON
STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE TRUST FUND**

		2015 Budget (Memorandum)	2015 Realized	Excess or (Deficit)
	<u>Reference</u>			
Amount to be Raised by Taxation		\$ 521,877	\$ 524,370	\$ 2,493
		<u>\$ 521,877</u>	524,370	<u>\$ 2,493</u>
Non-Budget Revenue	<u>Reference</u>	B-2	<u>35</u>	
	<u>Reference</u>	B-11	<u>\$ 524,405</u>	
Analysis of Non-Budget Revenue				
Interest on Investments and Deposits			<u>\$ 35</u>	

STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND

		2015 Budget (Memorandum)	2015 Paid or Charged	Excess or (Deficit)
	<u>Reference</u>			
Reserve for Future Use		\$ 1,877		\$ 1,877
Debt Service				
Payment of Bond Principal	B-11	260,000	\$ 260,000	
Payment of Bond Anticipation Notes	B-11	<u>260,000</u>	<u>260,000</u>	<u>-</u>
		<u>\$ 521,877</u>	<u>\$ 520,000</u>	<u>\$ 1,877</u>
	<u>Reference</u>	B-1	B-11	

TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Cash	C-2,C-3	\$ 2,162,714	\$ 695,302
Accounts Receivable	C-4	21,983	45,393
Deferred Charges to Future Taxation:			
Funded	C-6	28,813,815	20,668,656
Unfunded	C-7	<u>27,740,534</u>	<u>36,543,152</u>
 Total Assets		 <u>\$ 58,739,046</u>	 <u>\$ 57,952,503</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bonds Payable	C-11	\$ 26,973,000	\$ 18,445,000
Bond Anticipation Notes Payable	C-13	24,563,940	31,800,000
Green Acres Loans Payable	C-12	1,840,815	2,223,656
Improvement Authorizations			
Funded	C-9	2,053,658	742,568
Unfunded	C-9	1,149,756	3,452,005
Contracts Payable	C-10	882,445	660,315
Due to Current Fund	C-5	311	581
Capital Improvement Fund	C-8	60,979	110,979
Reserve for Emergency Vehicles	C-14	4,240	4,240
Reserve for Road Improvements	C-15	132,250	117,250
Reserve for Rescue Squad Loan	C-16	21,983	45,393
Reserve for Green Acres Settlement	C-17	484,000	
Fund Balance	C-1	<u>571,669</u>	<u>350,516</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 58,739,046</u>	 <u>\$ 57,952,503</u>

There were bonds and notes authorized but not issued at December 31, 2015 and 2014 of \$3,963,612 and \$4,944,030 respectively (Exhibit C-18).

TOWNSHIP OF READINGTON
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
Fund Balance, January 1	C	\$ 350,516	\$ 425,949
Increased By:			
Received from Rescue Squad	C-2	23,410	14,477
Premium on Sale of Bonds and Notes	C-2	<u>522,743</u>	<u>240,090</u>
		896,669	680,516
Decreased By:			
Amount Anticipated in Current Fund Budget	C-5	<u>325,000</u>	<u>330,000</u>
Fund Balance, December 31	C	<u>\$ 571,669</u>	<u>\$ 350,516</u>

**TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
AS OF DECEMBER 31, 2015 AND 2014**

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Cash	D-4	\$ 341,079	\$ 406,191
		<u>341,079</u>	<u>406,191</u>
Receivables With Full Reserves Consumer Accounts Receivable	D-5	<u>104,081</u>	<u>109,388</u>
		<u>104,081</u>	<u>109,388</u>
Total Assets		<u>\$ 445,160</u>	<u>\$ 515,579</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Appropriation Reserves	D-3,D-6	\$ 29,835	\$ 61,359
Accounts Payable	D-7	-	8,660
Sewer Overpayments	D-8	2,148	2,740
Due to Current Fund	D-9	6,884	
Reserve for Refundable Hook-Up Fees	D-10	<u>-</u>	<u>3,720</u>
		38,867	76,479
Reserve for Receivables	D	104,081	109,388
Fund Balance	D-1	<u>302,212</u>	<u>329,712</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 445,160</u>	<u>\$ 515,579</u>

**TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SEWER UTILITY EXPANSION TRUST FUND
AS OF DECEMBER 31, 2015 AND 2014**

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Cash	D-4	\$ 376,388	\$ 470,060
Total Assets		<u>\$ 376,388</u>	<u>\$ 470,060</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Reserve for Sewer Expansion	D-11	\$ 376,388	\$ 470,060
Total Liabilities, Reserves and Fund Balance		<u>\$ 376,388</u>	<u>\$ 470,060</u>

TOWNSHIP OF READINGTON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE
REGULATORY BASIS - SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	D-2	\$ 121,489	\$ 48,058
Rents	D-2	1,377,110	1,356,581
Miscellaneous Revenue Anticipated	D-2	8,750	8,528
User Fees from Other Contracts	D-2	216,160	216,160
Other Credits to Income:			
Reserve for Hook-Ups Cancelled	D-10	3,720	-
Unexpended Balance of Appropriation Reserves	D-6	<u>11,249</u>	<u>10,868</u>
 Total Revenues		 <u>1,738,478</u>	 <u>1,640,195</u>
 EXPENDITURES			
Operating			
Salaries and Wages	D-3	75,000	75,000
Other Expenses	D-3	50,000	50,000
Service Fees	D-3	1,408,877	1,409,946
Deferred Charges and Statutory Expenditures	D-3	10,612	10,612
Surplus (General Budget)	D-3	<u>100,000</u>	<u>-</u>
 Total Expenditures		 <u>1,644,489</u>	 <u>1,545,558</u>
 Statutory Excess to Fund Balance		 93,989	 94,637
 FUND BALANCE, JANUARY 1			
	D	<u>329,712</u>	<u>283,133</u>
		423,701	377,770
Decreased by:			
Utilized by Sewer Operating Budget	D-1	<u>121,489</u>	<u>48,058</u>
 FUND BALANCE, DECEMBER 31	D	 <u>\$ 302,212</u>	 <u>\$ 329,712</u>

**TOWNSHIP OF READINGTON
STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Reference</u>	2015 Anticipated <u>Budget</u>	2015 <u>Realized</u>	Excess or (<u>Deficit</u>)
Fund Balance Anticipated	D-1	\$ 121,489	\$ 121,489	
Rents	D-1,D-5	1,300,000	1,377,110	\$ 77,110
User Fees from Other Contracts	D-1,D-4	215,000	216,160	1,160
Miscellaneous Charges	D-1,D-4	<u>8,000</u>	<u>8,750</u>	<u>750</u>
		<u>\$ 1,644,489</u>	<u>\$ 1,723,509</u>	<u>\$ 79,020</u>
	<u>Reference</u>	D-3	D-1	

The Accompanying Notes are an Integral Part of these Financial Statements

**TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015		<u>2015 Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATING				
Salaries	\$ 75,000	\$ 75,000	\$ 75,000	\$ -
Other Expenses	50,000	50,000	49,624	376
Service Fees - RLSA	1,208,877	1,208,877	1,208,877	-
Service Fees - RTMUA	200,000	200,000	170,541	29,459
DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Statutory Charges:				
Contribution to:				
Public Employee Retirement System	4,875	4,875	4,875	-
Social Security System (O.A.S.I.)	5,737	5,737	5,737	-
Surplus (General Budget)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total Water Utility Appropriations	<u>\$ 1,644,489</u>	<u>\$ 1,644,489</u>	<u>\$ 1,614,654</u>	<u>\$ 29,835</u>
	<u>Reference</u>	D-2	D-2	D
			<u>Reference</u>	<u>Paid or Charged</u>
Cash Disbursements		D-4		\$ 1,607,770
Amount Due to Current Fund		D-9		<u>6,884</u>
				<u>\$ 1,614,654</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
General Fixed Assets		
Land	\$ 47,643,135	\$ 47,605,135
Buildings and Building Improvements	12,881,152	12,811,412
Vehicles and Machinery and Equipment	<u>5,860,148</u>	<u>4,491,300</u>
	<u>\$ 66,384,435</u>	<u>\$ 64,907,847</u>
 LIABILITIES		
Investment in General Fixed Assets	<u>\$ 66,384,435</u>	<u>\$ 64,907,847</u>

The Accompanying Notes are an Integral Part of these Financial Statements

NOTES TO FINANCIAL STATEMENTS

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Readington (the "Township") was incorporated in 1798 and operates under an elected Mayor and Council form of government. The five council members are elected at-large, for staggered terms of three years. The Council elects a Mayor and Deputy Mayor each for a term of one year. The Mayor is the Chief Executive Officer of the Township and as such presides over all public meetings and makes appointments to various boards. The Township Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Township Administrator is appointed by the Township Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Township affairs and for the day to day operations of the Township. The Township Administrator is the Chief Administrative Officer for the Township. The Township's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt or the levying of taxes. The Township is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Township do not include the volunteer fire companies or rescue squad, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

B. Description of Regulatory Basis of Accounting

The financial statements of the Township of Readington have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

The Township uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Township functions or activities. The Township also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The Township has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the Township as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Animal Control Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the Township as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, open space taxes, developer deposits, payroll related deposits and funds deposited with the Township as collateral.

Length of Service Awards Program Fund (LOSAP) – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Township.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

Sewer Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Township's sanitary sewerage system and the assets and liabilities relative to such activities.

Sewer Utility Expansion Trust Fund – This fund is used to account for the receipt and disbursement of funds for future sewer utility expansion.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Township. The Township's infrastructure is not reported in the account group.

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

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Reclassifications - Certain reclassifications may have been made to the December 31, 2014 balances to conform to the December 31, 2015 presentation.

Financial Statements – Regulatory Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Township presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Township of Readington follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division (“regulatory basis of accounting”) differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

Inventories - 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. GAAP requires inventories to be recorded as assets in proprietary-type funds.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Township. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Township also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Township may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues/Receivables - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Township's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Utility Revenues/Receivables - Utility charges are levied quarterly based upon a flat service charge and if applicable, an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Township's sewer utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant and Similar Award Revenues/Receivables - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Township's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

Deferred Charges - Certain expenditures and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures and certain other items generally to be recognized when incurred, if measurable.

Appropriation Reserves - Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

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

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Township of Readington has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Township as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of two years.

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

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

General Fixed Assets purchased are stated as cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

Use of Estimates - The preparation of financial statements requires management of the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Township and approved by the State Division of Local Government Services as per N.J.S.A. 40A:4 et seq.

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

Other Trust Fund (Except Open Space Preservation Trust Fund)
General Capital Fund
Sewer Utility Expansion Trust Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2015 and 2014 the Township Council increased the original budget by \$108,067 and \$468,841. The 2015 increase was funded by additional aid allotted to the Township. The 2014 increase was funded by additional aid allotted to the Township of \$73,341 as well as an emergency resolution for \$395,000 in 2014. In addition, the governing body approved several budget transfers during 2015 and 2014.

**TOWNSHIP OF READINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 3 CASH DEPOSITS AND INVESTMENTS

The Township considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

A. Cash Deposits

The Township's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Township is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2015 and 2014, the book value of the Township's deposits were \$12,081,602 and \$9,902,638 and bank and brokerage firm balances of the Township's deposits amounted to \$12,083,954 and \$9,924,374, respectively. The Township's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2015</u>	<u>2014</u>
Insured	\$ 11,794,330	\$ 9,635,045
Uninsured and Uncollateralized	<u>289,624</u>	<u>289,329</u>
	<u>\$ 12,083,954</u>	<u>\$ 9,924,374</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a formal policy for custodial credit risk. As of December 31, 2015 and 2014, the Township's bank balances of \$289,624 and \$289,329 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>2015</u>	<u>2014</u>
Uninsured and uncollateralized	<u>\$ 289,624</u>	<u>\$ 289,329</u>

**TOWNSHIP OF READINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments

The Township is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Township or bonds or other obligations of the school districts which are a part of the Township or school districts located within the Township, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Township is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2015 and 2014, the Township had the following investments:

	Fair Value (Unaudited)	
	<u>2015</u>	<u>2014</u>
Investment:		
U.S. Government Securities		
Length of Service Award Program	<u>\$ 1,377,626</u>	<u>\$ 1,331,844</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Township does not have a policy for custodial risk. As of December 31, 2015 and 2014, \$1,377,626 and \$1,331,844 of the Township’s investments was exposed to custodial credit risk as follows:

	Fair Value (Unaudited)	
	<u>2015</u>	<u>2014</u>
Uninsured and Uncollateralized	<u>\$ 1,377,626</u>	<u>\$ 1,331,844</u>

Interest Rate Risk – The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Township does not have an investment policy that would further limit its investment choices. As of December 31, 2015 and 2014, the Township’s investment in Lincoln Financial a subsidiary of Lincoln National Corporation was rated Baa1 and Baa2 by Moody’s Investors Services, respectively.

**TOWNSHIP OF READINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Concentration of Credit Risk – The Township places no limit in the amount the Township may invest in any one issuer. More than five (5) percent of the Township’s investments are in Lincoln Financial. These investments are 100% of the Township’s total investments.

The fair value of the above-listed investments were based on quoted market prices.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting.

NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE

Receivables at December 31, 2015 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2015</u>			
Property Taxes	\$ 1,114,876		\$ 1,114,876
Tax Title Liens	105,482		105,482
Utility Charges and Fees	<u>-</u>	<u>\$ 104,081</u>	<u>104,081</u>
	<u>\$ 1,220,358</u>	<u>\$ 104,081</u>	<u>\$ 1,324,439</u>

In 2015, the Township collected \$796,268 and \$109,388 from delinquent taxes and utility charges and fees, which represented 61% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2014.

Receivables at December 31, 2014 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2014</u>			
Property Taxes	\$ 1,226,268		\$ 1,226,268
Tax Title Liens	102,540		102,540
Utility Charges and Fees	<u>-</u>	<u>\$ 109,388</u>	<u>109,388</u>
	<u>\$ 1,328,808</u>	<u>\$ 109,388</u>	<u>\$ 1,438,196</u>

In 2014, the Township collected \$890,331 and \$103,421 from delinquent taxes and utility charges and fees, which represented 64% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2013.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 5 DUE TO/FROM OTHER FUNDS

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund:				
Regular	\$ 7,195	\$ 38,101	\$ 2,516	\$ 17,200
Grants	38,101		17,200	
Trust Fund:				
Animal Control				3
Other Trust				1,932
General Capital Fund		311		581
Sewer Utility Fund:				
Operating	<u>-</u>	<u>6,884</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$ 45,296</u>	 <u>\$ 45,296</u>	 <u>\$ 19,716</u>	 <u>\$ 19,716</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or revenue earned by one fund and due to another fund.

The Township expects all interfund balances to be liquidated within one year.

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance</u>
<u>2014</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 155,396	\$ 155,396	\$ -
Emergency Authorization	<u>395,000</u>	<u>395,000</u>	<u>-</u>
	<u>\$ 550,396</u>	<u>\$ 550,396</u>	<u>\$ -</u>

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Operating Fund are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	<u>2015</u>		<u>2014</u>	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 2,060,911	\$ 1,055,000	\$ 1,464,932	\$ 1,190,678
Non-Cash Surplus	<u>49,146</u>	<u>-</u>	<u>598,983</u>	<u>-</u>
	<u>\$ 2,110,057</u>	<u>\$ 1,055,000</u>	<u>\$ 2,063,915</u>	<u>\$ 1,190,678</u>
Sewer Utility Operating Fund				
Cash Surplus	<u>\$ 302,212</u>	<u>\$ 57,992</u>	<u>\$ 329,712</u>	<u>\$ 121,489</u>
	<u>\$ 302,212</u>	<u>\$ 57,992</u>	<u>\$ 329,712</u>	<u>\$ 121,489</u>

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 8 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2015 and 2014.

	Balance December 31, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2015</u>
<u>2015</u>				
Land	\$ 47,605,135	\$ 38,000		\$ 47,643,135
Buildings and Building Improvements	12,811,412	69,740		12,881,152
Machinery and Equipment	<u>4,491,300</u>	<u>1,399,199</u>	\$ <u>30,351</u>	<u>5,860,148</u>
	<u>\$ 64,907,847</u>	<u>\$ 1,506,939</u>	<u>\$ 30,351</u>	<u>\$ 66,384,435</u>
	Balance December 31, <u>2013</u> (Restated)	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2014</u>
<u>2014</u>				
Land	\$ 47,605,135			\$ 47,605,135
Buildings and Building Improvements	12,688,285	\$ 123,127		12,811,412
Machinery and Equipment	<u>4,340,903</u>	<u>158,172</u>	\$ <u>7,775</u>	<u>4,491,300</u>
	<u>\$ 64,634,323</u>	<u>\$ 281,299</u>	<u>\$ 7,775</u>	<u>\$ 64,907,847</u>

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 9 MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for general capital fund projects. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Township's debt is summarized as follows:

	<u>2015</u>	<u>2014</u>
Issued		
General		
Bonds, Notes and Loans	\$ 53,377,755	\$ 52,468,656
Less Funds Temporarily Held to Pay Bonds and Notes	<u>787,018</u>	<u>200,879</u>
Net Debt Issued	52,590,737	52,267,777.00
Authorized But Not Issued		
General		
Bonds and Notes	<u>3,963,612</u>	<u>4,944,030</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 56,554,349</u>	<u>\$ 57,211,807</u>

**TOWNSHIP OF READINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Township's Annual Debt Statement and indicates a statutory net debt of 1.84% and 1.84% at December 31, 2015 and 2014, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2015</u>			
General Debt	\$ 57,341,367	\$ 787,018	\$ 56,554,349
Local School Debt	20,070,000	20,070,000	-
Regional School Debt	<u>4,018,845</u>	<u>4,018,845</u>	<u>-</u>
Total	<u>\$ 81,430,212</u>	<u>\$ 24,875,863</u>	<u>\$ 56,554,349</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2014</u>			
General Debt	\$ 57,412,686	\$ 200,879	\$ 57,211,807
Local School Debt	21,170,000	21,170,000	-
Regional School Debt	<u>5,080,496</u>	<u>5,080,496</u>	<u>-</u>
Total	<u>\$ 83,663,182</u>	<u>\$ 26,451,375</u>	<u>\$ 57,211,807</u>

Statutory Borrowing Power

The Township's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2015</u>	<u>2014</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 107,592,070	\$ 108,845,741
Less: Net Debt	<u>56,554,349</u>	<u>57,211,807</u>
Remaining Borrowing Power	<u>\$ 51,037,721</u>	<u>\$ 51,633,934</u>

**TOWNSHIP OF READINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

The Township's long-term debt consisted of the following at December 31:

General Obligation Bonds

The Township levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2015</u>	<u>2014</u>
\$10,000,000, 2005 General Improvement Bonds, matured on December 15, 2015		\$ 250,000
\$11,000,000, 2011 General Improvement Bonds, due in annual installments of \$265,000 to \$875,000 through February 1, 2031, interest at various rates	\$ 9,455,000	10,250,000
\$7,945,000, 2014 Refunding Bonds, due in annual installments of \$330,000 to \$960,000 through July 1, 2025, interest at 3.00% to 5.00%	7,945,000	7,945,000
\$9,573,000, 2015 General Improvement Bonds, due in annual installments of \$500,000 to \$1,000,000 through February 1, 2031, interest at 2.00% to 3.00%	<u>9,573,000</u>	<u>-</u>
Total	<u>\$ 26,973,000</u>	<u>\$ 18,445,000</u>

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable

The Township has entered into various loan agreements with the State of New Jersey for the financing relating to the acquisition of various properties and infrastructure improvements. The Township levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2015</u>	<u>2014</u>
\$544,274, 1995 "Recreation Area Acquisition" Loan, matured in 2015	\$	16,755
\$169,304, 1995 "Rockaway Creek" Loan, matured in 2015		10,372
\$169,347, 1998 "Rockaway Creek" Loan, due in semi-annual installments of \$5,060 to \$5,213 through 2017, interest at 2.00%	\$ 20,545	30,515
\$1,000,000, 2002 "Incentive" Loan, due in semi-annual installments of \$29,393 to \$32,147 through 2020, interest at 2.00%	307,515	365,430
\$2,250,000, 2001 "Greenway Acquisition" Loan, due in semi-annual installments of \$70,401 to \$73,992 through 2018, interest at 1.00%	433,109	571,827
\$500,000, 2002 "Summer Road Park" Loan, due in semi-annual installments of \$13,796 to \$15,392 through 2021, interest at 1.00%	174,969	202,153
\$1,271,572, 2001 "NJ Infrastructure-Dreahook Road " Loan, due in semi-annual installments of \$4,210 to \$50,000 through 2021, interest at variable rate	466,671	533,869
\$285,829, 2003 "NJ Infrastructure-2003 " Loan, due in semi-annual installments of \$196 to \$14,765 through 2023, interest at variable rate	119,984	136,584
\$672,696, 2004 "NJ Infrastructure-2004" Loan, due in semi-annual installments of \$414 to \$44,382 through 2024, interest at variable rate	<u>318,022</u>	<u>356,151</u>
Total	<u>\$ 1,840,815</u>	<u>\$ 2,223,656</u>

**TOWNSHIP OF READINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

The Township's principal and interest for long-term debt issued and outstanding as of December 31, 2015 is as follows:

Calendar Year	General				Total
	Bonds		Loans		
	Principal	Interest	Principal	Interest	
2016	\$ 1,550,000	\$ 1,013,893	\$ 366,429	\$ 36,846	\$ 2,967,168
2017	1,615,000	974,886	368,842	29,453	2,988,181
2018	1,700,000	920,487	368,798	21,905	3,011,190
2019	1,760,000	863,686	220,609	14,915	2,859,210
2020	1,835,000	802,436	219,647	10,063	2,867,146
2021-2025	10,263,000	2,990,260	296,490	9,410	13,559,160
2026-2030	7,375,000	975,266			8,350,266
2031	875,000	22,969	-	-	897,969
Total	<u>\$ 26,973,000</u>	<u>\$ 8,563,883</u>	<u>\$ 1,840,815</u>	<u>\$ 122,592</u>	<u>\$ 37,500,290</u>

Changes in Long-Term Municipal Debt

The Township's long-term capital debt activity for the years ended December 31, 2015 and 2014 were as follows:

	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<u>2015</u>					
General Capital Fund					
Bonds Payable	\$ 18,445,000	\$ 9,573,000	\$ 1,045,000	\$ 26,973,000	\$ 1,550,000
Intergovernmental Loans Payable	<u>2,223,656</u>	<u>-</u>	<u>382,841</u>	<u>1,840,815</u>	<u>366,429</u>
General Capital Fund Long-Term Liabilities	<u>\$ 20,668,656</u>	<u>\$ 9,573,000</u>	<u>\$ 1,427,841</u>	<u>\$ 28,813,815</u>	<u>\$ 1,916,429</u>

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, December 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>2014</u>					
General Capital Fund					
Bonds Payable	\$ 20,415,000	\$ 7,945,000	\$ 9,915,000	\$ 18,445,000	\$ 1,045,000
Intergovernmental Loans Payable	<u>2,620,245</u>	<u>-</u>	<u>396,589</u>	<u>2,223,656</u>	<u>382,841</u>
General Capital Fund Long-Term Liabilities	<u>\$ 23,035,245</u>	<u>\$ 7,945,000</u>	<u>\$ 10,311,589</u>	<u>\$ 20,668,656</u>	<u>\$ 1,427,841</u>

B. Short-Term Debt

The Township's short-term debt activity for the years ended December 31, 2015 and 2014 was as follows:

Bond Anticipation Notes

<u>Purpose</u>	<u>Ord.</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2014</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	Balance, December 31, <u>2015</u>
<u>2015</u>							
Acquisition of Property	06-04	1.00%	1/29/2015	\$ 20,877,073		\$ 20,877,073	
		1.00%	8/5/2015		\$ 20,611,073	20,611,073	
		1.00%	2/4/2016		20,611,073		\$ 20,611,073
Acquisition of Property	06-41	1.00%	1/29/2015	539,872		539,872	
		1.00%	8/5/2015		477,873	477,873	
Acquisition of Property	07-37	1.00%	1/29/2015	271,409		271,409	
		1.00%	8/5/2015		217,329	217,329	
		1.00%	2/4/2016		217,329		217,329
Acquisition of Property	07-39	1.00%	1/29/2015	76,593		76,593	
		1.00%	8/5/2015		70,994	70,994	

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>Purpose</u>	<u>Ord.</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2014</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2015</u>
Acquisition of Property	08-05	1.00%	1/29/2015	\$ 1,228,395		\$ 1,228,395	
		1.00%	8/5/2015		\$ 1,153,395	1,153,395	
Acquisition of Property	08-20	1.00%	1/29/2015	139,161		139,161	
		1.00%	8/5/2015		133,161	133,161	
Acquisition of Property	08-26	1.00%	1/29/2015	763,820		763,820	
		1.00%	8/5/2015		753,820	753,820	
Acquisition of Property	09-15	1.00%	1/29/2015	1,264,250		1,264,250	
		1.00%	8/5/2015		1,188,250	1,188,250	
Acquisition of Property	09-22	1.00%	1/29/2015	1,474,592		1,474,592	
		1.00%	8/5/2015		1,447,092	1,447,092	
		1.00%	2/4/2016		1,447,092		\$ 1,447,092
Acquisition of Property	09-23	1.00%	1/29/2015	1,510,366		1,510,366	
		1.00%	8/5/2015		1,490,364	1,490,364	
		1.00%	2/4/2016		1,490,364		1,490,364
Acquisition of Property	09-29	1.00%	1/29/2015	246,718		246,718	
		1.00%	8/5/2015		243,518	243,518	
		1.00%	2/4/2016		243,518		243,518
COAH Property	09-31	1.00%	1/29/2015	75,275		75,275	
		1.00%	8/5/2015		74,275	74,275	
		1.00%	2/4/2016		74,275		74,275
Sewer Improvements	10-09	1.00%	1/29/2015	105,951		105,951	
		1.00%	8/5/2015		104,451	104,451	
Various Road Improvements	10-13	1.00%	1/29/2015	922,500		922,500	
		1.00%	8/5/2015		868,500	868,500	

TOWNSHIP OF READINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>Purpose</u>	<u>Ord.</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2014</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2015</u>
Various Improvements	11-09	1.00%	1/29/2015	\$ 1,255,900		\$ 1,255,900	
		1.00%	8/5/2015		\$ 1,031,801	1,031,801	
Various Improvements	12-15	1.00%	1/29/2015	1,022,830		1,022,830	
		1.00%	8/5/2015		1,022,830	1,022,830	
Acquisition of Property	12-29	1.00%	1/29/2015	25,295		25,295	
		1.00%	8/5/2015		74,169	74,169	
		1.00%	2/4/2016		74,169		\$ 74,169
Various Improvements	14-11	1.00%	8/5/2015		2,405,685	2,405,685	
Various Sewer Improvements	14-19	1.00%	8/5/2015		400,300	400,300	
Acquisition of Property	14-21	1.00%	8/5/2015		406,120	406,120	
		1.00%	2/4/2016	-	406,120	-	406,120
				<u>\$ 31,800,000</u>	<u>\$ 58,738,940</u>	<u>\$ 65,975,000</u>	<u>\$ 24,563,940</u>

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

			Rate	Maturity	Balance,	Renewed/	Retired/	Balance,
	<u>Purpose</u>	<u>Ord.</u>	(%)	<u>Date</u>	December 31,	<u>Issued</u>	<u>Redeemed</u>	December 31,
<u>2014</u>					<u>2013</u>			<u>2014</u>
	Acquisition of Property	06-04	1.00%	1/31/2014	\$21,145,073		\$21,145,073	
			1.00%	1/29/2015		\$20,877,073		\$ 20,877,073
	Acquisition of Property	06-41	1.00%	1/31/2014	599,872		599,872	
			1.00%	1/29/2015		539,872		539,872
	Acquisition of Property	07-37	1.00%	1/31/2014	274,909		274,909	
			1.00%	1/29/2015		271,409		271,409
	Acquisition of Property	07-39	1.00%	1/31/2014	77,594		77,594	
			1.00%	1/29/2015		76,593		76,593
	Acquisition of Property	08-05	1.00%	1/31/2014	1,300,895		1,300,895	
			1.00%	1/29/2015		1,228,395		1,228,395
	Acquisition of Property	08-20	1.00%	1/31/2014	141,161		141,161	
			1.00%	1/29/2015		139,161		139,161
	Acquisition of Property	08-26	1.00%	1/31/2014	773,820		773,820	
			1.00%	1/29/2015		763,820		763,820
	Acquisition of Property	09-15	1.00%	1/31/2014	1,334,750		1,334,750	
			1.00%	1/29/2015		1,264,250		1,264,250
	Acquisition of Property	09-22	1.00%	1/31/2014	2,137,450		2,137,450	
			1.00%	1/29/2015		1,474,592		1,474,592
	Acquisition of Property	09-23	1.00%	1/31/2014	1,530,366		1,530,366	
			1.00%	1/29/2015		1,510,366		1,510,366
	Acquisition of Property	09-29	1.00%	1/31/2014	250,218		250,218	
			1.00%	1/29/2015		246,718		246,718

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>Purpose</u>	<u>Ord.</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2013</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2014</u>
COAH Property	09-31	1.00%	1/31/2014	\$ 76,275		\$ 76,275	
		1.00%	1/29/2015		\$ 75,275		\$ 75,275
Sewer Improvements	10-09	1.00%	1/31/2014	107,951		107,951	
		1.00%	1/29/2015		105,951		105,951
Various Road Improvements	10-13	1.00%	1/31/2014	1,011,750		1,011,750	
		1.00%	1/29/2015		922,500		922,500
Various Improvements	11-09	1.00%	1/31/2014	1,255,900		1,255,900	
		1.00%	1/29/2015		1,255,900		1,255,900
Various Improvements	12-15	1.00%	1/31/2014	1,112,830		1,112,830	
		1.00%	1/29/2015		1,022,830		1,022,830
Acquisition of Property	12-29	1.00%	1/31/2014	169,186		169,186	
		1.00%	1/29/2015	-	25,295	-	25,295
				<u>\$33,300,000</u>	<u>\$31,800,000</u>	<u>\$33,300,000</u>	<u>\$ 31,800,000</u>

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund.

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

**TOWNSHIP OF READINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, the Township had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
2015		
Acquisition of Single Axle Dump Truck	\$171,713	2016
KME Custom Heavy Duty Rescue Vehicle	536,589	2016
Fire Apparatus Equipment	51,747	2016

NOTE 11 OTHER LONG-TERM LIABILITIES

Compensated Absences

Under the existing policies and labor agreements of the Township, employees are allowed to accumulate (with certain restrictions) unused sick leave over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$394,239 and \$371,639 at December 31, 2015 and 2014, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

Changes in Other Long-Term Liabilities

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the footnotes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

The Township's changes in other long-term liabilities for the years ended December 31, 2015 and 2014 were as follows:

	<u>Balance, December 31, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31, 2015</u>	<u>Due Within One Year</u>
2015					
Compensated Absences	\$ 371,639	\$ 22,600		\$ 394,239	
Net Pension Liability - PERS	8,724,234	1,997,195	\$ 395,472	10,325,957	
Net Pension Liability - PFRS	<u>7,871,220</u>	<u>3,597,685</u>	<u>533,649</u>	<u>10,935,256</u>	<u>-</u>
Total Other Long-Term Liabilities	\$ 16,967,093	\$ 5,617,480	\$ 929,121	\$ 21,655,452	\$ -

TOWNSHIP OF READINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities (Continued)

	Balance, December 31, <u>2013</u>	Prior Period Adjustment <u>(A)</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>2014</u>						
Compensated Absences	\$ 297,720		\$ 73,919		\$ 371,639	
Net Pension Liability - PERS		\$ 8,414,448	693,925	\$ 384,139	8,724,234	
Net Pension Liability - PFRS	-	<u>8,293,649</u>	<u>58,182</u>	<u>480,611</u>	<u>7,871,220</u>	-
Total Other Long-Term Liabilities	<u>\$ 297,720</u>	<u>\$ 16,708,097</u>	<u>\$ 826,026</u>	<u>\$ 864,750</u>	<u>\$ 16,967,093</u>	<u>\$ -</u>

(A) Represents the proportionate share of the Township's net pension liability of the state sponsored employer retirement systems resulting from the requirements of Governmental Accounting Standards Board's Statement No. 68 "Accounting and Financial Reporting for Pensions".

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Township employees who are eligible for pension coverage.

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership. PFRS is a cost-sharing multi-employer defined benefit pension plan.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage. PERS is a cost-sharing multi-employer defined benefit pension plan.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Township employees who are eligible for pension coverage.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. DCRP is a defined contribution pension plan.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The State also administers the Pensions Adjustment Fund (PAF). Prior to the adoption of pension reform legislation, P.L. 2011, C.78, it provided cost of living increases equal to 60 percent of the change in the average consumer price index, to eligible retirees in some State-sponsored pension systems which includes the CPFPPF. Cost-of-living increases provided under the State's pension adjustment program are currently suspended as a result of the reform legislation. This benefit is funded by the State as benefit allowances become payable.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

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 each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits and refunds are recognized when due and payable in accordance with the terms of the retirement systems.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at www.state.nj/treasury/doinvest.

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, which was rolled forward to June 30, 2014, the aggregate funded ratio for all the State administered retirement systems, including CPFPPF, PERS and PFRS is 62.8 percent with an unfunded actuarial accrued liability of \$51.0 billion. The CPFPPF system is 65.4 percent funded with an unfunded actuarial accrued liability of \$ 1.7 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 52.08 percent and \$18.7 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 62.4 percent and \$13.9 billion, respectively.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2013 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return for all the retirement systems except CPFPPF (2.00%) and (b) changes to projected salary increases 2.15-5.40 percent based on age for PERS and 3.95-9.62 percent based on age for PFRS.

**TOWNSHIP OF READINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 10.0% for PFRS 5.50% for DCRP and 6.92 for fiscal year 2015 for PERS of employee's annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the year ended December 31, 2015 for CPFPPF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2015, 2014 and 2013, the Township, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PERS</u>	<u>PFRS</u>	<u>DCRP</u>
2015	\$ 395,787	\$ 480,611	\$ 1,678
2014	336,610	455,154	2,977
2013	369,628	478,024	432

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

Public Employees Retirement System (PERS)

At December 31, 2015 and 2014, the Township had a liability of \$10,325,957 and \$8,724,234, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 and 2013, respectively. The Township's proportionate share 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 governmental entities, actuarially determined. At June 30, 2015, the Township's proportionate share was .045999 percent, which was a decrease of .000598 percent from its proportionate share measured as of June 30, 2014 of .046597 percent.

**TOWNSHIP OF READINGTON
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2015 and 2014, the pension system has determined the Township's pension expense to be \$742,613 and \$526,720, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Township's financial statements of \$395,787 and \$336,610, respectively. At December 31, 2015 and 2014, the Township's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Township's financial statements are from the following sources:

	2015		2014	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 246,341			
Changes of Assumptions	1,108,925		\$ 274,337	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 166,022		\$ 519,917
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>338,630</u>	<u>94,917</u>	<u>418,897</u>	<u>-</u>
Total	<u>\$ 1,693,896</u>	<u>\$ 260,939</u>	<u>\$ 693,234</u>	<u>\$ 519,917</u>

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

<u>Year Ending December 31,</u>	<u>Total</u>
2016	\$ 272,326
2017	272,326
2018	272,326
2019	402,306
2020	213,673
Thereafter	<u>-</u>
	<u>\$ 1,432,957</u>

**TOWNSHIP OF READINGTON
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2015</u>	<u>2014</u>
Inflation Rate	3.04%	3.01%
Salary Increases:		
2012-2021	2.15-4.40%	2.15-4.40%
	Based on Age	Based on Age
Thereafter	3.15-5.40%	3.15-5.40%
	Based on Age	Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000

Actuarial Assumptions

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2014 and 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

**TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>2015</u>		<u>2014</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%	6.00%	0.80%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit Core Bonds	10.00%	1.79%	1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%		
REIT	4.25%	5.12%		

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Year</u>	<u>Discount Rate</u>
2015	4.90%
2014	5.39%

**TOWNSHIP OF READINGTON
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2033
Municipal Bond Rate *	From July 1, 2033 and Thereafter

* The municipal bond return rate used is 3.80 and 4.29% as of June 30, 2015 and 2014, respectively. 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.

Sensitivity of Net Pension Liability

The following presents the Township's proportionate share of the PERS net pension liability as of December 31, 2015 calculated using the discount rate of 4.90%, as well as what the Township's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Township's Proportionate Share of the PERS Net Pension Liability	<u>\$ 12,833,901</u>	<u>\$ 10,325,957</u>	<u>\$ 8,223,315</u>

The sensitivity analysis was based on the proportionate share of the Township's net pension liability at December 31, 2015. A sensitivity analysis specific to the Township's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen’s Retirement System (PFRS)

At December 31, 2015 and 2014, the Township had a liability of \$10,935,256 and \$7,871,220, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 and 2013, respectively. The Township’s proportionate share 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 governmental entities, actuarially determined. At June 30, 2015, the Township’s proportionate share was .065651 percent, which was an increase of .003078 percent from its proportionate share measured as of June 30, 2014 of .062573 percent.

For the years ended December 31, 2015 and 2014, the pension system has determined the Township pension expense to be \$1,022,485 and \$554,005, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Township’s financial statements of \$480,611 and \$455,154, respectively. At December 31, 2015 and 2014, the Township’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Township’s financial statements are from the following sources:

	2015		2014	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 94,320		
Changes of Assumptions	\$ 2,018,920		\$ 295,512	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		190,319		\$ 803,232
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	354,471	-	20,940	-
Total	<u>\$ 2,373,391</u>	<u>\$ 284,639</u>	<u>\$ 316,452</u>	<u>\$ 803,232</u>

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

Year Ending <u>December 31,</u>	<u>Total</u>
2016	\$ 410,188
2017	410,188
2018	410,188
2019	610,996
2020	247,192
Thereafter	-
	<u>\$ 2,088,752</u>

**TOWNSHIP OF READINGTON
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Police and Firemen’s Retirement System (PFRS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2015</u>	<u>2014</u>
Inflation Rate	3.04%	3.01%
Salary Increases: 2012-2021	2.60-9.48% Based on Age	3.95-8.62% Based on Age
Thereafter	3.60-10.48% Based on Age	4.95-9.62% Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA and one year using Scale BB.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013. The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2010.

**TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Police and Firemen’s Retirement System (PFRS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans’ target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>2015</u>		<u>2014</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%	6.00%	0.80%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
Core Bonds			1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%		
REIT	4.25%	5.12%		

Discount Rate

The discount rate used to measure the total pension liabilities of the PFRS plan was as follows:

<u>Year</u>	<u>Discount Rate</u>
2015	5.79%
2014	6.32%

**TOWNSHIP OF READINGTON
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Police and Firemen’s Retirement System (PFRS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PFRS defined benefit plan:

Period of Projected Benefit	
Payments for which the Following	
Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2045
Municipal Bond Rate *	From July 1, 2045 and Thereafter

* The municipal bond return rate used is 3.80% and 4.29% as of June 30, 2015 and 2014, respectively. 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.

Sensitivity of Net Pension Liability

The following presents the Township’s proportionate share of the PFRS net pension liability as of December 31, 2015 calculated using the discount rate of 5.79% as well as what the Township’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.79 percent) or 1-percentage-point higher (6.79 percent) than the current rate:

	Decrease (4.79%)	Discount Rate (5.79%)	Increase (6.79%)
Township's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 14,416,139</u>	<u>\$ 10,935,256</u>	<u>\$ 8,096,907</u>

The sensitivity analysis was based on the proportionate share of the Township’s net pension liability at December 31, 2015. A sensitivity analysis specific to the Township’s net pension liability was not provided by the pension system.

**TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Special Funding Situation – PFRS

Under N.J.S.A. 43:16A-15, the Township is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions 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 Township by the State 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. Accordingly, the Township's proportionate share percentage determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2015 and 2014, the State's proportionate share of the net pension liability attributable to the Township for the PFRS special funding situation is \$958,985 and \$847,598, respectively. For the years ended December 31, 2015 and 2014, the pension system has determined the State's proportionate share of the pension expense attributable to the Township for the PFRS special funding situation is \$107,395 and \$119,620, respectively, which is more than the actual contributions the State made on behalf of the Township of \$49,920 and \$35,195, respectively. The State's proportionate share attributable to the Township was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Township's financial statements.

Pension Plan Fiduciary Net Position

Detailed information about the PFRS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating municipalities including the Township. The plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and the Teacher's Pension and Annuity (TPAF) are combined and reported as Pension and Other Employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost sharing multiple-employer plan. The post-retirement benefit programs had a total of 590 state and local participating employers and contributing entities for Fiscal Year 2015.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

The State of New Jersey sponsors and administers the following health benefit program covering substantially all local government employees from local participating employers.

State Health Benefits Program Funds (HBPF) – Local Government (including Prescription Drug Program Fund) – Certain local employers who participate in the State Health Benefits Program provide health insurance coverage to their employees at retirement. Under provisions of P.L. 1997, c.330, the State of New Jersey provides partially funded benefits to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Also, local employees are eligible for the PDP coverage after 60 days of employment.

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 above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the State had a \$65.0 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$24.4 billion for state active and retired members and \$40.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Actuarial Methods and Assumptions

In the July 1, 2014 OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contribution

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

P.L. 1977, c. 136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$173.9 million for 10,355 eligible retired members for Fiscal Year 2015. This benefit covers the Police and Firemen's Retirement System.

P.L. 1997, c. 330 provides paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State and participating local governments are responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State and participating local governments contributed \$44.3 million in Fiscal Year 2015 to provide benefits under Chapter 330 to qualified retirees.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Township's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended December 31, 2015, 2014 and 2013 were \$574,406, \$518,866 and \$529,106 respectively, which equaled the required contributions for each year.

NOTE 14 RISK MANAGEMENT

The Township is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Township has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Township should they occur.

**TOWNSHIP OF READINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 14 RISK MANAGEMENT (Continued)

The Township of Readington is a member of the Public Alliance Insurance Coverage (PAIC) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The PAIC and MEL coverage amounts are on file with the Township.

The relationship between the Township and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Township is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

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 contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Township's unemployment compensation trust fund for the current and previous two years:

<u>Year Ended</u> <u>December 31</u>	<u>Employer/Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2015	\$ 7,171	\$ 1,997	\$ 60,830
2014	732	10,673	55,488
2013	10,183	2,949	65,257

NOTE 15 CONTINGENT LIABILITIES

The Township is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the Township's Attorney, the potential claims against the Township not covered by insurance policies would not materially affect the financial condition of the Township. The following litigation is ongoing:

Township of Readington v. Solberg Aviation Company et als., Superior Court of New Jersey, Hunterdon County (Docket No. HNT-486-06):

This is a condemnation case by which the Township is seeking to acquire by eminent domain certain property owned by defendant Solberg Aviation Company. Following trial, the Court decided that the Township is not legally authorized to exercise its power of eminent domain to acquire certain property interests, in light of particular circumstances. As a result of that ruling, the Township was responsible to reimburse the property owner for approximately \$3 million in legal fees, which was paid out of bonded funds. The Township has authorized an appeal of the Court ruling, and an appeal may be filed shortly.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 15 CONTINGENT LIABILITIES (Continued)

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2015 and 2014. Amounts claimed have not yet been determined. The Township is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Township does not recognize a liability, if any, until these cases have been adjudicated. The Township expects such amounts, if any, could be immaterial. As of December 31, 2015 and 2014, the Township reserved \$308,002 and \$308,002, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The Township participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Township may be required to reimburse the grantor government. As of December 31, 2015 and 2014, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Township believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Township.

NOTE 16 FEDERAL ARBITRAGE REGULATIONS

The Township is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2015 and 2014, the Township has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

The Township of Readington Length of Service Award Program (the Plan) was created by a Township ordinance adopted on May 3, 1999 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Township of Readington approved the adoption of the Plan at the general election held on November 2, 1999.

The first year of eligibility for entrance into the Plan was calendar year 2002. The tax deferred income benefits for emergency services volunteers, consisting of the volunteer fire companies and the rescue squad, come from contributions made solely by the Township on behalf of those volunteers who meet the criteria of a plan created by the governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

The Township of Readington has contributed \$800 and \$800 for 2015 and 2014, respectively, for each eligible volunteer member into the Plan. The total Township contributions were \$65,600 and \$67,200 for 2015 and 2014, respectively.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Township has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

Lincoln Financial Group is the administrator of the plan. The Township's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

Vesting and Benefits

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

Reporting Requirements

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Township perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the Township's Trust Fund.

NOTE 19 SUBSEQUENT EVENTS

Bond Anticipation Notes

On February 3, 2016 the Township issued bond anticipation notes in the amount of \$25,700,000 to temporarily finance expenditures related to various capital projects. The Township has awarded the sale of said notes to JP Morgan Securities, LLC at an interest rate of 2.0%. These notes dated February 3, 2016 will mature on February 3, 2017.

Debt Authorized

Through May 2, 2016 the Township adopted two bond ordinance authorizing the issuance \$1,615,100 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Township has not issued nor awarded the sale of said bonds or notes.

Judgements

On January 22, 2016, a judgement was entered in favor of Solberg Aviation Company and against the Township of Readington in the amount of \$3,027,705. The judgement was paid from funds on deposit with the Trust Fund Unit of the Superior Court of New Jersey which were previously deposited there by the Township.

In addition, on March 29, 2016, a judgment was entered into for property taxes for the airport facilities parcel for the period of October 4, 2006 to May 20, 2015 in the net amount of \$206,916.42. The total amount of property taxes due for the periods mentioned above was \$417,875.66. The amount of \$206,916.42 was received on April 22, 2016 and the remaining balance due of \$210,959.24 will subsequently be cancelled by Township resolution.

NOTE 20 RESTATEMENT

The General Fixed Assets Account Group has been restated to reflect the actual 2015 assessed value of Township owned land. The amount originally reported at January 1, 2014 of \$76,414,456 has been restated to \$47,605,135. The total of the General Fixed Assets Account Group at January 1, 2014 has been restated from \$93,443,644 to \$64,634,323.

CURRENT FUND

**TOWNSHIP OF READINGTON
STATEMENT OF CASH - COLLECTOR - TREASURER**

Balance, January 1, 2015		\$ 6,589,751
Increased by:		
Taxes Receivable	\$ 71,705,426	
State of NJ Senior Citizens' and Veterans' Deductions	137,441	
Miscellaneous Revenues Not Anticipated	112,099	
Revenue Accounts Receivable	2,788,702	
Petty Cash Advanced	200	
Tax Overpayments	190,949	
Prepaid Taxes	401,167	
Federal and State Grants Receivable	98,067	
Reserve for Sale of Assets	30,351	
Reserve for Tax Sale Premiums	288,300	
Reserve for Outside Tax Liens	311,448	
Receipts from Net Payroll	2,474	
Receipts from Animal Control Fund	49	
Receipts from Other Trust Fund	6,261	
Receipts from General Capital Fund	330,406	
Receipts from Sewer Expansion Trust Fund	250,000	
Miscellaneous Fees Payable	<u>48,659</u>	
		<u>76,701,999</u>
		83,291,750
Decreased by Disbursements:		
2015 Budget Appropriations	16,236,642	
2014 Appropriation Reserves	274,819	
Tax Overpayments	17,008	
County Taxes	11,067,143	
Local District School Taxes	28,731,847	
Regional High School Taxes	18,051,369	
Municipal Open Space Taxes Payable	524,370	
Appropriated Grant Reserves	69,971	
Reserve for Encumbrances - Grants Fund	7,326	
Petty Cash Returned	200	
Change Fund Increased	200	
Reserve for Tax Sale Premiums	428,300	
Reserve for Outside Tax Liens	311,448	
Sewer Operating Utility Fund Expenditures Paid by Current Fund	6,884	
Miscellaneous Fees Payable	45,802	
Reserve for Master Plan	6,797	
Refund of Prior Year Revenue	<u>5,678</u>	
		<u>75,785,804</u>
Balance, December 31, 2015		<u>\$ 7,505,946</u>

**TOWNSHIP OF READINGTON
STATEMENT OF CHANGE FUND**

<u>Office</u>	Balance, January 1, <u>2015</u>	Increased in <u>2015</u>	Balance, December 31, <u>2015</u>
Tax Collector	\$ 150		\$ 150
Municipal Court	200		200
Police Department	100		100
Township Clerk/Animal Control	-	\$ 100	100
Department of Public Works	-	100	100
	<u>\$ 450</u>	<u>\$ 200</u>	<u>\$ 650</u>

STATEMENT OF PETTY CASH

<u>Office</u>	Advanced in <u>2015</u>	Returned in <u>2015</u>
Township Finance Department	<u>\$ 200</u>	<u>\$ 200</u>

**TOWNSHIP OF READINGTON
STATEMENT OF DUE FROM STATE OF NEW JERSEY
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, January 1, 2015		\$ 48,587
Increased by:		
Senior Citizens' and Veterans' Deductions Per Tax Billings- 2015	\$ 136,000	
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector - 2015	<u>2,000</u>	
		<u>138,000</u>
		186,587
Decreased by:		
Received in Cash from State		<u>137,441</u>
Balance, December 31, 2015		<u>\$ 49,146</u>

**TOWNSHIP OF READINGTON
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance,	<u>2015 Levy</u>	<u>Collected in Cash</u>		Tax	Senior	Transferred	<u>Cancelled</u>	Balance,
	January 1, <u>2015</u>		<u>2014</u>	<u>2015</u>	Overpayments <u>Applied</u>	Citizens and Veterans' Deductions <u>Allowed</u>	to Tax Title Liens		December 31, <u>2015</u>
2007	\$ 50,933							\$ 2,682	\$ 48,251
2008	59,926							3,320	56,606
2009	61,090							3,383	57,707
2010	61,899							3,429	58,470
2011	57,612							3,518	54,094
2012	57,508							3,515	53,993
2013	50,189			\$ 6,239				6,760	37,190
2014	827,111	-	-	790,029	-	-	-	-	37,082
	1,226,268			796,268				26,607	403,393
2015	-	\$ 72,230,387	\$ 358,687	70,909,158	\$ 63,280	\$ 138,000	\$ 2,942	\$ 46,837	711,483
	\$ 1,226,268	\$ 72,230,387	\$ 358,687	\$ 71,705,426	\$ 63,280	\$ 138,000	\$ 2,942	\$ 73,444	\$ 1,114,876

Analysis of 2015 Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 71,888,456
Added Taxes (54:4-63.1 et seq.)	<u>341,931</u>
	<u>\$ 72,230,387</u>
Tax Levy	
Local District School Tax (Abstract)	\$ 28,731,847
Regional High School Tax (Abstract)	18,051,369
Municipal Open Space Taxes	524,370
County Taxes	\$ 9,219,027
Due County for Added Taxes (54:4-63.1 et seq)	53,005
County Library Taxes	923,038
County Open Space Taxes	<u>897,589</u>
	11,092,659
Local Tax for Municipal Purposes	13,542,704
Add Additional Tax Levied	<u>287,438</u>
	<u>13,830,142</u>
	<u>\$ 72,230,387</u>

**TOWNSHIP OF READINGTON
STATEMENT OF TAX TITLE LIENS**

Balance, January 1, 2015	\$ 102,540
Increased by:	
Transferred from Current Year Taxes	2,942
Balance, December 31, 2015	\$ 105,482

STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, January 1, <u>2015</u>	Accrued in <u>2015</u>	Collected in <u>2015</u>	Balance, December 31, <u>2015</u>
Township Clerk				
Licenses				
Alcoholic Beverages		\$ 20,381	\$ 20,381	
Fees and Permits		31,405	31,405	
Board of Health/Registrar of Vital Statistics				
Fees and Permits		37,464	37,464	
Department of Public Works				
Fees and Permits		14,020	14,020	
Fire Prevention				
Fees and Permits		61,136	61,136	
Police				
Fees and Permits		3,935	3,935	
Planning & Zoning Boards				
Fees and Permits		21,419	21,419	
Municipal Court				
Fines and Costs		129,766	123,383	\$ 6,383
Interest and Costs on Taxes		272,686	272,686	
Interest on Investments and Deposits		18,642	18,642	
Energy Receipts Taxes		1,421,711	1,421,711	
Garden State Trust Fund		3,962	3,962	
Uniform Construction Code Fees		573,655	573,655	
Housing Trust Fund Balance		60,000	60,000	
Uniform Safety Act		24,903	24,903	
Sewer Operating Fund Balance	-	100,000	100,000	-
	-	\$ 2,795,085	\$ 2,788,702	\$ 6,383

TOWNSHIP OF READINGTON
STATEMENT OF 2014 APPROPRIATION RESERVES

	Balance, January 1, <u>2015</u>	Encumbrances <u>Cancelled</u>	Modified <u>Balance</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
General Administration					
Salaries and Wages	\$ 504		\$ 504		\$ 504
Other Expenses					
Elections	11		11		11
Miscellaneous Other Expenses	20,408	\$ 2,126	22,534	\$ 3,880	18,654
Financial Administration					
Salaries & Wages	1,643		1,643		1,643
Other Expenses	1,747	1,908	3,655	83	3,572
Audit Services	4,075		4,075	4,075	-
Revenue Administration					
Salaries & Wages	31		31		31
Other Expenses	407	\$ 3,545	3,952	3,545	407
Assessment of Taxes					
Salaries & Wages	44		44		44
Other Expenses					
Revision of Tax Map	16		16		16
Miscellaneous Other Expenses	3,115		3,115		3,115
Legal Services and Costs					
Other Expenses	51,507	3,364	54,871	29,068	25,803
Engineering Services and Costs -					
Other Expenses	51,663		51,663	12,056	39,607
Museum Committee					
Salaries & Wages	288		288		288
Other Expenses	8,759	1,718	10,477	2,178	8,299
Historical Preservation					
Other Expenses	1,771		1,771		1,771
Planning Board					
Salaries & Wages	862		862		862
Other Expenses	1,611	264	1,875	294	1,581
Board of Adjustment					
Salaries & Wages					-
Other Expenses	1,471		1,471	10	1,461
Environmental Health Services					
Other Expenses					
Rent Leveling Board					
Salaries & Wages					-
Consultants	15,336		15,336	15,336	-
Miscellaneous Other Expenses	1,657		1,657	13	1,644
Police					
Salaries & Wages	3,397		3,397		3,397
Other Expenses	3,484	48,238	51,722	41,568	10,154
Patrol of School Crossing					
Salaries & Wages	3,889		3,889		3,889
Fire					
Equipment for Volunteer Fire Co.	225	17,183	17,408	17,403	5
Training Fire Department Personnel	87	4,258	4,345	4,318	27
Supplemental Fire Service Program	1,948	2,500	4,448	4,170	278
First Aid Equipment	2,574	10,616	13,190	13,145	45
Emergency Management					
Salaries & Wages	85		85		85
Other Expenses	2,486	432	2,918	2,918	-
Uniform Fire Safety					
Salaries & Wages	29		29		29
Other Expenses	1,961		1,961	359	1,602
Streets and Roads Maintenance					
Salaries & Wages	3,104		3,104		3,104
Other Expenses	3,368	31,436	34,804	34,804	-
Shade Tree					
Other Expenses					-
Snow Removal					
Other Expenses	1,704		1,704	42	1,662
Buildings and Grounds					
Salaries & Wages	54		54		54
Other Expenses	25,609	1,284	26,893	4,915	21,978
Waste Collection/Recycling					
Salaries & Wages					
Other Expenses	42,626	2,229	44,855	2,229	42,626
Board of Health					
Salaries & Wages	683		683		683
Other Expenses	507	176	683	200	483

TOWNSHIP OF READINGTON
STATEMENT OF 2014 APPROPRIATION RESERVES

	Balance, January 1, <u>2015</u>	Encumbrances Cancelled	Modified Balance	Paid or Charged	Balance Lapsed
Administration of Public Assistance					
Salaries & Wages	\$ 247		\$ 247		\$ 247
Other Expenses	1,887	\$ 41	1,928	41	1,887
Aid to Hunterdon County Charities					
Other Expenses	1,500		1,500		1,500
Recreation					
Salaries & Wages	366		366		366
Other Expenses	12,645	\$ 1,499	14,144	1,499	12,645
Senior Citizens Transportation					
Other Expenses	3,500		3,500		3,500
Contribution to Visiting Homemaker Services					
Other Expenses	1,100		1,100		1,100
Expense in Participation of Free County Library					
Salaries & Wages	48		48		48
Other Expenses	3,448	\$ 906	4,354	1,115	3,239
Celebration of Public Events					
Other Expenses	1,412	675	2,087	735	1,352
Construction Code Official					
Salaries & Wages	278		278		278
Other Expenses	6,260	45,725	51,985	23,817	28,168
Utilities					
Fire Hydrant Services	9,970		9,970	9,970	-
Electricity	12,074		12,074	10,671	1,403
Street Lighting	13,833		13,833		13,833
Telephone	3,985	12	3,997	2,658	1,339
Gasoline	23,799		23,799	14,690	9,109
Public Defender					
Other Expenses	302		302	284	18
Cost of PEOSHA Requirement	1,247	5,379	6,626	6,324	302
Municipal Prosecutor's Office					
Other Expenses	2,185		2,185	2,185	-
Municipal Court					
Salaries & Wages	371		371		371
Other Expenses	1,862	911	2,773	1,238	1,535
Social Security System	36,619		36,619	2,633	33,986
Unemployment	2,308		2,308		2,308
LOSAP	3,800		3,800		3,800
Insurance					
General Liability	1,944		1,944	350	1,594
Employee Group Health	89		89		89
Contingent	1,680	-	1,680	-	1,680
	<u>\$ 413,505</u>	<u>\$ 186,425</u>	<u>\$ 599,930</u>	<u>\$ 274,819</u>	<u>\$ 325,111</u>
Appropriation Reserves			\$ 413,505		
Transferred from Reserve for Encumbrances			<u>186,425</u>		
			<u>\$ 599,930</u>		
Cash Disbursements				<u>\$ 274,819</u>	

**TOWNSHIP OF READINGTON
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2015	\$ 186,425
Increased by:	
Charges to 2015 Budget Appropriations	<u>157,003</u>
	343,428
Decreased by:	
Restored to Appropriation Reserves	<u>186,425</u>
Balance, December 31, 2015	<u>\$ 157,003</u>

STATEMENT OF PREPAID TAXES

Balance, January 1, 2015	\$ 358,687
Increased by:	
Collection - 2016 Taxes	<u>401,167</u>
	759,854
Decreased by:	
Application to 2015 Taxes Receivable	<u>358,687</u>
Balance, December 31, 2015	<u>\$ 401,167</u>

**TOWNSHIP OF READINGTON
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2015		\$ 63,906
Increased by:		
Cash Receipts		<u>190,949</u>
		254,855
Decreased by:		
Applied to Current Year Taxes	\$ 63,280	
Cash Disbursements	<u>17,008</u>	
		<u>80,288</u>
Balance, December 31, 2015		<u>\$ 174,567</u>

STATEMENT OF COUNTY TAXES PAYABLE

Balance, January 1, 2015		\$ 27,489
Increased by:		
2015 Tax Levy	\$ 9,219,027	
Library Taxes	923,038	
Open Space Taxes	897,589	
2015 Added Taxes (54:4-63.1 et seq.)	<u>53,005</u>	
		<u>11,092,659</u>
		11,120,148
Decreased by:		
Payments		<u>11,067,143</u>
Balance, December 31, 2015		<u>\$ 53,005</u>

STATEMENT OF SCHOOL TAXES PAYABLE

Increased by:		
Levy - Calendar Year		<u>\$ 28,731,847</u>
Decreased by:		
Payments		<u>\$ 28,731,847</u>

**TOWNSHIP OF READINGTON
STATEMENT OF REGIONAL HIGH SCHOOL TAXES PAYABLE**

Balance, January 1, 2015	\$ 3,052,130
Increased by:	
Levy - Calendar Year	18,051,369
	21,103,499
Decreased by:	
Payments	18,051,369
Balance, December 31, 2015	\$ 3,052,130

EXHIBIT A-18

STATEMENT OF MISCELLANEOUS FEES PAYABLE

	Balance, January 1, <u>2015</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2015</u>
Due State - Marriage License Fees	\$ 500	\$ 1,925	\$ 2,025	\$ 400
Due State - DCA Training Fees	7,278	32,584	32,877	6,985
Due County - Food Inspections	575	14,150	10,900	3,825
	\$ 8,353	\$ 48,659	\$ 45,802	\$ 11,210

EXHIBIT A-19

STATEMENT OF RESERVE FOR MASTER PLAN

Balance, January 1, 2015	\$ 83,311
Decreased by:	
Cash Disbursements	6,797
Balance, December 31, 2015	\$ 76,514

**TOWNSHIP OF READINGTON
STATEMENT OF DEFERRED CHARGES
N.J.S. 40A:4-55.3 SPECIAL EMERGENCY AUTHORIZATIONS**

<u>Date Authorized</u>	<u>Purpose</u>	<u>Net Amount Authorized</u>	<u>1/5 of Net Amount Authorized</u>	<u>Balance, January 1, 2015</u>	<u>Raised in 2015</u>	<u>Balance, December 31, 2015</u>
12/4/2012	Hurricane Sandy	\$ 3,000,000	\$ 600,000	<u>\$ 155,396</u>	<u>\$ 155,396</u>	<u>\$ -</u>

**TOWNSHIP OF READINGTON
STATEMENT OF FEDERAL AND STATE GRANTS RECEIVABLE
GRANTS FUND**

	Balance, January 1, <u>2015</u>	<u>Accrued</u>	<u>Cancelled</u>	Decreased by <u>Cash Receipts Collected by Current Fund</u>	Balance, December 31, <u>2015</u>
Clean Communities Program		\$ 55,184		\$ 55,184	\$ -
Drunk Driving Enforcement Fund		16,345		16,345	
Body Armor Grant		2,436		2,436	
Click it or Ticket		4,000		4,000	
Drive Sober I		2,800		2,800	
Drive Sober II		5,000		-	\$ 5,000
Alcohol Education & Rehabilitation		4,302		4,302	
Sustainable Jersey		10,000		5,000	5,000
NJ Historic Commission - Museum	\$ 5,552	8,000	\$ 5,552	8,000	-
	<u>\$ 5,552</u>	<u>\$ 108,067</u>	<u>\$ 5,552</u>	<u>\$ 98,067</u>	<u>\$ 10,000</u>
Appropriated Grant Reserves			\$ 5,421		
Fund Balance			<u>131</u>		
			<u>\$ 5,552</u>		

TOWNSHIP OF READINGTON
STATEMENT OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS
GRANTS FUND

	Balance, January 1, <u>2015</u>	Transferred from 2015 <u>Appropriations</u>	<u>Decreases</u>	Balance, December 31, <u>2015</u>
Clean Communities Program		\$ 55,184	55,184	\$ -
Drunk Driving Enforcement Fund	3,590	16,345		19,935
Body Armor Grant		2,436	2,042	394
Click it or Ticket		4,000	4,000	-
Drive Sober I		2,800	2,800	-
Drive Sober II		5,000	-	5,000
Alcohol Education & Rehabilitation	\$ 6,416	4,302	2,987	7,731
Sustainable Jersey		10,000	3,420	6,580
NJ Historic Commission - Museum	<u>5,420</u>	<u>8,000</u>	<u>9,420</u>	<u>4,000</u>
	<u>\$ 15,426</u>	<u>\$ 108,067</u>	<u>\$ 79,853</u>	<u>\$ 43,640</u>
Cash Disbursements Paid by Current Fund		\$ 69,971		
Cancelled			5,421	
Reserve for Encumbrances			<u>4,461</u>	
			<u>\$ 79,853</u>	

**TOWNSHIP OF READINGTON
STATEMENT OF DUE FROM CURRENT FUND
GRANTS FUND**

Balance , January 1, 2015		\$ 17,200
Increased by:		
Grant Receipts Collected by Current Fund	\$ 98,067	
Grants Receivable Cancelled	<u>5,552</u>	
		<u>103,619</u>
		120,819
Decreased by:		
Grant Appropriated Reserves Cancelled	\$ 5,421	
Grant Disbursements Paid by Current Fund		
Appropriated Grant Reserves	69,971	
Grant Encumbrances	<u>7,326</u>	
		<u>82,718</u>
Balance , December 31, 2015		<u>\$ 38,101</u>

**TOWNSHIP OF READINGTON
STATEMENT OF RESERVE FOR SALE OF ASSETS**

Balance, January 1, 2015	\$ 561
Increased by:	
Cash Receipts	<u>30,351</u>
Balance, December 31, 2015	<u>\$ 30,912</u>

STATEMENT OF RESERVE FOR TAX SALE PREMIUMS

Balance, January 1, 2015	\$ 605,700
Increased by:	
Cash Receipts	<u>288,300</u>
	894,000
Decreased by:	
Cash Disbursements	<u>428,300</u>
Balance, December 31, 2015	<u>\$ 465,700</u>

STATEMENT OF RESERVE FOR OUTSIDE TAX LIENS

Increased by:	
Cash Receipts	<u>\$ 311,448</u>
Decreased by:	
Cash Disbursements	<u>\$ 311,448</u>

STATEMENT OF RESERVE FOR TAX APPEALS PENDING

Balance, January 1, 2015	<u>\$ 308,002</u>
Balance, December 31, 2015	<u>\$ 308,002</u>

**TOWNSHIP OF READINGTON
STATEMENT OF DEFERRED CHARGE - EMERGENCY APPROPRIATION**

Balance, January 1, 2015	\$ 395,000
Decreased by:	
Budget Appropriation	<u>395,000</u>
Balance, December 31, 2015	<u><u>\$ -</u></u>

**STATEMENT OF ENCUMBRANCES PAYABLE
GRANTS FUND**

Balance, January 1, 2015	\$ 7,326
Increased by:	
Charges to Appropriated Grant Reserves	<u>4,461</u>
	11,787
Decreased by:	
Cash Disbursements	<u>7,326</u>
Balance, December 31, 2015	<u><u>\$ 4,461</u></u>

STATEMENT OF DUE FROM NET PAYROLL

Balance, January 1, 2015	\$ 2,474
Decreased by:	
Cash Receipts	<u>2,474</u>
Balance, December 31, 2015	<u><u>\$ -</u></u>

STATEMENT OF MUNICIPAL OPEN SPACE TAXES PAYABLE

Increased by:	
2015 Tax Levy	\$ 521,877
2015 Added Taxes (54:4-63.1 et seq.)	<u>2,493</u>
	\$ 524,370
Decreased by:	
Payments	<u><u>\$ 524,370</u></u>

TRUST FUND

**TOWNSHIP OF READINGTON
SCHEDULE OF TRUST CASH - TREASURER**

	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>
Balance, January 1, 2015	\$ 9,703	\$ 1,731,181
Increased by Receipts:		
Miscellaneous Reserves		\$ 5,783,797
Due from Net Payroll		1,875
Interest Earned	\$ 46	4,329
Prepaid Dog Licenses	6,508	
Due to State of New Jersey	3,077	
Dog License Fees/Cat/Late Fees	<u>25,185</u>	<u>-</u>
	<u>34,816</u>	<u>5,790,001</u>
	44,519	7,521,182
Decreased by Disbursements:		
Payroll Salaries and Deductions		
Due to State of New Jersey	2,427	
Expenditures Under (RS 4:19-15.11)	32,595	
Payments to Current Fund	49	6,261
Miscellaneous Reserves	<u>-</u>	<u>5,829,544</u>
	<u>35,071</u>	<u>5,835,805</u>
Balance, December 31, 2015	<u>\$ 9,448</u>	<u>\$ 1,685,377</u>

**TOWNSHIP OF READINGTON
STATEMENT OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES
ANIMAL CONTROL FUND**

Balance, January 1, 2015		\$	8,788
Increased by:			
Dog License Fees/Cat/Late Fees Collected in 2015		\$	25,185
Prepaid Licenses Applied			<u>912</u>
			<u>26,097</u>
			34,885
Decreased by:			
Cash Disbursements			<u>32,595</u>
Balance, December 31, 2015		\$	<u>2,290</u>

**STATEMENT OF PREPAID LICENSES
ANIMAL CONTROL FUND**

Balance, January 1, 2015		\$	912
Increased by:			
2016 License Fees Collected			<u>6,508</u>
			7,420
Decreased by:			
Applied in 2015			<u>912</u>
Balance, December 31, 2015		\$	<u>6,508</u>

**STATEMENT OF DUE TO STATE OF NEW JERSEY - DEPARTMENT OF HEALTH
ANIMAL CONTROL FUND**

Balance, January 1, 2015		\$	-
Increased by:			
State Fees Collected in 2015			<u>3,077</u>
			3,077
Decreased by:			
Payments to State of New Jersey			<u>2,427</u>
Balance, December 31, 2015		\$	<u>650</u>

**TOWNSHIP OF READINGTON
STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL FUND**

Balance, January 1, 2015	\$ 3
Increased by:	
Interest Earned	46
	49
Decreased by:	
Payments to Current Fund	49
Balance, December 31, 2015	\$ -

**STATEMENT OF AMOUNT DUE FROM PAYROLL
OTHER TRUST FUND**

Balance, January 1, 2015	\$ 1,875
Decreased by:	
Cash Receipts	1,875
Balance, December 31, 2015	\$ -

**STATEMENT OF ACCOUNTS RECEIVABLE
OTHER TRUST FUND**

Balance, January 1, 2015	\$ 400,000
Balance, December 31, 2015	\$ 400,000

**TOWNSHIP OF READINGTON
STATEMENT OF DUE TO CURRENT FUND
OTHER TRUST FUND**

Balance, January 1, 2015	\$ 1,932
Increased by:	
Interest Earned	<u>4,329</u>
	6,261
Decreased by:	
Payments to Current Fund	<u>6,261</u>
Balance, December 31, 2015	<u>\$ -</u>

TOWNSHIP OF READINGTON
STATEMENT MISCELLANEOUS RESERVES - OTHER TRUST FUND

	Balance, January 1, <u>2015</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2015</u>
Open Space	\$ 33,013	\$ 524,405	\$ 520,000	\$ 37,418
Unemployment	55,488	7,339	1,997	60,830
General:				-
Hunting Escrow	3,599	2,161	2,296	3,464
Police Escrow	23,401	112,186	110,838	24,749
Police Donations	20	-	-	20
Public Defender	9,081	9,875	8,000	10,956
Parking Offenses Adjudication Act	66	-	-	66
Assistance	8,401	-	-	8,401
Library	10,522	775	-	11,297
Rent Security	6,327	-	-	6,327
Museum	36,901	14,810	1,700	50,011
Trail Association	1,500	-	-	1,500
Length of Service Awards Program	3,582	-	-	3,582
Board of Health Escrow	149,235	25,179	12,456	161,958
Housing:				-
Deposits	132,346	301,592	294,597	139,341
Loans Receivable	400,000	-	-	400,000
COAH	2,149	-	36	2,113
Developers Escrow	910,808	291,193	363,156	838,845
Recreation	112,263	750,597	743,232	119,628
Driveway Apron/Maintenance	127,927	21,770	4,406	145,291
Payroll Deduction	104,106	3,711,011	3,764,330	50,787
Flexible Spending	-	2,500	2,500	-
Forfeited Funds	389	8,404	-	8,793
	<u>389</u>	<u>8,404</u>	<u>-</u>	<u>8,793</u>
 Total	 <u>\$ 2,131,124</u>	 <u>\$ 5,783,797</u>	 <u>\$ 5,829,544</u>	 <u>\$ 2,085,377</u>

GENERAL CAPITAL FUND

TOWNSHIP OF READINGTON
STATEMENT OF GENERAL CAPITAL CASH - TREASURER

Balance, January 1, 2015		\$ 695,302
Increased by Receipts:		
Bond Anticipation Notes	\$ 3,260,978	
Serial Bonds Issued	9,573,000	
Deferred Charges for Future Taxation - Unfunded:		
State Aid Received	37,500	
County Aid Received	787,018	
Capital Improvement Fund - Budget Appropriation	70,000	
Reserve for Road Improvements	15,000	
Green Acres Settlement Cash Receipt	522,000	
Premium on Sale of Bonds & Notes	522,743	
Receipts from Rescue Squad	23,410	
Receipts from Housing Trust	170,000	
Interest Earned	<u>5,136</u>	
		<u>14,986,785</u>
		15,682,087
Decreased by Disbursements:		
Bond Anticipation Notes	9,811,378	
Improvement Authorizations	2,716,714	
Contracts Payable	660,315	
Payments to Current Fund	330,406	
Paid by Capital Cash - Notes Not Renewed	<u>560</u>	
		<u>13,519,373</u>
Balance, December 31, 2015		<u>\$ 2,162,714</u>

**TOWNSHIP OF READINGTON
ANALYSIS OF GENERAL CAPITAL CASH**

	Balance, December 31, <u>2015</u>
Fund Balance	\$ 571,669
Capital Improvement Fund	60,979
Accounts Receivable	(21,983)
Contracts Payable	882,445
Reserve for Emergency Vehicles	4,240
Due to Current Fund	311
Reserve for Road Improvements	132,250
Reserve for Rescue Squad Loan	21,983
Reserve for Green Acres Settlement	484,000
Excess Note Proceeds	787,018
Improvement	
<u>Authorizations:</u>	
03-08/05-01 Acquisition of Property - Eggerman	(75,448)
03-18 Acquisition of Property - Y.E.S. Farms	(50,000)
03-24/04-27 Acquisition of Property - O'Urso	(805,224)
05-21/06-33 Various Capital Improvements	191,927
05-22/14-19 Various Capital Improvements	884,658
06-41 Various Capital Improvements	74,349
09-15 Various Capital Improvements	69,120
09-23 Acquisition of Property	(2)
09-31 Acquisition of Property - Affordable Housing	4,408
11-09 Various Capital Improvements	124,712
14-11 Various Capital Improvements	623,796
14-17 Acquisition of Property - Affordable Housing	24,445
14-21 Acquisition of Property - Fallon	220
15-4 Various Improvements	(1,962,159)
15-10 Acquisition of Affordable Housing Unit	<u>135,000</u>
	 <u>\$ 2,162,714</u>

**TOWNSHIP OF READINGTON
STATEMENT OF ACCOUNTS RECEIVABLE
GENERAL CAPITAL FUND**

Balance, January 1, 2015	\$ 45,393
Decreased by:	
Loans Paid	<u>23,410</u>
Balance, December 31, 2015	<u>\$ 21,983</u>

**TOWNSHIP OF READINGTON
STATEMENT OF DUE TO CURRENT FUND
GENERAL CAPITAL FUND**

Balance, January 1, 2015		\$ 581
Increased by:		
Fund Balance Anticipated as Current Fund Revenue	325,000	
Interest Earned	<u>5,136</u>	
		330,136
Decreased By:		
Cash Payments to Current Fund		<u>330,406</u>
Balance, December 31, 2015		<u>\$ 311</u>

**STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED
GENERAL CAPITAL FUND**

Balance, January 1, 2015		\$ 20,668,656
Increased by:		
General Improvement Bonds Issued		<u>9,573,000</u>
		30,241,656
Decreased by:		
Current Fund Budget Appropriations:		
Serial Bonds Payable	1,045,000	
Loans Paid	<u>382,841</u>	
		<u>1,427,841</u>
Balance, December 31, 2015		<u>\$ 28,813,815</u>

**TOWNSHIP OF READINGTON
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED
GENERAL CAPITAL FUND**

Ord. No.	General Improvements	Balance January 1, 2015	2015 Authorizations	State Aid Received	County Share Received	Bonds Issued	Notes Paid By Budget Appropriation	Balance, December 31, 2015	Bond Anticipation Notes Issued	Analysis of Balance, December 31, 2015		Unexpended Improvement Authorizations
										Excess Proceeds	Expenditures	
03-08/05-01	Acquisition of Property - Eggerman	\$ 75,448						\$ 75,448		\$ 75,448		
03-18	Acquisition of Property - YES Farms	50,000						50,000		50,000		
03-24/04-27	Acquisition of Property - O'Urso	805,224						805,224		805,224		
05-22/14-19	Various Capital Improvements	400,300				\$ 399,742		558				\$ 558
06-04	Acquisition of Property - Solberg Airport	20,877,073					\$ 266,000	20,611,073	\$ 20,611,073			
06-41	Various Capital Improvements	539,872				477,872	62,000	-				
07-37	Acquisition of Conservation Easement - CSEPI	223,630					6,300	217,330	217,330			
07-39	Acquisition of Property - Holland Brook	76,593				70,993	5,600	-				
08-05	Various Capital Improvements	1,228,395				1,153,395	75,000	-				
08-20	Acquisition of Development Rights -James	139,161				133,161	6,000	-				
08-26	Acquisition of Development Rights -SAQA	763,820				753,820	10,000	-				
09-15	Various Capital Improvements	1,264,250				1,188,250	76,000	-				
09-22	Acquisition of Property	1,474,592			\$ 787,018		27,500	660,074	1,447,092	\$ (787,018)		
09-23	Acquisition of Property	1,510,366					20,000	1,490,366	1,490,364		2	
09-29	Acquisition of Property	246,718					3,200	243,518	243,518			
09-31	Acquisition of Property - Affordable Housing	75,275					1,000	74,275	74,275			
10-09	Sewer Improvements - Mimosa and Pulaski	105,951				104,451	1,500	-				
10-13	Overlay of Various Roads	922,500				868,500	54,000	-				
11-09	Various Capital Improvements	1,102,801		\$ 37,500		994,301	71,000	-				
12-15	Various Capital Improvements	1,022,830				1,022,830	-	-				
12-29	Acquisition of Property - Yard/Smith	74,168						74,168	74,168			
14-11	Various Capital Improvements	2,405,685				2,405,685	-	-				
14-12	Refunding Bond	750,000						750,000				750,000
14-21	Acquisition of Property - Affordable Housing	408,500						408,500	406,120			2,380
15-4	Various Improvements	-	\$ 2,280,000	-	-	-	-	2,280,000	-	-	1,962,159	317,841
		<u>\$ 36,543,152</u>	<u>\$ 2,280,000</u>	<u>\$ 37,500</u>	<u>\$ 787,018</u>	<u>\$ 9,573,000</u>	<u>\$ 685,100</u>	<u>\$ 27,740,534</u>	<u>\$ 24,563,940</u>	<u>\$ (787,018)</u>	<u>\$ 2,892,833</u>	<u>\$ 1,070,779</u>
Improvement Authorizations-Unfunded											\$ 1,149,756	
Less: Unexpended Proceeds of Bond Anticipation Notes												
Ord. 06-41											\$ 74,349	
Ord. 09-31											4,408	
Ord. 14-21											220	
											<u>78,977</u>	
											<u>\$ 1,070,779</u>	

**TOWNSHIP OF READINGTON
STATEMENT OF CAPITAL IMPROVEMENT FUND
GENERAL CAPITAL FUND**

Balance, January 1, 2015	\$ 110,979
Increased by:	
Budget Appropriation - Capital Improvement Fund	<u>70,000</u>
	180,979
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>120,000</u>
Balance, December 31, 2015	<u>\$ 60,979</u>

**TOWNSHIP OF READINGTON
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord No.	Improvement Description	Balance, January 1, 2015		2015 Authorizations				Balance, December 31, 2015		
		Funded	Unfunded	Housing Trust	Reserve for Green Acres	Capital Improvement Fund	Deferred Charges Unfunded	Expended	Funded	Unfunded
05-21/06-33	Various Capital Improvements	\$ 194,427						\$ 2,500	\$ 191,927	
05-22/14-19	Various Capital Improvements	502,196	\$ 400,300					17,280	884,658	\$ 558
06-41	Various Capital Improvements		168,930					94,581		74,349
09-15	Various Capital Improvements		101,339					32,219	69,120	
09-31	Acquisition of Property - Affordable Housing		17,071					12,663		4,408
11-09	Various Capital Improvements		128,137					3,425	124,712	
14-11	Various Capital Improvements		1,477,728					853,932	623,796	
14-12	Refunding Bond		750,000							750,000
14-17	Acquisition of Property - Affordable Housing	24,445							24,445	
14-21	Acquisition of Property - Fallone	21,500	408,500					427,400		2,600
15-4	Various Improvements					\$ 120,000	\$ 2,280,000	2,082,159		317,841
15-9	Acquisition of COAH Unit			\$ 35,000				35,000		
15-10	Acquisition of Affordable Housing Unit			135,000					135,000	
15-12	Acquisition of Easement Renovation	-	-	-	\$ 38,000	-	-	38,000	-	-
		<u>\$ 742,568</u>	<u>\$ 3,452,005</u>	<u>\$ 170,000</u>	<u>\$ 38,000</u>	<u>\$ 120,000</u>	<u>\$ 2,280,000</u>	<u>\$ 3,599,159</u>	<u>\$ 2,053,658</u>	<u>\$ 1,149,756</u>
								Cash Disbursements	\$ 2,716,714	
								Contracts Payable	882,445	
									<u>\$ 3,599,159</u>	

**TOWNSHIP OF READINGTON
STATEMENT OF CONTRACTS PAYABLE
GENERAL CAPITAL FUND**

Balance, January 1, 2015	\$ 660,315
Increased by:	
Charges to Improvement Authorizations	<u>882,445</u>
	1,542,760
Decreased by:	
Cash Disbursements	<u>660,315</u>
Balance, December 31, 2015	<u>\$ 882,445</u>

**TOWNSHIP OF READINGTON
STATEMENT OF SERIAL BONDS PAYABLE
GENERAL CAPITAL FUND**

Purpose of Issue	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance, January 1, 2015	Increased	Decreased	Balance, December 31, 2015
			Date	Amount					
General Improvement Bonds	12/15/2005	10,000,000				\$ 250,000		\$ 250,000	\$ -
General Improvement Bonds	1/18/2011	11,000,000	2/1/2016	720,000	4.000%	10,250,000		795,000	9,455,000
			2/1/2017	340,000	4.000%				
			2/1/2018	380,000	4.000%				
			2/1/2019	420,000	4.000%				
			2/1/2020	470,000	5.000%				
			2/1/2021	265,000	5.000%				
			2/1/2022	320,000	4.200%				
			2/1/2023	370,000	4.500%				
			2/1/2024	430,000	4.625%				
			2/1/2025	490,000	5.000%				
			2/1/26-31	875,000	5.000-5.250%				
Refunding Bonds	6/26/2014	7,945,000	7/1/2016	330,000	3.000%	7,945,000			7,945,000
			7/1/2017	725,000	4.000%				
			7/1/2018	720,000	4.000%				
			7/1/19-20	715,000	4.000%				
			7/1/2021	960,000	4.000%				
			7/1/2022	955,000	4.000%				
			7/1/2023	950,000	4.000%				
			7/1/2024	940,000	4.000%				
			7/1/2025	935,000	5.000%				
			General Improvement Bonds	8/4/2015	9,573,000				
2/1/2017	550,000	2.000%							
2/1/2018	600,000	2.500%							
2/1/2019	625,000	3.000%							
2/1/2020	650,000	3.000%							
2/1/2021	675,000	3.000%							
2/1/2022	700,000	3.000%							
2/1/2023	725,000	3.000%							
2/1/2024	750,000	2.500%							
2/1/2025	798,000	2.500%							
2/1/26-28	1,000,000	3.000%							
						-	<u>\$ 9,573,000</u>	-	<u>9,573,000</u>
						<u>\$ 18,445,000</u>	<u>\$ 9,573,000</u>	<u>\$ 1,045,000</u>	<u>\$ 26,973,000</u>
Budget Appropriation								<u>\$ 1,045,000</u>	

**TOWNSHIP OF READINGTON
STATEMENT OF NEW JERSEY GREEN ACRES LOAN PAYABLE
GENERAL CAPITAL FUND**

Balance, January 1, 2015	\$ 2,223,656
Decreased by:	
Loans Paid by Budget Appropriation	<u>382,841</u>
Balance, December 31, 2015	<u>\$ 1,840,815</u>

Analysis of Balance

Rockaway Creek - 1998 Incentive	\$ 20,545 307,515
Greenway Acquisition	433,109
Summer Road Park	174,969
N.J. Infrastructure:	
Dreahook Road	466,671
2003	119,984
2004	<u>318,022</u>
	<u>\$ 1,840,815</u>

**TOWNSHIP OF READINGTON
STATEMENT OF BOND ANTICIPATION NOTES PAYABLE
GENERAL CAPITAL FUND**

Ord. No.	Improvement Description	Original Amount of Note	Original Date of Issue	Date of Issue	Date of Maturity	Interest Rate	Balance, January 1, 2015	Increased	Decreased	Balance, December 31, 2015
06-04	Acquisition of Property	\$ 15,000,000	2/6/2007	1/30/2014	1/29/2015	1.00%	\$ 20,877,073		\$ 20,877,073	
				1/28/2015	8/5/2015	1.00%		\$20,611,073	20,611,073	
				7/23/2015	2/4/2016	1.00%		20,611,073		\$ 20,611,073
06-41	Acquisition of Property	1,650,000	2/6/2007	1/30/2014	1/29/2015	1.00%	539,872		539,872	
				1/28/2015	8/5/2015	1.00%		477,873	477,873	
07-37	Acquisition of Property	494,000	2/5/2008	1/30/2014	1/29/2015	1.00%	271,409		271,409	
				1/28/2015	8/5/2015	1.00%		217,329	217,329	
				7/23/2015	2/4/2016	1.00%		217,329		217,329
07-39	Acquisition of Property	437,000	2/5/2008	1/30/2014	1/29/2015	1.00%	76,593		76,593	
				1/28/2015	8/5/2015	1.00%		70,994	70,994	
08-05	Acquisition of Property	1,699,250	2/4/2009	1/30/2014	1/29/2015	1.00%	1,228,395		1,228,395	
				1/28/2015	8/5/2015	1.00%		1,153,395	1,153,395	
08-20	Acquisition of Property	460,750	2/4/2009	1/30/2014	1/29/2015	1.00%	139,161		139,161	
				1/28/2015	8/5/2015	1.00%		133,161	133,161	
08-26	Acquisition of Property	2,565,000	2/4/2009	1/30/2014	1/29/2015	1.00%	763,820		763,820	
				1/28/2015	8/5/2015	1.00%		753,820	753,820	
09-15	Acquisition of Property	1,410,750	2/3/2010	1/30/2014	1/29/2015	1.00%	1,264,250		1,264,250	
				1/28/2015	8/5/2015	1.00%		1,188,250	1,188,250	
09-22	Acquisition of Property	3,624,000	10/9/2009	1/30/2014	1/29/2015	1.00%	1,474,592		1,474,592	
				1/28/2015	8/5/2015	1.00%		1,447,092	1,447,092	
				7/23/2015	2/4/2016	1.00%		1,447,092		1,447,092
09-23	Acquisition of Property	3,876,000	10/9/2009	1/30/2014	1/29/2015	1.00%	1,510,366		1,510,366	
				1/28/2015	8/5/2015	1.00%		1,490,364	1,490,364	
				7/23/2015	2/4/2016	1.00%		1,490,364		1,490,364

**TOWNSHIP OF READINGTON
STATEMENT OF BOND ANTICIPATION NOTES PAYABLE
GENERAL CAPITAL FUND**

Ord. No.	Improvement Description	Original Amount of Note	Original Date of Issue	Date of Issue	Date of Maturity	Interest Rate	Balance, January 1, 2015	Increased	Decreased	Balance, December 31, 2015
09-29	Acquisition of Property	\$ 542,450	2/3/2010	1/30/2014 1/28/2015 7/23/2015	1/29/2015 8/5/2015 2/4/2016	1.00% 1.00% 1.00%	\$ 246,718	\$ 243,518 243,518	\$ 246,718 243,518	\$ 243,518
09-31	COAH Property	225,661	2/3/2010	1/30/2014 1/28/2015 7/23/2015	1/29/2015 8/5/2015 2/4/2016	1.00% 1.00% 1.00%	75,275	74,275 74,275	75,275 74,275	74,275
10-09	Sewer Improvements	114,000	2/2/2011	1/30/2014 1/28/2015	1/29/2015 8/5/2015	1.00% 1.00%	105,951	104,451	105,951 104,451	
10-13	Various Road Improvements	1,011,561	2/2/2011	1/30/2014 1/28/2015	1/29/2015 8/5/2015	1.00% 1.00%	922,500	868,500	922,500 868,500	
11-09	Various Improvements	1,255,900	2/1/2012	1/30/2014 1/28/2015	1/29/2015 8/5/2015	1.00% 1.00%	1,255,900	1,031,801	1,255,900 1,031,801	
12-15	Various Improvements	1,112,830	1/31/2013	1/30/2014 1/28/2015	1/29/2015 8/5/2015	1.00% 1.00%	1,022,830	1,022,830	1,022,830 1,022,830	
12-29	Acquisition of Property	169,186	1/31/2013	1/30/2014 1/28/2015 7/23/2015	1/29/2015 8/5/2015 2/4/2016	1.00% 1.00% 1.00%	25,295	74,169 74,169	25,295 74,169	74,169
14-11	Various Improvements	2,405,685	4/21/2014	1/28/2015	8/5/2015	1.00%		2,405,685	2,405,685	
14-19	Various Sewer Improvements	400,300	10/6/2014	1/28/2015	8/5/2015	1.00%		400,300	400,300	
14-21	Acquisition of Property	406,120	11/17/2014	1/28/2015 7/23/2015	8/5/2015 2/4/2016	1.00% 1.00%	-	406,120 406,120	406,120 -	406,120
							<u>\$ 31,800,000</u>	<u>\$ 58,738,940</u>	<u>\$ 65,975,000</u>	<u>\$ 24,563,940</u>

Issued for Cash	\$ 3,260,978	
Renewals	55,477,962	\$ 55,477,962
Paid by Budget Appropriation		685,100
Serial Bonds Issued		9,573,000
Paid by Capital Cash - Notes Not Renewed		560
Paid by Capital Cash - State Aid Receipts		37,500
Paid by Capital Cash - Excess Note Proceeds	-	200,878
	<u>\$ 58,738,940</u>	<u>\$ 65,975,000</u>

**TOWNSHIP OF READINGTON
STATEMENT OF RESERVE FOR EMERGENCY VEHICLES
GENERAL CAPITAL FUND**

Balance, January 1, 2015	<u>\$ 4,240</u>
Balance, December 31, 2015	<u>\$ 4,240</u>

**STATEMENT OF RESERVE FOR ROAD IMPROVEMENTS
GENERAL CAPITAL FUND**

Balance, January 1, 2015	\$ 117,250
Increased by:	
Cash Receipts	<u>15,000</u>
Balance, December 31, 2015	<u>\$ 132,250</u>

**STATEMENT OF RESERVE FOR RESCUE SQUAD LOAN
GENERAL CAPITAL FUND**

Balance, January 1, 2015	\$ 45,393
Decreased by:	
Loans Paid	23,410
Balance, December 31, 2015	\$ 21,983

**TOWNSHIP OF READINGTON
STATEMENT OF RESERVE FOR GREEN ACRES SETTLEMENT
GENERAL CAPITAL FUND**

Balance, January 1, 2015	\$ -
Increased by:	
Cash Receipts	522,000
Decreased by:	
Appropriated to Finance Improvement Authorizations	38,000
Balance, December 31, 2015	\$ 484,000

TOWNSHIP OF READINGTON
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
GENERAL CAPITAL FUND

Ord. No. or Date	<u>Improvement Description</u>	Balance, January 1, <u>2015</u>	2015 <u>Authorizations</u>	Authorized but Not Issued <u>Reinstated</u>	Notes <u>Issued</u>	Balance, December 31, <u>2015</u>
	<u>General Improvements:</u>					
03-08/05-01	Acquisition of Property - Eggerman	\$ 75,448				\$ 75,448
03-18	Acquisition of Property - Y.E.S. Farms	50,000				50,000
03-24/04-27	Acquisition of Property - O'Urso	805,224				805,224
09-23	Acquisition of Property			\$ 2		2
12-29	Acquisition of Property - Yard/Smith	48,873			\$ 48,873	-
14-11	Various Capital Improvements	2,405,685			2,405,685	-
14-12	Refunding Bond	750,000				750,000
05-22/14-19	Various Sewer Improvements	400,300		558	400,300	558
14-21	Acquisition of Property - Fallon	408,500			406,120	2,380
15-4	Various Improvements	-	\$ 2,280,000	-	-	2,280,000
		<u>\$ 4,944,030</u>	<u>\$ 2,280,000</u>	<u>\$ 560</u>	<u>\$ 3,260,978</u>	<u>\$ 3,963,612</u>

SEWER UTILITY FUND

**TOWNSHIP OF READINGTON
STATEMENT OF CASH**

	<u>Operating</u>	<u>Expansion Trust</u>
Balance, January 1, 2015	\$ 406,191	\$ 470,060
Increased by Receipts:		
Sewer Rents	\$ 1,374,370	
User Fees from Other Contracts	216,160	
Miscellaneous	8,750	
Sewer Overpayments	2,148	
Sewer Expansion Fees Collected	-	\$ 178,845
Interest Earned	-	1,095
	<u>1,601,428</u>	<u>179,940</u>
	2,007,619	650,000
Decreased by Disbursements:		
2015 Budget Appropriations	1,607,770	
2014 Appropriation Reserves	58,770	
Return of Sewer Capacity	-	23,612
Payments to Current Fund	-	250,000
	<u>1,666,540</u>	<u>273,612</u>
Balance, December 31, 2015	<u>\$ 341,079</u>	<u>\$ 376,388</u>

**TOWNSHIP OF READINGTON
STATEMENT OF CONSUMER ACCOUNTS RECEIVABLE
SEWER UTILITY OPERATING FUND**

Balance, January 1, 2015		\$ 109,388
Increased by:		
Billings		<u>1,371,803</u>
		1,481,191
Decreased by:		
Sewer Overpayments Applied	\$ 2,740	
Collections	<u>1,374,370</u>	
		<u>1,377,110</u>
Balance, December 31, 2015		<u>\$ 104,081</u>

**TOWNSHIP OF READINGTON
STATEMENT OF 2014 APPROPRIATION RESERVES
SEWER UTILITY OPERATING FUND**

	Balance, January 1, <u>2015</u>	Prior Year Encumbrances <u>Restored</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Other Expenses	\$ 9,583	\$ 8,660	7,744.00	\$ 10,499
Service Fees - RTMUA	<u>51,776</u>	<u>-</u>	<u>51,026</u>	<u>750</u>
 Total Water Utility Appropriation Reserves	 <u>\$ 61,359</u>	 <u>\$ 8,660</u>	 <u>\$ 58,770</u>	 <u>\$ 11,249</u>
		Cash Disbursements	<u>\$ 58,770</u>	

EXHIBIT D-7

**STATEMENT OF ACCOUNTS PAYABLE
SEWER UTILITY OPERATING FUND**

Balance, January 1, 2015	<u>\$ 8,660</u>
Decreased by:	
Transferred to 2015 Appropriation Reserves	<u>\$ 8,660</u>

EXHIBIT D-8

**STATEMENT OF SEWER OVERPAYMENTS
SEWER UTILITY OPERATING FUND**

Balance, January 1, 2015	\$ 2,740
Increased by:	
Cash Receipts	<u>2,148</u>
	4,888
Decreased by:	
Applied to Consumer Accounts Receivable	<u>2,740</u>
Balance, December 31, 2015	<u>\$ 2,148</u>

**TOWNSHIP OF READINGTON
STATEMENT OF AMOUNT DUE TO CURRENT FUND
SEWER UTILITY OPERATING FUND**

Increased by:		
Bills Paid by Current Fund	\$	<u>6,884</u>
Balance, December 31, 2015	\$	<u>6,884</u>

**STATEMENT OF REFUNDABLE HOOK-UP FEES
SEWER UTILITY OPERATING FUND**

Balance, January 1, 2015	\$	3,720
Decreased by:		
Cancelled to Fund Balance	\$	<u>3,720</u>

**STATEMENT OF RESERVE FOR SEWER EXPANSION
SEWER UTILITY EXPANSION TRUST FUND**

Balance, January 1, 2015	\$	470,060
Increased by:		
Cash Receipts		
Fees	\$	178,845
Interest on Investments		<u>1,095</u>
		<u>179,940</u>
		650,000
Decreased by:		
Cash Disbursements		
Return of Capacity		23,612
Anticipated as Revenue in Current Fund		<u>250,000</u>
		<u>273,612</u>
Balance, December 31, 2015	\$	<u>376,388</u>

TOWNSHIP OF READINGTON
PART II
GOVERNMENTAL AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
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MARK SACO, CPA
SHERYL M. NICOLosi, CPA
ROBERT AMPONSAH, CPA

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

INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and Members
of the Township Council
Township of Readington
Readington, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Township of Readington as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 9, 2016. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Readington’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 opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Township of Readington’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Readington’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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Readington's financial statements are free from 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 and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

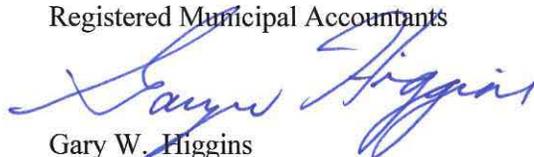
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Township of Readington in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township of Readington'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 of Readington's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
June 9, 2016

**TOWNSHIP OF READINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Federal CFDA Number	Original Grant Award Amount	Current Year Grant Receipt	Grant Year	Balance, January 1, 2015	Revenue Realized	Expenditures	Balance, December 31, 2015	Cumulative Expended
U.S. Department of Highway Traffic Safety									
Click it or Ticket	20.616	\$ 4,000	\$ 4,000	2015		\$ 4,000	\$ 4,000	-	\$ 4,000
Drive Sober I	20.616	2,800	2,800	2015		2,800	2,800		2,800
Drive Sober II	20.616	5,000	-	2015		5,000		\$ 5,000	-
U.S. Department of Law and Public Safety									
Public Assistance - Hurricane Sandy	97.036	64,164	64,164			64,164	64,164		
U.S. Department of Transportation									
Various Road Improvements - Ord. 11-09	20.205	37,500	37,500	2011		37,500	37,500	-	37,500
					-	-	-	-	
					<u>\$ -</u>	<u>\$ 113,464</u>	<u>\$ 108,464</u>	<u>\$ 5,000</u>	

Note - This schedule was not subject to an audit in accordance with U.S. Uniform Guidance

TOWNSHIP OF READINGTON
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Grant Number</u>	<u>State Grant Program</u>	<u>Grant Award</u>	<u>Current Year Grant Receipt</u>	<u>Grant Award Year</u>	<u>Balance, January 1, 2015</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance, December 31, 2015</u>	<u>Cumulative Expended</u>
4250-760-050000-63-260	Alcohol Education and Rehabilitation Fund	4,302 6,416	4,302	2015 Prior Years	\$ 6,416	\$ 4,302	\$ 2,987		\$ 4,302 3,429	- \$ 2,987
1110-448-031020-22	Drunk Driving Enforcement Fund	16,345 3,590	16,345	2015 Prior Years	3,590	16,345			16,345 3,590	- -
N/A	Sustainable New Jersey	10,000	\$ 5,000	2015		10,000	3,420		6,580	3,420
N/A	Clean Communities	55,184	\$ 55,184	2015		55,184	55,184		-	55,184
N/A	NJ Historic Commission - Museum	8,000 5,420	8,000	2015 Prior Years	5,420	8,000	4,000	\$ (5,420)	4,000 -	4,000 5,420
N/A	Body Armor Replacement	2,436	2,436	2015		2,436	2,042		394	2,042
					-	-	-	-	-	-
					<u>\$ 15,426</u>	<u>\$ 96,267</u>	<u>\$ 67,633</u>	<u>\$ (5,420)</u>	<u>\$ 38,640</u>	

Note - This schedule was not subject to an audit in accordance with NJ OMB Circular 15-08

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

**TOWNSHIP OF READINGTON
 NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
 YEAR ENDED DECEMBER 31, 2015**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Township of Readington. The Township is defined in Note 1(A) to the Township's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the regulatory basis of accounting as prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the Township's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Township's financial statements. Financial assistance revenues are reported in the Township's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 75,964	\$ 96,267	\$ 172,231
General Capital Fund	<u>37,500</u>	<u>-</u>	<u>37,500</u>
Total Financial Awards	<u>\$ 113,464</u>	<u>\$ 96,267</u>	<u>\$ 209,731</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Township's fiscal year and grant program year.

**TOWNSHIP OF READINGTON
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2015**

NOTE 5 STATE LOANS OUTSTANDING

The Township's state loans outstanding at December 31, 2015, which are not required to be reported on the schedule of expenditures of state financial assistance, are as follows:

<u>Loan Program</u>	<u>State</u>
Rockaway Creek - 1998	\$ 20,545
Incentive	307,515
Greenway Acquisition	433,109
Summer Road Park	174,969
N.J. Infrastructure:	
Dreahook Road	466,671
2003	119,984
2004	<u>318,022</u>
	<u>\$ 1,840,815</u>

**TOWNSHIP OF READINGTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Part I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on financial statements	<u>Modified, Unaudited LOSAP Trust Fund</u>	
Internal control over financial reporting:		
1) Material weakness(es) identified	<u> </u> yes	<u> X </u> no
2) Significant deficiency(ies) that are not considered to be material weakness(es)?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to the financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards Section - NOT APPLICABLE

State Awards Section - NOT APPLICABLE

**TOWNSHIP OF READINGTON
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2015**

Part II – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

There are none.

**TOWNSHIP OF READINGTON
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015**

This section identifies the status of prior-year findings related to the financial statements are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*.

STATUS OF PRIOR YEAR FINDINGS

There were none.

**TOWNSHIP OF READINGTON
HUNTERDON COUNTY, NEW JERSEY**

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

**TOWNSHIP OF READINGTON
SUPPLEMENTARY DATA**

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

	<u>Year 2015</u>		<u>Year 2014</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,190,678	1.54%	\$ 1,340,200	1.68%
Miscellaneous - From Other Than Local				
Property Tax Levies	3,593,379	4.64%	5,683,934	7.10%
Collection of Delinquent Taxes and Tax Title Liens	796,268	1.03%	890,331	1.11%
Collection of Current Tax Levy	71,469,125	92.36%	71,788,250	89.70%
Other Credits	<u>329,790</u>	<u>0.43%</u>	<u>329,746</u>	<u>0.41%</u>
Total Income	<u>77,379,240</u>	<u>100.00%</u>	<u>80,032,461</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	17,729,482	23.28%	19,974,436	25.27%
County Taxes	11,092,659	14.57%	11,522,241	14.58%
Local School Taxes	28,731,847	37.73%	28,693,682	36.31%
Regional School Taxes	18,051,369	23.71%	18,306,232	23.16%
Municipal Open Space Taxes	524,370	0.69%	533,933	0.68%
Other Expenditures	<u>12,693</u>	<u>0.02%</u>	<u>-</u>	<u>0.00%</u>
Total Expenditures	76,142,420	<u>100.00%</u>	79,030,524	<u>100.00%</u>
Less: Expenditures to be Raised by Future Revenue	<u>-</u>		<u>395,000</u>	
Total Adjusted Expenditures	<u>76,142,420</u>		<u>78,635,524</u>	
Excess in Revenue	1,236,820		1,396,937	
Fund Balance, January 1	<u>2,063,915</u>		<u>2,007,178</u>	
	3,300,735		3,404,115	
Less Utilization as Anticipated Revenue	<u>1,190,678</u>		<u>1,340,200</u>	
Fund Balance, December 31	<u>\$ 2,110,057</u>		<u>\$ 2,063,915</u>	

**TOWNSHIP OF READINGTON
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
SEWER UTILITY OPERATING FUND**

	<u>Year 2015</u>		<u>Year 2014</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 121,489	6.99%	\$ 48,058	2.93%
Rents	1,377,110	79.21%	1,356,581	82.71%
Miscellaneous	224,910	12.94%	224,688	13.70%
Other Credits	<u>14,969</u>	<u>0.86%</u>	<u>10,868</u>	<u>0.66%</u>
Total Income	<u>1,738,478</u>	<u>100.00%</u>	<u>1,640,195</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Operating	1,533,877	93.27%	1,534,946	99.31%
Deferred Charges and Statutory Expenditures	10,612	0.65%	10,612	0.69%
Surplus (General Budget)	<u>100,000</u>	<u>6.08%</u>	<u>-</u>	<u>0.00%</u>
Total Expenditures	<u>1,644,489</u>	<u>100.00%</u>	<u>1,545,558</u>	<u>100.00%</u>
Excess in Revenue	93,989		94,637	
Fund Balance, January 1	<u>329,712</u>		<u>283,133</u>	
	-		-	
	423,701		377,770	
Decreased by:				
Utilized by Current Fund Budget	<u>121,489</u>		<u>48,058</u>	
Fund Balance, December 31	<u>\$ 302,212</u>		<u>\$ 329,712</u>	

**TOWNSHIP OF READINGTON
SUPPLEMENTARY DATA**

Comparative Schedule Of Tax Rate Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Tax Rate</u>	<u>\$2.755</u>	<u>\$2.721</u>	<u>\$2.729</u>
<u>Apportionment of Tax Rate</u>	0.519	0.503	0.494
Municipal Open Space	0.020	0.020	0.020
County	0.423	0.433	0.434
Local School	1.101	1.078	1.085
Regional School	.692	.687	.696

Assessed Valuation

2015	<u>\$2,609,380,779</u>	
2014		<u>\$2,663,436,084</u>
2013		<u>\$2,653,075,028</u>

Comparison of 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.

December 31 <u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	Percentage of <u>Collection</u>
2015	\$ 72,230,387	\$ 71,469,125	98.94%
2014	72,644,899	71,788,251	98.82%
2013	72,657,276	71,689,623	98.67%

Delinquent Taxes and Tax Title Liens

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

December 31 <u>Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Amount of Tax Title Liens</u>	<u>Total Delinquent</u>	Percentage of <u>Tax Levy</u>
2015	\$ 1,114,876	\$ 105,482	1,220,358	1.69%
2014	1,226,268	102,540	1,328,808	1.83%
2013	1,289,488	98,850	1,388,338	1.91%

**TOWNSHIP OF READINGTON
SUPPLEMENTARY DATA**

Comparison of Sewer Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u> *	<u>Percentage of Collection</u>
2015	\$1,371,803	\$1,377,110	100.39%
2014	1,362,548	1,356,581	99.56
2013	1,256,640	1,159,567	92.28

* Cash collections include prior year balance collected in the current year and prior year prepayments applied.

Comparative Schedule of Fund Balances

	<u>Year</u>	<u>Balance, December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
<u>Current Fund</u>	2015	\$2,110,057	\$1,055,000
	2014	2,063,915	1,190,678
	2013	2,007,178	1,340,200
<u>Sewer Utility Operating Fund</u>	2015	\$302,212	\$57,992
	2014	329,712	121,489
	2013	283,133	48,058

**TOWNSHIP OF READINGTON
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Betty Ann Fort	Mayor	
Thomas Auriemma	Deputy Mayor	
John D. Broten	Township Committee	
M. Elizabeth Duffy	Township Committee	
Samuel D. Tropello	Township Committee	
Vita Mekovetz	Administrator, Clerk, Treasurer, Qualified Purchasing Agent	
Thomas Carro	Chief Financial Officer	
Michael Balogh	Tax Collector, Sewer Collector, Tax Search Officer	
Mary Mastro	Tax Assessor	
Gerard Shamey	Municipal Court Judge	
Kimberly Marino	Municipal Court Administrator	
Sebastian Donaruma	Police Chief	

*All officials and employees (except as noted) handling and collecting Township funds are covered under a special multi-peril policy public employees blanket coverage endorsement for \$1,000,000.00.

All of the bonds were examined and were properly executed and were in accordance with the state promulgated schedule.

**TOWNSHIP OF READINGTON
SUPPLEMENTARY DATA**

GENERAL COMMENTS

Prior Year Unresolved

Our audit noted that certain municipal departments ordered goods or materials prior to the issuance of a purchase order. It is recommended that procedures be enhanced to ensure that goods or materials be ordered only after a purchase order has been executed.

Current Year

Our audit revealed that the Township's fixed asset accounting and reporting system was not updated for current year additions and deletions. It is recommended that the Township's fixed asset accounting and reporting system be currently maintained.

Our audit indicated that although the ending balance on the Affordable Housing Trust Monitoring Activity Report was not in agreement with the bank reconciliation, all of the current year financial activity was accurately reported, therefore, a recommendation is not warranted.

Our audit revealed that certain miscellaneous reserves in the Other Trust Fund do not have approved dedication by riders from the Division of Local Government Services. It is recommended that dedication by riders be obtained or balances be disposed of for each of the miscellaneous reserves in the Other Trust Fund.

Our audit revealed administrative and vehicle use fees collected relating to police outside duty were credited as a budget refund to the police salary and wages line instead of being posted as miscellaneous revenue. It is recommended that administrative and vehicle use fees relating to police outside duty be classified as miscellaneous revenue.

The audit of the Municipal Court indicated that the Tickets Assigned Not Issued Report includes 219 tickets that were outstanding in excess of six months. The court administrator is in the process of attempting to clear the outstanding items. It is recommended that reports issued by the Municipal Court from the Automated Traffic System be in compliance with the Administrative Office of the Courts Financial Procedures Manual.

The audit revealed that certain fees charged by the Recreation Department were not set forth in a Township fee ordinance. It is recommended that all Recreation fees charged be established by Township ordinance.

Contracts and Agreements Required To Be Advertised For NJS 40a:11-4

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$36,000, except by contract or agreement".

If the Township's purchasing agent is qualified pursuant to subsection b. of Section 9 of P.L. 1971, c. 198 (C.40A:11-9), the Township may establish the bid threshold up to a maximum of \$36,000. The Township's Administrator is qualified and the Township, by resolution, has increased the bid threshold to \$36,000.

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

**TOWNSHIP OF READINGTON
SUPPLEMENTARY DATA**

GENERAL COMMENTS

Contracts and Agreements Required To Be Advertised For NJS 40a:11-4 (Continued)

The minutes indicate that bids were requested by public advertising for the following items:

2015 Road Reclamation
Maintenance and Repair Materials
Hunting Bids

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

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.

Collection of Interest of Delinquent Taxes and Assessments

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

The Governing Body on January 5, 2015 adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED that pursuant to R.S 54:4-67, the Township Committee of the Township of Readington, County of Hunterdon and State of New Jersey hereby fixes the rate of interest to be charged on delinquent taxes for calendar year 2015 at the rate of eight percent (8%) per annum on the first \$1,500.00 of delinquency and eighteen percent (18%) per annum on any amount in excess of \$1,500.00 of delinquency.

BE IT FURTHER RESOLVED that notwithstanding the above provision, no interest shall be charged if payment of any installment is made within ten (10) days after the date upon which the same became payable according to the laws in such cases made and provided. If such payment is not made within the ten (10) day grace period, the above rate of interest shall run and accrue from the original due date of such taxes.

BE IT FURTHER RESOLVED that the same interest calculations for delinquent tax collections be applied to sewer utility accounts with the exception that the grace period be thirty (30) days.

BE IT FURTHER RESOLVED that any taxpayer with a delinquency in excess of \$10,000.00 who fails to pay that delinquency prior to the end of the calendar year shall be so charged an additional rate of interest of six percent (6%) against the delinquency.

It appears from an examination of the collector's records that interest on taxes receivable and sewer charges were collected in accordance with the foregoing resolution.

**TOWNSHIP OF READINGTON
SUPPLEMENTARY DATA**

GENERAL COMMENTS

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 15, 2015 and was complete.

Inspection of tax sale certificates on file revealed that all tax sale certifications 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>
2015	5
2014	5
2013	5

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

**TOWNSHIP OF READINGTON
SUPPLEMENTARY DATA**

RECOMMENDATIONS

It is recommended that:

- * 1. Procedures be enhanced to ensure that goods or materials be ordered only after a purchase order has been executed.
- 2. The Township's fixed asset accounting and reporting system be currently maintained.
- 3. Dedication by riders be obtained or balances be disposed of for each of the miscellaneous reserves in the Other Trust Fund.
- 4. Administrative and vehicle use fees relating to police outside duty be classified as miscellaneous revenue.
- 5. Reports issued by the Municipal Court from the Automated Traffic System be in compliance with the Administrative Office of the Courts Financial Procedures Manual.
- 6. All Recreation fees charged be established by Township ordinance.

* * * * *

Status of Prior Year's Audit Findings/Recommendations

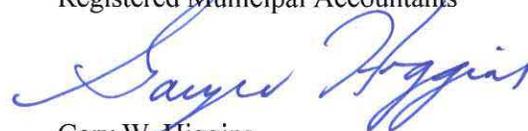
A review was performed on the prior year recommendation and corrective action was taken on all except those noted with an asterisk (*) above.

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments or recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.



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Registered Municipal Accountants



Gary W. Higgins
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