

**BOROUGH OF CARTERET  
COUNTY OF MIDDLESEX  
NEW JERSEY**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY DATA  
AND INFORMATION**

**FOR THE YEARS ENDED  
DECEMBER 31, 2017 and 2016**

***HODULIK & MORRISON, P.A.***  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
HIGHLAND PARK, N.J.

**BOROUGH OF CARTERET**  
**MIDDLESEX COUNTY, NEW JERSEY**

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**MIDDLESEX COUNTY, NEW JERSEY**

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**MIDDLESEX COUNTY, NEW JERSEY**

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**BOROUGH OF CARTERET**  
**MIDDLESEX COUNTY, NEW JERSEY**



**PART I**  
**INDEPENDENT AUDITOR'S REPORT**  
**FINANCIAL STATEMENTS**

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**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Members  
of the Borough Council  
Borough of Carteret  
County of Middlesex, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets – regulatory basis of the various funds and governmental fixed assets of the Borough of Carteret, County of Middlesex, New Jersey, as of and for the years ended December 31, 2017 and 2016 and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis for the year ended December 31, 2017 and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, United States of America, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These prescribed principles 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. Accordingly, the accompanying financial statements – regulatory basis are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. The effect on the financial statements between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial positions of the Borough of Carteret, County of Middlesex, New Jersey, as of December 31, 2017 and 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

### Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and governmental fixed assets of the Borough of Carteret, County of Middlesex, New Jersey as of December 31, 2016 and 2015 and the results of operations and changes in fund balance – regulatory basis for the year then ended and the related statements of revenues – regulatory basis and statements of expenditures – regulatory basis of the various funds for the year ended December 31, 2017, on the basis of accounting described in Note 2.

### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that pension plan information, including the Notes thereto, (Required Supplementary Information – Part II), as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was made for the purpose of forming an opinion on the financial statements of the Borough of Carteret, County of Middlesex, New Jersey. The information included in Part III – Supplementary Schedules and Part IV – Supplementary Data, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Carteret, County of Middlesex, New Jersey. The information included in Part III – Supplementary Schedules is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis taken as a whole.

The schedules and information contained in Part IV - Supplementary Data have not been subjected to auditing procedures applied in the audit of the financial statements and, accordingly we do not express an opinion, or provide any assurance on them.

Other Reporting Required by Regulations (LOSAP)


The financial statements referred to in the first paragraph include the assets, liabilities and net position of the Borough's Length of Service Award Program (LOSAP). Pursuant to N.J. State regulation, LOSAP is subject to an independent accountant's review only and we were not engaged to audit the LOSAP financial statements as part of our audit of the Borough's financial statements. Accordingly, the financial statements of the Borough's LOSAP are unaudited and we do not express an opinion on the accompanying LOSAP financial statements included within the Trust Funds.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 21, 2018 on our consideration of the Borough of Carteret's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Accounting Standards* and should be considered in assessing the results of our audit.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants  
Public School Accountants



Andrew G. Hodulik  
Registered Municipal Accountant  
No. 406

Highland Park, New Jersey  
June 21, 2018



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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the Borough Council  
Borough of Carteret  
County of Middlesex, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis, of the Borough of Carteret, County of Middlesex as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough of Carteret, County of Middlesex's financial statements and have issued our report thereon dated June 21, 2018. Our report was modified due to the departure from accounting principles generally accepted in the United States of America, as disclosed in Note 2, that are embodied in the Other Comprehensive Basis of Accounting Utilized for financial statements presentations and was unmodified based upon that Other Comprehensive Basis of Accounting.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of Carteret's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Carteret's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Carteret's internal control over financial reporting.

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Carteret'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* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

#### Purpose of this Report

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



HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Public School Accountants

Highland Park, New Jersey  
June 21, 2018

**FINANCIAL STATEMENTS**

BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2017 AND 2016

ASSETS	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
Current Fund:						
Cash and Investments	\$ 9,418,358.96	\$ 8,549,641.41			\$ 588,061.85	\$ 319,115.44
Cash - Change Funds	350.00	350.00	Appropriation Reserves	A-3,A-14	1,843,860.31	1,471,934.46
Due from State of NJ- Sr Citizen & Veterans' Ded	2,275.33	395.19	Reserve For Encumbrances	A-3,A-14	647,211.03	390,200.11
	<u>9,420,984.29</u>	<u>8,550,386.60</u>	Prepaid Taxes	A-16	16,679.17	11,236.46
			Sewer Overpayments	A-17	110,254.45	218,914.48
			Tax Overpayment	A-18	308,008.65	347,715.57
			Various Accounts Payable	A-19	21,107.53	11,242.80
			Various Reserves	A-19	<u>3,535,182.99</u>	<u>2,770,359.32</u>
Receivables and Other Assets						
With Full Reserves:						
Delinquent Property Taxes Receivable	528,452.69	787,948.86			1,951,165.91	2,292,418.32
Tax Title Liens Receivable	61,092.75	36,983.13	Reserve for Receivables and Other Assets	Reserve	5,885,801.30	5,780,027.28
Sewer Rents Receivable	318,736.24	442,572.09	Fund Balance	A-1		
Sewer Liens Receivable	6,300.91	5,850.91				
Property Acquired for Taxes -						
Assessed Value	896,900.00	896,900.00				
Demolition Liens Receivable	9,000.00	9,000.00				
Revenue Accounts Receivable	130,683.32	113,163.33				
	<u>1,951,165.91</u>	<u>2,292,418.32</u>				
Total Current Fund	<u>11,372,150.20</u>	<u>10,842,804.92</u>	Total Current Fund		<u>11,372,150.20</u>	<u>10,842,804.92</u>
Federal and State Grant Fund						
Grants Receivable	2,194,475.40	2,193,543.69	Federal and State Grant Fund:			
	<u>2,194,475.40</u>	<u>2,193,543.69</u>	Due to Capital Fund	A-21	511,516.43	474,709.97
			Reserve for Encumbrances	A-23	449,180.14	119,449.33
			Reserve for Grants - Unappropriated	A-24	43,804.54	61,886.31
			Reserve for Grants - Appropriated	A-23	1,189,974.29	1,537,498.08
			Total Grant Fund		<u>2,194,475.40</u>	<u>2,193,543.69</u>
Total Grant Fund	<u>2,194,475.40</u>	<u>2,193,543.69</u>				
	<u>\$ 13,566,625.60</u>	<u>\$ 13,036,348.61</u>			<u>\$ 13,566,625.60</u>	<u>\$ 13,036,348.61</u>

Note: See Notes to Financial Statements

BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
 COMPARATIVE STATEMENTS OF OPERATIONS  
 AND CHANGES IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

<u>REVENUE AND OTHER INCOME</u>	<u>REF.</u>	<u>YEAR 2017</u>	<u>YEAR 2016</u>
Fund Balance Utilized	A-1,A-2	\$ 2,500,000.00	\$ 2,500,000.00
Miscellaneous Revenue Anticipated	A- 2	14,435,332.00	14,688,727.23
Receipts from Delinquent Taxes	A- 2	731,818.38	655,772.42
Receipts from Current Taxes	A- 2	65,930,149.63	63,039,505.13
Non-Budget Revenue	A- 2	878,064.93	451,119.29
Revenue Accounts Receivable - Sewer Loan	A-10	3,650.43	
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-14	297,475.58	347,687.75
Cancellation of State and Federal			
Grants Appropriated	A-15	-	4,779,784.93
Cancellation of Accounts Payable	A-19	171,280.87	9,490.95
Cancellation of Tax Overpayments	A-18	32,045.98	22,462.51
		<u>84,979,817.80</u>	<u>86,494,550.21</u>
Total Income			
		<u>84,979,817.80</u>	<u>86,494,550.21</u>
 <u>EXPENDITURES</u>			
Budget Appropriations			
Operations			
Salaries and Wages	A- 3	15,551,300.00	15,456,000.00
Other Expenses	A- 3	17,954,970.40	16,707,670.39
Capital Improvements	A- 3	2,120,597.00	1,447,399.00
Municipal Debt Service	A- 3	3,903,854.15	3,722,300.29
Deferred Charges and Statutory Expenditures	A- 3	3,194,720.00	3,244,056.00
County Taxes	A-20	8,742,438.13	8,492,331.80
County Share of Added and Omitted Taxes	A-20	4,189.75	133,535.06
Local District School Taxes	A-20	27,289,885.00	26,489,010.00
Special District Taxes	A-20	2,552,203.00	2,442,650.00
Municipal Open Space Tax	A-20	736,169.15	579,160.53
Refund State Tax Appeals	A-4	311,874.73	524,049.74
Cancellation of State and Federal			
Grants Receivable	A-15	-	4,830,069.10
Prior Year Senior Citizens' and Veterans'			
Deductions Allowed/Disallowed (Net)	A- 6	11,842.47	8,547.95
		<u>82,374,043.78</u>	<u>84,076,779.86</u>
Total Expenditures			
		<u>82,374,043.78</u>	<u>84,076,779.86</u>
Excess in Revenue		<u>2,605,774.02</u>	<u>2,417,770.35</u>
Regulatory Excess to Fund Balance		2,605,774.02	2,417,770.35
Fund Balance, January 1	A	<u>5,780,027.28</u>	<u>5,862,256.93</u>
		8,385,801.30	8,280,027.28
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>2,500,000.00</u>	<u>2,500,000.00</u>
Fund Balance, December 31	A	<u>\$ 5,885,801.30</u>	<u>\$ 5,780,027.28</u>

Note: See Notes to Financial Statements

BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	REF.	ANTICIPATED 2017 BUDGET	N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Surplus Anticipated	A-1	\$ 2,500,000.00	\$	\$ 2,500,000.00	\$ -
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-10	30,000.00		32,752.00	2,752.00
Other	A-10	40,000.00		34,631.16	(5,368.84)
Fees and Permits	A-10	1,010,000.00		1,014,751.20	4,751.20
Municipal Court - Fines and Costs	A-10	410,000.00		567,946.08	157,946.08
Interest and Costs on Taxes	A-10	275,000.00		286,161.83	11,161.83
Interest on Investments and Deposits	A-10	30,000.00		118,553.72	88,553.72
Sewer User Fees	A-11	5,400,000.00		5,731,706.54	331,706.54
Payment in Lieu of Taxes	A-10	2,100,000.00		2,451,740.42	351,740.42
Energy Receipts Taxes	A-10	2,224,217.00		2,224,217.00	-
Consolidated Municipal Property Tax Relief Act	A-10	358,894.00		358,894.00	-
Uniform Construction Code Fees	A-10	1,250,000.00		1,060,990.00	(189,010.00)
Engineering Fees	A-10	10,000.00		15,408.70	5,408.70
Uniform Fire Safety Act	A-10	30,000.00		62,272.47	32,272.47
Carteret Hazmat Funding	A-10	250,000.00		300,000.00	50,000.00
Clean Communities Grant	A-22		37,974.12	37,974.12	-
Municipal Alliance on Alcoholism and Drug Abuse	A-22		17,500.00	17,500.00	-
Body Armor	A-22	4,991.12	5,642.09	10,633.21	-
Older Americans Act	A-22	17,208.00		17,208.00	-
County Historic Grant	A-22	1,920.00		1,920.00	-
Click It Or Ticket It	A-22	15,000.00		15,000.00	-
Federal Coastal Zone Management	A-22	9,949.50		9,949.50	-
Municipal Court-DWI	A-22	2,477.69		2,477.69	-
Recycling Tonnage Grant	A-22		37,154.91	37,154.91	-
Municipal Recycling Assistance	A-22	12,260.00		12,260.00	-
Summer Food	A-22		13,229.45	13,229.45	-

BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	ANTICIPATED 2017 BUDGET	N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
REF.				
Total Miscellaneous Revenues	13,481,917.31	111,500.57	14,435,332.00	841,914.12
Receipts from Delinquent Taxes	750,000.00		731,818.38	(18,181.62)
Subtotal General Revenues	16,731,917.31	111,500.57	17,667,150.38	823,732.50
Amount to be Raised by Taxes for Support of:				
Municipal Budget	27,024,342.67		27,391,550.33	367,207.66
Library Tax	713,714.27		713,714.27	-
Subtotal Amount to be Raised by Taxes	27,738,056.94		28,105,264.60	367,207.66
Total General Revenues	44,469,974.25	111,500.57	45,772,414.98	1,190,940.16
Non-Budget Revenues			878,064.93	878,064.93
	\$ 44,469,974.25	\$ 111,500.57	\$ 46,650,479.91	\$ 2,069,005.09
Adopted Budget	A-3 \$ 44,469,974.25			
Added by N.J.S.A. 40A:4-87	A-3 111,500.57			
	\$ 44,581,474.82			

BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>REF.</u>	ANTICIPATED 2017 <u>BUDGET</u>	N.J.S.A. <u>40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
<u>Analysis of Realized Revenues</u>					
Allocation of Current Tax Collections:					
Prepaid Taxes Prior Year		\$ 390,200.11			
Cash Collected 2017		65,380,947.46			
State Share of Sr Citizens & Vet. Deductions Allowed		<u>159,002.06</u>			
			\$ 65,930,149.63		
Allocated to:					
School, County and Special District Taxes			<u>39,324,885.03</u>		
			26,605,264.60		
Add: Reserve for Uncollected Taxes			<u>1,500,000.00</u>		
Amount for Support of Municipal Budget			<u>\$ 28,105,264.60</u>		

Note: See Notes to Financial Statements



BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>	<u>EXPENDED</u>		<u>RESERVED</u>	<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>MODIFICATION</u>	<u>CHARGED</u>	<u>ENCUMBERED</u>	<u>CANCELLED</u>	<u>BALANCE</u>	
Operations Within "CAPS"							
<u>GENERAL GOVERNMENT</u>							
Mayor and Council	\$ 167,000.00	\$ 167,000.00	166,986.27	1,725.00		13.73	\$ 391.39
Salaries and Wages	10,300.00	13,300.00	11,183.61				
Other Expenses							
Municipal Clerk	475,000.00	470,000.00	469,495.23	504.77		0.00	
Salaries and Wages	43,000.00	48,000.00	44,994.92	1,703.36		1,301.72	
Other Expenses							
Financial Administration	350,000.00	340,000.00	329,592.25	7,000.00		3,407.75	
Salaries and Wages	59,000.00	69,000.00	62,371.21	5,787.00		841.79	
Other Expenses							
Annual Audit	33,000.00	33,000.00		33,000.00		-	
Other Expenses							
Revenue Administration	189,000.00	189,000.00	186,497.13	2,502.87		(0.00)	
Salaries and Wages	21,000.00	24,000.00	19,570.59	3,464.96		964.45	
Other Expenses							
Assessment of Taxes	124,000.00	104,000.00	100,871.76	1,100.00		2,028.24	
Salaries and Wages	50,000.00	37,800.00	26,318.95	9,424.49		2,056.56	
Other Expenses							
Legal Services and Costs	178,000.00	193,000.00	186,222.75	3,500.00		3,277.25	
Salaries and Wages	450,000.00	470,000.00	411,604.72	41,014.52		17,380.76	
Other Expenses							
Engineering Services and Costs	346,000.00	326,000.00	317,042.44	6,500.00		2,457.56	
Salaries and Wages	350,000.00	480,000.00	322,811.70	157,043.33		144.97	
Other Expenses							
Economic Development Agency	60,000.00	45,000.00	38,249.97	1,000.00		5,750.03	
Salaries and Wages	101,500.00	101,500.00	1,471.71			28.29	100,000.00
Other Expenses							
Municipal Land Use Law (N.J.S.A. 40:55D-1)							
Planning Board	38,000.00	18,000.00	12,559.45	250.00		5,190.55	
Salaries and Wages	3,000.00	3,000.00	129.00	801.00		2,070.00	
Other Expenses							
Zoning Board	38,000.00	18,000.00	13,014.69	350.00		4,635.31	
Salaries and Wages	1,500.00	1,500.00	185.00			1,315.00	
Other Expenses							

BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>	<u>EXPENDED</u>		<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>MODIFICATION</u>	<u>CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	<u>BALANCE</u>
						<u>CANCELLED</u>
Contribution to Redevelopment Agency	125,000.00	125,000.00	125,000.00		-	
Contribution to Port Authority	500,000.00	500,000.00	500,000.00		-	
Contribution to Historical Society	5,000.00	5,000.00	2,611.35		2,388.65	
Central Jersey Arts Council	155,000.00	155,000.00	96,641.70		18,358.30	40,000.00
Special Improvement District	100,000.00	100,000.00	100,000.00		-	
Insurance						
Liability Insurance and Surety Bond Premium	810,000.00	810,000.00	806,052.33		3,947.67	
Worker Compensation Insurance	445,000.00	445,000.00	346,939.57		98,060.43	
Employee Group Insurance	5,500,000.00	5,500,000.00	4,939,239.39	450,085.57	10,675.04	100,000.00
Unemployment Insurance	70,000.00	70,000.00	70,000.00		-	

PUBLIC SAFETY

Police						
Salaries and Wages:						
Permanent Full Time	7,200,000.00	7,045,000.00	6,783,037.13	261,962.87	0.00	
School Crossing Guards	300,000.00	300,000.00	286,452.44	13,547.56	(0.00)	
Other Expenses	186,000.00	286,000.00	166,749.41	67,105.06	52,145.53	
Police Dispatch/911						
Salaries and Wages	445,000.00	460,000.00	448,571.76	11,428.24	(0.00)	
Emergency Management Services						
Salaries and Wages	8,800.00	8,800.00	7,452.95	1,347.05	0.00	
Other Expenses	10,000.00	10,000.00	5,440.46	688.92	3,870.62	
Emergency Medical Services						
Salaries and Wages	400,000.00	360,000.00	349,350.43	10,649.57	0.00	
Other Expenses:	66,000.00	66,000.00	57,583.32	8,416.68	-	
Aid to Volunteer Fire Companies	57,000.00	47,000.00	17,046.09	13,521.29	16,432.62	
Fire						
Salaries and Wages	2,335,000.00	2,505,000.00	2,422,020.82	82,979.18	0.00	
Other Expenses:						
Miscellaneous Other Expenses	474,500.00	474,500.00	405,203.95	48,547.82	20,748.23	
Carteret Hazmat Assoc Agreement						
Salaries and Wages	176,000.00	176,000.00	176,000.00		-	
Other Expenses:	91,000.00	91,000.00	19,524.95	20,564.91	50,910.14	
Municipal Prosecutor						
Salaries and Wages	36,000.00	44,000.00	43,100.65	899.35	(0.00)	

**BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**CURRENT FUND**

**STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017**

	2017 <u>BUDGET</u>	BUDGET AFTER <u>MODIFICATION</u>	<u>PAID OR</u>		<u>EXPENDED</u>		<u>RESERVED</u>	<u>UNEXPENDED BALANCE CANCELLED</u>
			<u>CHARGED</u>	<u>ENCUMBERED</u>				
<b><u>STREETS AND ROADS</u></b>								
Road Repairs and Maintenance								
Salaries and Wages	600,000.00	590,000.00	583,847.45	6,152.55	0.00	0.00		
Other Expenses	125,000.00	175,000.00	110,786.06	59,674.15	4,539.79			
<b><u>SANITATION</u></b>								
Street Cleaning								
Salaries and Wages	175,000.00	155,000.00	151,885.77	3,114.23	0.00	0.00		
Other Expenses	1,500.00	1,500.00		584.00	916.00			
Garbage and Trash Removal								
Other Expenses	1,330,000.00	1,350,000.00	1,246,434.26	85,272.15	18,293.59			
<b><u>Public Buildings and Grounds</u></b>								
Salaries and Wages	185,000.00	175,000.00	166,205.23	7,000.00	1,794.77			
Other Expenses	106,500.00	126,500.00	111,604.40	12,392.29	2,503.31			
<b><u>Municipal Garage</u></b>								
Salaries and Wages	200,000.00	180,000.00	169,468.61	7,000.00	3,531.39			
Other Expenses	106,500.00	121,500.00	70,122.05	48,267.94	3,110.01			
<b><u>HEALTH AND WELFARE</u></b>								
<b><u>Board of Health</u></b>								
Other Expenses	102,000.00	102,000.00	69,624.96	29,864.31	2,510.73			
<b><u>Animal Control Services</u></b>								
Other Expenses	30,000.00	30,000.00	10,666.64	7,249.98	12,083.38			
<b><u>Municipal Court</u></b>								
Salaries and Wages	270,000.00	287,000.00	285,776.37	1,223.63	0.00			
Other Expenses	39,700.00	39,700.00	34,714.48	4,689.44	296.08			
<b><u>Public Defender</u></b>								
Salaries and Wages	11,000.00	11,000.00	9,809.42	250.00	940.58			

BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR		EXPENDED		UNEXPENDED BALANCE CANCELLED
			CHARGED	RESERVED	ENCUMBERED	RESERVED	
<u>RECREATION AND EDUCATION</u>							
Recreation Commission	-	-	-	-	-	-	-
Salaries and Wages	72,000.00	82,000.00	71,378.60	8,421.40	2,200.00	8,421.40	
Other Expenses							
Parks and Playgrounds	670,000.00	545,000.00	532,155.79	(0.00)	12,844.21	(0.00)	
Salaries and Wages	280,000.00	290,000.00	169,717.34	2,570.39	17,712.27	2,570.39	100,000.00
Other Expenses							
Senior Citizens Transportation	72,000.00	72,000.00	65,725.84	3,774.16	2,500.00	3,774.16	
Salaries and Wages	6,000.00	8,000.00	5,771.35	1,324.11	904.54	1,324.11	
Other Expenses							
Office of the Handicapped	7,000.00	7,000.00	6,727.00	273.00		273.00	
Salaries and Wages	2,500.00	2,500.00	568.57	1,931.43		1,931.43	
Other Expenses							
Handicapped Recreation	13,500.00	13,500.00	7,637.99	5,862.01		5,862.01	
Salaries and Wages	11,500.00	11,500.00	1,538.71	8,534.26	1,427.03	8,534.26	
Other Expenses							
<u>UTILITY EXPENSES &amp; BULK PURCHASING</u>							
Electricity	400,000.00	470,000.00	427,102.51	549.99	42,347.50	549.99	
Street Lighting	468,000.00	488,000.00	467,574.44	425.56	20,000.00	425.56	
Telephone	330,000.00	2,550,000.00	216,031.02	22,798.33	16,170.65	22,798.33	
Water	120,000.00	130,000.00	119,127.03	872.97	10,000.00	872.97	
Gas-Natural	60,000.00	60,000.00	48,039.55	4,381.75	7,578.70	4,381.75	
Gasoline	200,000.00	180,000.00	146,081.76	6,814.76	27,103.48	6,814.76	
Telecommunications Costs S&W	91,000.00	86,000.00	80,394.59	4,005.41	1,600.00	4,005.41	
Telecommunications Costs OE	100,000.00	100,000.00	67,460.37	17,672.06	14,867.57	17,672.06	
Postage	45,000.00	45,000.00	32,346.13	2,653.87	10,000.00	2,653.87	
Sewerage Treatment Plant							
Salaries and Wages	315,000.00	300,000.00	288,030.71	4,969.29	7,000.00	4,969.29	
Other Expenses	83,500.00	88,500.00	67,417.97	4,863.17	16,218.86	4,863.17	

BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY  
 CURRENT FUND  
 STATEMENT OF EXPENDITURES - REGULATORY BASIS  
 FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
UNIFORM CONSTRUCTION CODE - APPROPS. OFFSET BY DEDICATED REVENUES (NJAC 5:23-4.17)						
Building Inspector	260,000.00	250,000.00	240,154.69	5,000.00	4,845.31	
Salaries and Wages	26,500.00	26,500.00	16,352.66	4,360.17	5,787.17	
Other Expenses						
OTHER COMMON OPERATING FUNCTIONS (UNCLASSIFIED)						
Older Americans Act	128,000.00	111,000.00	104,164.50	2,500.00	4,335.50	
Salaries and Wages	1,000.00	1,000.00	43.35		956.65	
Other Expenses	100,000.00				-	
Accumulated Sick & Vacation	130,000.00	150,000.00	131,402.25	9,718.83	8,878.92	
Celebration of Public Events						
Total Operations Within "CAPS"	29,857,300.00	29,851,100.00	27,229,082.47	1,773,203.85	508,813.68	340,000.00
Contingent	10,000.00	10,000.00	7,762.62	2,232.44	4.94	
Total Operations Including Contingent Within "CAPS"	29,867,300.00	29,861,100.00	27,236,845.09	1,775,436.29	508,818.62	340,000.00
DETAIL:						
Salaries and Wages	15,963,300.00	15,551,300.00	15,028,502.08	461,706.08	61,091.84	-
Other Expenses (Including Contingent)	13,904,000.00	14,309,800.00	12,208,343.01	1,313,730.21	447,726.78	-
Statutory Expenditures: Contribution to:						
Public Employees' Retirement System	668,538.00	668,538.00	668,538.00		-	
Police/Fire Pension	1,894,782.00	1,894,782.00	1,894,782.00		-	
Social Security System (O.A.S.I.)	620,000.00	620,000.00	620,000.00		-	
DCRP	2,000.00	2,000.00	2,000.00		-	
Consol. Police & Firemen's Fund	9,400.00	9,400.00	9,365.76		34.24	
Total Deferred Charges and Statutory Expend. Municipal Within "CAPS"	3,194,720.00	3,194,720.00	3,194,685.76	-	34.24	-
Total General Appropriations for Municipal Purposes Within "CAPS"	33,062,020.00	33,055,820.00	30,431,530.85	1,775,436.29	508,852.86	340,000.00

BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
Operations Excluded From "CAPS"						
Other Operations Excluded from "CAPS"						
Length of Service Award Program - Volunteer Fire	30,000.00	30,000.00			30,000.00	
Maintenance of Free Public Library (Ch. 82 & 54, P.L. 1985)	819,613.52	819,613.52	715,406.50	63,549.02	40,658.00	
Middlesex County Utilities Authority						
Sewage Treatment - Contractual	2,950,000.00	2,950,000.00	2,941,449.01		8,550.99	
NJDEP Fees	5,250.00	5,250.00	5,250.00			
<b>Total Other Operations Excluded from "CAPS"</b>	<b>3,804,863.52</b>	<b>3,804,863.52</b>	<b>3,662,105.51</b>	<b>63,549.02</b>	<b>79,208.99</b>	<b>-</b>

PUBLIC AND PRIVATE PROGRAMS  
OFFSET BY REVENUES

Municipal Recycling Assistance	12,260.00	12,260.00				
Municipal Alliance-Alcohol & Drug Match	5,000.00	5,000.00	5,000.00			
Municipal Court-DWI	2,477.69	2,477.69	2,477.69			
County Historic Grant	1,920.00	1,920.00	1,920.00			
Body Armor Grant	4,991.12	10,633.21	10,633.21			
Click It or Ticket It	15,000.00	15,000.00	15,000.00			
Summer Food		13,229.45	13,229.45			
Clean Communities		37,974.12	37,974.12			
Older American	17,208.00	17,208.00	17,208.00			
Federal Coastal Zone Management	9,949.50	9,949.50	9,949.50			
Municipal Alliance		17,500.00	17,500.00			
Recycle Tonnage		37,154.91	37,154.91			
<b>Total Public and Private Programs Excluded from "CAPS"</b>	<b>68,806.31</b>	<b>180,306.88</b>	<b>180,306.88</b>			
<b>Total Operations - Excluded from "CAPS"</b>	<b>3,873,669.83</b>	<b>3,985,170.40</b>	<b>3,842,412.39</b>	<b>63,549.02</b>	<b>79,208.99</b>	<b>-</b>

DETAIL:

Salaries and Wages	-	-	-	-	-	-
Other Expenses	3,873,669.83	3,985,170.40	3,842,412.39	63,549.02	79,208.99	-

BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR		EXPENDED		UNEXPENDED BALANCE CANCELLED
			CHARGED	RESERVED	ENCUMBERED	RESERVED	
<u>Capital Improvements - Excluded from "CAPS"</u>							
Capital Improvement Fund	1,800,000.00	1,800,000.00	1,800,000.00	-			
Reserve for Sewer Improvements	310,597.00	310,597.00	310,597.00	-			
Purchase of Trees	10,000.00	10,000.00	5,125.00	-	4,875.00		
Total Capital Improvements - Excluded from "CAPS"	2,120,597.00	2,120,597.00	2,115,722.00	-	4,875.00		-
<u>Municipal Debt Service - Excluded from "CAPS"</u>							
Payment of Bond Principal	1,140,000.00	1,140,000.00	1,140,000.00	-			
Interest of Bonds	447,368.76	447,368.76	447,368.76	-			
Payment of Note Principal	1,000,000.00	1,000,000.00	1,000,000.00	-			
Interest of Notes	616,697.21	616,697.21	616,697.19	-			0.02
Loan Payable Green Acres Principal/Interest	59,677.11	65,877.11	65,830.96	-			46.15
Loan Payable - NJEIT	220,091.43	220,091.43	213,684.47	-			6,406.96
Loan Payable Lake&Stream	18,654.96	18,654.96	18,654.96	-			-
MCIA - Loans Payable	267,887.95	267,887.95	267,887.95	-			-
MCIA - Lease Payable	120,810.00	120,810.00	111,229.86	-			9,580.14
Loan Principal - Demo Loan	22,500.00	22,500.00	22,500.00	-			-
Total Municipal Debt Service - Excluded from "CAPS"	3,913,687.42	3,919,887.42	3,903,854.15	-			16,033.27
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	9,907,954.25	10,025,654.82	9,861,988.54	79,208.99	68,424.02		16,033.27
Subtotal General Appropriations	42,969,974.25	43,081,474.82	40,293,519.39	588,061.85	1,843,860.31		356,033.27
Reserve for Uncollected Taxes	1,500,000.00	1,500,000.00	1,500,000.00	-			-
Total General Appropriations	\$ 44,469,974.25	\$ 44,581,474.82	\$ 41,793,519.39	\$ 588,061.85	\$ 1,843,860.31	\$	\$ 356,033.27

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BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY  
 CURRENT FUND  
 STATEMENT OF EXPENDITURES - REGULATORY BASIS  
 FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>	<u>EXPENDED</u>	<u>UNEXPENDED</u>
		<u>BUDGET</u>	<u>CHARGED</u>	<u>ENCUMBERED</u>	<u>BALANCE</u>
					<u>CANCELLED</u>
Adopted Budget	A-2	\$ 44,469,974.25			
Inserted by NJSA 40A:4-87	A-1, A-2	<u>111,500.57</u>			
		<u>\$ 44,581,474.82</u>			
Reserve for Uncollected Taxes	A-2		\$ 1,500,000.00		
Cash Disbursed	A-4		40,113,212.51		
Transfer to State and Federal Grant Fund	A-15		<u>180,306.88</u>		
			<u>\$ 41,793,519.39</u>		

Note: See Notes to Financial Statements



BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY

TRUST FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS AT DECEMBER 31, 2017 AND 2016

ASSETS	REF.	BALANCE DEC. 31, 2017	BALANCE DEC. 31, 2016	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2017	BALANCE DEC. 31, 2016
Animal Control Fund:				Animal Control Fund:			
Cash	B-1	\$ 13,082.89	\$ 7,813.90	Due to State of New Jersey	B-1	\$ -	\$ -
				Res. for Animal Control Fund Expend.	B-1	13,082.89	7,813.90
Total Animal Control Fund		13,082.89	7,813.90	Total Animal Control Fund		13,082.89	7,813.90
Other Trust Fund:				Other Trust Fund:			
Cash and Investments	B-1	3,630,310.99	3,826,329.53	Reserve for Encumbrances	B-1	108,528.25	110,594.89
				Res. for Payroll Deductions	B-1	621,346.73	692,377.97
				Res. for Unemploy. Expendis.	B-1	99,730.26	66,489.50
				Trust Fund Reserves	B-1	2,800,705.75	2,956,867.17
Total Other Trust Fund		3,630,310.99	3,826,329.53	Total Other Trust Fund		3,630,310.99	3,826,329.53
Open Space Tax				Open Space Tax			
Cash	B-1	999,087.71	572,724.25	Reserve for Open Space Levy	B-1	999,087.71	572,724.25
Total Open Space Tax Fund		999,087.71	572,724.25	Total Open Space Tax Fund		999,087.71	572,724.25
Community Development Block Grant Trust Fund:				Community Development Block Grant Trust Fund:			
Cash	B-1	4,979.40	5,827.01	Res. for Commun. Dev. Expendis.	B-1	61,105.40	5,825.00
Grants Receivable	B-1	77,859.00		Res. for Rehabilitation Loans	B-1	11,733.00	2.01
				Res. for Administrative Costs	B-1		
				Due to Capital Fund	B-1	10,000.00	
Total Community Development Block Grant Trust Fund		82,838.40	5,827.01	Total Community Development Block Grant Trust Fund		82,838.40	5,827.01
LOSAP Fund (Unaudited):				LOSAP Fund (Unaudited):			
Cash and Investments - Trustee	B-1	243,370.52	209,912.07	Res. for LOSAP Funds Held by Trustee	B-1	243,370.52	209,912.07
Total LOSAP Fund		243,370.52	209,912.07	Total LOSAP Fund		243,370.52	209,912.07
		\$ 4,968,690.51	\$ 4,622,606.76			\$ 4,968,690.51	\$ 4,622,606.76

Note: See Notes to Financial Statements

**BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY**

**GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2017 AND 2016**

<u>ASSETS</u>	<u>REF.</u>	BALANCE DECEMBER 31, <u>2017</u>	BALANCE DECEMBER 31, <u>2016</u>
Cash and Investments - Treasurer	C-2	\$ 8,957,177.26	\$ 12,057,405.91
Grants - In - Aid, Loans and Other Receivable	C-4	40,618,769.73	38,222,999.41
Interfunds Receivable	C-3,C-3a	521,516.43	474,709.97
Deferred Charges to Future Taxation:			
Funded - Serial Bonds	C-5	11,725,000.00	12,865,000.00
Funded - Loans Payable	C-5	2,395,034.64	2,423,097.00
Funded - Leases Payable	C-5	311,894.08	302,632.06
Funded - NJEIT	C-5	11,224,970.37	1,407,253.80
Unfunded	C-6	<u>48,368,941.73</u>	<u>49,113,171.41</u>
		<u>\$ 124,123,304.24</u>	<u>\$ 116,866,269.56</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
General Serial Bonds	C-9	\$ 11,725,000.00	\$ 12,865,000.00
Bond Anticipation Notes	C-7	36,550,000.00	37,150,000.00
Green Acre Loans Payable	C-10	792,911.01	852,819.14
Project Loans Payable	C-10	295,974.98	333,388.11
MCIA Loan Payable	C-10	1,306,148.65	1,236,889.75
Capital Leases Payable - M.C.I.A.	C-11	311,894.08	302,632.06
NJEIT Loans Payable	C-14	11,224,970.37	1,407,253.80
Reserve for Encumbrances Payable	C-8	17,273,121.48	19,075,293.93
Improvement Authorizations:			
Funded	C-8	19,172,747.49	17,581,921.75
Unfunded	C-8	2,696,479.35	4,084,375.71
Reserve for:			
Capital Improvement Fund	C-13	86,803.75	2,994.75
Cash or Appropriated Reserves	C-12	3,030,031.66	3,079,597.90
Grants and Loans Receivable	C-12	19,526,726.42	18,781,211.61
Fund Balance	C-1	<u>130,495.00</u>	<u>112,891.05</u>
		<u>\$ 124,123,304.24</u>	<u>\$ 116,866,269.56</u>
 Bonds and Notes Authorized but not Issued	 C-15	 <u>\$ 12,764,241.31</u>	 <u>\$ 19,759,609.80</u>

Note: See Notes to Financial Statements

BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY

GENERAL CAPITAL FUND  
 STATEMENT OF FUND BALANCE - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>REF.</u>		
Balance - December 31, 2016	C	\$	112,891.05
Increased by:			
Bond Anticipation Note Premium	C-2		<u>269,495.00</u>
			382,386.05
Decreased by:			
Improvement Authorization-Ord#17-05	C-8	112,891.05	
Improvement Authorization-Ord#17-14	C-8	<u>139,000.00</u>	
			<u>251,891.05</u>
Balance - December 31, 2017	C	\$	<u><u>130,495.00</u></u>

Note: See Notes to Financial Statements

BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY

GOVERNMENTAL FIXED ASSETS  
 COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2017 AND 2016

	Balance, December 31, <u>2017</u>	Balance, December 31, <u>2016</u>
<u>ASSETS</u>		
Land	\$ 65,107,659.00	\$ 65,107,659.00
Buildings and Building Improvements	33,053,644.00	33,053,644.00
Machinery and Equipment	12,372,585.00	12,102,818.00
Construction in Progress	58,809,493.00	31,221,309.00
Lease Purchase Agreements	<u>2,085,962.00</u>	<u>2,085,962.00</u>
 Total Assets	 <u>\$ 171,429,343.00</u>	 <u>\$ 143,571,392.00</u>
 <u>FUND BALANCE</u>		
Investment in General Fixed Assets	<u>\$ 171,429,343.00</u>	<u>\$ 143,571,392.00</u>

Note: See Notes to Financial Statements

**BOROUGH OF CARTERET**  
**MIDDLESEX COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Note 1:           FORM OF GOVERNMENT

The Borough of Carteret operates under the legislative authority of N.J.S.A. 40A:60-1 et seq., which provides for the election of a mayor to serve a term of four years and a council of six members serving three-year terms. At its annual meeting, the council elects a president of the council who shall preside at all its meetings when the mayor is not present. The mayor is the head of the municipal government and the council is the legislative body. The Borough has adopted an administrative code, which provides for the delegation of a portion of executive responsibilities to the mayor and the organization of the council into standing committees to oversee various Borough activities.

Note 2:           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A.           Reporting Entity

The Borough of Carteret (the "Borough") was incorporated in 1906 and operates under an elected Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB has issued Statement No. 14, which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

A. Reporting Entity (Cont'd.)

However, the municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by N.J.S.A 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department, Carteret Municipal Port Authority, Carteret Business Partnership, Inc. (Special Improvement District), and the Carteret Redevelopment Agency, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

B. Description of Funds

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

The Borough has the following funds and capital fixed assets:

Current Fund – This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

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

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

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

Community Development Block Grant Trust Fund - This fund is used to account for grant proceeds and related expenditures for Block Grant entitlements.

Open Space Trust Fund – This fund is used to account for property taxes levied for the development and acquisition of land used for recreation and conservation programs, as well as general park maintenance and upkeep and to pay debt service for land acquisition.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

B. Description of Funds (Cont'd.)

Governmental Fixed Assets - The Governmental Fixed Assets system is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available or any other reasonable basis, provided such basis is adequately disclosed in the financial statements. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles (GAAP) for state and local governments. GAAP provides for the issuance of entity-wide financial statements along with the presentation of separate fund financial statements that differ from the organization of funds prescribed under the regulatory basis of accounting utilized by the Borough. The resultant presentation of financial position and results of operations in the form of financial statements is not intended to present the basic financial statement presentation required by GAAP.

C. Basis of Accounting

Basis of Accounting and Measurement Focus - The basis of accounting as prescribed by the Division of Local Government Services for its operating funds is generally a modified cash basis for revenue recognition and a modified accrual basis for expenditures. The operating funds utilize a "current financial resources" measurement focus. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The most significant is the reporting of entity-wide financial statements, which are not presented in the accounting principles prescribed by the Division. The other more significant differences are as follows:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education monthly, and the balance, if any, must be transferred as of June 30, of each fiscal year.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

C. Basis of Accounting (Cont'd.)

Property Tax Revenue (Cont'd) - County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. The Borough institutes annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Utility Rents - Utility charges are levied semi-annually based upon a flat service charge and an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

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

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

- Trust Fund
- General Capital Fund

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



Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

C. Basis of Accounting (Cont'd.)

Budgets and Budgetary Accounting (Cont'd) - Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. In addition, the governing body may approve budget transfers.

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Borough "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts, which may be canceled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP.

For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund.

GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

The Borough provides annual funding to its municipal library through the current fund budget. Amounts paid on behalf of the Public Library or transferred to the custody of the Library's management are recorded as budgetary expenditures of the Borough, notwithstanding the fact that the Library is recognized as a separate entity for financial reporting purposes. Under GAAP, the Library would be recognized as a "component unit" of the Borough, and discrete reporting of the Library's financial position and operating results would be incorporated in the Borough's financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

C. Basis of Accounting (Cont'd.)

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

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

Compensated Absences - expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation.

Sale of Municipal Assets - Cash proceeds from the sale of Borough owned property may be realized as revenue or reserved until utilized as an item of revenue in a subsequent year budget. Year-end balances of reserved proceeds are reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period that the terms of the sales contracts become legally enforceable.

Property Acquired for Taxes - is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market value on the date of acquisition.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

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

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

Incurred But Not Reported (IBNR) Reserves - The Borough has not created a reserve for any potential unreported losses which have taken place but in which the Borough has not received notices or report of losses. Additionally, the Borough has not recorded a liability for those claims filed, but which have not been paid. GAAP requires the establishment of reserves for such potential claims.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

C. Basis of Accounting (Cont'd.)

Disclosures About Pension Liabilities – The Borough has included information relating to its allocated shares of the net pension liabilities of the state sponsored, cost-sharing, multiple employer defined benefit pension plans in which it participates in the Notes to the Financial Statements and the accompanying required supplementary information. As the Borough does not present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the net pension liability of the defined benefit plans in which its employees are enrolled. GAAP requires the recognition of the net pension liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

Governmental Fixed Assets - N.J.A.C. 5:30-5.6 established a mandate for fixed asset accounting by municipalities, effective December 31, 1985. The Borough has complied with the mandate, formerly known as Technical Accounting Directive No. 85-2. Fixed assets used in governmental operations are accounted for in the reporting of Governmental Fixed Assets. Public domain (infrastructure) governmental fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available, except for land which is valued at estimated market value. No depreciation is provided for in the financial statements. Expenditures for construction in progress are recorded in the Capital Funds until such time as construction is completed and put into operation. Fixed assets acquired through grants in aid or contributed capital are not accounted for separately.

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

Recent Accounting Standards

GASB issued Statement No. 80, “Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14” in January 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

GASB issued Statement No. 81, “Irrevocable Split-Interest Agreements” in March 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB issued Statement No. 82, “Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73” in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting and Measurement Focus (Cont'd.)Recent Accounting Standards (Cont'd.)

GASB issued Statement No. 83, "Certain Asset Retirement Obligations" in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement

GASB issued Statement No. 84, "Fiduciary Activities" in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB issued Statement No. 85, "Omnibus 2017" in March 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017.

GASB issued Statement No. 86, "Certain Debt Extinguishment Issues" in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

GASB issued Statement No. 87, "Leases" in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

The Borough does not prepare its financial statements in accordance with generally accepted accounting principles. Unless these new standards are incorporated into the other comprehensive basis of accounting that is utilized by the Borough through legislation or rulemaking they will not become part of the standards followed by the Borough for financial reporting.

The Borough does not prepare its financial statements in accordance with generally accepted accounting principles. Unless these new standards are incorporated into the other comprehensive basis of accounting that is utilized by the Borough through legislation or rulemaking they will not become part of the standards followed by the Borough for financial reporting.

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting and Measurement Focus (Cont'd.)

Comparative Data - Comparative data for the prior year has been presented in order to provide an understanding of changes on the Borough's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Prior Period Adjustments and Reclassifications - Certain reclassifications have been made to the calendar year 2016 financial statements to conform with classifications used in 2017.

Note 3: REAL ESTATE TAXES AND SEWER RENTS RECEIVABLE

Assessment and Collection

New Jersey statutes require that taxable valuation of real property be prepared by the Borough Tax Assessor as of October 1, in each year and filed with the County Board of Taxation by January 10<sup>th</sup> of the following year. Upon the filing of the certified adopted budgets by the Borough, Local School District, County and Fire Districts, the tax rate is struck by the board based on the certified amounts on each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be compiled on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector on or before May 13<sup>th</sup>.

Tax bills are prepared and mailed by the Collector of Taxes of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The NJ Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amounts delinquent, and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% shall be charged against the delinquency.

If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known

Receivables at December 31<sup>st</sup> consisted of the following:

<u>Current Fund</u>	<u>2017</u>	<u>2016</u>
Property Taxes	\$528,452.69	\$787,948.86
Tax Title Liens	61,092.75	36,983.13
Sewer Rents	318,736.24	442,572.09
Sewer Liens	6,300.91	5,850.91
Liens - Demolition	<u>9,000.00</u>	<u>9,000.00</u>
	<u>\$923,582.59</u>	<u>\$1,282,354.99</u>

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

The Local Bond Law, Chapter 40A:2 et seq, governs the issuance of bonds to finance municipal capital expenditures. The Borough's municipal debt is summarized as follows:

A. Summary of Municipal Debt for Capital Projects

	<u>YEAR 2017</u>	<u>YEAR 2016</u>
<u>Issued:</u>		
General:		
Bonds	\$ 11,725,000.00	\$ 12,865,000.00
Notes	36,550,000.00	37,150,000.00
Loans	13,620,005.01	3,830,350.80
Bond Issued by Another Public Body (see Note 4 G)	27,519,413.16	29,866,175.82
Total Debt Issued	<u>89,414,418.17</u>	<u>83,711,526.62</u>
<u>Authorized but not Issued:</u>		
General:		
Bonds & Notes	<u>12,764,241.31</u>	<u>19,759,609.80</u>
Net Bonds & Notes Issued and Authorized but not Issued	<u>102,178,659.48</u>	<u>103,471,136.42</u>

Summarized below are the Borough's individual bond issues which were outstanding at December 31, 2017 and 2016, respectively.

<u>General Improvement Debt:</u>	<u>YEAR 2017</u>	<u>YEAR 2016</u>
\$9,900,000 Bond Anticipation Note dated February 2, 2017 maturing on February 2, 2018, bearing an interest rate of 1.357%	9,900,000.00	
\$11,250,000 Bond Anticipation Note dated June 2, 2017 maturing on June 1, 2018, bearing an interest rate of 2.50%	11,250,000.00	
\$10,400,000 Bond Anticipation Note dated October 25, 2017 maturing on October 25, 2018, bearing an interest rate of 2.50%	10,400,000.00	
\$5,000,000 Bond Anticipation Note dated December 28, 2017 maturing on February 2, 2018, bearing an interest rate of 1.75%	5,000,000.00	
\$10,400,000 Bond Anticipation Note dated February 4, 2016 maturing on February 3, 2017, bearing an interest rate of 2.00%		10,400,000.00
\$11,750,000 Bond Anticipation Note dated June 2, 2016 maturing on June 1, 2017, bearing an interest rate of 0.93%		11,750,000.00
\$15,000,000 Bond Anticipation Note dated October 26, 2016 maturing on October 25, 2017, bearing an interest rate of 2.00%		15,000,000.00
Subtotal Notes	<u>36,550,000.00</u>	<u>37,150,000.00</u>
\$12,360,000 Series 2015 General Obligation Refunding Bonds, due in annual installments of \$410,000 to \$815,000 through Feb. 1, 2035, interest at various rates.	11,535,000.00	11,950,000.00
\$4,510,000, Series 2011 General Obligation Refunding Bonds, due in annual installments of \$90,000 to \$770,000 through Nov. 15, 2019, interest at various rates.	190,000.00	915,000.00
Subtotal Bonds	<u>11,725,000.00</u>	<u>12,865,000.00</u>
Loans Payable (see Note 4 Section B)	<u>13,620,005.01</u>	<u>3,830,350.80</u>
Total General Improvement Bonds, Notes and Loans Issued and Outstanding	<u>\$61,895,005.01</u>	<u>\$53,845,350.80</u>

## Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

B. Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the State of New Jersey Department of Environmental Protection for the financing relating to the improvement of the Borough's various park facilities. As of June 17, 2016 the Borough has drawn down the entire loan amount of \$325,000. The loan balance outstanding as of December 31, 2017 is \$300,000.01. The amortization schedule commence in 2016 with final maturity in 2035 as an interest free loan with annual principal payments of \$8,333.33.

The Borough has entered into a loan agreement with the State of New Jersey Department of Environmental Protection for the financing relating to the improvement of the Borough's various park facilities. As of June 17, 2016 the Borough has drawn down the entire loan amount of \$240,000. The loan balance outstanding as of December 31, 2017 is \$215,384.60. The amortization schedule commence in 2016 with final maturity in 2035 as an interest free loan with annual principal payments of \$6,153.85.

The Borough has entered into a loan agreement with the State of New Jersey Department of Environmental Protection for the financing relating to the improvement of the Borough's various park facilities. As of December 31, 2008 the Borough has drawn down the entire loan amount of \$258,000. The loan balance outstanding as of December 31, 2017 is \$151,263.75. The amortization schedule commence in 2009 with final maturity in 2028 at a rate of 2% with annual principal payment ranging from \$5,441.63 and \$7,942.21.

The Borough has entered into a loan agreement with the State of New Jersey Department of Environmental Protection for the financing relating to the improvement of the Borough's various park facilities. As of December 31, 2007 the Borough has drawn down the entire loan amount of \$235,746.90. The loan balance outstanding as of December 31, 2017 is \$126,262.29. The amortization schedule commenced in 2008 with final maturity in 2027 at a rate of 2% with annual principal payment ranging from \$4,972.28 and \$7,257.18.

The Borough has been granted a loan by the State of New Jersey Department of Community Affairs for the financing relating to the improvement of the Borough's Sewer Plant Demolition. The Loan had been recorded within the General Capital Fund in the amount of \$450,000.00 offset by a reserve. The Borough had received the final draw down payment in 2006 of \$136,599.52. As of the balance sheet date, the Loan Payable amount is reported as \$135,000. The amortization schedule commenced in 2004 with final maturity in 2023 at a rate of 0% with annual principal payments of \$22,500.00.

The Borough has been granted a loan by the State of New Jersey Department of Community Affairs for the financing relating to the improvement of the Borough's Lake/Stream. The Loan had been recorded within the General Capital Fund in the amount of \$300,000.00. As of December 21, 2008 the Borough has drawn down the entire loan amount. As of the balance sheet date, the Loan Payable amount is reported as \$160,974.98. The amortization schedule commenced in 2008 with final maturity in 2027 at a rate of 2% with annual principal payments ranging from \$6,327.48 and \$9,236.13.

The Borough has been granted a loan by the Middlesex County Improvement Authority for the financing relating to a Street Sweeper and SUV Truck. The Loan had been recorded within the General Capital Fund in the amount of \$217,789.21 offset by a reserve. As of December 31, 2014, the Borough has drawn down the entire loan amount. As of the balance sheet date, the Loan Payable amount is reported as \$90,309.18. The amortization schedule commenced in 2015 with final maturity in 2019 at rates ranging from 1.250% to 3.00% with annual principal payments ranging from \$41,943.86 and \$45,821.90

The Borough has been granted a loan by the Middlesex County Improvement Authority. The loan had been recorded within the General Capital Fund in the amount of \$1,097,923.62 offset by a reserve. As of December 31, 2015, the Borough has drawn down the entire loan amount. As of the balance sheet date, the Loan Payable amount is reported as \$798,676.40. The amortization schedule commenced in 2016 with maturity in 2020 at rates ranging from 1.5% to 4.00% with annual principal payments ranging from \$66,625.00 to \$179,781.15.

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

B. Intergovernmental Loans Payable (Contd)

The Borough has been granted a loan by the Middlesex County Improvement Authority. The loan had been recorded within the General Capital Fund in the amount of \$144,897.07 offset by a reserve. As of December 31, 2016, the Borough has drawn down the entire loan amount. As of the balance sheet date, the Loan Payable amount is reported as \$117,402.04. The amortization schedule commenced in 2017 with maturity in 2021 at rates ranging from 2.00% to 4.00% with annual principal payments ranging from \$27,495.03 to \$31,028.19.

The Borough has been granted a loan by the Middlesex County Improvement Authority. The loan had been recorded within the General Capital Fund in the amount of \$299,761.03 offset by a reserve. As of December 31, 2017, the Borough has drawn down the entire loan amount. As of the balance sheet date, the Loan Payable amount is reported as \$299,761.03. The amortization schedule commenced in 2018 with maturity in 2027 at rates ranging from 3.00% to 4.00% with annual principal payments ranging from \$22,872.24 to \$40,087.58.

Department of Environmental Protection - Environmental Infrastructure Loans

The Borough has contracted with the State of New Jersey, Department of Environmental Protection to fund a portion of the costs incurred for improvement to the Roosevelt Ave Pump Station and the Turnpike Sanitary Sewer Crossings. Information relating to these loans is as follows:

	<u>Loan #1</u>	<u>Loan #2</u>	<u>Loan #3</u>	<u>Loan #4</u>
Draw Down Date	3/10/10	3/10/10	8/1/18	8/1/18
Loan Amount	\$ 985,000.00	\$ 3,022,500.00	\$ 10,016,403.00	\$ 10,016,403.00
Interest Rates	various	0.00%	0.00%	0.00%
Due Dates	Aug. 1 & Feb. 1	Aug. 1 & Feb. 1	Aug. 1 & Feb. 1	Aug. 1 & Feb. 1
Number of Payments	19	20	20	20
Final Payment Date	August 1, 2029	August 1, 2029	August 1, 2029	August 1, 2029

The Loans were de-obligated during 2016. \$315,000 for loan #1 and \$1,030,670 for loan #2.

Pursuant to the provisions of N.J.S.A. 40A: 2-1 et seq. the combined outstanding principle of these loans has been included in the calculation of the Borough's statutory debt condition.

<u>Calendar Year</u>	<u>Fund Loan Principal</u>	<u>Trust Loan Principal</u>	<u>Interest and Fees</u>	<u>Total</u>
2018	\$ 153,686.43	\$ 45,000.00	-	\$ 198,686.43
2019	153,686.43	50,000.00	-	203,686.43
2020	153,686.43	50,000.00	-	203,686.43
2021	153,686.43	55,000.00	-	208,686.43
2022	153,686.43	55,000.00	-	208,686.43
2023	45,135.22	60,000.00	-	105,135.22
2024		60,000.00	-	60,000.00
2025		20,000.00	-	20,000.00
	<u>\$ 813,567.37</u>	<u>\$ 395,000.00</u>	<u>\$ -</u>	<u>\$ 1,208,567.37</u>

Loans Outstanding at December 31, 2017 and 2016 \*

<u>LOANS</u>	<u>2017</u>	<u>2016</u>
Demolition Bond Fund	\$ 135,000.00	\$ 157,500.00
State/Lake & Stream Restoration Careteret Pond Loan	160,974.98	175,888.11
Green Acres Loan	792,911.01	852,819.14
New Jersey Environmental Infrastructure Loan	11,224,970.37	1,407,253.80
Middlesex County Improvement Authority	1,306,148.65	1,236,889.75
Total Loans Outstanding	<u>\$ 13,620,005.01</u>	<u>\$ 3,830,350.80</u>

\* Loan amortization schedules are included in the General Capital Section of this report.



NOTES TO FINANCIAL STATEMENTS

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

C. 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:

<u>2017</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 9,690,000.00	\$ 9,690,000.00	
General Debt	102,178,659.48	46,765,205.16	55,413,454.32
	<u>\$111,868,659.48</u>	<u>\$56,455,205.16</u>	<u>\$ 55,413,454.32</u>

Net Debt \$ 55,413,454.32 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$ 2,293,518,485.67 = 2.42%

<u>2016</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 11,410,000.00	\$ 11,410,000.00	
General Debt	103,471,136.42	49,714,690.82	53,756,445.60
	<u>\$114,881,136.42</u>	<u>\$61,124,690.82</u>	<u>\$ 53,756,445.60</u>

Net Debt \$ 53,756,445.6 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$ 2,256,729,328.00 = 2.38%

The Borough's Borrowing Power Under N.J.S.A. 40A:2-6 as Amended, at December 31, was as follows:

	<u>2017</u>	<u>2016</u>
3.5% of Equalized Valuation Basis Municipal Net Debt	\$80,273,147.00	\$78,985,526.48
	<u>55,413,454.32</u>	<u>53,756,445.60</u>
Remaining Borrowing Power	<u>\$24,859,692.68</u>	<u>\$25,229,080.88</u>

D. Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding at December 31, 2017

<u>Calendar Year</u>	<u>General</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 695,000.00	\$ 406,643.75	\$ 1,101,643.75
2019	520,000.00	388,568.75	908,568.75
2020	530,000.00	366,168.75	896,168.75
2021	540,000.00	344,768.75	884,768.75
2022	555,000.00	322,868.75	877,868.75
2023	570,000.00	297,518.75	867,518.75
2024	585,000.00	268,643.75	853,643.75
2025	595,000.00	239,143.75	834,143.75
2026	620,000.00	208,768.75	828,768.75
2027	640,000.00	185,268.75	825,268.75
2028	660,000.00	167,368.75	827,368.75
2029	680,000.00	147,268.75	827,268.75
2030	700,000.00	126,568.75	826,568.75
2031	720,000.00	105,268.75	825,268.75
2032	745,000.00	83,293.75	828,293.75
2033	765,000.00	60,643.75	825,643.75
2034	790,000.00	37,318.75	827,318.75
2035	815,000.00	12,734.38	827,734.38
	<u>\$ 11,725,000.00</u>	<u>\$ 3,768,828.13</u>	<u>\$ 15,493,828.13</u>

## Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

E. Lease ObligationsCapital Equipment Lease Revenue Bonds, Series 2017

The Borough entered into a capital equipment lease agreement with the Middlesex County Improvement Authority - Capital Equipment Lease Revenue Bonds, Series 2017 in the amount of \$107,311.25 for the acquisition 5 year capital equipment. The lease obligation is due in five annual installments with principal payment amounts ranging from \$20,212.56 to \$22,749.42 and bearing interests rates of 3.000% for calendar year 2018 through calendar year 2022.

Capital Equipment Lease Revenue Bonds, Series 2016

The Borough entered into a capital equipment lease agreement with the Middlesex County Improvement Authority - Capital Equipment Lease Revenue Bonds, Series 2016 in the amount of \$101,427.95 for the acquisition 5 year capital equipment. The lease obligation is due in five annual installments with principal payment amounts ranging from \$19,246.52 to \$21,719.73 and bearing interests rates ranging between 2.000% for calendar year 2017 and 4.000% for calendar year 2021.

Capital Equipment Lease Revenue Bonds, Series 2015

The Borough entered into a capital equipment lease agreement with the Middlesex County Improvement Authority - Capital Equipment Lease Revenue Bonds, Series 2015 in the amount of \$97,412.98 for the acquisition 5 year capital equipment. The lease obligation is due in five annual installments with principal payment amounts ranging from \$18,630.99 to \$2,0724.40 and bearing interests rates ranging between 1.500% for calendar year 2016 and 4.000% for calendar year 2020.

Capital Equipment Lease Revenue Bonds, Series 2014

The Borough entered into a capital equipment lease agreement with the Middlesex County Improvement Authority - Capital Equipment Lease Revenue Bonds, Series 2014 in the amount of \$101,634.95 for the acquisition 5 year capital equipment. The lease obligation is due in five annual installments commencing with a principal payment of \$19,573.80 for 2015 and remaining principal payments spread over a four year period with amounts ranging from \$19,760.83 through \$21,383.55 and bearing interests rates ranging between 1.500% for calendar year 2015 and 3.000% for calendar year 2019.

Capital Equipment Lease Revenue Bonds, Series 2013

The Borough entered into a capital equipment lease agreement with the Middlesex County Improvement Authority - Capital Equipment Lease Revenue Bonds, Series 2013 in the amount of \$95,196.20 for the acquisition 5 year capital equipment. The lease obligation is due in five annual installments commencing with a principal payment of \$18,185.15 for 2014 and remaining principal payments spread over a four year period with amounts ranging from \$18,361.16 through \$20,258.53 and bearing interests rates ranging between 2.000% for calendar year 2014 and 4.000% for calendar year 2018.

Capital Equipment Lease Revenue Bonds, Series 2012

The Borough entered into a capital equipment lease agreement with the Middlesex County Improvement Authority - Capital Equipment Lease Revenue Bonds, Series 2012 in the amount of \$96,557.75 for the acquisition 5 year capital equipment. The lease obligation is due in five annual installments commencing with a principal payment of \$18,515.63 for 2013 and remaining principal payments spread over a four year period with amounts ranging from \$18,654.18 through \$20,383.92 and bearing interests rates ranging between 1.250% for calendar year 2013 and 3.000% for calendar year 2017.

NOTES TO FINANCIAL STATEMENTS

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

F. Bond Anticipation Notes

The Borough has issued Bond Anticipation Notes, dated February 4, 2016 and maturing on February 3, 2017, bearing an interest rate of 2.00%. The Note has been issued to temporarily finance one capital project as follows:

<u>Ord.</u>	<u>Description</u>	<u>Amount</u>
14-01	Various Capital Improvements	\$ 10,400,000.00

The Borough has issued Bond Anticipation Notes, dated June 2, 2016 and maturing on June 1, 2017, bearing an interest rate of 0.93%. The Note has been issued to temporarily finance one capital project as follows:

<u>Ord.</u>	<u>Description</u>	<u>Amount</u>
11-28	Special Improvement District	\$ 11,750,000.00

The Borough has issued Bond Anticipation Notes, dated October 26, 2016 and maturing on October 25, 2017, bearing an interest rate of 2.00%. The Note has been issued to temporarily finance one capital project as follows:

<u>Ord.</u>	<u>Description</u>	<u>Amount</u>
16-01/16-11	Waterfront Development Project	\$ 15,000,000.00

The Borough has issued Bond Anticipation Notes, dated February 2, 2017 and maturing on February 2, 2018, bearing an interest rate of 1.357%. The Note has been issued to temporarily finance one capital project as follows:

<u>Ord.</u>	<u>Description</u>	<u>Amount</u>
14-01	Various Capital Improvements	\$ 9,900,000.00

The Borough has issued Bond Anticipation Notes, dated June 2, 2017 and maturing on June 1, 2018, bearing an interest rate of 2.50%. The Note has been issued to temporarily finance one capital project as follows:

<u>Ord.</u>	<u>Description</u>	<u>Amount</u>
11-28	Special Improvement District	\$ 11,250,000.00

The Borough has issued Bond Anticipation Notes, dated October 25, 2017 and maturing on October 25, 2018, bearing an interest rate of 2.50%. The Note has been issued to temporarily finance two capital projects as follows:

<u>Ord.</u>	<u>Description</u>	<u>Amount</u>
16-01/16-11	Waterfront Development Project	\$ 3,500,000.00
12-06/12-07	Waterfront Development Project	6,900,000.00

The Borough has issued Bond Anticipation Notes, dated December 28, 2017 and maturing on February 2, 2018, bearing an interest rate of 1.75%. The Note has been issued to temporarily finance one capital project as follows:

<u>Ord.</u>	<u>Description</u>	<u>Amount</u>
17-11	Waterfront Marina Project	\$ 5,000,000.00

NOTES TO FINANCIAL STATEMENTS

G. Borough Guarantees

The Borough has authorized guarantees on the following loans, notes and bonds issued by the Carteret Redevelopment Agency, Borough of Carteret, County of Middlesex, State of New Jersey.

	<u>AMOUNT OF ORIGINAL ISSUE</u>	<u>OUTSTANDING AS OF DEC. 31, 2017</u>
Revenues Bonds, Series 2008A	\$ 1,750,000.00	\$ 1,495,000.00
Revenues Bonds, Series 2012C	4,625,000.00	4,100,000.00
Revenue Bonds, Series 2014A	2,100,000.00	1,555,000.00
New Jersey Environmental Infrastructure Trust Loan	20,180,000.00	11,580,000.00
New Jersey Environmental Infrastructure Fund Loan	<u>18,293,833.00</u>	<u>8,789,413.16</u>
	<u>\$ 46,948,833.00</u>	<u>\$ 27,519,413.16</u>

NOTES TO FINANCIAL STATEMENTS

Note 5: FIXED ASSETS

Following is a summary of changes in the Governmental Fixed Assets for the years 2017 and 2016.

	Balance December 31, <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2017</u>
<u>2016</u>				
Land and Land Improvements	\$65,107,659			\$65,107,659
Buildings and Building Improvement	33,053,644			33,053,644
Machinery and Equipment	12,102,818	269,767		12,372,585
Construction Progress	31,221,309	27,588,184		58,809,493
Lease Purchase Agreement	2,085,962			2,085,962
	<u>\$143,571,392</u>	<u>\$27,857,951</u>	<u>\$0</u>	<u>\$171,429,343</u>

	Balance December 31, <u>2015</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2016</u>
<u>2016</u>				
Land and Land Improvements	\$65,107,659			\$65,107,659
Buildings and Building Improvement	33,053,644			33,053,644
Machinery and Equipment	11,783,992	326,566	7,740	12,102,818
Construction Progress	8,291,601	23,412,803	483,095	31,221,309
Lease Purchase Agreement	2,085,962			2,085,962
	<u>\$120,322,858</u>	<u>\$23,739,369</u>	<u>\$490,835</u>	<u>\$143,571,392</u>

Note 6: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

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

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

## NOTES TO FINANCIAL STATEMENTS

### Note 6: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)

#### Deposits (cont'd)

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. The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of Fund investments is generally not required.

"Other Than State" participants contribute up to one tenth of one percent per year of the value of the aggregate units owned by them to establish a Reserve Fund, which is supplemented by the proportional interest of "Other Than State" participants in gains on investment transactions realized. The Reserve Fund is available to cover losses of "Other Than State" participants occasioned by the bankruptcy of an issuer of an investment held by the Fund and losses on sales of securities.

The cash on deposit is partially insured by federal deposit insurance in the amount of \$250,000.00 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:941, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums. The Borough considers change funds, cash in banks and certificates of deposit as cash and cash equivalents.

At December 31, 2017 and 2016, the book value of the Borough's deposits was \$23,023,347.21 and \$25,020,092.01 respectively and the bank balances of the Borough's cash and deposits amounted to \$24,287,339.96 and \$26,216,769.65 respectively. Of the bank balance, during 2017 and 2016, with respect to Custodial Credit Risk, \$861,950.84 and \$500,000.00 was FDIC insured and \$23,425,389.12 and \$25,716,769.65 was GUDPA insured, respectively.

The Borough has implemented the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly the Borough has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Rate Risk of its cash and investments.

- (a) Custodial Credit Risk – The Borough's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but no in the depositor-governments name. The deposit risk is that, in the event of the failure of a depository financial institution, the Borough will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Borough's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Borough and are held by either: the counterparty or the counterparty's trust department or agent but not in the Borough's name.

The investment risk is that, in the event of the failure of the counterparty to a transaction, the Borough will not be able to recover the value of the investment or collateral securities that in possession of an outside party.

Note 6: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)

Deposits (cont'd)

- (b) Concentration of Credit Risk – This is the risk associated with the amount of investments that Borough has with any one issuer that exceeds 5 percent or more of its total investments. Investment issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.
- (c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Borough does not have an investment policy regarding Credit Risk except to the extent outlined under the Borough's investment policy. The New Jersey Cash Management Fund is not rated.
- (d) Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Borough does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

The Borough does not have a deposit policy for custodial risk. Based upon the existing deposit and investment practices, the Borough is generally not exposed to credit risks, custodial credit risks (FDIC and NJGUDPA coverage's) for its deposits and investments; concentration of credit risks and interest rate risks for its investments; nor is it exposed to foreign currency risks for its deposits and investments.

Investments

New Jersey statutes establish the following securities as eligible for the investment of Borough funds:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
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 such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Borough or bonds or other obligations of school districts of which the Borough is a part and within which the school district is located;
5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;

NOTES TO FINANCIAL STATEMENTS

Note 6: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)

Investments (Cont'd)

- 6. Local government investment pools;
- 7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, 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);
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is more than 30 days; and
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

Note 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective funds for the succeeding years were as follows:

	<u>FUND BALANCE DECEMBER 31, 2017</u>	<u>UTILIZED IN SUCCEEDING BUDGET</u>
Current Fund	\$5,885,801.30	\$2,600,000.00
	<u>FUND BALANCE DECEMBER 31, 2016</u>	<u>UTILIZED IN SUCCEEDING BUDGET</u>
Current Fund	\$5,780,027.28	\$2,500,000.00

The fund balance amount appropriated represents the surplus anticipated in the 2018 and 2017 adopted municipal budget.

Note 8: ACCUMULATED VACATION AND SICK PAY

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



## NOTES TO FINANCIAL STATEMENTS

### Note 8: ACCUMULATED VACATION AND SICK PAY (Cont'd.)

It is estimated that the current cost of such unpaid compensation would approximate \$2,330,699.32 and \$2,218,283.66 at December 31, 2017 and 2016 respectively. These accumulated costs are not reported either as an expenditure or liability within the financial statements. Management indicates that this amount approximates the calculation as required by GASB No. 16; however, the methodology utilized does not fully meet the recognition and measurement criteria as set forth by the GASB.

### Note 9. PENSION PLANS

Description of Plans - The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions.

However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions), or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

A. Public Employees' Retirement System (PERS) - The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

Note 9. PENSION PLANS (CONT'D.)

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

*Plan Membership and Contributing Employers-* Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2017:

Inactive plan members or beneficiaries currently receiving benefits	170,124
Inactive plan members entitled to but not yet receiving benefits	650
Active plan members	<u>254,685</u>
 Total	 <u>425,459</u>

Contributing Employers – 1,705.

*Significant Legislation* – Chapter 19, P.L. 2009, effective March 17, 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 an employer 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 PERS, 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.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

For the year ended December 31, 2017 the Borough's total payroll for all employees was \$16,146,563. Total PERS covered payroll was \$4,567,375. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.20% for State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Borough's cash basis contributions to the Plan for the years ended December 31, 2016 and 2017 were \$625,993 and \$668,538, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 9. PENSION PLANS (CONT'D.)

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

Borough Contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contribution requirements were calculated. Borough payments to PERS for the years ending December 31, 2016 and 2017 consisted of the following:

	<u>2016</u>	<u>2017</u>
Normal Cost	\$101,732	\$100,286
Amortization of Accrued Liability	<u>468,640</u>	<u>510,364</u>
Total Pension	570,372	610,650
NCGI Premiums	<u>30,538</u>	<u>30,477</u>
Total Regular Billing	600,910	641,127
LTD Expense		1,576
Additional Billings:		
ERI	<u>25,083</u>	<u>25,835</u>
Total PERS Payment	<u>\$625,993</u>	<u>\$668,538</u>

When applicable, Ch. 19, P.L. 2009 billings reflect the recoupment of the 50% deferral of normal and accrued liability costs due on April 1, 2009. The law set a fifteen-year repayment schedule for the deferred amount, with additional annual adjustments to reflect the return on investment of actuarial net assets of the plan on deferred principal balances. The Borough did not participate in the Ch. 19 program.

ERI billings reflect the recoupment of the additional costs of pensions and health benefits, plus interest, resulting from an entities participation in a sponsored early retirement program.

The Borough recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

The vesting and benefit provisions are set by N.J.S.A. 43:15. 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:

<u>Tier</u>	<u>Definition</u>
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 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

Note 9. PENSION PLANS (CONT'D.)

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

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

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – The regulatory basis of accounting which is basis for the preparation of the Borough's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Borough does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2017, the PERS reported a liability of \$23,278,401,588 for its Non-State Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State Employer Group that is attributable to the Borough was \$15,759,825 or 0.067701%. At June 30, 2016, the PERS reported a net pension liability of \$29,617,131,759 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's net pension liability for the Non-State Employer Member Group that is attributable to the Borough was \$21,373,985 or 0.072168%.

*Actuarial Assumptions*- The collective total pension liability in the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 that was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	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 Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. 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 1 year for females).

Note 9. PENSION PLANS (CONT'D.)

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

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.

The long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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 the pension plans' target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/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 estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

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

NOTES TO FINANCIAL STATEMENTS

Note 9. PENSION PLANS (CONT'D.)

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

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 Collective Net Pension Liability to Changes in the Discount Rate – the following presents the collective net pension liability of PERS participating employers as of June 30, 2017, calculated using the discount rates 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 rate higher than the current rate:

	At 1% Decrease (4.00%)	At current discount rate (5.00%)	At 1% increase (6.00%)
State	\$29,818,581,732	\$25,645,622,797	\$22,179,578,513
Local	<u>28,878,437,027</u>	<u>23,278,401,588</u>	<u>18,612,878,069</u>
PERS Plan Total	<u>\$58,697,018,759</u>	<u>\$48,924,024,385</u>	<u>\$40,792,456,582</u>
Borough's proportionate share of the net pension liability	<u>\$19,551,132</u>	<u>\$15,759,825</u>	<u>\$12,601,196</u>

*Components of Net Pension Liability* – The components of the collective net pension liability for PERS, including the State of New Jersey, at June 30, 2017 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$32,535,896,852	\$44,852,367,051	\$77,388,263,903
Plan Fiduciary Net Position	<u>6,890,274,055</u>	<u>21,573,965,463</u>	<u>28,464,239,518</u>
Net Pension Liability	<u>\$25,645,622,797</u>	<u>\$23,278,401,588</u>	<u>\$48,924,024,385</u>

*Collective Deferred Outflows of Resources and Deferred Inflows of Resources* – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2018	\$ 180,230
2019	368,267
2020	233,368
2021	(612,816)
2022	<u>(438,868)</u>
Total	\$ <u>(269,819)</u>

Note 9. PENSION PLANS (CONT'D.)

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

*Changes in Proportion* - The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2017, 2016, 2015, and 2014 amounts, respectively.

B. Police and Firemen's Retirement System (PFRS) - The Police and Firemen's Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PFRS Plan are as follows:

*Plan Membership and Contributing Employers*- Substantially all full-time county and municipal police or firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2017:

Inactive plan members or beneficiaries currently receiving benefits	43,011
Inactive plan members entitled to but not yet receiving benefits	47
Active plan members	<u>40,789</u>
Total	<u>83,847</u>

Contributing Employers – 586.

*Significant Legislation* – Chapter 19, P.L. 2009, effective March 17, 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 an employer 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 PERS, 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.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PFRS.

For the year ended December 31, 2017 the Borough's total payroll for all employees was \$16,146,563. Total PFRS covered payroll was \$7,555,431. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate was 10.0% in State fiscal year 2017. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits.

NOTES TO FINANCIAL STATEMENTS

Note 9. PENSION PLANS (CONT'D.)

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

The Borough's cash basis contributions to the Plan for the years ended December 31, 2016 and 2017 were \$1,888,663 and \$1,894,782, respectively. Borough Contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contribution requirements were calculated.

Borough payments to PFRS for the years ending December 31, 2016 and 2017 consisted of the following:

	<u>2016</u>	<u>2017</u>
Normal Cost	\$633,193	\$644,937
Amortization of Accrued Liability	<u>1,171,276</u>	<u>1,167,474</u>
Total Pension	1,804,469	1,812,411
NCGI Premiums	<u>84,194</u>	<u>82,371</u>
Total Regular Billing	1,888,663	1,894,782
Total PFRS Payment	<u>\$1,888,663</u>	<u>\$1,894,782</u>

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

The following represents the membership tiers for PFRS:

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

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



Note 9. PENSION PLANS (CONT'D.)

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

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – The regulatory basis of accounting which is basis for the preparation of the Borough's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Borough does not recognize pension liabilities for any current or prior period until fiscal period in which such payments will become due and payable.

At June 30, 2017, the PFRS reported a net pension liability of \$15,438,066,691 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State, Non-Special Funding Situation Employer Member Group was \$34,964,608 or 0.226483%. At June 30, 2016, the PFRS reported a net pension liability of \$19,102,557,969 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$44,392,716 or 0.232391%.

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

Inflation	2.25%
Salary Increases: Through 2026	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 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. Post-retirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then three years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on 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. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 9. PENSION PLANS (CONT'D.)

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/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 estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

*Discount Rate* – The discount rate used to measure the pension liabilities of PFRS was 6.14%

*Sensitivity of Net Pension Liability* – The following presents the collective net pension liability of the participating employers as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease (5.14%)	At current discount rate (6.14%)*	At 1% increase (7.14%)
State	\$ 5,202,348,756	\$ 4,395,743,141	\$ 3,734,560,750
Local	<u>22,619,279,081</u>	<u>17,167,260,198</u>	<u>12,687,806,745</u>
PFRS Plan Total	<u>\$27,821,627,837</u>	<u>\$21,563,003,339</u>	<u>\$16,422,367,495</u>

\*- Local Share includes \$1,729,193,507 of Special Funding Situation allocated to the State of NJ as a non-employer.

NOTES TO FINANCIAL STATEMENTS

Note 9. PENSION PLANS (CONT'D.)

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

Components of Net Pension Liability – The components of the collective net pension liability for PFRS, including the State of New Jersey, at June 30, 2017 is as follows:

	State	Local	Total
Total Pension Liability	\$ 5,939,531,281	\$41,471,190,457	\$47,410,721,738
Plan Fiduciary Net Position	<u>1,543,788,140</u>	<u>24,303,930,259</u>	<u>25,847,718,399</u>
Net Pension Liability	<u>\$ 4,395,743,141</u>	<u>\$17,167,260,198</u>	<u>\$21,563,003,339</u>

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2018	\$ 460,844
2019	1,170,583
2020	(22,229)
2021	(1,792,919)
2022	<u>(815,852)</u>
Total	<u>\$ (999,573)</u>

*Changes in Proportion* - The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.59, 5.58, 5.53, and 6.17 years for the 2017, 2016, 2015 and 2014 amounts, respectively.

C. Defined Contribution Retirement System (DCRP)

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

*Plan Membership and Contributing Employers*- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established “maximum compensation” limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2016, the membership in the DCRP, based on the information within the Division's database, was 46,557.

Note 9. PENSION PLANS (CONT'D.)

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

*Contribution Requirement and Benefit Provisions* - State and local government employers contribute 3% of the employees base salary. Active members contribute 5.5% of base salary.

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

For the year ended December 31, 2017 the Borough's total payroll for all employees was \$16,146,563. Total DCRP covered payroll was \$8,976. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan. Borough and employee contributions to the DCRP for the year ended December 31, 2017 were \$269 and \$646, respectively.

D. Cumulative PERS and PFRS Deferred Outflows of Resources and Deferred Inflows of Resources

	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total Pension Expense</u>
PERS	\$ 21,373,985	\$ 6,321,241	\$ 677,333	\$ 2,008,319
PFRS	<u>44,392,716</u>	<u>10,220,282</u>	<u>617,200</u>	<u>4,918,912</u>
Total	<u>\$ 65,766,701</u>	<u>\$16,541,523</u>	<u>\$ 1,294,533</u>	<u>\$ 6,927,231</u>

Note 10: POST-RETIREMENT HEALTH BENEFITS

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2008, The Borough of Carteret authorized participation in the SHBP's post-retirement benefit program through resolution number 08-164. The Borough of Carteret covers all retirees with the following requirements: fifteen years of service and the age of sixty-two, and twenty-five years of service or a disability retirement. All active full time employees are covered by the SHBP.

Note 10: POST-RETIREMENT HEALTH BENEFITS (Cont'd.)

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website [www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf](http://www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf).

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Borough of Carteret on a monthly basis. Currently there is no cost-sharing requirement for retirees.

The Borough of Carteret contributions to SHBP for the years ended December 31, were \$3,019,233.48 for active employees and \$2,355,538.07 for retirees for year 2017 and \$2,894,820.57 for active employees and \$2,174,146.42 for retirees for year 2016, respectively, which equaled the required contributions for each year. There were approximately 125 retired participants eligible at December 31, 2017.

Note 11: DEFERRED COMPENSATION PLAN

The Borough of Carteret maintains a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457. The plan, available to all qualified Borough employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or other unforeseeable emergency. The Borough does not and is not required to make contributions to the Plan. The Borough currently utilizes three separate financial service organizations to administer the Plan.

The Borough has amended its deferred compensation plan to reflect the changes required by the revision to the Federal Internal Revenue Code Section 457, whereby compensation deferred and all income attributable to such deferred amounts, property or rights, shall (until made available to the participant or beneficiary) be held in trust for the exclusive benefit of participants and their beneficiaries. Therefore, the Borough does not have any property or rights to the plan assets held by the plan administrators and no fiduciary relationship exists between the Borough and the deferred compensation plan as administered.

Note 12: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; natural disasters; workers. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur.

Effective January 1, 2002, the Borough joined the Middlesex County Joint Insurance Funds covering risk of loss. The Fund, which is organized and operated pursuant to the regulatory authority of the Departments of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles.

Note 12: RISK MANAGEMENT (Cont'd)

Payments to the Fund are calculated by the Fund's governing board based upon actuarial and budgetary requirements. Each participant in the Fund is jointly and severably obligated for any deficiency in the amount available to pay all claims. At December 31, 2012, the most recent report made available, the Fund reported for all years combined, total assets of \$34,178,794; liabilities and reserves of \$34,507,567, which includes claim reserves and IBNR of \$34,179,006 and fund balance (deficit) for all years of (\$328,773).

Workmen's Compensation Insurance – The Borough is self-insured for workmen's compensation claims of Borough employees. The estimated liability, based upon most recent data made available, as established by the third party administrator, for claims incurred and reported is \$145,000. No amounts have been established for claims incurred and not reported (IBNR). The Borough funds claim expenses on a cash basis through an annual budget appropriation.

New Jersey Unemployment Compensation Insurance – The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough 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 Borough is billed quarterly for amounts due to the State. The following is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough's Unemployment Insurance Trust Fund for the current and prior year:

<u>Year</u>	<u>Beg. Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2017	\$66,489	\$70,610	\$37,369	\$99,730
2016	18,682	70,052	22,245	66,489
2015	29,760	73	11,151	18,682

Note 13: CLOSURE AND POST-CLOSURE CARE COSTS

The Borough is subject to an Administrative Consent Order with the New Jersey Department of Environmental Protection (the "NJDEP") with respect to the closure and remediation of a certain landfill and related property located within the Borough. On February 6, 2004, the Borough entered into an agreement, as amended and supplemented to date (the "Redevelopment Agreement"), with TITAN-PDC CARTERET URBAN RENEWAL, LLC, a Delaware limited liability company (the "Redeveloper"), with regards to this site. In accordance with the terms of the Redevelopment Agreement, the Redeveloper has assumed all of the obligations regarding the closure of the landfill and the completion of the remediation plan. As of the date hereof, the Redeveloper has obtained all of the applicable environmental and development permits and in August of 2006, with the express consent of the NJDEP, began the remediation work. The closure of the landfill and the remediation of the site were completed in the fall of 2007, in accordance with all applicable environmental laws and regulations.

In connection with the closure and remediation, the Redeveloper, acting through the Carteret Redevelopment Agency (the "Agency") as project sponsor, participated in the New Jersey Environmental Infrastructure Trust (the "NJEIT") Financing Program (the "Program") pursuant to which the Redeveloper financed all of the costs of the closure and remediation. As part of the Program, the Agency entered into loan agreements with each of the NJEIT and NJDEP, whereby the NJEIT and NJDEP provided available remediation funds, in the aggregate principal amount of \$38,500,000, which remediation funds were in turn loaned by the Agency to the Redeveloper pursuant to loan agreements between the Agency and the Redeveloper.

NOTES TO FINANCIAL STATEMENTS

Note 13: CLOSURE AND POST-CLOSURE CARE COSTS (Cont'd)

In addition to the Redevelopers obligations to repay the loan amounts under the loan agreements, the Redeveloper's repayment obligations are further secured by payments in lieu of taxes ("PILOTS") with respect to the site that are due by the Redeveloper to the Borough, along with the corresponding municipal lien derived thereby, and an unconditional and irrevocable guaranty of Panattoni Investments, LLC, a California limited liability company, who has an equity ownership interest in the Redeveloper. The Agency's loan agreements with the NJEIT and NJDEP are ultimately secured by a full faith and credit guaranty by the Borough.

The remediation funds are held by the NJEIT and NJDEP, respectively, and shall only be released upon the Redeveloper's submission of remediation cost invoices to each of the NJEIT and NJDEP, which invoices must be approved by each of the NJEIT and NJDEP prior to the release of any remediation funds. In addition, the Redeveloper purchased an environmental closure excess insurance policy (the "Closure Policy") that provides excess insurance coverage in the event of unanticipated costs of the remediation. The Closure Policy names each of the Borough and the Agency as additional insured's thereunder.

As with the closure obligation, the post-closure obligations have also been fully assumed by the Redeveloper in accordance with the terms of the Redevelopment Agreement. In addition, the Redeveloper posted a letter of credit with the NJDEP to cover the expected costs of the post closure obligations. Furthermore, the Redeveloper purchased a post closure insurance policy (the "Post Closure Policy") that provides excess insurance coverage in the event of unanticipated post closure costs. The Post Closure Policy names each of the Borough and the Agency as additional insured's thereunder.

Note 14: REDEVELOPMENT PROGRAM

The Borough has authorized various redevelopment programs within the Borough of Carteret that are revitalizing the Borough's old urban, and environmentally compromised, industrial core. With respect to these redevelopment efforts, the Borough is a party to formal agreements with various redevelopers. These agreements set forth the scope of the redevelopment projects along with the various related financial commitments and obligations on behalf of the Borough and the other parties to the agreements.

As an integral component of the redevelopment effort, the Borough has created the Carteret Redevelopment Agency as the agency to be ultimately responsible to oversee and implement these redevelopment programs, which financial activities are reported within the Redevelopment Agency's financial statements.

Note 15: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the Balance Sheets - as of December 31, 2017:

<u>Fund</u>	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
General Capital Fund	\$ 521,516.43	- 0 -
Community Development Block Grant		\$ 10,000.00
Federal & State Grant Fund	<u>- 0 -</u>	<u>511,516.43</u>
	<u>\$ 521,516.43</u>	<u>\$ 521,516.43</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 16: LENGTH OF SERVICE AWARD PROGRAM (LOSAP) - UNAUDITED

The Borough has instituted a Length of Service Award Program (LOSAP) pursuant to section 457(e) of the Internal Revenue Code and P.L. 1997, C. 388 as amended by P.L. 2001, C. 272 of the Statutes of New Jersey. The Program provides for fixed annual contributions to a deferred income account for volunteer firefighters and first aid and rescue squad members who meet specified service criteria. The Borough sponsors the Program, which is administered by a private contractor. The LOSAP section of this document includes the relevant unaudited financial statements and notes for the Program.

### Note 17: COMMITMENTS AND CONTINGENCIES

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2017 and 2016, the Borough does not believe that any material liabilities will result from such audits.

#### Contractual Commitments

As of December 31, 2017, the Borough of Carteret was a party to various construction contracts and commitments that totaled \$17,273,121. Waterfront Marina Project with total commitments of \$5,920,000; Waterfront Improvements with total commitments of \$2,723,515; Various Sewer and Stormwater Improvements with total commitments of \$3,153,787; Various Capital Improvements with total commitments of \$4,025,666; Special Improvement District with total commitments of \$416,969 and Green Acres Marina with total commitments of \$565,150.

#### Litigation

As of the filing date of this report, the Borough had pending litigation. This litigation can be generally categorized as negligence claims, workmen's compensation claims, tax appeals, and other miscellaneous claims and cases. Management's review of the pending litigation indicates that any judgments rendered against the Borough will not have a material adverse impact on the Borough's financial position.

As more fully discussed in Note 12, the Borough is self-insured for workmen's compensation. The estimated reserve requirement for claims incurred and reported is set forth in Note 12.

### Note 18: LONG TERM TAX EXEMPTIONS

The Borough provides for long-term tax exemptions, as authorized and permitted by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. The exemptions provided by the Borough are predominately for affordable housing projects. Taxes abated include municipal, local school and county taxes. The Borough is required to remit five percent (5.00%) to the County for any payments received in lieu of taxes (PILOT payments). The Borough PILOT billings in 2017 were \$1,836,842.38 and taxes in 2017 that otherwise would have been due on these long-term tax exemptions amounted to \$4,843,402.74, based upon the assessed valuations of the long-term tax exemptions properties.



## NOTES TO FINANCIAL STATEMENTS

### Note 19: SUBSEQUENT EVENTS

On February 22, 2018, the Borough adopted an Ordinance#18-3 providing for 2018 Municipal Road Program appropriating \$3,000,000.00 authorizing the issuance of \$2,850,000 Bonds or Notes.

Subsequent to December 31, 2017, the Borough issued Bond Anticipation Notes dated February 1, 2018 with a maturity date of February 1, 2019. The BAN's were issued for \$14,400,000 with an interest rate of 2.75%.

Subsequent to December 31, 2017, the Borough issued Bond Anticipation Notes dated May 31, 2018 with a maturity date of February 1, 2019. The BAN's were issued for \$10,750,000 with an interest rate of 2.75%.

**BOROUGH OF CARTERET**  
**MIDDLESEX COUNTY, NEW JERSEY**



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

BOROUGH OF CARTERET  
 SCHEDULE OF THE BOROUGH'S SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Borough's Proportion of the Net Pension Liability	0.067412%	0.069895%	0.072168%	0.067701%
Borough's Proportionate Share of the Net Pension Liability	12,621,397	15,690,039	21,373,985	15,759,825
Borough's Covered-Employee Payroll	4,787,389	4,885,091	4,645,862	4,567,375
Borough's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	263.64%	321.18%	460.06%	345.05%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	52.08%	47.93%	40.14%	48.10%

\* Amounts presented for each year were determined as of June 30.

BOROUGH OF CARTERET  
 SCHEDULE OF THE TOWNSHIP'S CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 581,571	\$ 580,088	\$ 625,993	\$ 668,538
Contribution in Relation to Contractually Required Contribution	<u>\$ (581,571)</u>	<u>\$ (580,088)</u>	<u>\$ (625,993)</u>	<u>\$ (668,538)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Borough's Proportionate Share of the Payroll	\$ 4,787,389	\$ 4,885,091	\$ 4,645,862	\$ 4,567,375
Contributions as a percentage of Covered Employee Payroll	12.15%	11.87%	13.47%	14.64%

\* Amounts presented for each year were determined as of June 30.

BOROUGH OF CARTERET  
 SCHEDULE OF THE TOWNSHIP'S SHARE OF THE NET PENSION LIABILITY  
POLICE AND FIREMEN RETIREMENT SYSTEM  
 (Non-State, Non-Special Funding Situation Employer Member Group)

Last 10 Fiscal Years\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Proportion of the Non-State, Non-Special Funding Situation Employer Group Net Pension Liability attributable to the Township	0.221163%	0.232350%	0.232391%	0.226483%
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State, Non-Special Funding Situation Employer Group	\$27,820,195	\$38,701,494	\$44,392,716	\$34,964,608
Borough's Covered-Employee Payroll	\$7,229,367	\$7,376,905	\$7,468,878	\$7,555,431
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State, Non-Special Funding Situation Employer Group as a percentage of the Township's Covered-Employee Payroll	384.82%	524.63%	594.37%	462.77%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (See Note Below)	62.41%	56.31%	52.01%	58.60%

\* Amounts presented for each year were determined as of June 30.

Note: Percentages shown are Plan-wide, and include NPL and PFNP data that include employees of the State of New Jersey.

BOROUGH OF CARTERET  
 SCHEDULE OF THE TOWNSHIP'S CONTRIBUTIONS  
POLICE AND FIREMEN RETIREMENT SYSTEM  
 (Non-State, Non-Special Funding Situation Employer Member Group)

Last 10 Fiscal Years\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 1,648,396	\$ 1,698,681	\$ 1,888,663	\$ 1,894,782
Contribution in Relation to Contractually Required Contribution	<u>\$ (1,648,396)</u>	<u>\$ (1,698,681)</u>	<u>\$ (1,888,663)</u>	<u>\$ (1,894,782)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Borough's Proportionate Share of the Payroll	\$7,229,367	\$7,376,905	\$7,468,878	\$7,555,431
Contributions as a percentage of Covered Employee Payroll	22.80%	23.03%	25.29%	25.08%

\* Amounts presented for each year were determined as of June 30.

**BOROUGH OF CARTERET**  
**COUNTY OF MIDDLESEX, NEW JERSEY**

**NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION**  
**DECEMBER 31, 2017**

The following information is as abstracted from the State of New Jersey, Division of Pension and Benefits, Financial Statements and Supplementary Schedules report as of June 30, 2017, dated March 29, 2018. This information pertains to the RSI schedules of changes in net pension liability contained in that report.

**PERS**

*Changes in benefit terms* - None

*Changes in assumptions* - For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

**PFRS**

*Changes in benefit terms* - In 2017, Chapter 26, P.L. 2016 increased the accidental death benefit payable to children if there is no surviving spouse to 70% of final compensation.

*Changes in assumptions* - For 2017, the discount rate changed to 6.14% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 5.55%, the long-term expected rate of return changed to 7.65% from 7.90%, and the mortality improvement scale incorporated the plan actuary's modified 2014 projection scale. Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age) through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 5.79% and demographic assumptions were revised in accordance with the results of the July 1, 2010 - June 30, 2013 experience study. For 2014, the discount rate was 6.32%.

**BOROUGH OF CARTERET**  
**MIDDLESEX COUNTY, NEW JERSEY**



**PART III**  
**SUPPLEMENTARY SCHEDULES**



**Current Fund**

SCHEDULE OF CURRENT AND GRANT FUND CASH  
TREASURER

	<u>REF.</u>	<u>CURRENT FUND</u>	<u>GRANT FUND</u>
Balance - December 31, 2016	A	\$ 8,549,641.41	\$ -
Increased by Receipts:			
Nonbudget Revenue	A-2	878,064.93	
Due from State of N.J. - Ch. 73 P.L. 1976	A-6	145,279.45	
Taxes Receivable	A-7	66,112,022.81	
Tax Title Liens	A-9	743.03	
Revenue Accounts Receivable	A-10	8,531,969.01	
Sewer Rents	A-11	5,731,706.54	
Grants Receivable	A-15	193,099.86	
Prepaid Taxes	A-16	647,211.03	
Sewer Overpayments	A-17	31,314.82	
Tax Overpayments Collected	A-18	39.89	
Various Accounts Payables and Reserves	A-19	1,617,180.47	
		<u>83,888,631.84</u>	<u>-</u>
Decreased by Disbursements:			
Budget Appropriations	A-3	40,113,212.51	
Refund State Tax Appeals	A-1	311,874.73	
Appropriation Reserves	A-14	1,115,317.19	
Reserve for Grants-Interfund	A-15	198,099.86	
Sewer Overpayments	A-17	25,872.11	
Tax Overpayments	A-18	76,653.94	
Various Accounts Payables and Reserves	A-19	1,853,998.92	
Taxes Payable	A-20	39,324,885.03	
		<u>83,019,914.29</u>	<u>-</u>
Balance - December 31, 2017	A	\$ <u>9,418,358.96</u>	\$ <u>-</u>

SCHEDULE OF CHANGE FUNDS - COLLECTOR  
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2016	A	\$ 350.00
Balance - December 31, 2017	A	<u>\$ 350.00</u>

SCHEDULE OF DUE FROM STATE OF NEW JERSEY  
FOR SENIOR CITIZENS AND VETERANS DEDUCTIONS  
PER CHAPTER 73, P.L. 1976

	<u>REF.</u>	
Balance - December 31, 2016	A	\$ 395.19
Increased by:		
Sr. Citizens' Deductions Per Tax Billings	A- 6	52,500.00
Sr. Citizens' Deductions Allowed by Tax Collector	A- 6	4,250.00
Veterans' Deductions Per Tax Billings	A- 6	103,500.00
Prior Year Deductions Allowed by Tax Collector	A- 7	<u>1,750.00</u>
		<u>162,000.00</u>
		162,395.19
Decreased by:		
Cash Receipts	A- 4	145,279.45
Sr. Cit. Deductions Disallowed by Tax		
Current Year	A- 6	1,247.94
Prior Year	A- 1	<u>13,592.47</u>
		<u>160,119.86</u>
Balance - December 31, 2017	A	<u>\$ 2,275.33</u>
<u>Analysis of Realized Revenues - 2017:</u>		
Veterans' Deductions Per Tax Billings	A-6	\$ 103,500.00
Sr. Citizens' Deductions Per Tax Billings	A-6	52,500.00
Sr. Citizens'/Veterans' Deductions Allowed by Tax Collector	A-6	4,250.00
Less: Current Year Deductions Disallowed by Tax Collector	A-1, A-6	<u>(1,247.94)</u>
2017 Realized Revenues	A-7	<u>\$ 159,002.06</u>

SCHEDULE OF TAXES RECEIVABLE  
AND ANALYSIS OF PROPERTY TAX LEVY

YEAR	BALANCE DECEMBER 31, 2016	ADDED TAXES	2017 LEVY	CASH COLLECTIONS 2016	CASH COLLECTIONS 2017	STATE SHARE OF SR. CIT. AND VET. DED. ALLOWED	REMITTED OR CANCELLED	TRANSF. TO TAX TITLE AND LIEN	BALANCE DECEMBER 31, 2017
2016	\$ 787,948.86	\$ 13,592.47	\$ -	\$ -	\$ 731,075.35	\$ 1,750.00	\$ 50,335.71	\$ 18,380.27	\$ -
Subtotal 2017	787,948.86	13,592.47	-	390,200.11	731,075.35	1,750.00	50,335.71	18,380.27	-
		31,308.88	67,071,649.67		65,380,947.46	159,002.06	642,428.44	1,927.79	528,452.69
	\$ 787,948.86	\$ 44,901.35	\$ 67,071,649.67	\$ 390,200.11	\$ 66,112,022.81	\$ 160,752.06	\$ 692,764.15	\$ 20,308.06	\$ 528,452.69

Ref.

Reserve

A-2, A-16

A-2, A-4

A-2, A-6

Reserve

A-9

A

Analysis of 2017 Property Tax Levy:

Tax Yield:

General Purpose Tax \$ 64,506,197.13  
 Special District Taxes 2,552,203.00  
 Added Taxes per Ch. 397 et seq. 44,558.42

\$ 67,102,958.55

Tax Levy:

Local Dist. School Tax (Levy) A-20  
 County Tax Incl. Open Space (Levy) A-20  
 County Tax for Added Taxes (R.S. 54.4-63.1 et seq.) A-20  
 Municipal Open Space Tax A-20  
 Special District Taxes A-20  
 Library Tax A-2  
 Local Tax for Municipal Purposes (Abstract) A-2  
 Add: Additional Tax Levy A-7

\$ 67,102,958.55

STATEMENT OF PROPERTY ACQUIRED FOR TAXES  
AT ASSESSED VALUATION  
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2016 and 2017	A	<u>\$ 896,900.00</u>

SCHEDULE OF TAX TITLE LIENS  
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2016	A	\$ 36,983.13
Increased by:		
Cost of Sale	Reserve	4,544.59
Transferred from Taxes Receivable	A-7	<u>20,308.06</u>
		61,835.78
Decreased by:		
Collections	A-4	<u>743.03</u>
Balance - December 31, 2017	A	<u>\$ 61,092.75</u>

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>REF.</u>	<u>BEGINNING BALANCE</u>	<u>ACCRUED 2017</u>	<u>COLLECTED</u>	<u>ENDING BALANCE</u>
Licenses:					
Alcoholic Beverages	A-2	\$	32,752.00	\$ 32,752.00	\$ -
Other	A-2	450.00	34,181.16	34,631.16	-
Fees and Permits	A-2	-	1,014,751.20	1,014,751.20	-
Municipal Court - Fines and Costs	A-2	32,803.66	589,059.50	567,946.08	53,917.08
Interest and Costs on Taxes	A-2		286,161.83	286,161.83	-
Interest on Investments and Deposits	A-2		118,553.72	118,553.72	-
Payment in Lieu of Taxes	A-2		2,451,740.42	2,451,740.42	-
Energy Receipts Taxes	A-2		2,224,217.00	2,224,217.00	-
Consolidated Municipal Property Tax Relief Act	A-2		358,894.00	358,894.00	-
Uniform Construction Code Fees	A-2	42,518.00	1,046,197.00	1,060,990.00	27,725.00
Engineering Fees	A-2		15,408.70	15,408.70	-
Uniform Fire Safety Act	A-2		62,272.47	62,272.47	-
Carteret Hazmat Funding	A-2		300,000.00	300,000.00	-
Sewer Loans Receivable	A-1	37,391.67	15,300.00	3,650.43	49,041.24
		\$ 113,163.33	\$ 8,549,489.00	\$ 8,531,969.01	\$ 130,683.32
<u>Ref.</u>	A		Reserve	A-2, A-4	A

SCHEDULE OF SEWER RENTS RECEIVABLE  
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2016	A	\$ 442,572.09
Increased by:		
Sewer Billings	Reserve	<u>5,608,320.69</u>
		6,050,892.78
Decreased by:		
Transfer to Sewer Liens	A-12	450.00
Collections - Rents	A-2,A-4	<u>5,731,706.54</u>
		<u>5,732,156.54</u>
Balance - December 31, 2017	A	<u><u>\$ 318,736.24</u></u>

SCHEDULE OF SEWER LIENS  
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2016	A	\$ 5,850.91
Increased by:		
Transfer from Sewer Rents	A-11	<u>450.00</u>
Balance - December 31, 2017	A	<u><u>\$ 6,300.91</u></u>

SCHEDULE OF DEMOLITION LIENS RECEIVABLE  
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2017 and 2016	A	<u><u>\$ 9,000.00</u></u>

SCHEDULE OF 2016 APPROPRIATION RESERVES

	BALANCE DEC. 31, 2017	RESERVE FOR ENCUMB. DEC. 31, 2017	AMOUNT AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Operations Within "CAPS"					
Mayor and Council	\$ 2,700.76	\$ 2,200.00	\$ 4,900.76	\$ 2,200.00	\$ 2,700.76
Salaries and Wages	118.33	279.92	398.25	279.92	118.33
Other Expenses	-	4,056.10	4,056.10	4,056.10	-
Municipal Clerk	201.89	3,383.75	3,585.64	3,568.64	17.00
Salaries and Wages					
Other Expenses					
Financial Administration					
Salaries and Wages	9,078.04	5,560.65	14,638.69	5,560.65	9,078.04
Other Expenses	215.35	3,107.12	3,322.47	2,851.05	471.42
Annual Audit					
Other Expenses	-	33,000.00	33,000.00	32,500.00	500.00
Revenue Administration					
Salaries and Wages	-	74.53	74.53	74.53	-
Other Expenses	242.11	2,374.75	2,616.86	2,374.75	242.11
Assessment of Taxes					
Salaries and Wages	1,375.49	2,536.11	3,911.60	2,536.11	1,375.49
Other Expenses	393.73	51,484.69	51,878.42	44,732.48	7,145.94
Legal Services and Costs					
Salaries and Wages	799.35	3,171.37	3,970.72	3,171.37	799.35
Other Expenses	582.63	102,955.07	103,537.70	87,002.27	16,535.43
Engineering Services and Costs					
Salaries and Wages	386.07	5,976.18	6,362.25	5,976.18	386.07
Other Expenses	14,745.00	139,405.85	154,150.85	136,972.91	17,177.94
Economic Development Agency					
Salaries and Wages	653.84	890.00	1,543.84	890.00	653.84
Other Expenses	51.46	822.50	873.96	852.76	21.20
Municipal Land Use Law (N.J.S.A. 40:55D-1)					
Planning Board					
Salaries and Wages	4,592.15	230.68	4,822.83	230.68	4,592.15
Other Expenses	51.42	218.75	270.17	218.75	51.42



SCHEDULE OF 2016 APPROPRIATION RESERVES

	<u>BALANCE</u>	<u>RESERVE FOR</u>	<u>AMOUNT</u>	<u>PAID OR</u>	<u>BALANCE</u>
	<u>DEC. 31, 2017</u>	<u>ENCUMB.</u>	<u>AFTER</u>	<u>CHARGED</u>	<u>LAPSED</u>
		<u>DEC. 31, 2017</u>	<u>MODIFICATION</u>		
Zoning Board of Adjustment	1,582.11	240.40	1,822.51	240.40	1,582.11
Salaries and Wages	199.16	200.00	399.16	-	399.16
Other Expenses	86.60	196.18	282.78	196.18	86.60
Contribution to Historical Society	8,543.36	-	8,543.36	-	8,543.36
Insurance-Liability	-	97,800.00	97,800.00	97,800.00	-
Insurance-Worker Compensation	-	295,197.29	295,197.29	295,197.29	-
Insurance-Employee Group					
Police					
Salaries and Wages:					
School Crossing Guards	-	7,774.94	7,774.94	7,774.94	-
Other Expenses	15,967.24	85,555.95	101,523.19	84,805.72	16,717.47
Police Dispatch/911					
Salaries and Wages	-	5,737.90	5,737.90	5,737.90	-
Emergency Management Services					
Salaries and Wages	740.80	287.40	1,028.20	287.40	740.80
Other Expenses	6,534.14	235.00	6,769.14	260.00	6,509.14
Emergency Medical Services					
Salaries and Wages	4,352.37	12,971.73	17,324.10	10,194.90	7,129.20
Other Expenses	5,210.87	1,156.30	6,367.17	2,877.31	3,489.86
Aid to Volunteer Fire Companies	19,201.93	10,577.38	29,779.31	22,305.61	7,473.70
Fire					
Salaries and Wages	6,383.90	40,473.34	46,857.24	40,473.34	6,383.90
Other Expenses	10,170.42	42,211.45	52,381.87	48,380.62	4,001.25
Carteret Hazmatt Association Agreement					
Other Expenses	2,185.90	5,339.93	7,525.83	5,556.33	1,969.50
Municipal Prosecutor					
Salaries and Wages	700.00	700.00	1,400.00	-	1,400.00
Road Repairs and Maintenance					
Salaries and Wages	5,175.94	15,139.66	20,315.60	20,315.60	-
Other Expenses	2,649.18	21,739.42	24,388.60	23,761.84	626.76
Street Cleaning					
Salaries and Wages	-	4,785.66	4,785.66	4,785.66	-
Other Expenses	40.00	-	40.00	-	40.00

SCHEDULE OF 2016 APPROPRIATION RESERVES

	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>RESERVE FOR</u> <u>ENCUMB.</u> <u>DEC. 31, 2017</u>	<u>AMOUNT</u> <u>AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
Garbage and Trash Removal	6,577.86	130,259.94	136,837.80	136,837.80	-
Other Expenses					
Public Buildings and Grounds	1,350.15	5,334.98	6,685.13	5,334.98	1,350.15
Salaries and Wages	154.17	8,705.29	8,859.46	3,766.36	5,093.10
Other Expenses					
Municipal Garage	1,246.95	6,369.61	7,616.56	6,288.61	1,327.95
Salaries and Wages	4,779.00	36,199.29	40,978.29	30,054.77	10,923.52
Other Expenses					
Board of Health	4,192.37	6,415.61	10,607.98	3,067.42	7,540.56
Other Expenses					
Animal Control Services	973.74	5,593.32	6,567.06	5,534.02	1,033.04
Other Expenses					
Municipal Court	8,956.67	4,738.30	13,694.97	4,738.30	8,956.67
Salaries and Wages	9,514.63	5,091.39	14,606.02	4,166.29	10,439.73
Other Expenses					
Public Defender	615.26	384.62	999.88	384.62	615.26
Salaries and Wages					
Recreation Commission	-	17,364.12	17,364.12	13,359.71	4,004.41
Other Expenses					
Parks and Playgrounds	6,083.46	18,017.33	24,100.79	24,100.79	-
Salaries and Wages	2,271.72	17,860.26	20,131.98	15,979.40	4,152.58
Other Expenses					
Senior Citizens Transportation	538.00	1,789.25	2,327.25	1,077.22	1,250.03
Salaries and Wages	1,557.80	91.47	1,649.27	91.47	1,557.80
Other Expenses					
Office of the Handicapped	273.00	-	273.00	-	273.00
Salaries and Wages	2,500.00	-	2,500.00	-	2,500.00
Other Expenses					
Handicapped Recreation	6,773.00	-	6,773.00	-	6,773.00
Salaries and Wages	7,683.42	1,352.50	9,035.92	9,035.92	-
Other Expenses	-	15,025.08	15,025.08	12,382.98	2,642.10
Electricity	1,894.59	23,000.00	24,894.59	24,894.59	-
Street Lighting	26,773.87	21,038.96	47,812.83	15,731.51	32,081.32
Telephone					

SCHEDULE OF 2016 APPROPRIATION RESERVES

	BALANCE DEC. 31, 2017	RESERVE FOR ENCUMB. DEC. 31, 2017	AMOUNT AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Water	865.69		865.69	-	865.69
Gas-Natural	13,985.51	1,488.36	15,473.87	7,741.21	7,732.66
Fuel Oil	-	-	-	-	-
Gasoline	26,606.01	19,136.87	45,742.88	22,131.35	23,611.53
Telecommunications Costs-S&W	-	1,430.24	1,430.24	1,430.24	-
Telecommunications Costs-OE	16,859.72	15,261.35	32,121.07	29,013.22	3,107.85
Postage	5,660.00		5,660.00	22.19	5,637.81
Sewerage Treatment Plant					
Salaries and Wages	-	2,794.62	2,794.62	2,794.62	-
Other Expenses	8,971.89	26,361.46	35,333.35	20,002.53	15,330.82
Building Inspector					
Salaries and Wages	615.76	4,598.89	5,214.65	4,598.89	615.76
Other Expenses	3,702.10	3,783.71	7,485.81	3,652.47	3,833.34
Older Americans Act					
Salaries and Wages	-	442.72	442.72	442.72	-
Other Expenses	650.00		650.00	-	650.00
Celebration of Public Events					
Other Expenses	6,745.95	26,179.60	32,925.55	31,192.65	1,732.90
Total Operations Within "CAPS"	305,283.83	1,436,157.09	1,741,440.92	1,446,849.04	294,591.88
Contingent	458.14	225.00	683.14	225.00	458.14
Total Operations Including Contingent Within "CAPS"	305,741.97	1,436,382.09	1,742,124.06	1,447,074.04	295,050.02

SCHEDULE OF 2016 APPROPRIATION RESERVES

	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>RESERVE FOR</u> <u>ENCUMB.</u> <u>DEC. 31, 2017</u>	<u>AMOUNT</u> <u>AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	305,741.97	1,436,382.09	1,742,124.06	1,447,074.04	295,050.02
<u>Operations Excluded from "CAPS"</u>					
Length of Service-LOSAP-Fire		20,000.00	20,000.00	20,000.00	-
Maintenance of Free Public Library (Ch. 82 & 54, P.L. 1985)	12,644.26	11,712.27	24,356.53	24,356.53	-
Middlesex County Utilities Authority Sewage Treatment - Contractual	729.21		729.21	-	729.21
Total Operations - Excluded from "CAPS"	13,373.47	31,712.27	45,085.74	44,356.53	729.21
Capital Improvements - Excluded from "CAPS"					
Purchase of Trees	-	3,840.10	3,840.10	2,143.75	1,696.35
Total General Appropriations	\$ 319,115.44	\$ 1,471,934.46	\$ 1,791,049.90	\$ 1,493,574.32	\$ 297,475.58
	Ref. A	A			A-1
Cash Disbursements				\$ 1,115,317.19	
Accounts Payable				378,257.13	
				\$ 1,493,574.32	

SCHEDULE OF INTERFUNDS  
CURRENT FUND

	BALANCE DEC 31, 2016	INCREASES	DECREASES	BALANCE DEC 31, 2017
Due Federal & State Grant Fund	\$ -	\$ 373,406.74	\$ 373,406.74	\$ -
Totals	\$ -	\$ 373,406.74	\$ 373,406.74	\$ -
<u>Ref.</u>	A			A
Budgeted Revenues		\$ -	\$ 175,306.88	
Budgeted Appropriations		180,306.88		
Cash Receipts-Grants Receivable		112,488.86		
Cash Receipts-Unappropriated Reserves		43,804.54		
Due from Capital Fund		36,806.46		
Cash Disbursements			198,099.86	
		\$ 373,406.74	\$ 373,406.74	

SCHEDULE OF PREPAID TAXES  
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2016	A	\$ 390,200.11
Increased by:		
Collection of Prepaid Taxes	A-4	<u>647,211.03</u>
		1,037,411.14
Decreased by:		
Applied to 2017 Taxes Receivable	A-7	<u>390,200.11</u>
Balance - December 31, 2017	A	<u><u>\$ 647,211.03</u></u>

SCHEDULE OF SEWER OVERPAYMENTS

	<u>REF.</u>	
Balance - December 31, 2016	A	\$ 11,236.46
Increased by:		
Cash Receipts	A-4	<u>31,314.82</u>
		42,551.28
Decreased by:		
Cash Disbursements	A-4	<u>25,872.11</u>
Balance - December 31, 2017	A	<u><u>\$ 16,679.17</u></u>

SCHEDULE OF TAX OVERPAYMENTS  
CURRENT FUND

	<u>REF.</u>		
Balance - December 31, 2016	A		\$ 218,914.48
Increased by:			
Collections	A- 4		<u>39.89</u>
			218,954.37
Decreased by:			
Cancelled	A- 1	32,045.98	
Payments	A- 4	<u>76,653.94</u>	
			<u>108,699.92</u>
Balance - December 31, 2017	A		\$ <u><u>110,254.45</u></u>

CURRENT FUND  
SCHEDULE OF CHANGES IN VARIOUS ACCOUNTS PAYABLES & RESERVES

	12/31/16	Cash Receipts	Cash Disbursements	Adjustments	12/31/17
Accounts Payable:					
Accounts Payable	\$ 294,156.87	\$	\$ 193,124.48	\$ 206,976.26	\$ 308,008.65
Deposits - Third Party Lien Redemption	<u>53,558.70</u>	<u>522,670.15</u>	<u>576,228.85</u>		<u>-</u>
Subtotal	<u>347,715.57</u>	<u>522,670.15</u>	<u>769,353.33</u>	<u>206,976.26</u>	<u>308,008.65</u>
Reserve for:					
Library	1,224.70	20,789.69	906.86		21,107.53
Revaluation	5,830.00		5,830.00		-
Kaplan PILOT	<u>4,188.10</u>	<u>1,073,720.63</u>	<u>1,077,908.73</u>		<u>-</u>
Subtotal	<u>11,242.80</u>	<u>1,094,510.32</u>	<u>1,084,645.59</u>	<u>-</u>	<u>21,107.53</u>
Total	<u>\$ 358,958.37</u>	<u>\$ 1,617,180.47</u>	<u>\$ 1,853,998.92</u>	<u>\$ 206,976.26</u>	<u>\$ 329,116.18</u>
	Ref. A	A-4	A-4		A
2016 Appropriation Reserves			\$ 378,257.13		
Accounts Payable Canceled			<u>171,280.87</u>		
			\$ 206,976.26		



SCHEDULE OF TAXES PAYABLE

	12/31/16	Taxes Levied	Cash Disbursements	12/31/17
County - General.....		\$ 8,085,396.33	\$ (8,085,396.33)	
County - Open Space.....		657,041.80	(657,041.80)	
County - Added & Omitted.....		4,189.75	(4,189.75)	
Local School District Taxes.....		27,289,885.00	(27,289,885.00)	
Local - Open Space.....		736,169.15	(736,169.15)	
Special District Taxes.....		2,552,203.00	(2,552,203.00)	
Total.....		<u>\$ 39,324,885.03</u>	<u>\$ (39,324,885.03)</u>	
<u>Ref.</u>	A	A-1, A-2, A-7	A-4	A

SCHEDULES OF GRANT FUND INTERFUNDS  
SCHEDULE OF DUE TO/FROM CURRENT FUND  
GRANT FUND

	<u>REF.</u>		
Balance - December 31, 2016 (Due from)	A		\$ -
Increased by:			
Cash Receipts - Grants Receivable	A-23	112,488.86	
Cash Receipts-Unappropriated	A-25	43,804.54	
Grants Appropriated - CY 2017	A-24	180,306.88	
Due to Capital Fund	A-22	<u>36,806.46</u>	
			<u>373,406.74</u>
			373,406.74
Decreased by:			
Cash Disbursements	A-24	198,099.86	
Grant Revenue Realized - CY 2017	A-23	<u>175,306.88</u>	
			<u>373,406.74</u>
Balance - December 31, 2017	A		<u><u>\$ -</u></u>

SCHEDULE OF DUE TO/FROM CAPITAL FUND  
GRANT FUND

	<u>REF.</u>		
Balance - December 31, 2016 (Due to)	A		\$ 474,709.97
Increased by:			
Cash Receipts	A-21	<u>36,806.46</u>	
			<u>36,806.46</u>
Balance - December 31, 2017 (Due to)	A		<u><u>\$ 511,516.43</u></u>

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE  
GRANT FUND

<u>GRANTS</u>	BALANCE	2017	COLLECTED	TRANS. FROM	BALANCE
	DEC. 31, 2016	BUDGET REVENUE REALIZED	2017	STATE & FED. GRANTS UNAPPROP.	DEC. 31, 2017
Body Armor Grant	\$ -	\$ 10,633.21	\$ 5,642.09	\$ 4,991.12	\$ -
Clean Communities Program	-	37,974.12	37,974.12	-	-
Click It Ticket	-	15,000.00	-	15,000.00	-
County Historic Grant	-	1,920.00	1,920.00	-	-
Federal Coastal Zone Management	-	9,949.50	-	9,949.50	-
Federal FEMA Firehouse Grant	142,080.00	-	-	-	142,080.00
Municipal Alliance	14,891.53	17,500.00	17,500.00	-	14,891.53
Municipal Court-DWI	-	2,477.69	-	2,477.69	-
NJ Environment Bike Path	20,000.00	-	-	-	20,000.00
Municipal Recycling Assistance	-	12,260.00	-	12,260.00	-
NJ Transportation Trust Fund	905,465.49	-	-	-	905,465.49
Port Authority Security Grant	40,000.00	-	-	-	40,000.00
Older American Act	-	17,208.00	-	17,208.00	-
Recycling Tonnage Grant	-	37,154.91	37,154.91	-	-
Summer Food	2,289.55	13,229.45	12,297.74	-	3,221.26
TEA- 21 NJDOT	1,068,817.12	-	-	-	1,068,817.12
	<u>\$ 2,193,543.69</u>	<u>\$ 175,306.88</u>	<u>\$ 112,488.86</u>	<u>\$ 61,886.31</u>	<u>\$ 2,194,475.40</u>

Ref.      A      A-21      A-21      A-25      A

SCHEDULE OF STATE AND FEDERAL GRANTS APPROPRIATED  
GRANT FUND

	BALANCE DEC. 31 2016	TRANSF. FROM 2017 BUDGET	RESERVE FOR ENCUMB. 2016	PAID OR CHARGED	RESERVE FOR ENCUMB. 2017	BALANCE DEC. 31 2017
Body Armor Replacement Program	\$ 360.93	\$ 10,633.21	\$ -	\$ 5,250.00	\$ -	\$ 5,744.14
Clean Communities Act		37,974.12	13,592.44	50,172.44	420.00	974.12
Click It or Ticket It		15,000.00		15,000.00		-
County Historic Grant		1,920.00		1,920.00		-
Federal Coastal Zone Management		9,949.50				9,949.50
FEMA Firefighters Grant	4,590.00					4,590.00
FEMA Firehouse Grant	34,256.65					34,256.65
Local Law Enforcement Grant - State	2,879.23					2,879.23
Multi-Jurisdictional Task Force	1,411.43					1,411.43
Municipal Alliance	22,500.00	22,500.00		24,375.08		20,624.92
Municipal Court Alcohol	5,334.76	2,477.69				7,812.45
Municipal Recycling Assistance		12,260.00	8,494.03	20,754.03		0.00
NJ Transportation Trust Fund	372,404.75		39,463.14		411,861.14	6.75
Older Americans Act	15,013.65		2,192.00	12,741.89	850.00	20,821.76
NJ Environmental Bike Path	20,000.00	17,208.00				20,000.00
Port Authority Security Grant	33,441.25					33,441.25
Recycling Tonnage Grant	99.20	37,154.91	52,707.72	54,658.72	33,049.00	2,254.11
Smart Growth Grant			3,000.00		3,000.00	-
Summer Food	603.04	13,229.45		13,227.70		604.79
TEA-21 NJDOT	1,024,603.19					1,024,603.19
	<u>\$ 1,537,498.08</u>	<u>\$ 180,306.88</u>	<u>\$ 119,449.33</u>	<u>\$ 198,099.86</u>	<u>\$ 449,180.14</u>	<u>\$ 1,189,974.29</u>

Ref.

A

A-21

A

A-21

A

A

SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS  
UNAPPROPRIATED

	BALANCE DEC. 31 <u>2016</u>	GRANTS RECEIVED <u>2017</u>	APPROP. IN 2017 <u>BUDGET</u>	BALANCE DEC 31 <u>2017</u>
Body Armor	\$ 4,991.12	\$ -	\$ 4,991.12	\$ -
Federal Coastal Zone Management	9,949.50	-	9,949.50	-
Click-It Ticket It	15,000.00	5,500.00	15,000.00	5,500.00
Municipal Court-DWI	2,477.69	1,994.54	2,477.69	1,994.54
Municipal Recycling Assistance	12,260.00	12,260.00	12,260.00	12,260.00
Older American Act	<u>17,208.00</u>	<u>24,050.00</u>	<u>17,208.00</u>	<u>24,050.00</u>
	<u>\$ 61,886.31</u>	<u>\$ 43,804.54</u>	<u>\$ 61,886.31</u>	<u>\$ 43,804.54</u>

Ref. A A A-21 A-23 A

**Trust Fund**

TRUST FUNDS  
SCHEDULE OF CASH AND RESERVE ACTIVITY

	Balance 12/31/16	Cash Receipts	Disbursements	Encumbrances 12/31/16	Encumbrances 12/31/17	Adjustments	Balance 12/31/17
<b>Animal Control:</b>							
Animal Control Reserves.....	\$ 7,813.90	\$ 16,555.63	\$ (11,286.64)				\$ 13,082.89
<b>Total</b>	<b>\$ 7,813.90</b>	<b>\$ 16,555.63</b>	<b>\$ (11,286.64)</b>				<b>\$ 13,082.89</b>
<b>Other Trust Funds:</b>							
Reserve for Encumbrances.....	\$ 110,594.89			\$ (110,594.89)	\$ 108,528.25		\$ 108,528.25
Payroll Trust.....	692,377.97	19,356,762.50	(19,427,793.74)				621,346.73
Reserve for Unemployment Insurance.....	66,489.50	70,609.66	(37,368.90)				99,730.26
Reserve for Builders' Escrow.....	1,527,520.81	571,064.49	(711,966.37)				1,386,618.93
Street Opening Deposits.....	31,056.18	11,366.00	(3,466.00)				38,956.18
<b>Other Escrows and Miscellaneous Reserves:</b>							
Building Inspection.....	9,566.52	90,942.00	(84,440.52)				16,068.00
"COAH" Non-Res Development Fee	28,553.82						28,553.82
Parking Offense Adjudication Act.....	4,876.14	242.00					5,118.14
Off Duty Police.....	17,619.04	783,777.53	(767,977.95)	917.88	(917.88)		33,418.62
Snow Removal Costs.....	113,684.85	134,769.10	(216,629.11)	65,730.85	(67,160.83)		30,394.86
Police Forfeited Funds.....	13,426.39	1,209.25		-			14,635.64
Premium on Tax Sale.....	834,789.47	528,100.00	(543,499.99)	3,300.00	(3,300.00)		819,389.48
Recreation Commission.....	666.37	30,357.77	(24,562.65)	2,441.52	(7,541.00)		1,362.01
Recycling Trust.....	1,524.47	64,459.00	(63,416.60)	11,278.42	(2,711.32)		11,133.97
Public Defender.....	4,888.35	13,606.00	(13,765.00)				4,729.35
Unclaimed Property.....	4,984.08						4,984.08
Uniform Fire Safety Code.....	16,065.03	41,631.99					57,697.02
Developer Offsite Improvements.....	-		(29.00)	26,926.22	(26,897.22)		-
Accrued Sick & Vacation.....	347,634.65						347,634.65
Office on Aging.....	11.00						11.00
<b>Total</b>	<b>\$ 3,826,329.53</b>	<b>\$ 21,698,897.29</b>	<b>\$ (21,894,915.83)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,630,310.99</b>
<b>Community Development Block Grant:</b>							
Due to Capital Fund	\$ -	\$ 10,000.00					\$ 10,000.00
Reserve for Rehabilitation Loans.....	5,825.00	5,908.00					11,733.00
Reserve for Administrative Costs.....	2.01		(2.01)				-
<b>Year 2017/2018 Reserves</b>							
Wellness Center Float Loan	-	6,376.00					6,376.00
Housing/Commercial Bldg Rehabilitation..	-	42,890.00	(11,400.03)				31,489.97
ADA Rehabilitation	-	28,593.00	(5,353.57)				23,239.43
<b>Total</b>	<b>\$ 5,827.01</b>	<b>\$ 93,767.00</b>	<b>\$ (16,755.61)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 82,838.40</b>
<b>Reserve for Open Space Tax Levy:</b>							
Reserve for Encumbrances.....	\$ 102,626.38			\$ (102,626.38)	\$ 980,935.32		\$ 980,935.32
Reserve for Open Space.....	470,097.87	740,953.66	(1,295,525.52)	102,626.38			18,152.39
<b>Total</b>	<b>\$ 572,724.25</b>	<b>\$ 740,953.66</b>	<b>\$ (1,295,525.52)</b>	<b>\$ -</b>	<b>\$ 980,935.32</b>	<b>\$ -</b>	<b>\$ 999,087.71</b>
<b>Reserve for LOSAP Funds (Unaudited):</b>							
LOSAP Reserves (Trustee).....	\$ 209,912.07	\$ 38,513.16	\$ (5,054.71)				\$ 243,370.52
<b>Total</b>	<b>\$ 209,912.07</b>	<b>\$ 38,513.16</b>	<b>\$ (5,054.71)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 243,370.52</b>
<b>Grand Total</b>	<b>\$ 4,622,606.76</b>	<b>\$ 22,588,686.74</b>	<b>-\$ 23,223,538.31</b>	<b>\$ -</b>	<b>\$ 980,935.32</b>	<b>\$ -</b>	<b>\$ 4,968,690.51</b>

Ref.

B

B

**General Capital Fund**



SCHEDULE OF GENERAL CAPITAL CASH - TREASURER  
GENERAL CAPITAL FUND

	<u>REF.</u>		
Balance - December 31, 2016	C		\$ 12,057,405.91
Increased by:			
Bond Anticipation Note Premium	C-1	\$ 269,495.00	
Due from Grant Fund	C-3	-	
Grants, Loans and Other Receivables	C-4	6,360,744.49	
Deferred Charges - Unfunded	C-6	11,766,349.19	
Bond Anticipation Notes	C-7	36,550,000.00	
Budget Appropriations:			
Capital Improvement Fund	C-13	1,800,000.00	
Various Reserves	C-12	<u>7,399,874.28</u>	
			<u>64,146,462.96</u>
			76,203,868.87
Decreased by:			
Due to Grant Fund	C-3	36,806.46	
Due to CDBG Fund	C-3	10,000.00	
Grants, Loans and Other Receivables	C-4	6,588,055.00	
Bond Anticipation Notes	C-7	37,150,000.00	
Improvement Authorizations	C-8	23,301,666.17	
Payment of Various Reserves	C-12	<u>160,163.98</u>	
			<u>67,246,691.61</u>
Balance - December 31, 2017	C		<u><u>\$ 8,957,177.26</u></u>

ANALYSIS OF GENERAL CAPITAL CASH

	BALANCE DECEMBER 31, <u>2017</u>	BALANCE DECEMBER 31, <u>2016</u>
Fund Balance	\$ 130,495.00	\$ 112,891.05
Reserve for Encumbrances	17,273,121.48	19,075,293.93
Grants Receivable	(28,498,364.31)	(28,141,787.80)
Capital Improvement Fund	86,803.75	2,994.75
Due From Grant Fund	(521,516.43)	(474,709.97)
Reserve for:		
NJEIT Receivable	7,406,321.00	8,700,000.00
Sewer Improvements	-	880.05
Developer Contributions	1,655,271.31	2,011,165.80
MCIA-Police Computer-CAD System	1,470.00	1,470.00
MCIA-Street Sweeper/SUV Truck	6,135.11	64,674.61
MCIA-Salt Shed/Building Improv/Camera	728,560.98	828,697.00
Reserve for Litigation-Insurance Auto	-	1,488.46
Reserve for Litigation-US Metals	67,372.28	
Reserve for Noe St-Praxair	400,000.00	
Regional Contribution Agreements	170,807.50	170,807.50
Interest Income	414.48	414.48
Excess BAN Proceeds	945,299.58	7,796,438.39

Ord. No.    Improvement Authorizations

04-25	Special Improvement District	(140,594.00)	(140,594.00)
05-06	State Green Acres - Waterfront II	(470,000.00)	(470,000.00)
05-35	State Green Acres-Acq of Land	2,998.00	2,998.00
09-06	Roosevelt Avenue Pump/Tnpg Sewer	1,448,747.70	1,448,747.70
10-11	Various Capital Improvements	450.00	450.00
11-09	Various Capital Improvements	34,632.76	49,932.76
11-28	Special Improvement District	5,171.99	1,318,064.80
12-02	Carteret Park Improvements	5,615.00	5,615.00
12-06	Marina Project	173.99	(1,900,000.00)
12-07	Marina Project	-	(5,000,000.00)
12-08	Various Capital Improvements	-	410,343.77
13-05	Various Capital Improvements	71.00	
13-13	Various Capital Improvements/Land Acq	-	1,000.00
14-1	Various Capital Improvements	1,765.02	174.78
14-4	Fire Truck/ Firehouse Improvements	71,592.76	71,592.76
14-8	Various Capital Improvements	-	0.90
14-14	Acquisition / Construct Ritz Theater	149.50	149.50
14-15	Various Capital Improvements	62,842.11	254,642.11
15-01	Various Sewer/Stormwater-NJEIT	(2,888,893.78)	(8,555,195.15)
15-09	Various Capital Improvements	1,122.20	
15-16	Various Capital Improvements	5,196,000.00	5,196,000.00
15-20	Various Capital Improvements	3,621,175.46	5,819,619.76
16-01	Waterfront Improvements-NJDEP/NJEDA	-	1.25
16-02	Waterfront Improv-Soil Safe	480,878.69	651,134.20
16-03	Green Acres-Noe Street Acquisitions	(927,685.77)	(927,685.77)
16-07	Various Capital Improvements	-	94,695.29
16-11	Waterfront Improvements-NJDEP/NJEDA	439,138.65	
16-20	Green Acres-Marina	(565,150.00)	
16-26	Various Capital Improvements	-	825,000.00
16-28	Developer Contirbution-200 Middlesex	2,592,750.00	2,750,000.00
17-05	Various Capital Improvements	21,723.72	
17-06	Waterfront Improvements-Property Sale	4,500,000.00	
17-09	Acquisition of Vehicles-MCIA	91,599.80	
17-11	Waterfront Marina Project-ONRR	(920,000.00)	
17-13	Various Sewer and Stormwater-NJEIT	(2,000,000.00)	
17-16	Various Capital Improvements-US Metals	599,321.13	
17-19	Various Sewer and Stormwater-NJEIT	(2,160,610.40)	
		<u>\$ 8,957,177.26</u>	<u>\$ 12,057,405.91</u>

Ref.

C

C

SCHEDULE OF DUE TO/FROM GRANT FUND  
GENERAL CAPITAL FUND

	<u>REF.</u>		
Balance - December 31, 2016 Due from	C	\$	474,709.97
Increased by:			
Cash Disbursement	C-2		<u>36,806.46</u>
Balance - December 31, 2017	C	\$	<u><u>511,516.43</u></u>

Exhibit - C- 3a

SCHEDULE OF DUE TO/FROM COMMUNITY DEVELOPMENT FUND  
GENERAL CAPITAL FUND

	<u>REF.</u>		
Balance - December 31, 2016 Due from	C	\$	-
Increased by:			
Cash Disbursement	C-2		<u>10,000.00</u>
Balance - December 31, 2017	C	\$	<u><u>10,000.00</u></u>

SCHEDULE OF VARIOUS GRANTS, LOANS AND OTHER RECEIVABLES

	Ordinance Number	Balance December 31, 2016	Increases	Decreases	Balance December 31, 2017
Receivables:					
State of NJ Green Acres:					
Waterfront	05-06	\$ 1,470,321.00			\$ 1,470,321.00
NJ Environmental Trust Fund	09-06	1,351,727.00			1,351,727.00
County Open Space:					
Waterfront/Marina	12-11	2,500,000.00		2,500,000.00	-
Ritz Theater	15-16	4,000,000.00			4,000,000.00
Land Sale-Waterfront	17-06		4,500,000.00		4,500,000.00
Borough of Carteret					
Soldiers and Sailors Fund	11-16	40,000.00			40,000.00
Land Sale	11-16	(5,000.00)		20,000.00	(25,000.00)
Developer Contribution-Meridia Cosmopolitan	15-20	4,546,900.00			4,546,900.00
Hazmatt Association-Firetruck	14-04	278,000.00		40,000.00	238,000.00
Sale of Fire Truck	14-04	250,000.00			250,000.00
Special Improvement District	14-04	145,000.00			145,000.00
KTR Guarantee Fee	14-15	1,500,000.00		150,000.00	1,350,000.00
1500 Blair Road Development	17-14		511,000.00	511,000.00	-
Subtotal		<u>16,076,948.00</u>	<u>5,011,000.00</u>	<u>3,221,000.00</u>	<u>17,866,948.00</u>
Receivables Offset by Reserves:					
State of NJ Green Acres:					
Grants:					
Green Acres-Noe Street	16-03	781,875.00			781,875.00
Green Acres-Marina	16-20	565,150.00			565,150.00
Loans:					
Green Acres-Noe Street	16-03	260,625.00			260,625.00
Green Acres Loan #068		35,974.00			35,974.00
NJ Environmental Infrastructure Trust Fund	15-01/17-13&19	8,700,000.00	4,500,000.00	5,793,679.00	7,406,321.00
NJ Economic Development Association	16-01	2,203,561.61		2,203,561.61	
Developer Contribution-Soil Safe	16-02	1,848,865.80		389,744.49	1,459,121.31
Developer Contribution-200 Middlesex	16-28	2,750,000.00		2,750,000.00	
NJ Economic Development Association	16-11	5,000,000.00		2,345,299.58	2,654,700.42
NJDEP-Passaic Valley Litigation Settlement	17-11		6,588,055.00		6,588,055.00
US Metals Litigation Settlement	17-16		3,000,000.00		3,000,000.00
Subtotal		<u>22,146,051.41</u>	<u>14,088,055.00</u>	<u>13,482,284.68</u>	<u>22,751,821.73</u>
		<u>\$ 38,222,999.41</u>	<u>\$ 19,099,055.00</u>	<u>\$ 16,703,284.68</u>	<u>\$ 40,618,769.73</u>
	<u>Ref.</u>	<u>C</u>			<u>C</u>
Cash Transactions	C-2		\$ 6,588,055.00	\$ 6,360,744.49	
Improvement Authorizations	C-8		8,011,000.00		
Various Reserves	C-12		<u>4,500,000.00</u>	<u>10,342,540.19</u>	
			<u>\$ 19,099,055.00</u>	<u>\$ 16,703,284.68</u>	

SCHEDULE OF DEFERRED CHARGES - FUNDED

Ref	Total	Serial Bonds	Green Acres Loan	Building Demo Loan	State/Lake & Stream Restoration Carterer Pond Loan	NJETT Trust Loan	MClA Trust Loan	MClA Lease Obligations
Balance - December 31, 2016	\$ 16,997,982.86	\$ 12,865,000.00	\$ 852,819.14	\$ 157,500.00	\$ 175,888.11	\$ 1,407,253.80	\$ 1,236,889.75	\$ 302,652.06
Increased by:								
Bonds/Loans Issued	10,423,475.28	12,865,000.00	852,819.14	157,500.00	175,888.11	10,016,403.00	299,761.03	107,311.25
	27,421,458.14					11,423,656.80	1,536,650.78	409,943.31
Decreased by:								
Serial Bonds/Loans Paid From Budget Appropriation	1,467,823.39	1,140,000.00	59,908.13	22,500.00	14,913.13		230,502.13	
	296,735.66					198,686.43		98,049.23
Balance - December 31, 2017	\$ 25,656,899.09	\$ 11,725,000.00	\$ 792,911.01	\$ 135,000.00	\$ 160,974.98	\$ 11,224,970.37	\$ 1,306,148.65	\$ 311,894.08

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

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DECEMBER 31, 2016	2017 AUTHORIZATIONS	DECREASE	BALANCE DECEMBER 31, 2017	BOND ANTICIPATION NOTES	Excess Funding	ANALYSIS OF BALANCE DEC. 31, 2017	
								EXPENDED	UNEXPENDED BALANCE OF IMPROV. AUTH.
	<u>General Improvements</u>								
04-25	Special Improvement District	\$ 140,594.00	\$ -	\$ -	140,594.00	\$ -	\$ -	140,594.00	\$ -
05-06	State Green Acres - Waterfront II Proj.#022	470,000.00	-	-	470,000.00	-	-	470,000.00	-
09-06	Sewer Infrastructure	92,500.00	-	-	92,500.00	-	-	-	92,500.00
11-28	Special Improvement District	11,750,000.00	-	(500,000.00)	11,250,000.00	11,250,000.00	-	-	-
12-06	Marina Project-RWJ	1,900,000.00	-	(100,000.00)	1,800,000.00	1,900,000.00	-	-	-
12-07	Marina Project-Open Space	5,000,000.00	-	(500,000.00)	4,500,000.00	5,000,000.00	100,000.00	-	-
14-01	Various Capital Improvements	10,400,000.00	-	(500,000.00)	9,900,000.00	9,900,000.00	-	-	-
15-01	Various Sewer and Stormwater-NJEIT	8,700,000.00	-	(5,793,679.00)	2,906,321.00	-	-	2,888,893.78	17,427.22
16-01	Waterfront Development Project-NJEDA	2,203,561.61	-	(2,203,561.61)	-	-	-	-	-
16-02	Waterfront Development Project-Soil Safe	1,848,863.80	-	(389,744.49)	1,459,121.31	-	-	-	1,459,121.31
16-03	State Green Acres-Noe Street Project	1,042,500.00	-	(2,345,299.58)	1,042,500.00	3,500,000.00	845,299.58	927,685.77	114,814.23
16-11	Waterfront Development Project-NJEDA	5,000,000.00	-	-	2,654,700.42	-	-	-	-
16-20	State Green Acres - Municipal Marina	565,150.00	-	(323,809.00)	565,150.00	-	-	565,150.00	-
17-09	Acquisition of Vehicles-MCIA	-	323,809.00	-	-	-	-	-	-
17-11	Waterfront Marina-Passaic Valley-NJDEP	6,588,055.00	-	-	6,588,055.00	5,000,000.00	-	920,000.00	668,055.00
17-13	Various Sewer and Stormwater-NJEIT	2,000,000.00	-	-	2,000,000.00	-	-	2,000,000.00	-
17-19	Various Sewer and Stormwater-NJEIT	2,500,000.00	-	-	2,500,000.00	-	-	2,160,610.40	339,389.60
		<u>\$ 49,113,171.41</u>	<u>\$ 11,411,864.00</u>	<u>\$ (12,156,093.68)</u>	<u>\$ 48,368,941.73</u>	<u>\$ 36,550,000.00</u>	<u>\$ 945,299.58</u>	<u>\$ 10,072,933.95</u>	<u>\$ 2,691,307.36</u>

Ref.

C-8

C

Cash Receipts

Various Reserves

\$ 11,766,349.19

389,744.49

\$ 12,156,093.68

SCHEDULE OF BOND ANTICIPATION NOTES

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>ORIGINAL DATE OF ISSUE</u>	<u>RATE OF INTEREST</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>INCREASED</u>	<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2017</u>
14-01	Various Capital Improvements	04/25/14	1.357%	02/02/17	02/02/18	\$ -	9,900,000.00	10,400,000.00	\$ 9,900,000.00
11-28	Special Improvement District	06/05/15	2.50%	06/02/17	06/01/18	10,400,000.00	11,250,000.00	11,750,000.00	11,250,000.00
16-01/16-11	Waterfront Development Project-NJEDA	10/26/16	2.50%	10/25/17	10/25/18	15,000,000.00	3,500,000.00	15,000,000.00	3,500,000.00
12-06/12-07	Waterfront Development Project-NJEDA	10/25/17	2.50%	10/25/17	10/25/18	-	6,900,000.00	6,900,000.00	6,900,000.00
17-11	Waterfront Marina-Passaic Valley--NUDEP	12/28/17	1.75%	12/28/17	02/02/18	-	5,000,000.00	5,000,000.00	5,000,000.00
						<u>\$ 37,150,000.00</u>	<u>\$ 36,550,000.00</u>	<u>\$ 37,150,000.00</u>	<u>\$ 36,550,000.00</u>
						<u>C</u>	<u>C-2</u>	<u>C-2</u>	<u>C</u>
<u>Ref.</u>									

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS  
GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORIGINAL AMOUNT AUTHORIZED	BALANCE DECEMBER 31, 2016		2017 AUTHOR.	2016 RES FOR ENC.	2017 RES FOR ENC.	PAID OR CHARGED	BALANCE DECEMBER 31, 2017	
			FUNDED	UNFUNDED					FUNDED	UNFUNDED
05-35	State Green Acres - Acq. of Land	1,400,000.00	\$ 2,998.00	\$ -	\$ -	\$ -	\$ -	\$ -	2,998.00	-
09-06	Roosevelt Ave Pump/Turmpike Sanitary Sewer	8,100,000.00	1,448,747.70	92,500.00	434.03	434.03	-	1,448,747.70	92,500.00	-
10-11	Various Capital Improvements	1,833,000.00	450.00	-	-	-	-	450.00	-	-
11-09	Various Capital Improvements	1,492,000.00	49,932.76	1,318,064.80	1,601,310.75	416,969.28	15,300.00	2,497,234.28	5,171.99	-
11-28	Special Improvement District	12,250,000.00	-	-	-	-	-	-	-	-
12-02	Carerret Park Improvements	450,000.00	5,615.00	-	-	-	-	5,615.00	-	-
12-06	Marina Project	2,000,000.00	-	-	31,576.99	31,403.00	-	173.99	-	-
12-07	Marina Project	5,000,000.00	-	-	25,061.36	20,000.00	5,061.36	-	-	-
12-08	Various Capital Improvements	1,569,189.00	410,343.77	-	134,677.27	27,133.43	517,887.61	-	-	-
12-11	Waterfront, Land Acq. Marina Improvements	7,000,000.00	-	-	4,000.00	4,000.00	-	-	-	-
13-05	Various Capital Improvements	1,479,344.00	-	-	5,054.13	4,983.13	-	71.00	-	-
13-13	Various Capital Improvements and Land Acq.	350,000.00	1,000.00	-	9,597.50	9,597.50	1,000.00	-	-	-
13-18	Various Capital Improvements and Land Acq.	3,320,000.00	-	174.78	1,827,546.38	602,808.84	1,223,147.30	1,765.02	-	-
14-01	Various Capital Improvements	12,000,000.00	71,592.76	-	2,422.33	2,422.33	-	71,592.76	-	-
14-4	Fire Truck/Firehouse Improvements	1,550,000.00	0.90	-	7.25	-	8.15	-	-	-
14-8	Various Capital Improvements	800,000.00	149.50	-	1,968.80	1,968.80	-	149.50	-	-
14-14	Acquisition / Construct Ritx Theater	350,000.00	254,642.11	-	83,974.00	41,520.25	234,253.75	62,842.11	-	-
14-15	Various Capital Improvements	1,950,000.00	-	144,804.85	6,573,423.94	60,033.75	6,542,995.23	-	-	-
15-01	Various Sewer and Stormwater-NJEIT	8,700,000.00	-	-	267,166.22	206,010.27	206,010.27	-	-	-
15-09	Various Capital Improvements	3,600,000.00	-	-	483,960.00	245,250.00	238,710.00	-	-	-
15-16	Various Capital Improvements-Ritz	6,000,000.00	5,196,000.00	-	2,524,736.27	100,380.27	2,424,327.25	3,621,175.46	-	-
15-20	Various Capital Improvements-Ritz	6,046,900.00	5,819,619.76	-	-	12,634.50	2,185,809.80	-	-	-
16-01	Waterfront Improvements-NJDEP/NJEDA	10,000,000.00	651,134.20	1.25	1,848,865.80	319,214.62	240,785.38	480,878.69	1,459,121.31	-
16-02	Waterfront Improv-Soil Sale	2,500,000.00	-	-	114,814.23	-	-	-	114,814.23	-
16-03	Green Acres-Noe Street Acquisitions	1,042,500.00	-	-	-	-	-	-	-	-
16-07	Various Capital Improvements	1,622,399.00	94,695.29	-	834,389.87	104,783.70	824,301.46	-	-	-
16-11	Waterfront Improvements-NJDEP/NJEDA	5,000,000.00	-	-	4,663,986.84	2,303,919.83	1,920,928.36	439,138.65	-	-
16-20	Green Acres-Marina	565,150.00	825,000.00	565,150.00	565,150.00	565,150.00	-	-	-	-
16-26	Various Capital Improvements	825,000.00	2,750,000.00	-	-	110,888.90	714,111.10	-	-	-
16-28	Developer Contribution-200 Middlesex	2,750,000.00	-	-	-	117,691.70	39,538.30	2,592,750.00	-	-
17-05	Various Capital Improvements	2,124,368.10	-	-	-	527,193.20	1,575,451.18	21,723.72	-	-
17-06	Waterfront Improvements-Property Sale	4,500,000.00	-	-	-	-	-	4,500,000.00	-	-
17-09	Acquisition of Vehicles-MCIA	340,000.00	-	2,124,368.10	248,400.20	248,400.20	-	91,599.80	-	-
17-11	Waterfront Marina Project-ONRR	6,588,055.00	-	-	6,588,055.00	5,920,000.00	-	-	-	-
17-13	Various Sewer and Stormwater-NJEIT	2,000,000.00	-	-	835,370.91	385,370.91	1,164,629.09	-	-	-
17-14	Various Capital Improvements/Land Acquisitions	650,000.00	-	-	650,000.00	380,552.57	269,447.43	-	-	-
17-16	Various Capital Improvements-US Metals	3,000,000.00	-	-	3,000,000.00	1,940,000.00	460,678.87	599,321.13	-	-
17-19	Various Sewer and Stormwater-NJEIT	2,500,000.00	-	-	2,500,000.00	2,160,610.40	-	-	339,389.60	-

\$ 17,581,921.75	\$ 4,084,375.71	\$ 21,702,423.10	\$ 19,075,293.93	\$ 17,273,121.48	\$ 23,301,666.17	\$ 19,172,747.49	\$ 2,696,479.35
Ref	C	C	C	C	C-2	C	C
C-4	\$ 4,500,000.00						
C-4	3,000,000.00						
C-4	511,000.00						
C-6	11,411,864.00						
C-12	311,477.05						
C-13	1,716,191.00						
C-1	251,891.05						
	\$ 21,702,423.10						

Property Sale Proceeds- Ord#17-06  
Reserve for Developer Contributions - Ord#17-16  
Various Capital Reserves - Ord#17-14  
Def. Chgs to Future Taxation - Unfunded  
Reserve for Sewer Improvements - Ord#17-05  
Reserve for Capital Improvement Fund - Ord#17-05/#17-09  
Capital Improvement Fund Balance - Ord#17-05/#17-14



SCHEDULE OF GENERAL SERIAL BONDS

<u>DESCRIPTION</u>	<u>ORIGINAL DATE OF ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITIES OF BONDS</u>	
					<u>OUTSTANDING DECEMBER 31, 2017</u>	<u>BALANCE DECEMBER 31, 2017</u>
					<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2017</u>
Serial Bonds:						
General Obligation Refunding Bonds, Series 2011	11/15/11	\$ 4,510,000	\$ 725,000	4.000%	\$ 915,000.00	\$ 190,000.00
			190,000	4.000%		
General Obligation Refunding Bonds, Series 2015	02/01/15	12,360,000	415,000	2.000%	11,950,000.00	11,535,000.00
			505,000	3.000%		
			520,000	3.000%		
			530,000	4.000%		
			540,000	4.000%		
			555,000	4.000%		
			570,000	5.000%		
			585,000	5.000%		
			595,000	5.000%		
			620,000	5.000%		
			640,000	2.500%		
			660,000	3.000%		
			680,000	3.000%		
			700,000	3.000%		
			720,000	3.000%		
			745,000	3.000%		
			765,000	3.000%		
			790,000	3.000%		
			815,000	3.125%		

<u>Ref</u>	<u>\$ 12,865,000.00</u>	<u>\$ 1,140,000.00</u>	<u>\$ 11,725,000.00</u>
	C	C-5	C

SCHEDULE OF PROJECT LOANS PAYABLE

PROJECT DESCRIPTION	DRAWDOWN DATE	AMOUNT OF LOAN	INTEREST RATE	LOAN REPAYMENT PERIOD	SCHEDULED REPAYMENT	BALANCE DEC. 31, 2016	INCREASED	DECREASED	BALANCE DEC. 31, 2017
NI Green Acres									
Arthur Kill Waterfront 95-13	(B)	\$ 985,000.00	2.00%	07/23/04-07/23/16	\$ -	\$ 0.36			\$ 0.36
Various Parks	(B)	235,746.90	2.00%	01/26/08-01/26/27		138,216.92	11,954.63	12,825.29	126,262.29
Carteret Multi-Park	(B)	258,000.00	2.00%	01/24/09-01/24/28		164,089.04		18,461.55	151,263.75
Carteret Multi-Park 3	(B)	240,000.00	0.00%	12/17/16-12/17/35		233,846.15		16,666.66	215,384.60
Carteret Multi-Park 4	(B)	325,000.00	0.00%	12/17/16-12/17/35		316,666.67			300,000.01
Waterfront Lot Acq.	(A)	350,000.00							
Noe Street Park	(A)	260,625.00							
NI Dept. of Comm Affairs									
Sewer Demolition - 01-47		450,000.00	0.00%	05/23/04-05/23/23	22,500.00	157,500.00	22,500.00		135,000.00
State Lake/Stream Restoration-Carteret Pond		300,000.00	2.00%	03/19/08-03/19/27		175,888.11	14,913.13		160,974.98
M.C.I.A.									
Capital Equipment & Improvement Financing - 2012		48,278.88	3.00%	9/15/17	10,191.96	10,191.96	10,191.96		-
Capital Equipment & Improvement Financing - 2014		217,789.21	3.00%	9/15/17	43,191.53	133,500.71	43,191.53		90,309.18
			3.00%	9/15/18	44,487.28				
			3.00%	9/15/19	45,821.90				
Capital Equipment & Improvement Financing - 2015		1,097,923.62	3.00%	7/15/17	148,695.99	948,300.01	149,623.61		798,676.40
			3.00%	7/15/18	153,310.98				
			4.00%	7/15/19	156,710.32				
			4.00%	7/15/20	164,578.72				
			2.00%	7/15/21	65,000.00				
			2.00%	7/15/22	65,000.00				
			2.25%	7/15/23	65,000.00				
			2.50%	7/15/24	65,000.00				
			2.50%	7/15/25	65,000.00				
Capital Equipment & Improvement Financing - 2016		144,897.07	2.00%	7/15/17	27,495.03	144,897.07	27,495.03		117,402.04
			3.00%	7/15/18	27,851.75				
			4.00%	7/15/19	28,687.30				
			4.00%	7/15/20	29,834.80				
			4.00%	7/15/21	31,028.19				
Capital Equipment & Improvement Financing - 2017							299,761.03		299,761.03
			3.00%	7/15/18	22,872.24				
			3.00%	7/15/19	23,648.40				
			3.00%	7/15/20	25,447.85				
			3.00%	7/15/21	27,771.29				
			3.00%	7/15/22	28,569.43				
			4.00%	7/15/23	29,993.01				
			4.00%	7/15/24	31,192.73				
			4.00%	7/15/25	33,940.44				
			4.00%	7/15/26	36,238.06				
			4.00%	7/15/27	40,087.58				
						\$ 2,423,097.00	\$ 299,761.03	\$ 327,823.39	\$ 2,395,034.64
						C	C-5	C-5	C

\*Principal and Interest  
 (A) - Payment schedule not determined until final drawdown.  
 (B) - Semiannual payments

SCHEDULE OF CAPITAL LEASES PAYABLE  
MIDDLESEX COUNTY IMPROVEMENT AUTHORITY

PROJECT DESCRIPTION	AMOUNT OF LOAN	FEES PAYABLE	INTEREST RATE	MATURITIES OF LEASES DATE	AMOUNT	BALANCE DEC. 31, 2016	INCREASED	DECREASED	BALANCE DEC. 31, 2017
Capital Equipment - 2012	144,836.63	404.48	3.000%	9/15/17	20,383.92	20,383.92	20,383.92	-	-
Capital Equipment - 2013	95,196.20	321.27 124.82	4.000% 4.000%	10/15/17 10/15/18	19,479.36 20,258.53	39,737.89	19,479.36	19,479.36	20,258.53
Capital Equipment - 2014	101,634.95	647.16 117.74	3.000% 3.000% 3.000%	9/15/17 9/15/18 9/15/19	20,156.04 20,760.73 21,383.55	62,300.32	20,156.04	20,156.04	42,144.28
Capital Equipment - 2015	97,412.98	292.39 228.11	3.000% 3.000% 4.000% 4.000%	9/15/17 9/15/18 9/15/19 9/15/20	18,783.39 19,346.90 19,927.30 20,724.40	78,781.98	18,783.39	18,783.39	59,998.59
Capital Equipment - 2016	101,427.95	581.18 287.08	2.000% 3.000% 4.000% 4.000%	9/15/17 9/15/18 9/15/19 9/15/20 9/15/21	19,246.52 19,496.23 20,081.11 20,884.36 21,719.73	101,427.95	19,246.52	19,246.52	82,181.43
Capital Equipment - 2017	107,311.25	547.48 172.43	3.000% 3.000% 3.000% 3.000%	7/15/18 7/15/19 7/15/20 7/15/21 7/15/22	20,212.56 20,818.94 21,443.51 22,086.82 22,749.42	107,311.25	107,311.25	107,311.25	107,311.25
						\$ 302,632.06	\$ 107,311.25	\$ 98,049.23	\$ 311,894.08
					Ref	C	C-5	C-5	C
						Leases approved by LFB after July 1, 2007 - Five years or more useful lives			
						Leases approved by LFB prior to July 1, 2007			
									\$ -
									\$ 311,894.08

SCHEDULE OF VARIOUS RESERVES

	Ordinance Number	Balance December 31, 2016	Increases	Decreases	Balance December 31, 2017
Reserve for:					
Cash or Appropriated Reserves:					
Sewer Improvements	11-09	\$ 880.05	\$ 310,597.00	\$ 311,477.05	\$ -
Developer Contribution Agreements:					
Robert Wood Johnson-Marina	12-06	162,300.00	33,850.00		196,150.00
Soil Safe	16-02	1,848,865.80		389,744.49	1,459,121.31
MCIA-Police Computer-CAD System		1,470.00			1,470.00
MCIA-Street Sweeper/SUV Truck		6,135.11			6,135.11
MCIA-Salt Shed/Building Improv/Camera		828,697.00		100,136.02	728,560.98
MCIA-Loan-DPW Trucks/Plow		58,539.50		58,539.50	-
Reserve for Litigation-Insurance Auto		1,488.46		1,488.46	-
Reserve for Litigation-US Metals			67,372.28		67,372.28
Reserve for Noe St-Praxair			400,000.00		400,000.00
RCA Agreements					
Readington		170,807.50			170,807.50
Interest Income:					
Readington		414.48			414.48
Subtotal		<u>3,079,597.90</u>	<u>811,819.28</u>	<u>861,385.52</u>	<u>3,030,031.66</u>
Grants, Loans & Other Receivables:					
Grants:					
Green Acres:					
NJ Economic Development Association	16-01/16-11	7,203,561.61		4,548,861.19	2,654,700.42
Marina Project	16-20	565,150.00			565,150.00
Noe Street Project	16-03	781,875.00			781,875.00
ONRR-Waterfront Marina Project	17-11		6,588,055.00		6,588,055.00
Loans:					
Green Acres:					
Waterfront	05-06	1,270,000.00			1,270,000.00
Noe Street Project	16-03	260,625.00			260,625.00
NJ Environmental Infrastructure Trust Fund	15-01/17-13 & 17-19	8,700,000.00	4,500,000.00	5,793,679.00	7,406,321.00
Subtotal		<u>18,781,211.61</u>	<u>11,088,055.00</u>	<u>10,342,540.19</u>	<u>19,526,726.42</u>
		<u>\$ 21,860,809.51</u>	<u>\$ 11,899,874.28</u>	<u>\$ 11,203,925.71</u>	<u>\$ 22,556,758.08</u>
	<u>Ref</u>	<u>C</u>	<u>C-2, C-4</u>		<u>C</u>
Cash Transactions	C-2		\$ 7,399,874.28	\$ 160,163.98	
Various Grants, Loans and Other Receivables	C-4		4,500,000.00	10,342,540.19	
Deferred Charges to Future Taxation - Unfunded	C-6			389,744.49	
Improvement Authorizations	C-8			311,477.05	
			<u>\$ 11,899,874.28</u>	<u>\$ 11,203,925.71</u>	

SCHEDULE OF RESERVE FOR  
CAPITAL IMPROVEMENT FUND

	<u>REF.</u>	
Balance - December 31, 2016	C	\$ 2,994.75
Increased by:		
Budget Appropriation	C-2	<u>1,800,000.00</u>
		1,802,994.75
Decreased by:		
Improvement Authorizations-Down Payment	C-8	<u>1,716,191.00</u>
Balance - December 31, 2017	C	<u><u>\$ 86,803.75</u></u>

SCHEDULE OF INFRASTRUCTURE  
TRUST LOAN PAYABLE

DESCRIPTION	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	MATURITIES OF LOANS YEAR	AMOUNT	BALANCE DEC. 31, 2016	DECREASED		BALANCE DEC. 31, 2017
							INCREASED	DECREASED	
New Jersey Environmental-Trust Loan Infrastructure Trust Series 2010A	3/10/10	\$ 985,000.00	5.00%	2017	\$ 45,000.00	\$ 440,000.00	\$	\$ 45,000.00	\$ 395,000.00
			5.00%	2018	45,000.00				
			4.00%	2019	50,000.00				
			5.00%	2020	50,000.00				
			3.00%	2021	55,000.00				
			4.00%	2022	55,000.00				
			4.00%	2023	60,000.00				
			4.00%	2024	60,000.00				
		4.00%	2025	20,000.00					
New Jersey Environmental-Fund Loan Infrastructure Trust Winter 2010	3/10/10	3,022,500.00	0.00%	2017	153,686.43	967,253.80		153,686.43	813,567.37
			0.00%	2018	153,686.43				
			0.00%	2019	153,686.43				
			0.00%	2020	153,686.43				
			0.00%	2021	153,686.43				
			0.00%	2022	153,686.43				
		0.00%	2023	45,135.22					
New Jersey Environmental-Fund Loan Infrastructure Trust 2017	11/29/17	10,016,403.00		2018	10,016,403.00	10,016,403.00			10,016,403.00
						\$ 1,407,253.80		\$ 198,686.43	\$ 11,224,970.37
						C	C-5	C-5	C
						Ref.			

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DECEMBER 31, 2016	2017 AUTHORIZATIONS	FUNDING	BOND ANTICIPATION NOTES ISSUED	BALANCE DECEMBER 31, 2017
04-25	Special Improvement District	\$ 140,594.00	\$ -	\$ -	\$ -	\$ 140,594.00
05-06	State Green Acres - Waterfront II	470,000.00	-	-	-	470,000.00
09-06	Sewer Infrastructure	92,500.00	-	-	-	92,500.00
12-06	Marina Project (RWJ)	1,900,000.00	-	-	1,900,000.00	-
12-07	Marina Project (O/S)	5,000,000.00	-	-	5,000,000.00	-
15-01	Various Sewer and Stormwater-NJEIT	8,700,000.00	-	5,793,679.00	-	2,906,321.00
16-02	Waterfront Development Project - Soil Safe	1,848,865.80	-	389,744.49	-	1,459,121.31
16-03	State Green Acres-Noe Street Project	1,042,500.00	-	-	-	1,042,500.00
16-20	State Green Acres - Municipal Marina	565,150.00	-	-	-	565,150.00
17-09	Acquisition of Vehicles-MCIA	-	323,809.00	323,809.00	-	-
17-11	Waterfront Marina-Passaic Valley-NJDEP	-	6,588,055.00	-	5,000,000.00	1,588,055.00
17-13	Various Sewer and Stormwater-NJEIT	-	2,000,000.00	-	-	2,000,000.00
17-19	Various Sewer and Stormwater-NJEIT	-	2,500,000.00	-	-	2,500,000.00
		<u>\$ 19,759,609.80</u>	<u>\$ 11,411,864.00</u>	<u>\$ 6,507,232.49</u>	<u>\$ 11,900,000.00</u>	<u>\$ 12,764,241.31</u>

Ref.

Footnote C

**BOROUGH OF CARTERET**  
**MIDDLESEX COUNTY, NEW JERSEY**



**PART IV**  
**SUPPLEMENTARY DATA**



**Length of Service Award Program (LOSAP) (Unaudited)**

HODULIK & MORRISON, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
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ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF NJ.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Honorable Mayor and Members  
of the Municipal Council  
Borough of Carteret  
County of Middlesex, New Jersey

We have reviewed the accompanying financial statements of the Borough of Carteret Length of Service Award Program (LOSAP) Fund, which comprise of the statement of assets, liabilities and net assets as of December 31, 2017, and the related statement of revenues, expenses and other changes in net assets for the year then ended and related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles and practices prescribed by the Division of Local Government Service, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

*Accountant's Responsibility*

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain a limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

*Accountant's Conclusion*

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the basis of accounting described.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants

Highland Park, New Jersey  
June 21, 2018

BOROUGH OF CARTERET  
LENGTH OF SERVICE AWARD PROGRAM (LOSAP) - UNAUDITED  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS

DECEMBER 31, 2017

Assets	
Investments, at fair value	\$ <u>243,370.52</u>
Total Assets	\$ <u><u>243,370.52</u></u>
 Net Assets	
Restricted	\$ <u>243,370.52</u>
Total Net Assets	\$ <u><u>243,370.52</u></u>

See Accompanying Notes and Accountant's Review Report

BOROUGH OF CARTERET  
 LENGTH OF SERVICE AWARD PROGRAM (LOSAP) - UNAUDITED  
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS

DECEMBER 31, 2017

Restricted Net Assets			
Earnings	\$	38,513.16	
Withdrawals		(3,929.71)	
Service Charges		<u>(1,125.00)</u>	
Increase in Net Assets		33,458.45	
Net Assets - Beginning of Year		<u>209,912.07</u>	
Net Assets - End of Year	\$	<u><u>243,370.52</u></u>	

See Accompanying Notes and Accountant's Review Report

BOROUGH OF CARTERET LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Borough of Carteret Length of Service Award Program (LOSAP), effective January 1, 1997, is a qualified plan under Internal Revenue Code Section 457(e). The LOSAP is an incentive award for volunteer firefighters and first aid squad members who meet specified service criteria. The Borough of Carteret sponsors the LOSAP through an annual award appropriated through the municipal budget.

Volunteer Fire Department

The Borough of Carteret established a LOSAP Program for the Volunteer Fire Department on September 2, 1998 through Ordinance #98-42 which became effective on January 1, 1999.

Amount of Contribution

The Borough will contribute to the plan for all active members who meet the requirements outlined in Section III in the amount of \$500.00 yearly per qualifying member. All active members of the Carteret Volunteer Fire Department at the time of passage of the ordinance shall receive credit for past service not to exceed 10 years at a rate of \$200.00 per year of service, payable 50% in year 1999 and 50% in year 2000. An additional \$100.00 per year shall be contributed to the account of each line officer and company officer. The amount so designated shall increase each year by multiplying the consumer price index as defined by N.J.S.A. 40A:14-185(f).

Qualification

Member qualifying for a year of active service defined as serving a total of 12 months from January 1 to December 31 of the qualifying year must earn a minimum of 19 points. For attendance at training courses and/or drills sponsored in house by the department members shall earn two (2) points for each course/drill.

For response to emergency alarms, points earned are as follows:

- 0-25% = 0 points
- 25-49% = 10 points
- 50-100% = 15 points

Company officers qualifying for additional payments shall serve for a total of 12 months from January 1 to December 31 and attend 80% of all company meetings. Line officers qualifying for additional payments shall serve for a total of 12 months from January 1 to December 31 and attend 30% of all alarms.

BOROUGH OF CARTERET LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

A. Nature of Activities (Cont'd)

The Captain of each company shall be the certifying officer. Certifying reports shall be received by the Borough no later than March of the year. Contributions will be made by June 1 of each of the preceding year.

**Other Supplementary Data**

BOROUGH OF CARTERET  
MIDDLESEX COUNTY, NEW JERSEY  
 COMBINED BALANCE SHEET - ALL FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2017

ASSETS	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	MEMORANDUM ONLY TOTALS	
				DEC. 31, 2017	DEC. 31, 2016
Cash and Investments	\$ 9,418,708.96	\$ 4,647,460.99	\$ 8,957,177.26	\$ 23,023,347.21	\$ 25,020,092.01
Cash Held by Fiscal Agent		209,912.00		209,912.00	209,912.00
Accounts Receivable:					
State & Federal Grants Receivable	2,194,475.40	77,859.00	40,618,769.73	42,891,104.13	40,416,543.10
Due from State of New Jersey	2,275.33			2,275.33	395.19
Taxes, Assessments, Liens & Utility Charges	923,582.59			923,582.59	1,282,354.99
Interfund Loans	130,683.32		521,516.43	521,516.43	474,709.97
Other Accounts Receivable				130,683.32	113,163.33
Property Acquired for Taxes at Assessed Valuation	896,900.00			896,900.00	896,900.00
Fixed Assets - General			171,429,343.00	171,429,343.00	143,571,392.00
Deferred Charges to Future Taxation:					
General Capital Fund			74,025,840.82	74,025,840.82	66,111,154.27
	<u>\$ 13,566,625.60</u>	<u>\$ 4,935,231.99</u>	<u>\$ 124,123,304.24</u>	<u>\$ 171,429,343.00</u>	<u>\$ 278,096,616.86</u>

LIABILITIES, RESERVES AND FUND BALANCE	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	MEMORANDUM ONLY TOTALS	
				DEC. 31, 2017	DEC. 31, 2016
Bonds and Notes Payable	\$	\$	\$ 48,275,000.00	\$ 48,275,000.00	\$ 50,015,000.00
Lease Payable			311,894.08	311,894.08	302,632.06
Loans Payable			13,620,005.01	13,620,005.01	3,830,350.80
Prepaid Taxes, Assessments, Utility Charges and Licenses	647,211.03			647,211.03	390,200.11
Tax, Assessment, Lien, License and Utility Charge Overpayments	126,933.62			126,933.62	230,150.94
Appropriation Reserves	1,778,036.14			1,778,036.14	1,856,613.52
Reserve for Encumbrances/Accounts Payable	2,601,049.10		17,273,121.48	19,982,698.83	21,124,988.18
Other Liabilities		108,528.25		621,346.73	692,377.97
Amts. Pledged to Specific Purposes	64,912.07	4,195,357.01	86,803.75	4,347,072.83	3,895,757.69
Improvement Authorizations			21,869,226.84	21,869,226.84	21,666,297.46
Interfund Loans	511,516.43	10,000.00		521,516.43	474,709.97
Investments in General Fixed Assets			171,429,343.00	171,429,343.00	143,571,392.00
Reserve for Certain Assets Acquired or Receivables & Inventories	1,951,165.91		22,556,758.08	24,507,923.99	24,153,227.83
Fund Balance	5,885,801.30		130,495.00	6,016,296.30	5,892,918.33
	<u>\$ 13,566,625.60</u>	<u>\$ 4,935,231.99</u>	<u>\$ 124,123,304.24</u>	<u>\$ 171,429,343.00</u>	<u>\$ 278,096,616.86</u>



BOROUGH OF CARTERET  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE  
IN FUND BALANCE - CURRENT FUND

<u>Revenue and Other Income Realized</u>	<u>Year 2017</u>		<u>Year 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fund Balance Utilized	\$2,500,000.00	2.94	\$2,500,000.00	2.89
Miscellaneous - From Other Than Local Property Tax Levies	14,435,332.00	16.99	14,688,727.23	16.98
Collection of Delinquent Taxes and Tax Title Liens	731,818.38	0.86	655,772.42	0.76
Collection of Current Tax Levy	65,930,149.63	77.58	63,039,505.13	72.88
Other Credits to Income	1,382,517.79	1.63	5,610,545.43	6.49
 Total Income	 \$ 84,979,817.80	 100.00	 \$ 86,494,550.21	 100.00
 <u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	42,725,441.55	51.87	40,577,425.68	48.26
Special District Taxes				
County Taxes	8,746,627.88	10.62	8,625,866.86	10.26
Local School Taxes	27,289,885.00	33.13	26,489,010.00	31.51
Municipal Open Space Tax	736,169.15	0.89	579,160.53	0.69
Special District Taxes	2,552,203.00	3.10	2,442,650.00	2.91
Other Expenditures	323,717.20	0.39	5,362,666.79	6.38
 Total Expenditures	 \$ 82,374,043.78	 100.00	 \$ 84,076,779.86	 100.00
 Excess in Revenue	 2,605,774.02		 2,417,770.35	
 Fund Balance - January 1	 5,780,027.28		 5,862,256.93	
	8,385,801.30		8,280,027.28	
Less:				
Utilized as Anticipated Revenue	2,500,000.00		2,500,000.00	
 Fund Balance - December 31	 \$ 5,885,801.30		 \$ 5,780,027.28	

BOROUGH OF CARTERET  
COMPARATIVE SCHEDULE OF TAX RATE INFORMATION\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate:</u>	<u>\$2.630</u>	<u>\$3.167</u>	<u>\$3.121</u>
<u>Apportionment of Tax Rate:</u>			
Municipal:	<u>1.101</u>	<u>1.258</u>	<u>1.222</u>
Municipal Open Space:	<u>0.030</u>	<u>0.030</u>	<u>0.030</u>
Municipal Library Tax:	<u>0.029</u>	<u>0.037</u>	<u>0.038</u>
County:	<u>0.330</u>	<u>0.413</u>	<u>0.420</u>
Local School:	<u>1.113</u>	<u>1.394</u>	<u>1.376</u>
Open Space Tax - County:	<u>0.027</u>	<u>0.035</u>	<u>0.035</u>

Assessed Valuation:

2017	<u>\$2,452,723,515</u>		
2016		<u>\$1,900,760,624</u>	
2015			<u>\$1,895,527,978</u>

\*Per Abstract of Ratables, Middlesex County, NJ

Note: Under the provisions of Chapter 73, L.1976, the County Board of Taxation estimated the amount of approved Veterans and Senior Citizens Tax Deductions for 2017 to be \$156,000.00.

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2017	\$ 67,071,650	\$ 65,930,150	98.30%
2016	63,909,417	63,039,505	98.64%
2015	62,347,782	61,431,270	98.53%

BOROUGH OF CARTERET  
DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>Year</u>		<u>Amount of Tax Title Liens</u>		<u>Amount of Delinquent Taxes</u>		<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2017	\$	61,093	\$	528,453	\$	589,545	0.88%
2016		36,983		787,949		824,932	1.29%
2015		32,311		681,087		713,398	1.14%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>Year</u>	<u>Amount</u>
2017	\$ 896,900
2016	896,900
2015	896,900

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Year Ended</u>	<u>Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2017	\$ 5,885,801	\$ 2,600,000
	2016	5,780,027	2,500,000
	2015	5,862,257	2,500,000
	2014	6,365,681	2,500,000
	2013	4,642,813	2,000,000

**OFFICIALS IN OFFICE AND SURETY BOND COVERAGES**

The following officials were in office as at December 31, 2017:

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF BOND</u>
Daniel J. Reiman	Mayor	
Jorge Diaz	Council President	
Vincent Bellino	Councilperson	
Dennis Dimascio	Councilperson	
Ajmar Johal	Councilperson	
Randy Krum	Councilperson	
Susan R. Naples	Councilperson	
Kathleen M. Barney	Municipal Clerk	
Patrick J. DeBlasio	Chief Financial Officer, Tax Collector, Treasurer	\$1,000,000 (A)
Allen Comba	Judge	1,000,000 (A)
Jay Briscione	Tax Assessor	
Robert J. Bergen	Law Director	
Madeline Zurick	Acting Court Administrator	1,000,000 (A)

(A) Middlesex County Joint Insurance Fund

See General Comments section Surety Bond coverages.

**BOROUGH OF CARTERET**  
**MIDDLESEX COUNTY, NEW JERSEY**



**PART V**  
**GENERAL COMMENTS AND RECOMMENDATIONS**

**BOROUGH OF CARTERET**  
**COUNTY OF MIDDLESEX, NEW JERSEY**

**GENERAL COMMENTS & RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Borough of Carteret, County of Middlesex, New Jersey, for the year ended December 31, 2017, has been completed. The General Comments are herewith set forth:

Scope of Audit

The audit covered the financial transactions of the Finance Department and Outside Office/Other Officials Collecting Fees of the Borough of Carteret, County of Middlesex, New Jersey.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the Governing Body. Cash on hand was counted and cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

INTERNAL CONTROL MATTERS

In planning and performing our audit of the financial statements of Borough of Carteret, County of Middlesex, New Jersey as of and for the fiscal year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses.

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 combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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.

With respect to the reporting of internal control matters, standards require that only a significant deficiency and/or a material weakness need be reported in writing to management and those charged with governance.

## GENERAL COMMENTS

### INTERNAL CONTROL MATTERS (Cont'd)

The deficiencies in internal control, as reported below, are not considered to be significant deficiencies nor material weaknesses. In addition, these deficiencies are not required to be reported in writing however, these deficiencies are presented to management and those charged with governance in this report as a means to present those matters identified in review of the Borough's internal controls and as a means to inform management and those charged with governance as to the auditing standards requirements with respect to internal controls.

During our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated June 21, 2018 on the financial statements of the Borough of Carteret. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

We identified certain deficiencies in internal control, as follows:

#### Internal Control Deficiencies:

##### 2017-1 Segregation of Duties - Other Offices and Officials Collecting Fees

Conditions exist whereby the same individual may collect, record and deposit/remit cash receipts, disburse funds and process financial transaction activity in the following offices/departments: Finance Office, Tax Collector, Borough Clerk, Board of Health/Vital Statistics, Boards of Adjustment, Zoning/Planning, Escrows, Construction Code Official, Fire Prevention, Police Department, Recreation/Parks Department & Public Works/Recycling Department.

##### 2017-2 Maintenance of Source Documents - Issuance of Duplicate Receipt Forms - Other Offices and Officials Collecting Fees

Conditions exist whereby the following offices/departments do not issue duplicate receipt forms for all Borough monies collected: Borough Clerk, Board of Health/Vital Statistics, Boards of Adjustment, Zoning/Planning.

##### 2017-3 Transaction Postings

The computerized data processing system allows for the back posting of transactions for those individuals with security rights in the system. The ability to back post transactions can limit the effectiveness of the data processing system.

#### Internal Control Documentation

Statement on Auditing Standards 115 identifies inadequate documentation of internal controls as a possible deficiency, significant deficiency or material weakness. The Borough initiated the process of documenting its controls, we suggest the Borough consider utilizing the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring.

## GENERAL COMMENTS

### INTERNAL CONTROL MATTERS (Cont'd)

In addition, we suggest the documentation also include the internal controls that exist over grant compliance. Further, Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* makes reference, in various sections, to “written policy,” “written standards,” and “written procedures,” with respect to the operation and compliance with the administration of grants.

### OTHER MATTERS

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

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 bidder 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.

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

On September 28, 2015, the Local Public Contracts Law was amended, effective on July 1, 2015. The amendment addresses the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount from \$36,000.00 to \$40,000.00 under which a contract may be awarded without public advertising for those municipalities that have appointed a Qualified Purchasing Agent.

The maximum bid threshold remains at \$17,500.00 for those municipalities that do not have a Qualified Purchasing Agent. As of December 31, 2017, the Borough has a Qualified Purchasing Agent.



## GENERAL COMMENTS

### OTHER MATTERS

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

The testing of purchases did not reveal any individual payments, contracts or agreements over the \$40,000 bid threshold, "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertising or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A: 11-4.

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

The minutes also indicate the awarding of "Open-End Contracts" pursuant to N.J.A.C. 5:34-4.9.

Any interpretation as to possible violation of N.J.S.A. 40A:11-4 would be in the province of the Borough solicitor.

#### Pay-to-Play and Business Registration Requirements

The threshold for Pay-to-Play is set at \$17,500, with no escalator provision. Any contract that does not meet "fair and open" standards requires the Township to obtain the necessary c. 271 documents. The provisions of c. 271 became effective on January 1, 2006.

A non-compliance would result with the issuance of purchase order exceeding \$17,500 during the fiscal period without a "fair and open" process, and without obtaining the requisite disclosures.

Tests of expenditures indicated the Borough had the required documentation for compliance with P.L. 2005, c.271 for items tested

#### Surety Bond Coverage's

The "List of Officials", included as part of the Supplementary Data section of this report, discloses the status of surety bond coverage's in effect at December 31, 2016. A review of surety bond coverage as of December 31, 2017, disclosed compliance with requirements, as promulgated by the Local Finance Board, State of New Jersey, for the Municipal Court and Collector.

During July 1998 the Local Finance Board completed a readopting of the Board's general rules in the New Jersey Administrative Code. Based upon the new provisions of N.J.A.C. 5:30-8.3 and 8.4, local units are encouraged to utilize new recommended amounts in lieu of the minimum amounts in order to provide a higher level of security of public funds. We suggest that the Borough review these revised regulations and determine their applicability and also determine if other positions should be bonded separately or covered with increased blanket coverage.

GENERAL COMMENTS

OTHER MATTERS

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body, on January 5, 2017 adopted a resolution number 17-5 authorizing interest to be charged on delinquent taxes.

An examination of the Tax Collector's records indicated that interest on delinquent accounts was calculated in accordance with the foregoing resolution for items tested.

Delinquent Taxes, Delinquent Sewer Rents, Sewer Rent Liens and Tax Title Liens

The Borough authorized an electronic tax sale on November 13, 2017. The Tax Collector continues to review all delinquent and disputed items to determine the status of delinquent accounts for proper disposition. Upon final determination of the status of the delinquent account, where appropriate, the delinquent item should be included in tax sale.

Delinquent real estate taxes at December 31, 2017 are as follows:

<u>YEAR</u>	<u>AMOUNT</u>
CY 2017	\$ <u>528,452.69</u>

Delinquent sewer rents at December 31, 2017 are as follows:

<u>YEAR</u>	<u>AMOUNT</u>
CY 2017	\$ <u>318,736.24</u>

The following comparison is made of the number of Tax Title Liens and Sewer Rent Liens on December 31 of the last three years:

<u>Year</u>	<u>Tax Liens</u>	<u>Sewer Liens</u>
2017	5	3
2016	5	2
2015	2	1

Inter-fund Balances

The following inter-fund payable was reported on the balance sheet of the following fund at December 31, 2017:

General Capital Fund:	
Due from Grant Fund	\$521,516.43
Grant Fund:	
Due to General Capital Fund	\$511,516.43
CDBG Trust Fund:	
Due to General Capital Fund	\$10,000.00

The existence of this inter-fund loan payable does not indicate the inability of the respective fund to meet its financial obligations; no recommendation is made as part of this report.

## GENERAL COMMENTS

### OTHER MATTERS

#### Investment of Idle Funds

The Chief Financial Officer had the greater portion of the idle funds of the Borough invested in interest-bearing investments or accounts during CY 2017. Earnings from the investments are shown as revenue in the various accounts of the Borough for CY 2017.

The Borough has adopted a formal cash management plan as required by state rules and regulations

#### Purchase Order System/ Encumbrance Accounting System and Payment of Claim

The Borough's budgetary operation is on a full encumbrance accounting system. Tests of the system disclosed that compliance was good during the year under review. Prior years' outstanding encumbrances were reviewed at the close of the year, and adjustments and cancellations were made where appropriate to reflect actual commitments outstanding for budgetary control

#### Municipal Court

The financial records maintained by the Municipal Court during the period were reviewed. The examination of the general account indicated that deposits were recorded and spread by receipt category, cash was reconciled monthly and disbursements were made to the appropriate agencies on a timely basis.

#### Condition of Records – Outside Offices and Departments

Our reviews of records maintained by Outside Offices collecting fees were designed to determine that minimum levels of internal controls and accountability were met, that cash receipts were deposited or turned over to the Treasurer's accounts within a 48-hour period as required by N.J.S.A. 40A: 5-15, that amounts charged were in accordance with the provisions of the Borough Code and that monthly financial reports are being submitted to the Finance Department timely.

The examination of the records of the various outside offices and departments indicated the following for the fiscal year ended December 31, 2017: It was noted that not all Outside Offices and Departments maintain a standardized cash receipt journal and issue duplicate receipts for all monies collected as follows: Recreation, Recycling, Fire Department, Planning & Zoning, Health and the Construction Department. In most cases, duplicate receipts are only issued for cash receipts; Permits and Licenses issued by Construction and the Health and departments are substituted as receipts.

## GENERAL COMMENTS

### OTHER MATTERS

#### Condition of Records – Outside Offices and Departments (Cont'd)

No exceptions were noted for compliance with 48-hour deposit requirement (N.J.S.A 40A: 5-15). Monthly reports are submitted to the Finance Department in a timely manner.

The following Outside Offices maintain a bank account: Clerk, Health and Construction Department.

We suggest that all departments collecting money continue to monitor procedures for compliance with N.J.S.A 40A: 5-15.

#### Developer Escrow Accounting Law

Chapter 55, Laws of 1995 relating to the management of developer escrow funds became effective September 17, 1995. The billing and reporting requirements imposed on local units by this law change are significant. Based upon the volume of activity within these accounts, the Borough should continue to evaluate and monitor the control structure and the processing systems utilized for developer's escrows.

#### Administration and Accounting of State & Federal Grants

The Borough operated various programs during 2017, which were funded in whole or in part by State or Federal grant assistance. These programs often vary as to the application and approval process; matching funds requirements, grant periods, required approvals for modification of budgets and the timing and frequency of financial reporting. As part of the acceptance of these funds, the Borough is required to make assurances to the grantor agency that it will comply, in its general operations as well as in the operation of grant funded programs, with various laws and regulations. In addition, the individual grant contracts impose specific compliance requirements for the operations of each program. Based upon the myriad compliance and reporting requirements for grant awards, the Borough should continue to develop sound administrative functions over grant program.

The acceptance of grant funds also places additional requirements upon the Borough with respect to the Borough's system of internal controls. Based upon the matrix of requirements applicable to a specific grant, the Borough's internal controls are required to include systems and policies and procedures designed to ensure compliance with the applicable requirements.

We suggest that the Borough continue to review all of the applicable grant requirements and the Borough's system of internal controls in order to ensure the Borough's internal controls are functioning at the requisite levels to meet with the various compliance requirements.

## GENERAL COMMENTS

### OTHER MATTERS

#### Compliance with N.J.A.C 5:30:

The Local Finance Board, State of New Jersey, adopted the following requirements, previously identified as “technical accounting directives”, as codified in the New Jersey Administration Code as follows:

N.J.A.C. 5:30 – 5.2 - Encumbrance Accounting: This directive requires the development and implementation of accounting systems, which can reflect the commitment of funds at the point of commitment. The Borough of Carteret is in compliance with this directive.

N.J.A.C. 5:30 – 5.6 - Fixed Asset Accounting: This directive requires the development and implementation of accounting systems which assign values to covered assets and can track additions, retirements and transfers of inventoried assets The Borough is in partial compliance with this directive.

N.J.A.C. 5:30 – 5.7 - General Ledger Accounting System: This directive requires the establishment and maintenance of a general ledger for, at least, the Current Fund. The Borough is in compliance with this directive.

#### Compliance with Local Finance Notices

In accordance with Local Finance Notice No. CFO-10, Uniform Construction Code, expenditure records were tested for compliance with N.J.A.C. 5:23.17(c)2, and no exceptions were noted for those items tested.

The Borough prepared and filed a corrective action plan for the CY 2017, pursuant to Local Finance Notice No. 92-15 issued by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

RECOMMENDATIONS

None.

\* \* \* \* \*

During the course of our audit we received the complete cooperation of the various officials of the Borough of Carteret, and the courtesies extended to us were greatly appreciated.

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

Very truly yours,

HODULIK & MORRISON, P.A.



Andrew G. Hodulik, CPA, RMA  
No. 406