

*COLTS NECK TOWNSHIP*  
*COUNTY OF MONMOUTH*

*REPORT OF AUDIT*

*2018*

*NISIVOCIA LLP*  
*CERTIFIED PUBLIC ACCOUNTANTS*

COLTS NECK TOWNSHIP  
COUNTY OF MONMOUTH  
REPORT OF AUDIT  
2018

COLTS NECK TOWNSHIP  
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COLTS NECK TOWNSHIP

PART I

FINANCIAL STATEMENTS AND

SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2018



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## Independent Auditors' Report

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

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

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

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

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

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

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

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

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

The Honorable Mayor and Members  
of the Township Committee  
Colts Neck Township  
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***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds and account group of the Colts Neck Township as of December 31, 2018, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the year then ended on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

***Emphasis of Matter***

As discussed in Note 15 to the financial statements, the Township implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the year ended December 31, 2018. Our opinions are not modified with respect to this matter.

***Other Matters***

The financial statements of the Township as of December 31, 2017 were audited by other auditors whose report dated June 5, 2018 expressed an unmodified opinion on those statements.

***Supplementary Information***

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

The Honorable Mayor and Members  
of the Township Committee  
Colts Neck Township  
Page 3

procedures applied in the audit of the various fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the various fund financial statements or to the various fund financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the supplementary data schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2019 on our consideration of the Colts Neck Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Colts Neck Township's internal control over financial reporting and compliance.

Mount Arlington, New Jersey  
May 20, 2019

NISIVOCIA LLP



Raymond Sarinelli  
Certified Public Accountant  
Registered Municipal Accountant No. 383

COLTS NECK TOWNSHIP  
COUNTY OF MONMOUTH  
2018  
CURRENT FUND

COLTS NECK TOWNSHIP  
CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2018	2017
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 16,185,809.58	\$ 21,136,556.51
Petty Cash		500.00	500.00
Total Cash and Cash Equivalents		<u>16,186,309.58</u>	<u>21,137,056.51</u>
Receivables and Other Assets With Full Reserves:			
Taxes Receivable	A-7	716,502.84	659,278.59
Tax Title Liens Receivable	A-8	18,151.51	42,962.27
Property Acquired for Taxes at Assessed Valuation		169,000.00	169,000.00
Revenue Accounts Receivable	A-9	4,090.39	8,403.51
Total Receivables and Other Assets With Full Reserves	A	<u>907,744.74</u>	<u>879,644.37</u>
Total Current Fund		<u>17,094,054.32</u>	<u>22,016,700.88</u>
Federal and State Grant Fund:			
Cash and Cash Equivalent	A-6	78,610.19	108,256.27
Grant Receivable	A-14	12,946.86	14,293.16
		<u>91,557.05</u>	<u>122,549.43</u>
<u>TOTAL ASSETS</u>		<u>\$ 17,185,611.37</u>	<u>\$ 22,139,250.31</u>

COLTS NECK TOWNSHIP  
CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
(Continued)

	Ref.	December 31,	
		2018	2017
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-11	\$ 827,926.33	\$ 929,143.01
Encumbered	A-3;A-11	76,657.39	91,264.29
		<u>904,583.72</u>	<u>1,020,407.30</u>
Prepaid Taxes		512,712.26	6,978,952.39
Accounts Payable - Vendors		16,115.99	19,624.00
Due to:			
State of New Jersey:			
Marriage Licenses		300.00	275.00
Senior Citizens' and Veterans' Deductions		5,031.51	6,031.51
County of Monmouth:			
Added and Omitted Taxes		35,158.34	51,616.44
Other Trust Fund	B	163,621.72	
Regional High School Taxes Payable	A-13	4,957,968.85	5,178,243.85
Local School Taxes Payable	A-12	6,910,712.99	5,346,898.99
Reserve for:			
Alcohol Education Rehabilitation Fund		532.70	532.70
Master Plan		25,070.75	25,070.75
Tax Appeals		150,000.00	150,000.00
Cable/Board of Ed. Hook-up		15,500.00	15,500.00
Accumulated Sick and Vacation			10,000.00
State Library Aid		713.01	456.01
		<u>13,698,021.84</u>	<u>18,803,608.94</u>
Reserve for Receivables and Other Assets	A	907,744.74	879,644.37
Fund Balance	A-1	2,488,287.74	2,333,447.57
		<u>\$ 17,094,054.32</u>	<u>\$ 22,016,700.88</u>
Federal and State Grant Funds:			
Appropriated Grant Reserves	A-14	87,674.39	93,341.94
Encumbrances	A-14	3,882.66	2,177.05
Unappropriated Grant Reserves	A-16		27,030.44
		<u>91,557.05</u>	<u>122,549.43</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>		<u>\$ 17,185,611.37</u>	<u>\$ 22,139,250.31</u>

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

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

	Ref.	Year Ended December 31,	
		2018	2017
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 1,450,000.00	\$ 1,316,000.00
Miscellaneous Revenue Anticipated		2,848,740.14	2,759,190.88
Receipts from:			
Delinquent Taxes		682,415.89	642,895.89
Current Taxes		53,097,705.61	52,710,556.50
Nonbudget Revenue		521,095.74	458,079.56
Other Credits to Income:			
Debt Service Cancelled			1.66
Unexpended Balance of Appropriation Reserves		253,714.01	285,804.70
Prior Year Accounts Payable Cancelled		3,508.01	12,685.00
Prior Year Refund			17.17
Total Income		58,857,179.40	58,185,231.36
<u>Expenditures</u>			
Budget and Emergency Appropriations Within "CAPS":			
Municipal Purposes		11,327,211.24	10,915,440.53
Interfund Activity			6,210.68
County Taxes		9,001,190.25	8,752,191.00
Due to County for Added and Omitted Taxes		35,158.34	51,616.44
Local School District Taxes		23,020,708.00	22,464,172.00
Regional High School Taxes		13,503,272.00	13,962,179.00
Municipal Open Space Taxes		364,799.40	360,239.00
Total Expenditures		57,252,339.23	56,512,048.65
Excess in Revenue		1,604,840.17	1,673,182.71
<u>Fund Balance</u>			
Balance January 1	A	2,333,447.57	1,976,264.86
		3,938,287.74	3,649,447.57
Decreased by:			
Utilized as Anticipated Revenue		1,450,000.00	1,316,000.00
Balance December 31	A	\$ 2,488,287.74	\$ 2,333,447.57

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

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

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 1,450,000.00		\$ 1,450,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	15,000.00		15,188.00	\$ 188.00
Fees and Permits	70,000.00		94,676.00	24,676.00
Fines and Costs:				
Municipal Court	115,000.00		124,150.96	9,150.96
Interest and Costs on Taxes	110,000.00		199,344.63	89,344.63
Interest on Investments	30,000.00		133,066.66	103,066.66
Recreation Fees	185,000.00		217,472.36	32,472.36
Energy Receipts Tax	1,952,550.00		1,952,550.00	
Watershed Moratorium Aid	28,388.00		28,388.00	
Recycling Tonnage Grant	27,030.44		27,030.44	
Municipal Alliance on Alcoholism and Drug Abuse	22,150.00		22,150.00	
Clean Communities Program		\$ 34,723.09	34,723.09	
	<u>2,555,118.44</u>	<u>34,723.09</u>	<u>2,848,740.14</u>	<u>258,898.61</u>
Receipts from Delinquent Taxes	500,000.00		682,415.89	182,415.89
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	7,787,377.72		8,172,577.62	385,199.90
Budget Totals	12,292,496.16	34,723.09	13,153,733.65	826,514.40
Nonbudget Revenue			521,095.74	521,095.74
	<u>\$ 12,292,496.16</u>	<u>\$ 34,723.09</u>	<u>\$ 13,674,829.39</u>	<u>\$ 1,347,610.14</u>

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

Analysis of Realized Revenue

Allocation of Current Tax Collections:		
Revenue from Collections of Current Taxes		\$ 53,097,705.61
Allocated to:		
Local School District Taxes	\$ 23,020,708.00	
Regional High School Taxes	13,503,272.00	
County Taxes	9,036,348.59	
Municipal Open Space Taxes	364,799.40	
		45,925,127.99
Balance for Support of Municipal Budget Appropriations		7,172,577.62
Add: Appropriation "Reserve for Uncollected Taxes"		1,000,000.00
Realized for Support of Municipal Budget		\$ 8,172,577.62
<u>Receipts from Delinquent Taxes:</u>		
Delinquent Tax Collections		\$ 656,554.33
Tax Title Lien Collections		25,861.56
		\$ 682,415.89
<u>Analysis of Nonbudget Revenue:</u>		
Miscellaneous Revenue not Anticipated		
Police Reports	\$ 4,125.40	
Alarm Fines	11,000.00	
Crown Castle/Global Signal	233,384.96	
Premium on Note Sale	43,882.12	
Prior Year Refund	9,436.71	
Sale of Fixed Assets and Scrap	6,020.55	
Towing Application	6,840.00	
Franchise Fees	99,594.46	
Cell Tower Lease	57,486.52	
Miscellaneous License and Fees	9,943.00	
Copies	1,939.46	
Hotel Tax	27,278.04	
FEMA Reimbursements	4,694.85	
Other Miscellaneous	5,469.67	
		\$ 521,095.74

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

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

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT:					
General Administration:					
Salaries & Wages	\$ 158,508.63	\$ 158,508.63	\$ 150,456.24	\$ 8,052.39	
Other Expenses	39,350.00	39,350.00	38,161.68	1,188.32	
Mayor & Committee:					
Salaries & Wages	7,500.00	7,500.00	3,000.00	4,500.00	
Municipal Clerk:					
Salaries & Wages	63,673.00	63,673.00	63,658.87	14.13	
Elections:					
Other Expenses	1,800.00	1,800.00		1,800.00	
Financial Administration:					
Salaries & Wages	82,417.70	82,417.70	82,317.81	99.89	
Other Expenses	44,840.00	44,840.00	44,622.74	217.26	
Audit Services:					
Other Expenses	31,000.00	31,000.00	30,400.00	600.00	
Assessment of Taxes:					
Salaries & Wages	31,836.00	31,836.00	31,835.96	0.04	
Other Expenses	33,555.00	33,555.00	20,333.67	13,221.33	
Collection of Taxes:					
Salaries & Wages	135,817.40	135,817.40	133,056.06	2,761.34	
Other Expenses	4,980.00	4,980.00	4,661.13	318.87	
Legal Costs:					
Other Expenses	526,000.00	505,000.00	449,036.75	55,963.25	
Municipal Court:					
Salaries & Wages	74,258.65	74,258.65	65,989.65	8,269.00	
Other Expenses	9,210.00	9,210.00	6,222.04	2,987.96	
Engineering Services and Costs:					
Other Expenses	14,000.00	14,000.00	13,915.57	84.43	
Farmland/Open Space Commission:					
Salaries & Wages	750.00	750.00		750.00	
Other Expenses	110.00	110.00		110.00	

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

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT (continued):					
Historical Preservation:					
Salaries & Wages	\$ 800.00	\$ 800.00	\$ 347.50	\$ 452.50	
Other Expenses	1,975.00	1,975.00	719.88	1,255.12	
Administrative Official - Code Enforcement:					
Salaries & Wages	53,517.29	53,517.29	53,448.07	69.22	
Other Expenses	7,750.00	7,750.00	2,642.33	5,107.67	
Planning Board:					
Salaries & Wages	144,668.29	144,668.29	143,741.96	926.33	
Other Expenses	11,050.00	11,050.00	11,050.00		
Architectural Review:					
Salaries & Wages	750.00	750.00	682.50	67.50	
Other Expenses	910.00	910.00		910.00	
Board of Adjustment:					
Salaries & Wages	1,200.00	1,200.00	1,200.00		
Other Expenses	4,900.00	4,900.00	2,909.56	1,990.44	
Insurance (NJSA 40A:4-45.3(00)):					
General Liability	207,424.00	207,424.00	205,674.00	1,750.00	
Workers Compensation Insurance	300,090.00	300,090.00	300,090.00		
Employee Group Insurance	840,276.68	840,276.68	840,276.68		
Health Benefit Waiver	17,000.00	17,000.00	17,000.00		
Unemployment Insurance	2,000.00	2,000.00	2,000.00		
PUBLIC SAFETY:					
First Aid Organization- Contribution	20,000.00	20,000.00	13,519.71	6,480.29	
Fire Department:					
Other Expenses	114,171.75	114,171.75	103,425.75	10,746.00	
Emergency Management Service:					
Other Expenses	2,000.00	2,000.00	1,430.11	569.89	

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

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Police Department:					
Salaries & Wages	\$ 2,301,379.10	\$ 2,301,379.10	\$ 2,236,093.17	\$ 65,285.93	
Other Expenses	129,910.00	129,910.00	119,435.36	10,474.64	
Fire Prevention Bureau:					
Salaries & Wages	22,459.47	22,459.47	22,445.20	14.27	
Other Expenses	3,045.00	3,045.00	2,518.67	526.33	
<b>PUBLIC WORKS FUNCTIONS:</b>					
Road Repairs and Maintenance:					
Salaries & Wages	995,787.97	995,787.97	877,464.29	118,323.68	
Other Expenses	238,045.00	238,045.00	147,340.16	90,704.84	
Snow Removal:					
Salaries & Wages	40,000.00	40,000.00	1,814.51	38,185.49	
Other Expenses	212,054.00	212,054.00	53,739.09	158,314.91	
Recycling:					
Salaries & Wages	2,500.00	2,500.00	2,031.94	468.06	
Other Expenses	156,075.00	156,075.00	126,338.86	29,736.14	
Public Buildings & Grounds:					
Salaries and Wages	1,000.00	1,000.00		1,000.00	
Other Expenses	124,650.00	124,650.00	110,560.35	14,089.65	
Shade Tree Commission:					
Salaries and Wages	1,000.00	1,000.00	440.00	560.00	
Other Expenses	8,350.00	8,350.00	7,736.21	613.79	
<b>HEALTH &amp; WELFARE:</b>					
Board of Health:					
Salaries & Wages	100,918.89	100,918.89	100,824.57	94.32	
Other Expenses	18,600.00	18,600.00	12,885.14	5,714.86	
Environmental Health Services:					
Salaries & Wages	750.00	750.00	370.00	380.00	
Other Expenses	60.00	60.00		60.00	

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

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
HEALTH & WELFARE: (Continued)					
Animal Control Services:					
Other Expenses	\$ 29,500.00	\$ 29,500.00	\$ 24,593.26	\$ 4,906.74	
PARKS AND RECREATION FUNCTIONS:					
Recreation Services and Programs:					
Salaries & Wages	185,670.07	185,670.07	172,755.11	12,914.96	
Other Expenses	190,700.00	190,700.00	156,053.26	34,646.74	
Maintenance of Parks :					
Salaries & Wages	9,000.00	9,000.00	9,000.00		
Other Expenses	52,875.00	52,875.00	40,471.61	12,403.39	
UTILITY EXPENSE AND BULK PURCHASES:					
Electricity	37,000.00	37,000.00	33,927.17	3,072.83	
Street Lighting	18,000.00	18,000.00	6,994.93	11,005.07	
Telephone	53,500.00	54,500.00	54,419.28	80.72	
Natural Gas	16,500.00	16,500.00	13,270.47	3,229.53	
Gasoline	100,000.00	120,000.00	103,481.99	16,518.01	
UNCLASSIFIED:					
Municipal Alliance on Alcoholism and Drug Abuse	5,537.50	5,537.50	3,851.40	1,686.10	
Accumulated Sick and Vacation	10,000.00	10,000.00		10,000.00	
Total Operations Within "CAPS"	8,054,956.39	8,054,956.39	7,278,682.22	776,274.17	
Contingent	5,000.00	5,000.00	5,000.00		
Total Operations Including Contingent Within "CAPS"	8,059,956.39	8,059,956.39	7,283,682.22	776,274.17	
Detail:					
Salaries and Wages	4,426,162.46	4,426,162.46	4,152,973.41	273,189.05	
Other Expenses	3,633,793.93	3,633,793.93	3,130,708.81	503,085.12	

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

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
<b>Deferred Charges and Statutory Expenditures - Municipal within "CAPS":</b>					
Contributions to:					
Public Employees' Retirement System	\$ 234,700.00	\$ 234,700.00	\$ 234,699.97	\$ 0.03	
Social Security System (O.A.S.I.)	295,000.00	295,000.00	292,903.82	2,096.18	
Police and Firemen's Retirement System of N.J.	483,507.00	483,507.00	483,507.00		
	<u>1,013,207.00</u>	<u>1,013,207.00</u>	<u>1,011,110.79</u>	<u>2,096.21</u>	
<b>Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"</b>					
	<u>9,073,163.39</u>	<u>9,073,163.39</u>	<u>8,294,793.01</u>	<u>778,370.38</u>	
<b>Total General Appropriations for Municipal Purposes Within "CAPS"</b>					
<b>Operations Excluded from "CAPS":</b>					
Maintenance of Free Public Library (N.J.S.A 40:54-35):					
Salary and Wages	30,000.00	30,000.00	30,000.00		
Other Expenses	27,233.50	27,233.50	17,677.55	9,555.95	
Department of Environmental Protection					
Recycling Tax (N.J.S.A 13:1E-96.5):	10,100.00	10,100.00	10,100.00		
Length of Service Awards Program	40,000.00	40,000.00		40,000.00	
Share Service Agreements:					
Interlocal Services- County 911	103,296.34	103,296.34	103,296.34		
Declared State of Emergency Costs for Snow Removal: (N.J.S.A 40A:4-45.45(b) and 40A:4-45.3(bb)):					
Public and Private Programs Offset by Revenues:	192,646.00	192,646.00	192,646.00		
Municipal Alliance on Drug and Alcohol Abuse	22,150.00	22,150.00	22,150.00		
Recycling Tonnage	27,030.44	27,030.44	27,030.44		
Clean Communities Program (N.J.S.A. 40A:4 -87 + \$34,723.09)		34,723.09	34,723.09		
	<u>\$ 452,456.28</u>	<u>\$ 487,179.37</u>	<u>\$ 437,623.42</u>	<u>\$ 49,555.95</u>	
<b>Total Operations Excluded from "CAPS"</b>					

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

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Detail:					
Salaries and Wages	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00		
Other Expenses	422,456.28	457,179.37	407,623.42	\$ 49,555.95	
Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	527,050.00	527,050.00	527,050.00		
Total Capital Improvements - Excluded from "CAPS"	527,050.00	527,050.00	527,050.00		
Municipal Debt Service - Excluded from "CAPS":					
Payment of Bond Principal	801,875.00	801,875.00	801,875.00		
Interest on Bonds	327,690.70	327,690.70	327,682.69		\$ 8.01
Interest on Notes	48,330.00	48,330.00	48,330.00		
Green Trust Loan Program:					
Loan Repayments for Principal and Interest	11,130.79	11,130.79	11,130.79		
MCIA Lease Principal	40,000.00	40,000.00	40,000.00		
MCIA Lease Interest	10,800.00	10,800.00	10,800.00		
Total Municipal Debt Service - Excluded from "CAPS"	1,239,826.49	1,239,826.49	1,239,818.48		8.01
Total General Appropriations - Excluded from "CAPS"	2,219,332.77	2,254,055.86	2,204,491.90	49,555.95	8.01
Subtotal General Appropriations	11,292,496.16	11,327,219.25	10,499,284.91	827,926.33	8.01
Reserve for Uncollected Taxes	1,000,000.00	1,000,000.00	1,000,000.00		
Total General Appropriations	\$ 12,292,496.16	\$ 12,327,219.25	\$ 11,499,284.91	\$ 827,926.33	\$ 8.01

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

		Analysis of	
	Ref	Budget After Modification	Paid or Charged
Adopted Budget		\$ 12,292,496.16	
Appropriation by NJSA 40A:4-87		34,723.09	
		\$ 12,327,219.25	
Reserve for Uncollected Taxes			\$ 1,000,000.00
Encumbrances	A		76,657.39
Transfer to Appropriated Grant Reserves			83,903.53
Due to Other Trust Funds			29,893.84
Cash Disbursed			10,619,215.98
			11,809,670.74
Less: Appropriation Refunds			310,385.83
			\$ 11,499,284.91

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

COLTS NECK TOWNSHIP  
COUNTY OF MONMOUTH  
2018  
TRUST FUNDS

COLTS NECK TOWNSHIP  
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS

		December 31,	
<u>ASSETS</u>	<u>Ref.</u>	2018	2017
Animal Control Fund:			
Cash and Cash Equivalents	B-4	\$ 1,486.77	\$ 7,861.97
		1,486.77	7,861.97
Other Trust Funds:			
Cash and Cash Equivalents	B-4	4,826,828.30	5,749,623.45
Due from Current Fund	A	163,621.72	
Accounts Receivable			3,483.96
Medical Insurance Reimbursement Receivable		262,558.50	
		5,253,008.52	5,753,107.41
TOTAL ASSETS		\$ 5,254,495.29	\$ 5,760,969.38

COLTS NECK TOWNSHIP  
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS

	Ref.	December 31,	
		2018	2017
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Reserve for Animal Control Expenditures	B-6	\$ 1,486.77	\$ 7,851.77
Due State of New Jersey	B-5		10.20
		<u>1,486.77</u>	<u>7,861.97</u>
Other Trust Funds:			
Reserve for:			
Donations for Recreations Athletic Fields			538,562.50
Historical Preservation		11,913.96	4,349.17
Historical Society		50,545.81	52,120.81
Uniform Fire Safety Act Penalties		21,188.20	25,609.24
Law Enforcement Trust Fund		256.61	596.27
Schlesinger Estate		34,661.93	34,661.93
Unemployment Trust Fund		310.82	310.82
Tax Collector Trust Fund		497,800.00	689,197.12
Construction Code Fees		221,089.79	103,512.64
Tree Removal		436.94	436.94
Senior Center Donations		33,703.54	33,300.09
Donations to the Library		661.08	661.08
Storm Recovery		130,372.84	88,443.96
Bid Opening		8,882.60	7,060.00
P.O.A.A. Fines		252.00	252.00
Police Donations		11,943.93	11,574.79
County DWI Task Force		1,966.39	1,966.39
Third Party Police		32,771.49	
COAH		931,895.29	890,792.00
Developers' Fees For Engineering and Cash Performance Bonds		2,396,841.21	2,494,767.59
Medical Insurance		94,624.37	140,175.22
Alliance Against Substance Abuse		1,856.92	1,833.88
Flexible Spending Account		4,558.04	2,551.12
Farmland Preservation		679,474.76	630,371.85
Accumulated Sick and Vacation		85,000.00	
		<u>5,253,008.52</u>	<u>5,753,107.41</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 5,254,495.29</u>	<u>\$ 5,760,969.38</u>

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

COLTS NECK TOWNSHIP  
ASSESSMENT TRUST FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

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

COLTS NECK TOWNSHIP  
ASSESSMENT TRUST FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

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

NOT APPLICABLE

COLTS NECK TOWNSHIP  
COUNTY OF MONMOUTH  
2018  
GENERAL CAPITAL FUND

COLTS NECK TOWNSHIP  
GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2018	2017
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 3,565,894.62	\$ 252,910.43
Deferred Charges to Future Taxation:			
Funded		7,947,757.31	9,045,587.74
Unfunded	C-4	10,244,543.00	6,702,164.00
Due from State of New Jersey - Department of Transportation Grant		142,500.00	165,000.00
<b>TOTAL ASSETS</b>		<b>\$ 21,900,694.93</b>	<b>\$ 16,165,662.17</b>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 7,585,000.00	\$ 8,610,000.00
Green Acres Trust Loan Payable	C-9	32,257.31	42,587.74
MCIA Lease Payable	C-10	188,000.00	228,000.00
Bond Anticipation Notes	C-7	8,046,189.00	2,148,000.00
Improvement Authorizations:			
Funded	C-5	637,450.96	510,436.20
Unfunded	C-5	4,023,976.80	3,988,921.85
Capital Improvement Fund	C-6	40,640.00	90,261.00
Reserve for:			
Debt Service		52,808.68	52,808.68
Encumbrances		1,147,930.05	325,704.57
Receivables		142,500.00	165,000.00
Fund Balance	C-1	3,942.13	3,942.13
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<b>\$ 21,900,694.93</b>	<b>\$ 16,165,662.17</b>

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

COLTS NECK TOWNSHIP  
GENERAL CAPITAL FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref</u>	
Balance December 31, 2017	C	<u>\$ 3,942.13</u>
Balance December 31, 2018	C	<u><u>\$ 3,942.13</u></u>

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

COLTS NECK TOWNSHIP  
COUNTY OF MONMOUTH  
2018  
GENERAL FIXED ASSETS ACCOUNT GROUP

COLTS NECK TOWNSHIP  
GENERAL FIXED ASSETS ACCOUNT GROUP  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,	
	2018	2017 Restated
<u>ASSETS</u>		
Land and Land Improvements	\$ 5,851,666.00	\$ 5,507,510.00
Buildings and Building Improvements	2,724,352.00	2,675,994.00
Machinery, Equipment and Vehicles	7,349,020.00	7,430,261.00
TOTAL ASSETS	\$ 15,925,038.00	\$ 15,613,765.00
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Reserve for Fixed Assets	\$ 15,925,038.00	\$ 15,613,765.00
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$ 15,925,038.00	\$ 15,613,765.00

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

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Colts Neck Township include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Colts Neck Township, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Colts Neck Township do not include the operations of the Volunteer Fire Department.

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

B. Description of Funds

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

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

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

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
 (Continued)

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

B. Description of Funds (Cont'd)

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

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

C. Basis of Accounting

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

The more significant policies in New Jersey follow.

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

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

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

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

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
 (Continued)

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

C. Basis of Accounting (Cont'd)

Had the Township's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; federal and state grants and assistance would be recognized when earned, not when budgeted; inventories would not be reflected as expenditures at the time of purchase, investments would generally be stated at fair value and the Township's net OPEB liability and net pension liability and related deferred inflows and outflows would be recorded.

The cash basis of accounting is followed in the Trust and General Capital Funds.

D. Deferred Charges to Future Taxation

The Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means that debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, or collecting a grant. The unfunded deferred charge may also be funded by selling bonds, by loans, or by capital leases.

E. Other Significant Accounting Policies Include:

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

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

Investments - Investments are stated at cost.

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

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

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

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
 (Continued)

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

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

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

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

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

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

General fixed assets are recorded at cost except for certain land and buildings, which are recorded at estimated historical cost. Infrastructure assets are not included in general fixed assets. Maintenance and minor parts and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided on general fixed assets. The total value recorded for general fixed assets is offset by a “Reserve for Fixed Assets”. When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund and General Capital Fund. The values recorded in the General Fixed Assets Account Group and the Current and Capital Funds may not always agree due to differences in valuation methods, timing or recognition of assets and the recognition of infrastructures. Fixed assets are reviewed for impairment.

F. Budget/Budgetary Control

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

Note 2: Long-Term Debt

Summary of Municipal Debt

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

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

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

Summary of Municipal Debt (Cont'd)

	December 31,		
	2018	2017	2016
<u>Issued</u>			
General:			
Bonds, Loans, Leases and Notes	\$ 15,851,446.31	\$ 10,800,587.74	\$ 12,040,809.62
Total Issued:	<u>15,851,446.31</u>	<u>10,800,587.74</u>	<u>12,040,809.62</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	2,198,354.00	4,554,164.00	750,500.00
Total Authorized but not Issued:	<u>2,198,354.00</u>	<u>4,554,164.00</u>	<u>750,500.00</u>
Less:			
General:			
Debt Authorized by Another Public			
Body Guaranteed by the Municipal	188,000.00		
Farmland Trust Fund	1,295,837.00	1,518,962.00	1,732,148.00
Reserve for Debt Service	52,808.68	52,808.68	52,808.68
	<u>1,536,645.68</u>	<u>1,571,770.68</u>	<u>1,784,956.68</u>

Net Bonds, Notes, Loans and Leases

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.542%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 12,400,000.00	\$ 12,400,000.00	
Regional School District Debt	944,987.57	944,987.57	
General Debt	<u>17,861,800.31</u>	<u>1,348,645.68</u>	<u>\$ 16,513,154.63</u>
	<u>\$ 31,206,787.88</u>	<u>\$ 14,693,633.25</u>	<u>\$ 16,513,154.63</u>

Net Debt \$16,513,154.63.00 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, 3,044,345,712.00 = 0.542%.

Even though the \$188,000 of leases payable with the Monmouth County Improvement Authority is deductive to arrive at net debt, the amount is guaranteed by the municipality by ad valorem taxes and should be considered when evaluating the municipalities net debt situation.

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

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

Summary of Statutory Debt Condition – Annual Debt Statement (Cont'd)

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

3-1/2% Average Equalized Valuation of Real Property	\$ 106,552,099.92
Net Debt	<u>16,513,154.63</u>
Remaining Borrowing Power	<u>\$ 90,038,945.29</u>

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

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

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

Summary of Statutory Debt Condition – Annual Debt Statement (Cont'd)

Summary of Municipal Debt Issued and Outstanding - Prior Year

<u>Fund</u>	<u>Balance 12/31/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2017</u>
Serial Bonds:				
General Capital Fund	\$ 9,590,000.00		\$ 980,000.00	\$ 8,610,000.00
Bond Anticipation Notes:				
General Capital Fund	2,398,095.00	\$ 2,148,000.00	2,398,095.00	2,148,000.00
Loans Payable:				
General Capital Fund:				
Green Acres Loans	52,714.62		10,126.88	42,587.74
Leases Payable:				
General Capital Fund:				
MCIA Lease	266,000.00		38,000.00	228,000.00
	<u>\$ 12,306,809.62</u>	<u>\$ 2,148,000.00</u>	<u>\$ 3,426,221.88</u>	<u>\$ 11,028,587.74</u>

Summary of Municipal Debt Issued and Outstanding - Current Year

<u>Fund</u>	<u>Balance 12/31/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2018</u>
Serial Bonds:				
General Capital Fund	\$ 8,610,000.00		\$1,025,000.00	\$ 7,585,000.00
Bond Anticipation Notes:				
General Capital Fund	2,148,000.00	\$ 8,046,189.00	2,148,000.00	8,046,189.00
Loans Payable:				
General Capital Fund:				
Green Acres Loans	42,587.74		10,330.43	32,257.31
Leases Payable:				
General Capital Fund:				
MCIA Lease	228,000.00		40,000.00	188,000.00
	<u>\$11,028,587.74</u>	<u>\$ 8,046,189.00</u>	<u>\$3,223,330.43</u>	<u>\$ 15,851,446.31</u>

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

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

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

<u>Purpose</u>	<u>Final Maturity</u>	<u>General Capital Serial Bonds</u> <u>Interest Rate</u>	
Refunding Bonds	12/31/2022	4-5%	\$ 2,925,000.00
MCIA General Obligation Bonds	12/1/2028	4-5%	4,660,000.00
<u>General Capital Bond Anticipation Notes</u>			
		<u>Interest Rate</u>	
Various Capital Improvements	3/13/2019	2.50%	4,770,000.00
Various Capital Improvements	3/4/2019	2.75%	3,276,189.00
<u>General Capital Leases Payable</u>			
		<u>Interest Rate</u>	
MCIA Lease Purchase Payable	10/1/2025	4-5%	188,000.00
<u>General Capital Green Acres Loan</u>			
		<u>Interest Rate</u>	
Laird Road Recreation		2.00%	13,430.18
Laird Road Recreation II		2.00%	<u>18,827.13</u>

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

<u>Year</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 1,065,000.00	\$ 354,000.00	\$ 1,419,000.00
2020	1,105,000.00	311,400.00	1,416,400.00
2021	1,155,000.00	263,300.00	1,418,300.00
2022	1,205,000.00	213,000.00	1,418,000.00
2023	450,000.00	152,750.00	602,750.00
2024-2028	<u>2,605,000.00</u>	<u>403,750.00</u>	<u>3,008,750.00</u>
Total	<u>\$ 7,585,000.00</u>	<u>\$ 1,698,200.00</u>	<u>\$ 9,283,200.00</u>

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

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

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

<u>Year</u>	<u>Green Acres Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 10,538.07	\$ 592.71	\$ 11,130.78
2020	10,749.89	380.90	11,130.79
2021	8,198.83	164.84	8,363.67
2022	<u>2,770.52</u>	<u>27.71</u>	<u>2,798.23</u>
Total	<u>\$ 32,257.31</u>	<u>\$ 1,166.16</u>	<u>\$ 33,423.47</u>

Green Acres Trust Program

This program was developed by the New Jersey Department of Environmental Protection to provide low interest loans to local governments for the acquisition, preservation and improvement of land for recreation.

Through December 31, 2018, the Township has borrowed funds under two projects. The balance for the projects as of the end of the year is as follows:

Recreation Development \$ 32,257.31

Payments of principal and interest on the loans commenced March 25, 2002 and are to continue on a semi-annual basis over a period of 20 years. Interest on the loan is at the rate of 2% annually on the outstanding balance. The Township appropriated \$11,130.78 in its 2019 Current Fund budget to fund the 2019 principal and interest payments for the above project.

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

<u>Year</u>	<u>MCIA Lease Purchase Agreement</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 42,000.00	\$ 8,800.00	\$ 50,800.00
2020	44,000.00	6,700.00	50,700.00
2021	19,000.00	4,500.00	23,500.00
2022	20,000.00	3,550.00	23,550.00
2023	20,000.00	3,150.00	23,150.00
2024-2025	<u>43,000.00</u>	<u>3,250.00</u>	<u>46,250.00</u>
Total	<u>\$ 188,000.00</u>	<u>\$ 29,950.00</u>	<u>\$ 217,950.00</u>

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

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

Monmouth County Improvement Authority (MICA) Leases Payable

On October 8, 2015, the Colts Neck Township entered into a lease agreement with the Monmouth County Improvement Authority in the amount of \$301,000. The lease was to fund the purchase of various capital equipment. The Township entered into capital lease payments totaling \$301,000 of which \$113,000 has been liquidated as of December 31, 2018. Principal payments to the Improvement Authority commenced on October 1, 2016 and will continue on a semiannual basis over 10 years.

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$5,867,009 at December 31, 2017. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$8,434,189 at December 31, 2017. See Note 5 for further information on the PERS and PFRS.

Net OPEB Liability

The State's proportionate share of the net OPEB liability attributable to the Township at June 30, 2017 was \$7,809,785. See Note 15 for further information on this net OPEB liability.

Note 3: Fund Balance Appropriated

The amount of fund balance at December 31, 2018, included in the Current Fund budget for the year ending December 31, 2019, is \$1,600,000.

Note 4: Local and Regional School District Taxes

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

Local and Regional District Taxes have been raised and liabilities deferred by statutes (under provisions of C.63, P.L. 1991, as amended), resulting in the school taxes payable set forth in the current fund liabilities as follows:

	Local School Tax	
	Balance 12/31/2018	Balance 12/31/2017
Balance of Tax	\$ 9,736,812.99	\$ 8,172,998.99
Deferred	2,826,100.00	2,826,100.00
Tax Payable	\$ 6,910,712.99	\$ 5,346,898.99

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 4: Local and Regional School District Taxes (Cont'd)

	Regional School Tax	
	Balance 12/31/2018	Balance 12/31/2017
Balance of Tax	\$ 6,481,568.85	\$ 6,701,843.85
Deferred	1,523,600.00	1,523,600.00
Tax Payable	\$ 4,957,968.85	\$ 5,178,243.85

Note 5: Pension Plans

Township employees participate in one of two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee’s Retirement System (PERS) or the State of New Jersey Police and Firemen’s Retirement System (PFRS).

A. Public Employees’ Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65.

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$233,485 for 2018.

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

Pension Liabilities and Pension Expense

At December 31, 2017, the Township's liability was \$5,867,009 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the Township's proportion was 0.0252%, which was a decrease of 0.0004% from its proportion measured as of June 30, 2016. For the year ended December 31, 2018, the Township recognized actual pension expense in the amount of \$233,485. The Township has rolled forward the net pension liability to December 31, 2017 with no adjustments. The State of New Jersey Public Employee's Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation.

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

The Division of Local Government Services, Department of Community Services, State of New Jersey is permitting municipalities to include the June 30, 2017 pension information in the Notes to the Financial Statements as the June 30, 2018 pension information has not been released as of the date of this audit.

Actuarial Assumptions

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

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

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return

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

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

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Township's proportionate share of the collective net pension liability as of December 31, 2017 calculated using the discount rate as disclosed below, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	December 31, 2017		
	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
Township's proportionate share of the Net Pension Liability	\$ 7,278,423	\$ 5,867,009	\$ 4,691,127

Pension Plan Fiduciary Net Position

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

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Plan Description

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

Benefits Provided

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

The following represents the membership tiers for PFRS:

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

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

Contributions

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

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific funded amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. The June 30, 2017 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense for the fiscal year ended June 30, 2017 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2017. The pension expense is deemed to be a State administrative expense due to the special funding situation

Township contributions to PFRS amounted to \$483,507 for the year ended December 31, 2018. During the fiscal year ended June 30, 2017, the State of New Jersey contributed \$47,239 to the PFRS for normal pension benefits on behalf of the Township, which is less than the contractually required contribution of \$115,558.

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

Pension Liabilities and Pension Expense

At December 31, 2017, the Township's liability for its proportionate share of the net pension liability was \$8,434,189. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The Township's 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 members, actuarially determined. At June 30, 2017, the State's proportion was 0.054%, which was a decrease of 0.002% from its proportion measured as of June 30, 2016. The Township has rolled forward the net pension liability to December 31, 2017 with no adjustments. The State of New Jersey Police and Firemen's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Services, State of New Jersey is permitting municipalities to include the June 30, 2017 pension information in the Notes to the Financial Statements as the June 30, 2018 has not been released as of the date of this audit.

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

Additionally, the State’s proportionate share of the net pension liability attributable to the Township is \$944,700 as of December 31, 2017. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The State's proportionate share of the net pension liability associated with the Township was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the State's proportion was 0.054%, which was a decrease of 0.002% from its proportion measured as of June 30, 2016 which is the same proportion as the Township’s. The Township has rolled forward the net pension liability to December 31, 2017 with no adjustments. The State of New Jersey Police and Firemen’s Retirement System (PFRS)’ valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation.

Township's Proportionate Share of the Net Pension Liability	\$	8,434,189
State's Proportionate Share of the Net Pension Liability Associated with the Township		944,700
Total Net Pension Liability	\$	9,378,889

For the year ended December 31, 2018, the Township recognized total pension expense of \$483,507.

Actuarial Assumptions

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

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

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

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales and further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability retirement rates were based on the special mortality tables used for the period after disability retirement.

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

Long Term Expected Rate of Return

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

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

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

Discount Rate – PFRS

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

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 5: Pension Plans (Cont'd)

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

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

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Township) as of December 31, 2017 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	December 31, 2017		
	At 1% Decrease (5.14%)	At Current Discount Rate (6.14%)	At 1% Increase (7.14%)

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

Liability associated with the Township	\$ 12,357,460	\$ 9,378,889	\$ 6,931,656
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Pension Plan Fiduciary Net Position - PFRS

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

Note 6: Accrued Sick and Vacation Benefits

The Township has permitted employees to accrue unused sick pay, which may be taken as time off or paid upon retirement or separation at the employee's current rate. It is estimated that the current cost of such compensation would approximate \$242,687.09. This amount is not reported either as an expenditure or liability. It is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used. The Township has \$85,000.00 in a Reserve for Accumulated Sick and Vacation on the Other Trust Funds balance sheet at December 31, 2018.

Note 7: Selected Tax Information

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

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

Note 7: Selected Tax Information (Cont'd)

	2018	2017	2016
<u>Tax Rate</u>	\$ 1.775	\$ 1.769	\$ 1.731
<u>Apportionment of Tax Rate</u>			
Municipal	.270	.262	.253
County	.298	.292	.300
Regional High School	.446	.466	.439
Local School	.761	.749	.739
<u>Assessed Valuations</u>			
2018	\$ 3,025,076,763.00		
2017		\$ 2,997,518,694.00	
2016			\$ 2,991,240,171.00

Comparison of Tax Levies and Collection Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	\$ 53,904,736.18	\$ 53,097,705.61	98.50%
2017	53,351,582.25	52,710,556.50	98.80%
2016	52,089,020.45	51,363,979.54	98.61%

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

Note 8: Cash and Cash Equivalents

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

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

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

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
 (Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

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

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

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

Deposits

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

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

The market value of the collateral must equal 5% of the average daily balance of public funds; and in addition if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

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

Investments

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

Investments (Cont'd)

- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
 (Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

Investments (Cont'd)

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

<u>Fund</u>	<u>Checking Account</u>	<u>Petty Cash</u>	<u>Total</u>
Current	\$ 16,185,809.58	\$ 500.00	\$ 16,186,309.58
Federal and State Grant Fund	78,610.19		78,610.19
Animal Control	1,486.77		1,486.77
Other Trust	4,826,828.30		4,826,828.30
General Capital	3,565,894.62		3,565,894.62
	<u>\$ 24,658,629.46</u>	<u>\$ 500.00</u>	<u>\$ 24,659,129.46</u>

The carrying amount of the Township's cash and cash equivalents at year end was \$24,659,129.46 and the bank balance was \$25,466,000.35. As of December 31, 2017 the carrying amount of the Township's cash and cash equivalents was \$27,147,452.36 and the bank balance was \$26,815,143.31.

Note 9: Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Colts Neck Township is a member of the Mid Jersey Municipal Joint Insurance Fund. This Fund is both an insured and self-administered group of municipalities established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum.

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

- a.) Workers Compensation
- b.) General Liability
- c.) Auto Liability
- d.) Property

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

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance.

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
 (Continued)

Note 9: Risk Management (Cont'd)

These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. The members may either receive payment or offset their subsequent year assessments with their respective share of the distribution.

The December 31, 2018 audit report for this fund was not filed as of the date of this report. Selected financial information for the Fund as of December 31, 2017 is as follows:

	Mid Jersey Joint Insurance Fund
Total Assets	\$ 22,314,665
Net Position	\$ 14,040,097
Total Revenue	\$ 7,645,718
Total Expenditures	\$ 5,951,022
Change in Net Position	\$ 1,274,696
Members Dividends	\$ 420,000

Financial statements for the Fund are available at the offices of the Fund's Executive Directors:

Mid Jersey Municipal Joint Insurance Fund

51 Everett Drive Suite 40-B  
 West Windsor, New Jersey 08550

Health Benefits Insurance

Health insurance is provided through a self-insurance program, also an excess risk insurance policy, issued by the Symetra Life Insurance Company with coverages detailed as follows:

A. Specific Loss:

The Township will pay the Specific Deductible amount of \$40,000 per policy period per covered person.

B. Aggregate Loss:

The maximum aggregate reimbursement is \$1,000,000 per policy period.

Processing and payment of claims is administered by Qual Care Inc. through the Governmental Risk Management Associates.

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
 (Continued)

Note 9: Risk Management (Cont'd)

Health Benefits Insurance (Cont'd)

There is a provision included in the financial statements in the Other Trust Fund – Reserve for Medical Insurance for claims incurred but not reported as of December 31, 2018 of \$94,624.37, which exceeds the estimated amount for unpaid losses and loss adjustment expenses, provided by the Governmental Risk Management Associates.

A summary of activity in the Other Trust Fund Reserve for Medical Insurance is detailed as follows:

	2018
Balance, Beginning of the Year	\$ 140,175
Provision for Insured Events	1,381,847
	1,522,022
Claims and Claim Adjustment Expenses Attributable to Insured Events	1,427,398
Balance, End of the Year	\$ 94,624

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the Township is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Township is billed quarterly for amounts due to the State. This “Benefit Reimbursement Method” has had no activity in the past three years.

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

Year	Ending Balance
2018	\$ 310.82
2017	310.82
2016	310.82

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
 (Continued)

Note 10: Interfund Receivables and Payables

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

Fund	Interfund Receivable	Interfund Payable
Current		\$ 163,621.72
Other Trust	\$ 163,621.72	
	\$ 163,621.72	\$ 163,621.72

The interfund receivable in the Other Trust Fund and the interfund payable in the Current Fund is due to added open space taxes which were not turned over to the Open Space Trust Fund as of December 31. Additionally, there was an \$85,000 transfer to the Accrued Sick and Vacation Reserve that was not transferred in cash as of year-end, as well as a transfer to the Medical Insurance Trust that was not transferred in cash as of year-end.

Note 11: Contingencies

The Township is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury and various contract disputes. The Township vigorously contests these lawsuits and believes the ultimate resolution will not have a material adverse effect on its financial position as of December 31, 2018.

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

Various tax appeals on assessed valuations have been filed against the Township and are awaiting tax court decisions. The ultimate outcome and effect of such appeals have not been determined; however, the Township Tax Assessor will aggressively defend the Township’s assessments. The Township has established a reserve, which it feels is sufficient, for this contingency in the amount of \$150,000.

Note 12: Farmland Preservation Trust Fund

In November 1996, the Township created an Farmland Preservation Trust Fund with a tax levy of \$.01 per \$100 of assessed valuation. The funds collected are used to acquire and maintain open space property in the Township. As of December 31, 2018, and 2017 the balances in the Farmland Preservation Trust Fund were \$679,474.76, and \$630,371.85, respectively.

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 13: Deferred Compensation Plan

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

Note 14: Economic Dependency

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

Note 15: Fixed Assets

The following schedule is a summarization of general fixed assets for the year ended December 31, 2018:

	<u>Balance</u>		<u>Balance</u>
	<u>Dec. 31, 2017</u>	<u>Additions</u>	<u>Dec. 31, 2018</u>
		<u>Disposals</u>	
Land and Land Improvements	\$ 5,507,510	\$ 347,377	\$ 3,221
Buildings and Building Improvements	2,675,994	68,338	19,980
Machinery, Equipment and Vehicles	<u>7,430,261</u>	<u>462,355</u>	<u>543,596</u>
	<u>\$ 15,613,765</u>	<u>\$ 878,070</u>	<u>\$ 566,797</u>
			<u>\$ 15,925,038</u>

Note 16: Postemployment Benefits Other than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

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

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
 (Continued)

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

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

General Information about the OPEB Plan (Cont'd)

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees.

Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

Contributions

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

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

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

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

Special Funding Situation

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

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

Allocation Methodology

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

OPEB Expense

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

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
 (Continued)

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

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

OPEB Expense

The State’s proportionate share of the net OPEB liability attributable to the Township at June 30, 2017 was \$7,809,785. At June 30, 2017 the State’s proportion related to the Township was .053889%. This is the percentage of the total State Share of the net OPEB liability of the plan.

At June 30, 2017, the State’s proportion related to the Township was 0.089815%. This is the percentage of the total State Share of the net OPEB liability of the Plan. Additionally, during the year ended June 30, 2017 the State of New Jersey’s OPEB expense related to the Township was \$558,916.

Actuarial Assumptions and Other Inputs

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

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

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

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

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

Health Care Trend Assumptions

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

COLTS NECK TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

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

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

Health Care Trend Assumptions (Cont'd)

The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

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

Note 17: Prior Period Adjustment

The Township made a prior period adjustment on the General Fixed Assets Account Group Balance Sheet to record assets at historical cost. Fixed Assets were recorded at estimated historical cost in the December 31, 2017 audit. These amounts have been restated to actual historical cost as follows:

	<u>Balance</u> <u>Dec. 31, 2017</u> <u>as Previously</u> <u>Reported</u>	<u>Retroactive</u> <u>Adjustments</u>	<u>Balance</u> <u>Dec. 31, 2017</u> <u>as</u> <u>Restated</u>
<u>General Fixed Assets Account Group</u>			
<u>Comparative Balance Sheet</u>			
<u>Assets</u>			
Land and Land Improvements	\$ 21,696,163.69	\$ (16,188,653.69)	\$ 5,507,510.00
Buildings and Building Improvements	3,959,540.00	(1,283,546.00)	2,675,994.00
Machinery, Equipment, and Vehicles	7,500,442.00	(70,181.00)	7,430,261.00
Total Assets	33,156,145.69	(17,542,380.69)	15,613,765.00
<u>Reserves</u>			
Reserve for Fixed Assets	33,156,145.69	(17,542,380.69)	15,613,765.00

COLTS NECK TOWNSHIP

SUPPLEMENTARY DATA

COLTS NECK TOWNSHIP  
SCHEDULE OF OFFICIALS IN OFFICE AND SURETY BONDS  
YEAR ENDED DECEMBER 31, 2018

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Surety</u>
JP Bartolomeo	Mayor		
Thomas Orgo	Deputy Mayor		
Michael Viola	Committeeperson		
Russell Macnow	Committeeperson		
Frank Rizzuto	Committeeperson		
Beth Kara	Municipal Clerk, Secretary to the Township Committee		(A)
John D. Antonides	Chief Financial Officer, Tax Collector and Tax Search Officer	\$ 1,000,000.00	
Kathleen M. Capristo	Township Administrator	1,000,000.00	
Cheryl Houss	Deputy Treasurer/Collector		(A)
Nicole Sonnenblick	Municipal Judge		
Meghan Bennett Clark	Municipal Attorney		

(A) All employees, who are not specifically bonded, are covered under \$50,000 and \$950,000 Faithful Performance Bonds provided by the Mid Jersey Municipal Joint Insurance Funds and the Municipal Excess Liability Joint Insurance Fund, respectively.

All surety bonds were examined and appeared to be properly executed.

COLTS NECK TOWNSHIP  
COUNTY OF MONMOUTH  
2018  
CURRENT FUND

COLTS NECK TOWNSHIP  
CURRENT FUND  
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2017	A	\$ 21,136,556.51
Increased by Receipts:		
Tax Collector	\$ 47,469,731.77	
Revenue Accounts Receivable	2,565,491.98	
Miscellaneous Revenue Not Anticipated	521,095.74	
State Library Aid	257.00	
Appropriation Refunds	310,385.83	
Due from/to State of New Jersey:		
Veterans' and Senior Citizens' Deductions	45,718.49	
Marriage Licenses	1,125.00	
	50,913,805.81	72,050,362.32
Decreased by Disbursements:		
2018 Budget Appropriations	10,619,215.98	
2017 Appropriation Reserves	644,382.81	
Tax Overpayments Refunded	3,224.26	
Due to Other Trust	363,382.00	
Due to State of New Jersey:		
Marriage License Fees	1,100.00	
Local School District Taxes	21,456,894.00	
Regional High School Taxes	13,723,547.00	
County Taxes	9,052,806.69	
	55,864,552.74	55,864,552.74
Balance December 31, 2018	A	\$ 16,185,809.58

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

Ref.

Increased by Receipts:

Taxes Receivable	\$ 46,728,589.06	
Interest and Costs on Taxes	199,344.63	
2019 Prepaid Taxes	512,712.26	
Tax Overpayments	3,224.26	
Township Tax Title Lien Redemption	25,861.56	
	<hr/>	47,469,731.77
		<hr/>

Decreased by:

Disbursed to Municipal Treasurer		<hr/> <hr/>
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COLTS NECK TOWNSHIP  
CURRENT FUND  
SCHEDULE OF CASH - GRANT FUNDS

Balance December 31, 2017		\$ 108,256.27
Increased by Receipts:		
Unappropriated Reserves	\$ 34,723.09	
Grants Receivable	23,496.30	
	<u>58,219.39</u>	<u>166,475.66</u>
Decreased by Disbursements:		
Appropriated Grant Fund Expenditures	85,688.42	
Grant Encumbrances Payable	2,177.05	
	<u>87,865.47</u>	<u>78,610.19</u>
Balance December 31, 2018		<u>\$ 78,610.19</u>

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

Year	Balance		Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2018
	Dec. 31, 2017	2018 Levy	2017	2018				
2017	\$ 659,278.59		\$ 656,554.33	\$ 656,554.33	\$ 2,724.26			
	659,278.59		656,554.33	656,554.33	2,724.26			
2018	\$ 53,904,736.18	\$ 53,904,736.18	\$ 6,978,952.39	\$ 46,072,034.73	\$ 46,718.49	\$ 89,476.93	\$ 1,050.80	\$ 716,502.84
	\$ 53,904,736.18	\$ 53,904,736.18	\$ 6,978,952.39	\$ 46,728,589.06	\$ 46,718.49	\$ 92,201.19	\$ 1,050.80	\$ 716,502.84

Ref. A

Analysis of 2018 Property Tax Levy:

Tax Yield:

General Purpose Tax  
Added and Omitted Taxes

\$ 53,695,121.59  
209,614.59  
\$ 53,904,736.18

Tax Levy:

Regional High School Taxes  
Local School District Taxes  
County Taxes  
Due County for Added and Omitted Taxes

\$ 13,503,272.00  
23,020,708.00  
9,036,348.59

Municipal Open Space Taxes  
Add: Municipal Open Space Taxes

363,382.00  
1,417.40  
364,799.40  
45,925,127.99

Local Tax for Municipal Purposes Levied  
Add: Additional Tax Levied

7,787,377.72  
192,230.47  
7,979,608.19  
\$ 53,904,736.18

COLTS NECK TOWNSHIP  
CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2017	A	\$ 42,962.27
Increased by:		
Transfer from Taxes Receivable		1,050.80
		<u>44,013.07</u>
Decreased by:		
Tax Title Lien Redemptions		<u>25,861.56</u>
Balance December 31, 2018	A	<u>\$ 18,151.51</u>

COLTS NECK TOWNSHIP  
CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2017	Accrued In 2018	Collected by		Balance Dec. 31, 2018
			Collector	Treasurer	
Clerk:					
Licenses:					
Alcoholic Beverages		\$ 15,188.00		\$ 15,188.00	
Fees and Permits		94,676.00		94,676.00	
Fines and Costs:					
Municipal Court	\$ 8,403.51	119,837.84		124,150.96	\$ 4,090.39
Interest and Costs on Taxes		199,344.63	\$ 199,344.63		
Interest on Investments		133,066.66		133,066.66	
Recreation Fees		217,472.36		217,472.36	
Energy Receipts Tax		1,952,550.00		1,952,550.00	
Watershed Moratorium Aid		28,388.00		28,388.00	
	<u>\$ 8,403.51</u>	<u>\$ 2,760,523.49</u>	<u>\$ 199,344.63</u>	<u>\$2,565,491.98</u>	<u>\$ 4,090.39</u>

A

A

COLTS NECK TOWNSHIP  
CURRENT FUND  
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

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

	Balance Dec. 31, 2017	Balance After Modification	Paid or Charged	Balance Lapsed
<b>GENERAL GOVERNMENT:</b>				
Administrative and Executive:				
Administration:				
Salaries & Wages	\$ 7,639.78	\$ 7,639.78		\$ 7,639.78
Mayor & Committee:				
Salaries & Wages	4,500.00	4,500.00		4,500.00
Municipal Clerk:				
Salaries & Wages	15.20	15.20		15.20
Other Expenses	1,515.74	1,515.74	\$ 1,016.18	499.56
Elections				
Other Expenses	2,519.00	2,519.00		2,519.00
Financial Administration:				
Salaries & Wages	11.14	11.14	11.14	
Other Expenses	3,605.03	3,605.03	3,605.03	
Audit Services:				
Other Expenses	225.00	225.00		225.00
Assessment of Taxes:				
Other Expenses	2,891.76	2,891.76	21.69	2,870.07
Collection of Taxes:				
Salaries & Wages	3,494.80	3,494.80	2,644.80	850.00
Other Expenses	456.10	456.10	364.96	91.14
Legal Costs:				
Other Expenses	368,430.06	368,430.06	365,447.01	2,983.05
Joint Municipal Court:				
Salaries & Wages	7,735.41	7,735.41		7,735.41
Other Expenses	2,889.32	2,889.32	107.44	2,781.88
Engineering Services & Costs:				
Other Expenses	14,238.48	14,238.48	5,661.38	8,577.10
Planning Board:				
Salaries & Wages	117.14	117.14		117.14
Other Expenses	1,901.39	1,901.39	397.29	1,504.10
Zoning Board of Adjustment:				
Salaries & Wages				
Other Expenses	2,183.40	2,183.40	514.78	1,668.62
Shade Tree Commission				
Salaries & Wages	455.00	455.00		455.00
Other Expenses	6,912.02	6,912.02	6,425.00	487.02
Environmental Commission:				
Salaries and Wages	55.00	55.00		55.00
Other Expenses	25.96	25.96		25.96

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

	Balance Dec. 31, 2017	Balance After Modification	Paid or Charged	Balance Lapsed
<b>GENERAL GOVERNMENT:</b>				
Insurance (NJSA 40A:4-45.3(00)):				
Employee Group Insurance	\$ 47,310.48	\$ 47,310.48	\$ 47,310.48	
Unemployment	37.00	37.00		\$ 37.00
Health Benefit Waiver	2,900.00	2,900.00		2,900.00
<b>PUBLIC SAFETY:</b>				
Emergency Management Services:				
Other Expenses	1,000.00	1,000.00		1,000.00
Fire Department (P.L. 1983, Ch. 516):				
Other Expenses - Equipment	26,696.56	26,696.56	23,847.04	2,849.52
Police:				
Salaries and Wages	35,196.95	35,196.95	15,000.00	20,196.95
Other Expenses	18,869.36	18,869.36	14,448.21	4,421.15
First Aid Organization				
Contribution	11,160.91	11,160.91	1,480.36	9,680.55
<b>STREET &amp; ROADS:</b>				
Road Repairs and Maintenance:				
Salaries & Wages	67,958.27	67,958.27	60,000.00	7,958.27
Other Expenses	51,804.89	51,804.89	36,516.34	15,288.55
Snow Removal				
Salaries & Wages	820.41	820.41	820.41	
Other Expenses	81,080.60	81,080.60	81,080.60	
<b>HEALTH &amp; WELFARE:</b>				
Board of Health:				
Salaries & Wages	2,997.14	2,997.14		2,997.14
Other Expenses	10,925.86	10,925.86	1,575.00	9,350.86
Animal Control Services:				
Other Expenses - Contractual	6,977.00	6,977.00	2,234.50	4,742.50
<b>RECREATION &amp; EDUCATION:</b>				
Recreation:				
Salaries & Wages	19,814.05	19,814.05		19,814.05
Other Expenses	35,639.14	35,639.14	11,369.95	24,269.19
Recycling				
Salaries & Wages	8.61	8.61		8.61
Other Expenses	37,490.06	37,490.06	24,163.36	13,326.70
Parks & Playgrounds				
Salaries & Wages	9,000.00	9,000.00		9,000.00
Other Expenses	14,518.15	14,518.15	10,591.64	3,926.51
Farmland/Open Space Committee				
Salaries & Wages	750.00	750.00		750.00
Other Expenses	77.76	77.76		77.76
Street Lighting				
Other Expenses	2,853.10	2,853.10		2,853.10
Fire Prevention Bureau				
Salaries & Wages	735.66	735.66		735.66
Other Expenses	1,541.05	1,541.05	90.00	1,451.05
Code Enforcement Official				
Salaries & Wages	10,572.63	10,572.63		10,572.63
Other Expenses	50.44	50.44	910.72	(860.28)

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

	Balance Dec. 31, 2017	Balance After Modification	Paid or Charged	Balance Lapsed
UNCLASSIFIED:				
Municipal Alliance on Alcoholism and Drug Abuse	\$ 675.26	\$ 675.26		\$ 675.26
Electricity	5,192.22	5,192.22	\$ 16.44	5,175.78
Telephone	515.04	515.04	269.00	246.04
Gas	12,345.58	12,345.58	11,606.73	738.85
Natural Gas	6,475.50	6,475.50	4,176.79	2,298.71
Contingent	71.78	71.78	20.50	51.28
Historic Preservation				
Other Expenses	361.66	361.66		361.66
Architectural Review				
Other Expenses	462.60	462.60		462.60
Deferred Charges and Statutory Expenditures:				
Statutory Expenditures:				
Contributions to:				
Social Security System (O.A.S.I.)	11,393.29	11,393.29		11,393.29
Operations Excluded from "CAPS":				
LOSAP	40,000.00	40,000.00	32,690.00	7,310.00
Other Expenses	10,809.90	10,809.90	258.52	10,551.38
Interlocal Services				
Other Expenses	1,501.66	1,501.66		1,501.66
	<u>\$ 1,020,407.30</u>	<u>\$ 1,020,407.30</u>	<u>\$ 766,693.29</u>	<u>\$ 253,714.01</u>

	<u>Ref.</u>	
<u>Balance December 31, 2017:</u>		
Unencumbered	A	\$ 929,143.01
Encumbered	A	91,264.29
		<u>\$ 1,020,407.30</u>

Due to Other Trust	\$ 122,310.48
Cash Disbursed	644,382.81
Total	<u>\$ 766,693.29</u>

COLTS NECK TOWNSHIP  
CURRENT FUND  
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE

	<u>Ref.</u>	
Balance December 31, 2017		
Local School Tax Payable	A	\$ 5,346,898.99
Local School Tax Deferred		2,826,100.00
		8,172,998.99
Increased by:		
Levy - Calendar Year 2018		23,020,708.00
		31,193,706.99
Decreased by:		
Payments to Local School District		21,456,894.00
		\$ 9,736,812.99
Balance December 31, 2018		
Local School Tax Payable	A	\$ 6,910,712.99
Local School Tax Deferred		2,826,100.00
		\$ 9,736,812.99

COLTS NECK TOWNSHIP  
CURRENT FUND  
SCHEDULE OF REGIONAL HIGH SCHOOL DISTRICT TAXES PAYABLE/PREPAID

	<u>Ref.</u>	
Balance December 31, 2017		
Regional School Tax Payable		\$ 5,178,243.85
Regional School Tax Deferred	A	<u>1,523,600.00</u>
		<u>6,701,843.85</u>
Increased by:		
Levy - Calendar Year 2018		<u>13,503,272.00</u>
		20,205,115.85
Decreased by:		
Payments to Regional High School District		<u>13,723,547.00</u>
		<u>\$ 6,481,568.85</u>
Balance December 31, 2018		
Regional School Tax Payable	A	\$ 4,957,968.85
Regional School Tax Deferred		<u>1,523,600.00</u>
		<u>\$ 6,481,568.85</u>

COLTS NECK TOWNSHIP  
FEDERAL AND STATE GRANT FUNDS  
ANALYSIS OF GRANT RECEIVABLE

	Balance Dec. 31, 2017	2018 Budget Revenue Realized	Received	Transfer from Unappropriated Reserves	Balance Dec. 31, 2018
Municipal Alliance on Drug and Alcohol Abuse	\$ 14,293.16	\$ 22,150.00	\$ 23,496.30		\$ 12,946.86
Clean Communities Grant		34,723.09		\$ 34,723.09	
Recycling Tonnage Grant		27,030.44		27,030.44	
	<u>\$ 14,293.16</u>	<u>\$ 83,903.53</u>	<u>\$ 23,496.30</u>	<u>\$ 61,753.53</u>	<u>\$ 12,946.86</u>
<u>Ref.</u>	A	A-2	A-6	A-16	A

COLTS NECK TOWNSHIP  
FEDERAL AND STATE GRANT FUNDS  
SCHEDULE OF APPROPRIATED GRANT RESERVES

	Balance Dec. 31, 2017	Transferred from Current Fund 2018 Budget	Expended	Encumbered	Balance Dec. 31, 2018
Body Armor Fund - 2017	\$ 10.20				\$ 10.20
Drunk Driving Enforcement Fund -2011	1,114.99				1,114.99
Drunk Driving Enforcement Fund - 2012	730.43	\$	598.00		132.43
Drunk Driving Enforcement Fund - 2014	2,500.00				2,500.00
Drunk Driving Enforcement Fund - 2016	1,142.63		142.63		1,000.00
Drunk Driving Enforcement Fund - 2017	2,417.06				2,417.06
Recycling Tonnage Grant - 2016	20,324.01		20,324.01		
Recycling Tonnage Grant - 2017	24,862.57		20,979.91	\$ 3,882.66	25,859.04
Recycling Tonnage Grant - 2018		\$ 27,030.44	1,171.40		17,367.07
Clean Communities Program - 2017	35,934.42		18,567.35		34,723.09
Clean Communities Program - 2018		34,723.09			
Municipal Alliance on Drug and Alcohol Abuse - 2017	2,363.10		2,363.10		
Municipal Alliance on Drug and Alcohol Abuse - 2018		22,150.00	20,449.90		1,700.10
Health Emergency Preparedness Grant - 2017	1,942.53		1,092.12		850.41
	\$ 93,341.94	\$ 83,903.53	\$ 85,688.42	\$ 3,882.66	\$ 87,674.39
	A		A	A	A

Ref.

COLTS NECK TOWNSHIP  
FEDERAL AND STATE GRANT FUNDS  
SCHEDULE OF UNAPPROPRIATED RESERVES  
YEAR ENDED DECEMBER 31, 2018

	Balance Dec. 31, 2017	Cash Received	Revenue Realized
Clean Communities Grant		\$ 34,723.09	\$ 34,723.09
Recycling Tonnage Grant	\$ 27,030.44		27,030.44
	<u>\$ 27,030.44</u>	<u>\$ 34,723.09</u>	<u>\$ 61,753.53</u>
<u>Ref.</u>	A	A-6	A-14

COLTS NECK TOWNSHIP  
COUNTY OF MONMOUTH  
2018  
TRUST FUNDS

COLTS NECK TOWNSHIP  
TRUST FUNDS  
SCHEDULE OF CASH - TREASURER

		Animal Control Fund	Other Trust Funds
<u>Ref.</u>			
Balance December 31, 2017	B	\$ 7,861.97	\$ 5,749,623.45
Increased by Receipts:			
Animal Control Fees Collected		\$ 3,429.20	
State Registration Fees		511.80	
Current Fund:			
Interest Earned on Deposits		7.94	\$ 2,107.88
Prior Year Recievables			3,483.96
Escrow Deposits			191,685.77
Law Enforcement			0.74
Tax Collector:			
Third Party Liens			334,464.46
Tax Sale Premiums			604,800.00
Farmland Preservation Trust:			
Open Space/Farmland Preservation Tax Levy			363,382.00
Interest Earned on Deposits			10,433.91
Council on Affordable Housing:			
Interest Earned on Deposits			1,339.52
Deposits			130,579.16
Municipal Alliance Against Drug Abuse			
Interest Earned on Deposits			23.04
Deposits			4,019.50
Senior Citizen Building			
			403.45
Construction Code Official:			
Fees			466,739.24
Interest Earned on Deposits			284.95
Donations for Recreations Athletic Fields			7,759.57
Historical Preservation			10,083.33
Uniform Fire Safety Act Penalties			6,671.81
Storm Recovery			75,929.48
Bid Opening			4,522.60
Public Defender			1,850.00
S.C.A.R.T.			1,422.50
Police Donations			2,000.00
Third Party Police			296,748.44
Payroll Agency			6,044,485.09
Flexible Spending Account			9,609.94
Medical Insurance Trust			1,042,084.36
		3,948.94	9,616,914.70
		11,810.91	15,366,538.15

COLTS NECK TOWNSHIP  
TRUST FUNDS  
SCHEDULE OF CASH - TREASURER

	Animal Control Fund		Other Trust Funds
Decreased by Disbursements:			
Administrative Expenses (R.S. 4:19-15.11)	\$ 9,794.20		
State Dog License Fees	522.00		
Due Current Fund - Interest on Deposits	7.94		\$ 2,107.88
General Escrow			289,612.15
Law Enforcement			340.40
Tax Collector			
Third Party Liens			362,461.58
Tax Sale Premiums			768,200.00
Farmland Preservation Trust			326,130.40
Council on Affordable Housing			90,815.39
Municipal Alliance Against Drug Abuse			4,019.50
Construction Code Official			349,447.04
Donations for Recreations Athletic Fields			546,322.07
Historical Preservation			2,518.54
Historical Society			1,575.00
Uniform Fire Safety Act Penalties			11,092.85
Snow Removal			34,000.60
Bid Opening			2,700.00
Public Defender			1,850.00
S.C.A.R.T.			1,422.50
Police Donations			1,630.86
Third Party Police			263,976.95
Payroll Agency			6,044,485.09
FSA Account			7,603.02
Medical Insurance Trust			1,427,398.03
	10,324.14		10,539,709.85
Balance December 31, 2018	B	\$ 1,486.77	\$ 4,826,828.30

COLTS NECK TOWNSHIP  
ANIMAL CONTROL FUND  
SCHEDULE OF CASH - ANIMAL CONTROL COLLECTOR

NOT APPLICABLE

COLTS NECK TOWNSHIP  
ANIMAL CONTROL FUND  
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>		
Balance December 31, 2017	B		\$ 7,851.77
Increased by:			
Dog License Fees Collected		\$ 3,159.20	
Late, Impound and Boarding Fees		270.00	
	B-4		3,429.20
			11,280.97
Decreased by:			
Expenditures Under R.S. 4:19-15.11:			
Cash Disbursements	B-4		9,794.20
Balance December 31, 2018	B		\$ 1,486.77

License Fees Collected

<u>Year</u>		<u>Amount</u>
2016		\$ 3,894.40
2017		4,264.40
Maximum Allowable Reserve		\$ 8,158.80

COLTS NECK TOWNSHIP  
COUNTY OF MONMOUTH  
2018  
GENERAL CAPITAL FUND

COLTS NECK TOWNSHIP  
GENERAL CAPITAL FUND  
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 252,910.43
Increased by:		
Budget Appropriations		
Capital Improvement Fund	\$ 527,050.00	
Bond Anticipation Notes	5,898,189.00	
Grants Receivable		
New Jersey Department of Transportation	232,500.00	
Due Current Fund:		
Interest Earned	<u>31,889.03</u>	
		<u>6,689,628.03</u>
		6,942,538.46
Decreased by:		
Due to Current Fund	31,889.03	
Improvement Authorization Expenditures	<u>3,344,754.81</u>	
		<u>3,376,643.84</u>
Balance December 31, 2018	C	<u>\$ 3,565,894.62</u>

COLTS NECK TOWNSHIP  
GENERAL CAPITAL FUND  
ANALYSIS OF CASH

Fund Balance	Balance (Deficit) Dec. 31, 2017	Receipts		Disbursements		Transfers		Balance (Deficit) Dec. 31, 2018
		Budget Appropriation	Bond Anticipation Notes	Miscellaneous	Improvement Authorizations	Miscellaneous	From	
Capital Improvement Fund	\$ 3,942.13	\$ 527,050.00					\$ 576,671.00	\$ 3,942.13
Reserve for:	90,261.00							40,640.00
Debt Service	52,808.68							52,808.68
Encumbrances	325,704.57						325,704.57	1,147,930.05
Due Current Fund			\$ 31,889.03	\$ 31,889.03				
New Jersey Department of Transportation Receivable	(165,000.00)		232,500.00				210,000.00	(142,500.00)
					\$ 43,000.00			
					8,549.36			
					46,786.87			
					10,689.12		2,900.00	
					171,442.18			6,117.17
			\$ 250,000.00		24,404.17			19,015.16
			2,372,000.00		1,316,485.48		540.00	515,014.73
					28,403.29		3,112.68	46,500.00
					1,480,033.94		1,104.00	313,423.02
					214,960.40		1,130,591.01	93,031.63
			\$ 5,898,189.00	\$ 264,389.03	\$ 3,344,754.81	\$ 31,889.03	9,095.75	34,048.00
	\$ 252,910.43	\$ 527,050.00	\$ 5,898,189.00	\$ 264,389.03	\$ 3,344,754.81	\$ 31,889.03	\$ 2,260,305.62	1,035,185.05
								192,993.85
								\$ 3,565,894.62

Ord. No.	Improvement Description
-------------	-------------------------

01-03	Rehabilitation of Affordable Housing
08-03	Acquisition of Hammond and Amdur Farm
09-10	Various Capital Improvements/Equipment
09-19	Acquisition of Affordable Housing Units
10-08	Acquisition/Refurbishment of Property
10-14	Improvements to Heyers Mill Road, Phase II
11-09, 14-05	Various Capital Improvements/Equipment
15-07	Various Capital Improvements/Equipment
16-02	Various Capital Improvements
16-09	Various Capital Improvements/Equipment
17-06	Various General Capital Improvements
17-14	Various Capital Improvements/Equipment
17-18	Acquisition/Refurbishment of Property
2018-8	Various Capital Improvements
2018-11	Various Capital Improvements

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

Ord. No.	Improvement Description	Balance		2018 Authorizations	Balance Dec. 31, 2018	Bond Anticipation Notes	Analysis of Balance December 31, 2018		Unexpended Improvement Authorizations
		Dec. 31, 2017	2018				Expended		
2009-19	Acquisition of Affordable Housing Units	\$ 712,500.00			\$ 712,500.00			\$ 712,500.00	
2014-05	Various Capital Improvements/Equipment	38,000.00			38,000.00		\$ 38,000.00		
2016-02	Various Capital Improvements	2,398,095.00			2,398,095.00	\$ 2,398,000.00		95.00	
2017-06	Various Capital Improvements	2,872,617.00			2,872,617.00	2,372,000.00		500,617.00	
2017-18	Acquisition/Refurbishment of Property	680,952.00			680,952.00			680,952.00	
2018-8	Various Capital Improvements		\$ 3,542,379.00		3,542,379.00	3,276,189.00		266,190.00	
		<u>\$6,702,164.00</u>	<u>\$ 3,542,379.00</u>		<u>\$ 10,244,543.00</u>	<u>\$ 8,046,189.00</u>	<u>\$ 38,000.00</u>	<u>\$ 2,160,354.00</u>	
<u>Ref.</u>		C			C				
	Improvement Authorizations - Unfunded							4,023,976.80	
	Less: Unexpended Proceeds of Bond Anticipation Notes Issued:								
	Ordinance #2016-02 Various Capital Improvements							(515,014.73)	
	Ordinance #2017-06 Various Capital Improvements							(313,423.02)	
	Ordinance #2018-08 Various Capital Improvements							(1,035,185.05)	
								<u>2,160,354.00</u>	



COLTS NECK TOWNSHIP  
GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 90,261.00
Increased by:		
Budget Appropriation		<u>527,050.00</u>
		617,311.00
Decreased by:		
Appropriated to Fund Improvement Authorizations		<u>576,671.00</u>
Balance December 31, 2018	C	<u><u>\$ 40,640.00</u></u>

COLTS NECK TOWNSHIP  
GENERAL CAPITAL FUND  
SCHEDULE OF BONDS ANTICIPATION NOTES PAYABLE  
FOR THE YEAR ENDED DECEMBER 31, 2018

Date of Ordinance	Improvement Description	Original Issue Date	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
03/15/17	Various Capital Improvemer	03/16/16 03/17/16	03/14/17 03/13/18	03/14/18 03/13/19	2.25% 2.50%	\$2,148,000.00	\$2,398,000.00	\$2,148,000.00	\$2,398,000.00
02/23/17	Various Capital Improvemer	03/13/18	03/13/18	03/13/19	2.50%		2,372,000.00		2,372,000.00
05/09/18	Various Capital Improvemer	10/04/18	10/04/18	03/04/19	2.75%		3,276,189.00		3,276,189.00
						<u>\$2,148,000.00</u>	<u>\$8,046,189.00</u>	<u>\$2,148,000.00</u>	<u>\$8,046,189.00</u>
					Issued		\$5,898,189.00		
					Renewed		<u>2,148,000.00</u>	<u>\$2,148,000.00</u>	
							<u>\$8,046,189.00</u>	<u>\$2,148,000.00</u>	<u>\$8,046,189.00</u>

COLTS NECK TOWNSHIP  
GENERAL CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Maturities of Bonds		Interest Rate	Balance Dec. 31, 2017	Matured	Balance Dec. 31, 2018
		Outstanding Date	Amount				
Refunding Bonds	4/24/2012	12/31/2019	\$ 690,000.00	4.00%	\$ 3,590,000.00	\$ 665,000.00	\$ 2,925,000.00
		12/31/2020	715,000.00	4.00%			
		12/31/2021	745,000.00	4.00%			
		12/31/2022	775,000.00	5.00%			
MCIA General Obligation Bonds	12/24/13	12/01//2019	375,000.00	4.00%	5,020,000.00	360,000.00	4,660,000.00
		12/01//2020	390,000.00	4.00%			
		12/01//2021	410,000.00	5.00%			
		12/01//2022	430,000.00	5.00%			
		12/01//2023	450,000.00	5.00%			
		12/01//2024	470,000.00	5.00%			
		12/01//2025	495,000.00	5.00%			
		12/01//2026	520,000.00	5.00%			
12/01//2027	545,000.00	5.00%					
		12/01//2028	575,000.00	5.00%			
					\$ 8,610,000.00	\$ 1,025,000.00	\$ 7,585,000.00

Ref.

C

C

COLTS NECK TOWNSHIP  
GENERAL CAPITAL FUND  
SCHEDULE OF GREEN ACRES LOAN PAYABLE

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 42,587.74
Decreased by:		
Loan Payment by Budget Appropriation		<u>10,330.43</u>
Balance December 31, 2018	C	<u>\$ 32,257.31</u>

Schedule of Principal and Interest Payments Outstanding December 31, 2018

Laird Road Recreation Area

<u>Payment Number</u>	<u>Due</u>	<u>Interest</u>	<u>Principal</u>	<u>Loan Balance</u>
				\$ 13,430.18
24	3/25/2019	\$ 134.30	\$ 2,632.85	10,797.33
25	9/25/2019	107.97	2,659.18	8,138.15
26	3/25/2020	81.38	2,685.77	5,452.38
27	9/25/2020	54.52	2,712.63	2,739.75
28	3/25/2021	27.40	2,739.75	

Laird Road Recreation Area II

<u>Payment Number</u>	<u>Due</u>	<u>Interest</u>	<u>Principal</u>	<u>Loan Balance</u>
				\$ 18,827.13
22	5/6/2019	\$ 188.27	\$ 2,609.97	16,217.16
23	11/6/2019	162.17	2,636.07	13,581.09
24	5/6/2020	135.81	2,662.43	10,918.66
25	11/6/2020	109.19	2,689.06	8,229.60
26	5/6/2021	82.30	2,715.95	5,513.65
27	11/6/2021	55.14	2,743.11	2,770.54
28	5/6/2022	27.71	2,770.54	
		<u>\$ 1,166.16</u>	<u>\$ 32,257.31</u>	

COLTS NECK TOWNSHIP  
GENERAL CAPITAL FUND  
 SCHEDULE OF MONMOUTH COUNTY IMPROVEMENT AUTHORITY LEASE PAYABLES

Purpose	Date of Issue	Maturities of Bonds		Interest Rate	Balance Dec. 31, 2017	Matured	Balance Dec. 31, 2018
		Outstanding Date	Amount				
MCIA Lease Purchase	10/1/2015	10/1/2019	\$ 42,000.00	5.00%	\$ 228,000.00	\$ 40,000.00	\$ 188,000.00
		10/1/2020	44,000.00	5.00%			
		10/1/2021	19,000.00	5.00%			
		10/1/2022	20,000.00	2.00%			
		10/1/2023	20,000.00	5.00%			
		10/1/2024	21,000.00	5.00%			
		10/1/2025	22,000.00	5.00%			
					<u>\$ 228,000.00</u>	<u>\$ 40,000.00</u>	<u>\$ 188,000.00</u>

Ref.

C

C

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

Ord. No.	Ord. Date	Improvement Description	Balance	2018	Bond Anticipation	Balance
			Dec. 31, 2017	Authorizations	Note Issued	Dec. 31, 2018
2009-19	11/12/2009	Acquisition of Affordable Housing Units	\$ 712,500.00			\$ 712,500.00
2014-05	2/26/2014	Various Capital Improvements/Equipment	38,000.00			38,000.00
2016-02	1/13/2016	Various Capital Improvements	250,095.00		\$ 250,000.00	95.00
2017-06	2/23/2017	Various Capital Improvements	2,872,617.00		2,372,000.00	500,617.00
2017-18	9/27/2017	Acquisition/Refurbishment of Property	680,952.00			680,952.00
2018-08	05/09/18	Various Capital Improvements		\$ 3,542,379.00	3,276,189.00	266,190.00
			\$ 4,554,164.00	\$ 3,542,379.00	\$ 5,898,189.00	\$ 2,198,354.00

COLTS NECK TOWNSHIP  
PART II  
SINGLE AUDIT  
YEAR ENDED DECEMBER 31, 2018

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

Name of State Agency or Department	Name of Program	Pass-Through Entity ID#	C.F.D.A. Number	Grant Period From	Grant Period To	Grant Award Amount	Amount Received	Program Expenditures	Cumulative Expenditures	Amounts Provided to Subrecipients
U.S. Department of Homeland Security: (Pass Through New Jersey Department of Law and Public Safety)	Disaster Grants - Public Assistance - FEMA	N/A	97.036	10/30/2012	12/31/2018	\$ 4,694.85	\$ 4,694.85	\$ 4,694.85 *	\$ 4,694.85 *	
Total U.S. Department of Homeland Security										
U.S. Department of Transportation (Pass Through N.J. Department of Transportation)	Highway Planning and Construction	078-6320-480-AMF	20.205	1/1/2011	12/31/2012	394,000.00	75,000.00		394,000.00	
	Highway Planning and Construction	078-6320-480-AMQ	20.205	1/1/2018	12/31/2019	210,000.00	157,500.00	210,000.00	210,000.00	
Total U.S. Department of Transportation										
Total Federal Awards										
							\$ 237,194.85	\$ 214,694.85	\$ 608,694.85	\$ -0-

\* - expended in prior year  
N/A - Not Available/Applicable

SEE ACCOMPANYING NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS

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

Name of State Agency or Department	Name of Program	Program Account No.	Grant Award Amount	Grant Period		Receipts	Expenditures	Total Cumulative Expenditures
				From	To			
Department of Environmental Protection	Clean Communities Grant	765-042-4900-004-VCMC-6020	\$ 36,093.17	1/1/2017	12/31/2018	\$ 34,723.09	\$ 18,567.35	\$ 18,726.10
			34,723.09	1/1/2018	12/31/2019	34,723.09	18,567.35	18,726.10
Total Department of Environmental Protection	Recycling Grant	752-042-4900-001-6020	37,798.11	1/1/2016	12/31/2018		20,324.01	37,798.11
			24,862.57	1/1/2017	12/31/2018		20,979.91	20,979.91
			27,030.44	1/1/2018	12/31/2018		1,171.40	1,171.40
							42,475.32	59,949.42
						34,723.09	61,042.67	78,675.52
Department of Health and Senior Services	Health Emergency Preparedness Grant	N/A	2,320.00	1/1/2018	12/31/2019		1,092.12	1,469.59
							1,092.12	1,469.59
Total Department of Health and Senior Services							1,092.12	1,469.59
Department of Law and Public Safety: Division of Criminal Justice	Drunk Driving Enforcement Fund Grant	4250-760-0500000-63	7,456.43	1/1/2012	12/31/2019		598.00	7,324.00
			2,692.08	1/1/2016	12/31/2019		142.63	1,692.08
							740.63	9,016.08
Department of the Treasury: (Passed through the County of Monmouth)	Municipal Alliance on Alcoholism and Drug Abuse	2000-475-995120-60	22,150.00	7/1/2017	6/30/2018	14,293.16	2,363.10	22,150.00
			22,150.00	7/1/2018	6/30/2019	9,203.14	20,449.90	20,449.90
						23,496.30	22,813.00	42,599.90
Total State Awards						\$ 58,219.39	\$ 85,688.42	\$ 131,761.09
N/A - Not Available/Applicable								

SEE ACCOMPANYING NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS

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

A. BASIS OF PRESENTATION

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

C. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

D. STATE LOANS OUTSTANDING

The Colts Neck Township has the following loan outstanding as of December 31, 2018:

New Jersey Environmental Infrastructure Trust Loan	\$32,257.31
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Currently, the Township is in the process of repaying the loan balance. There were no loan receipts or expenditures in the current year.



Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mt. Arlington, NJ 07856  
973-298-8500 | 973-298-8501 Fax

Lawrence Business Center  
11 Lawrence Road  
Newton, NJ 07860  
973-383-6699 | 973-383-6555 Fax

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

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements – *Regulatory Basis* – of the various funds of the Colts Neck Township, in the County of Monmouth (the "Township") as of and for the years ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2019. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

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

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

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

The Honorable Mayor and Members  
of the Township Committee  
Colts Neck Township  
Page 2

We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2018-01 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

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

### **The Township's Response to the Finding**

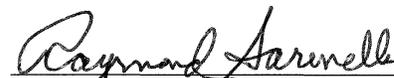
The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

May 20, 2019  
Mount Arlington, New Jersey

NISIVOCCIA LLP



Raymond G. Sarinelli  
Certified Public Accountant  
Registered Municipal Accountant No. 383

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

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Township prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey.
- A significant deficiency was disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Township which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Township was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* for 2018 as grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and New Jersey OMB Circular 15-08.

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

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

Finding 2018-1:

Segregation of Duties

Criteria

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

Condition

The Township does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to make an error or misappropriate funds and prevent detection within a reasonable period of time. The various departments/offices of the Township are responsible for the issuance of permits and licenses; collection of taxes, and permit and license fees; and recording of collections. This is due, in part, to the limited number of personnel of the Township and the decentralized nature of governmental collection procedures. The circumstance is not unusual in a municipality where there are a small number of individuals involved in this process. The township has developed mitigating controls where possible at the staff level. Accordingly, management and the Township Committee should be aware of this situation and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

COLTS NECK TOWNSHIP  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Finding 2018-1:

Cause

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

Effect or Potential Effect

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

Management's Response

The finding was evaluated by management and management believes adequate segregation of duties are in place. Management feels this comment is unwarranted and the Township's internal control policies are strong.

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

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

No prior year findings.

COLTS NECK TOWNSHIP

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

COLTS NECK TOWNSHIP  
COMMENTS AND RECOMMENDATIONS

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

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

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (36A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

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

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L.1971, c.198 (40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

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

Effective January 1, 2011 and thereafter, the bid threshold in accordance with N.J.S.A 40A:11-3 and 40A-4 (as amended) is \$17,500, and with a qualified purchasing agent the threshold may be up to \$40,000.

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

COLTS NECK TOWNSHIP  
COMMENTS AND RECOMMENDATIONS  
(Continued)

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

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

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

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rate to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent. On January 6, 2018, the governing body adopted a resolution authorizing interest to be charged at the rate of 8% per annum on the first \$1,500.00 of delinquent taxes and 18% per annum for delinquent taxes in excess of \$1,500.00. Interest to be waived on current taxes paid within the first 10 days after due dates. An additional penalty of 6% on delinquencies in excess of \$10,000.00 at December 31.

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

Delinquent Taxes and Tax Title Liens

A tax sale was held on December 4, 2018 and all eligible properties were included. Inspection of tax sale certificates revealed that tax sale certificates were available for audit.

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

<u>Year</u>	<u>Number of Liens</u>
2018	1
2017	5
2016	5

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2018 Taxes	20
Delinquent Taxes Receivable	15
Tax Title Liens Receivable	1

COLTS NECK TOWNSHIP  
COMMENTS AND RECOMMENDATIONS  
(Continued)

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

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

New Jersey Administrative Code Accounting Requirements

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

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

The Township is currently in compliance with all three accounting requirements.

Finding

During our review of the Medical Insurance Trust it was noted that the Third-Party Administrator had not properly recorded receivables on a timely basis, causing the Township to provide additional funding to the Medical Insurance Trust.

Recommendation

It is recommended that the Township continue to monitor the Medical Insurance Trust on a monthly basis to ensure the Trust is properly funded. Additionally, the Third-Party Administrator should provide the Township with supporting documentation, to ensure receivables are recorded on a timely basis to properly reflect the Medical Insurance Trust Balance as of the balance sheet date.

Management Response

Management will continue to monitor the Medical Insurance Trust and will establish a minimum balance on hand to ensure adequate funding is readily available. Additionally, management will work with the Third-Party Administrator to ensure all receivables are recorded in a more timely manner.

Status of Prior Year Recommendations

There were no recommendations included in the December 31, 2017 audit report.

COLTS NECK TOWNSHIP  
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. Adequate segregation of duties, where possible, be considered with respect to the recording and treasury functions.
2. The Township continue to monitor the Medical Insurance Trust on a monthly basis to ensure the Trust is properly funded. Additionally, the Third-Party Administrator should provide the Township with supporting documentation, to ensure receivables are recorded on a timely basis to properly reflect the Medical Insurance Trust Balance as of the balance sheet date.

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