

TOWNSHIP OF MONTAGUE

COUNTY OF SUSSEX

REPORT OF AUDIT

2018

NISIVOCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS

TOWNSHIP OF MONTAGUE
COUNTY OF SUSSEX
REPORT OF AUDIT
2018

TOWNSHIP OF MONTAGUE
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2018

<u>PART I - Financial Statements and Supplementary Data</u>	<u>Page</u>
Independent Auditors' Report	1-3
<u>Financial Statements:</u>	<u>Exhibit</u>
<u>Current Fund:</u>	
Comparative Balance Sheet – Regulatory Basis	A
Comparative Statement of Operations and Change in Fund Balance – Regulatory Basis	A-1
Statement of Revenue – Regulatory Basis	A-2
Statement of Expenditures – Regulatory Basis	A-3
<u>Trust Funds:</u>	
Comparative Balance Sheet – Regulatory Basis	B
Statement of Fund Balance - Assessment Trust Fund – Regulatory Basis (Not Applicable)	B-1
Statement of Revenue - Assessment Trust Fund – Regulatory Basis (Not Applicable)	B-2
Statement of Expenditures - Assessment Trust Fund – Regulatory Basis (Not Applicable)	B-3
<u>General Capital Fund:</u>	
Comparative Balance Sheet – Regulatory Basis	C
Statement of Fund Balance – Regulatory Basis (Not Applicable)	C-1
<u>Water Utility Fund (Not Applicable)</u>	D
<u>Sewer Utility Fund (Not Applicable)</u>	E
<u>Public Assistance Fund (Not Applicable)</u>	F
<u>General Fixed Assets Account Group</u>	
Comparative Balance Sheet – Regulatory Basis	G
	<u>Page</u>
<u>Notes to Financial Statements</u>	1-22
<u>Supplementary Data:</u>	<u>Schedule</u>
Schedule of Officials in Office and Surety Bonds	1
<u>Current Fund:</u>	
Schedule of Cash - Treasurer	A-4
Schedule of Cash - Collector	A-5
Schedule of Cash - Grant Funds (Not Applicable)	A-6
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-7
Schedule of Tax Title Liens	A-8
Schedule of Revenue Accounts Receivable	A-9
Schedule of Consumer Accounts Receivable (Not Applicable)	A-10
Schedule of 2017 Appropriation Reserves	A-11
Schedule of Local School District Taxes Payable	A-12
Schedule of Grants Receivable – Federal and State Grant Fund	A-13
Schedule of Appropriated Reserves – Federal and State Grant Fund	A-14
Schedule of Unappropriated Reserves – Federal and State Grant Fund	A-15
<u>Trust Funds:</u>	
Schedule of Cash - Treasurer	B-4
Analysis of Cash - Assessment Trust Fund (Not Applicable)	B-5
Schedule of Reserve for Animal Control Fund Expenditures - Animal Control Fund	B-6
Schedule of Assessments Receivable – Assessment Trust Fund (Not Applicable)	B-7
Schedule of Assessment Liens – Assessment Trust Fund	B-8
Schedule of Reserve for Assessments and Liens – Assessment Trust Fund	B-9

TOWNSHIP OF MONTAGUE
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

<u>PART I –Financial Statements and Supplementary Data (Cont'd)</u>	<u>Schedule</u>
<u>Supplementary Data (Cont'd):</u>	
<u>General Capital Fund:</u>	
Schedule of Cash	C-2
Analysis of Cash	C-3
Schedule of Deferred Charges to Future Taxation - Unfunded	C-4
Schedule of Improvement Authorizations	C-5
Schedule of Capital Improvement Fund	C-6
Schedule of Bond Anticipation Notes Payable	C-7
Schedule of Serial Bonds Payable (Not Applicable)	C-8
Schedule of Loans Payable (Not Applicable)	C-9
Schedule of Bonds and Notes Authorized But Not Issued	C-10
<u>Water Utility Fund (Not Applicable)</u>	D
<u>Sewer Utility Fund (Not Applicable)</u>	E
<u>Public Assistance Fund (Not Applicable)</u>	F
 <u>PART II- Single Audit</u>	 <u>Page</u>
Schedule of Expenditures of Federal Awards (Not Applicable)	1
Schedule of Expenditures of State Awards	2
Notes to Schedules of Expenditures of Federal and State Awards	3
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4-5
Schedule of Findings and Responses	6-7
Summary Schedule of Prior Audit Findings	8
 <u>PART III – Comments and Recommendations</u>	
Comments and Recommendations	1-4
Summary of Recommendations	5

TOWNSHIP OF MONTAGUE

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2018



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

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

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

The Honorable Mayor and Members
of the Township Committee
Township of Montague
Page 2

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Emphasis of Matter

As discussed in Note 9 to the financial statements, the Township implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the year ended December 31, 2018. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary Information

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

The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing


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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2019 on our consideration of the Township of Montague's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Montague's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
June 6, 2019

NISIVOCIA LLP

A handwritten signature in black ink, reading "Heidi A. Wohlleb", is written over a horizontal line.

Heidi A. Wohlleb

Certified Public Accountant

Registered Municipal Accountant No. 481

TOWNSHIP OF MONTAGUE
COUNTY OF SUSSEX
2018
CURRENT FUND

TOWNSHIP OF MONTAGUE
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 1,330,936.67	\$ 1,429,611.82
Change Fund		50.00	50.00
Petty Cash Fund		200.00	200.00
Due From State of New Jersey:			
Senior Citizens' and Veterans' Deductions		24,773.69	23,497.67
		<u>1,355,960.36</u>	<u>1,453,359.49</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	222,596.03	214,198.24
Tax Title Liens Receivable	A-8	754,301.41	785,619.84
Property Acquired for Taxes at Assessed Valuation		1,014,300.00	461,900.00
Due from Animal Control Fund	B	1,452.62	
Due from Other Trust Fund	B	5,200.00	
Total Receivables and Other Assets			
With Full Reserves		<u>1,997,850.06</u>	<u>1,461,718.08</u>
Deferred Charges:			
Special Emergency Appropriations		34,104.00	68,208.00
Total Regular Fund		<u>3,387,914.42</u>	<u>2,983,285.57</u>
Federal and State Grant Fund:			
Due from Current Fund	A	23,692.17	27,033.27
Total Federal and State Grant Fund		<u>23,692.17</u>	<u>27,033.27</u>
<u>TOTAL ASSETS</u>		<u>\$ 3,411,606.59</u>	<u>\$ 3,010,318.84</u>

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

		December 31,	
	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-11	\$ 217,623.26	\$ 178,045.30
Encumbered	A-3;A-11	27,535.55	85,567.56
		<u>245,158.81</u>	<u>263,612.86</u>
Prepaid Taxes		98,967.04	202,039.35
Due to:			
State of New Jersey:			
Marriage License Fees		175.00	50.00
DCA Training Fees		517.00	643.00
Federal and State Grant Fund	A	23,692.17	27,033.27
Reserve for:			
Master Plan		1,760.02	1,760.02
		<u>370,270.04</u>	<u>495,138.50</u>
Reserve for Receivables and Other Assets	A	1,997,850.06	1,461,718.08
Fund Balance	A-1	1,019,794.32	1,026,428.99
Total Regular Fund		<u>3,387,914.42</u>	<u>2,983,285.57</u>
Federal and State Grant Fund:			
Appropriated Reserves	A-14	11,050.00	8,251.23
Reserve for Encumbrances	A-14	861.37	325.00
Unappropriated Reserves	A-15	11,780.80	18,457.04
Total Federal and State Grant Fund		<u>23,692.17</u>	<u>27,033.27</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 3,411,606.59</u>	<u>\$ 3,010,318.84</u>

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

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

		Year Ended December 31,	
	<u>Ref.</u>	2018	2017
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 405,000.00	\$ 395,000.00
Miscellaneous Revenue Anticipated		538,211.87	617,155.97
Receipts from:			
Delinquent Taxes		214,329.26	356,977.71
Current Taxes		9,274,179.78	8,998,822.79
Nonbudget Revenue		145,847.48	104,005.02
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		133,359.60	218,148.15
Total Income		<u>10,710,927.99</u>	<u>10,690,109.64</u>
<u>Expenditures</u>			
Budget Appropriations - Municipal Purposes		2,108,347.60	2,089,088.76
County Taxes		2,118,131.26	2,096,034.84
Local School District Taxes		6,076,020.00	5,781,736.00
Prior Year Senior Citizen and Veteran Deductions Disallowed		566.44	1,530.14
Refund of Prior Year Revenue		2,844.74	
Interfunds Advanced		6,652.62	
Total Expenditures		<u>10,312,562.66</u>	<u>9,968,389.74</u>
Excess in Revenue		398,365.33	721,719.90
Balance January 1		<u>1,026,428.99</u>	<u>699,709.09</u>
		1,424,794.32	1,421,428.99
Decreased by:			
Utilized as Anticipated Revenue		<u>405,000.00</u>	<u>395,000.00</u>
Balance December 31	A	<u>\$ 1,019,794.32</u>	<u>\$ 1,026,428.99</u>

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

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

	<u>Budget</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 405,000.00	\$ 405,000.00	
Miscellaneous Revenue:			
Licenses:			
Alcoholic Beverages	2,000.00	2,880.00	\$ 880.00
Fees and Permits	8,000.00	11,807.00	3,807.00
Fines and Costs:			
Municipal Court	18,000.00	17,750.40	249.60 *
Interest and Costs on Taxes	32,000.00	42,785.44	10,785.44
Interest on Investments and Deposits	2,200.00	2,937.27	737.27
Energy Receipts Tax	253,520.00	253,520.00	
Garden State Preservation Trust Fund	123,371.00	123,371.00	
Uniform Construction Code Fees	40,000.00	49,255.00	9,255.00
Recycling Tonnage Grant	6,278.42	6,278.42	
Clean Communities Program Grant	11,663.90	11,663.90	
Uniform Fire Safety Act	11,000.00	15,963.44	4,963.44
Total Miscellaneous Revenue	<u>508,033.32</u>	<u>538,211.87</u>	<u>30,178.55</u>
Receipts from Delinquent Taxes	<u>200,000.00</u>	<u>214,329.26</u>	<u>14,329.26</u>
Amount to be Raised by Taxes for Support of Municipal Budget:			
Local Tax for Municipal Purposes	<u>1,447,251.00</u>	<u>1,530,028.52</u>	<u>82,777.52</u>
Budget Totals	2,560,284.32	2,687,569.65	127,285.33
Nonbudget Revenue		<u>145,847.48</u>	<u>145,847.48</u>
	<u>\$ 2,560,284.32</u>	<u>\$ 2,833,417.13</u>	<u>\$ 273,132.81</u>

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

Analysis of Realized Revenue

Allocation of Current Tax Collections:

Revenue from Collections of Current Taxes \$ 9,274,179.78

Allocated to:

Local School District Taxes \$ 6,076,020.00

County Taxes 2,118,131.26

8,194,151.26

Balance for Support of Municipal Budget Appropriations 1,080,028.52

Add: Appropriation "Reserve for Uncollected Taxes" 450,000.00

Realized for Support of Municipal Budget \$ 1,530,028.52

Receipts from Delinquent Taxes:

Delinquent Tax Collections \$ 204,030.32

Tax Title Lien Collections 10,298.94

\$ 214,329.26

Analysis of Nonbudget Revenue:

Treasurer:

Sussex County PILOT Program \$ 15,333.32

Cable Franchise Fee 15,327.00

Cell Tower Lease 21,000.04

Equipment Auction 19,700.00

Tax Assessor 100.00

Senior Citizens and Veterans Deductions' Administrative Fee 752.49

Municipal Clerk 2,547.81

Vacant and Abandoned Property Fees 63,000.00

Other Miscellaneous 1,414.20

139,174.86

Tax Collector:

Miscellaneous 20.00

Due from Animal Control Fund:

Statutory Excess in Reserve for Animal Control Fund Expenditures 1,452.62

Due from Other Trust Funds:

Tax Sale Premiums Cancelled 5,200.00

\$ 145,847.48

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

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Appropriations Within "CAPS":					
GENERAL GOVERNMENT:					
Vital Statistics:					
Salaries & Wages	\$ 1,155.00	\$ 1,155.00	\$ 785.46	\$ 369.54	
Other Expenses	50.00	50.00		50.00	
Mayor and Committee:					
Salaries & Wages	14,400.00	14,400.00	14,052.48	347.52	
Other Expenses	500.00	500.00	325.00	175.00	
Municipal Clerk:					
Salaries & Wages	104,000.00	104,000.00	96,599.86	7,400.14	
Other Expenses	54,000.00	54,000.00	37,865.05	16,134.95	
Financial Administration:					
Salaries & Wages	36,000.00	36,000.00	31,859.90	4,140.10	
Other Expenses	1,000.00	1,000.00	303.01	696.99	
Other Expenses - Grant Writer	3,000.00	3,000.00		3,000.00	
Audit Services	23,700.00	23,700.00	14,360.00	9,340.00	
Computer Services	8,000.00	8,000.00	5,726.88	2,273.12	
Collection of Taxes:					
Salaries & Wages	29,000.00	29,000.00	24,881.38	4,118.62	
Other Expenses	4,000.00	4,000.00	1,937.04	2,062.96	
Liquidations of Tax Title Liens:					
Other Expenses	5,000.00	15,002.36	15,002.36		
Assessment of Taxes:					
Salaries & Wages	27,500.00	27,500.00	24,958.34	2,541.66	
Other Expenses	2,500.00	2,500.00	2,015.79	484.21	
Legal Services and Costs:					
Other Expenses	40,000.00	29,997.64	17,933.44	12,064.20	
Engineering Services and Costs:					
Other Expenses	10,000.00	10,000.00	6,018.74	3,981.26	
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Salaries and Wages	6,600.00	6,258.00	4,927.65	1,330.35	
Other Expenses- Miscellaneous	1,000.00	1,342.00	1,342.00		

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

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Appropriations Within "CAPS": PUBLIC SAFETY:					
Constable:					
Salaries & Wages	\$ 2,900.00	\$ 2,900.00	\$ 2,498.52	\$ 401.48	
"911" Dispatching Communication:					
Other Expenses	12,500.00	12,500.00	12,429.00	71.00	
Emergency Management Systems:					
Salaries & Wages	9,800.00	9,800.00	9,156.24	643.76	
Other Expenses	1,000.00	1,000.00	43.49	956.51	
Other Expenses - First Responders	10,000.00	10,000.00	9,516.20	483.80	
Salaries & Wages - Flood Mitigation	2,500.00	2,500.00	2,263.92	236.08	
Other Expenses - Flood Mitigation	200.00	200.00		200.00	
Fire:					
Montague Fire Department - Other Expenses	80,000.00	80,000.00	74,145.29	5,854.71	
Other Expenses - Fire Truck Repairs	10,000.00	10,000.00	10,000.00		
First Aid Squad Contributions	40,000.00	40,000.00	40,000.00		
Uniform Safety Act (Ch.383 P.L. 1983):					
Fire Official:					
Salaries & Wages	8,600.00	8,600.00	8,418.96	181.04	
Other Expenses	9,500.00	9,500.00	6,619.41	2,880.59	
Fire Prevention:					
Other Expenses	1,500.00	1,500.00	779.73	720.27	
Public Safety:					
Other Expenses	5,500.00	5,500.00	4,480.00	1,020.00	
PUBLIC WORKS FUNCTIONS:					
Road Repairs and Maintenance:					
Salaries & Wages	202,000.00	202,000.00	174,865.44	27,134.56	
Other Expenses	82,200.00	82,200.00	60,583.44	21,616.56	
Other Expenses - Various Roads	60,000.00	60,000.00	57,190.00	2,810.00	
Snow Removal:					
Salaries & Wages	25,000.00	25,000.00	22,318.22	2,681.78	
Other Expenses	60,000.00	60,000.00	54,636.74	5,363.26	

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

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Appropriations Within "CAPS":					
PUBLIC WORKS FUNCTIONS: (CONTD)					
Sanitation:					
Salaries & Wages - Recycling	\$ 1,900.00	\$ 1,900.00	\$ 1,200.06	\$ 699.94	
Other Expenses - Garbage Collection / Recycling	12,000.00	12,000.00	10,525.72	1,474.28	
Public Buildings and Grounds:					
Salaries & Wages	4,700.00	4,700.00	3,732.40	967.60	
Other Expenses	45,000.00	41,630.39	28,315.88	13,314.51	
HEALTH & WELFARE:					
Board of Health:					
Salaries & Wages	2,600.00	2,600.00	2,219.04	380.96	
Animal Regulation:					
Other Expenses	13,000.00	13,000.00	12,844.00	156.00	
RECREATION & EDUCATION:					
Youth Activities:					
Other Expenses	12,000.00	12,000.00	10,930.53	1,069.47	
Contributions to Senior Citizen Center	4,000.00	4,000.00	4,000.00		
Historic Preservation Society Committee:					
Other Expenses	4,700.00	4,700.00	4,700.00		
Celebration of Public Events, Anniversaries or Holidays:					
Other Expenses	2,000.00	2,000.00	1,278.51	721.49	
INSURANCE (NJSA 40A:4-45.3(00)):					
Other Insurance Premiums	63,000.00	63,000.00	60,280.00	2,720.00	
Workers Compensation Insurance	19,000.00	19,000.00	18,002.00	998.00	
Group Insurance Plan for Employees	85,000.00	85,000.00	76,034.86	8,965.14	
Health Benefit Waivers	2,600.00	2,600.00	1,870.60	729.40	
UNIFORM CONSTRUCTION CODE:					
Construction Official:					
Salaries & Wages	16,000.00	17,209.46	17,209.46		
Other Expenses	1,000.00	1,000.00	472.02	527.98	
Other Expenses-Contractual	31,200.00	31,200.00	31,200.00		
Fire Sub-Code Official:					
Salaries & Wages	6,300.00	6,300.00	6,113.04	186.96	

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

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Appropriations Within "CAPS":					
UNIFORM CONSTRUCTION CODE: (CONTD)					
Code Enforcement Official:					
Salaries & Wages	\$ 24,200.00	\$ 25,290.54	\$ 24,638.32	\$ 652.22	
Other Expenses	1,000.00	2,069.61	2,069.61		
UNCLASSIFIED:					
Electricity	12,000.00	12,000.00	8,466.25	3,533.75	
Telephone	11,000.00	11,000.00	9,122.35	1,877.65	
Fuel Oil	15,000.00	15,000.00	14,917.84	82.16	
Gasoline/Diesel Fuel	18,000.00	18,000.00	17,745.72	254.28	
Fire Hydrant Contract	12,300.00	12,300.00	5,215.18	7,084.82	
Total Operations Within "CAPS"	1,414,105.00	1,414,105.00	1,223,942.37	190,162.63	
Contingent:	5,000.00	5,000.00		5,000.00	
Total Operations including Contingent within "CAPS"	1,419,105.00	1,419,105.00	1,223,942.37	195,162.63	
Detail:					
Salaries & Wages	525,155.00	527,113.00	472,698.69	54,414.31	
Other Expenses (Including Contingent)	893,950.00	891,992.00	751,243.68	140,748.32	

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

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Deferred Charges and Statutory Expenditures - Statutory Expenditures: Contribution to: Public Employees' Retirement System Social Security System (O.A.S.I.) Unemployment Compensation	\$ 46,933.00 42,000.00 5,000.00	\$ 46,933.00 42,000.00 5,000.00	\$ 46,932.33 35,530.25 5,000.00	\$ 0.67 6,469.75	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	93,933.00	93,933.00	87,462.58	6,470.42	
Total General Appropriations for Municipal Purposes Within "CAPS"	1,513,038.00	1,513,038.00	1,311,404.95	201,633.05	
Operations Excluded from "CAPS": Affordable Housing Administration: (N.J.S.A. 40A:45.3T)- Other Expenses Joint Municipal Court: Other Expenses - Contractual Public and Private Programs Offset by Revenues: Recycling Tonnage Grant Clean Communities Grant	500.00 65,000.00 6,278.42 11,663.90	500.00 65,000.00 6,278.42 11,663.90	500.00 49,509.79 6,278.42 11,663.90	500.00 15,490.21	
Total Operations Excluded from "CAPS" Detail: Other Expenses	83,442.32 83,442.32	83,442.32 83,442.32	67,452.11 67,452.11	15,990.21 15,990.21	

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

	Appropriations		Expended By		Unexpended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	\$ 339,700.00	\$ 339,700.00	\$ 339,700.00		
Total Capital Improvements - Excluded from "CAPS"	339,700.00	339,700.00	339,700.00		
Municipal Debt Service - Excluded from "CAPS":					
Payment of Bond Anticipation Notes and Capital Notes	136,080.00	136,080.00	134,145.00		\$ 1,935.00
Interest on Notes	3,920.00	3,920.00	3,918.28		1.72
Total Municipal Debt Service - Excluded from "CAPS"	140,000.00	140,000.00	138,063.28		1,936.72
Deferred Charges - Municipal - Excluded from "CAPS":					
Special Emergency Authorizations:					
5 Years (N.J.S. 40A:4-55)	34,104.00	34,104.00	34,104.00		
Total Deferred Charges - Municipal - Excluded from "CAPS":	34,104.00	34,104.00	34,104.00		
Total General Appropriations - Excluded from "CAPS"	597,246.32	597,246.32	579,319.39	\$ 15,990.21	1,936.72
Subtotal General Appropriations	2,110,284.32	2,110,284.32	1,890,724.34	217,623.26	1,936.72
Reserve for Uncollected Taxes	450,000.00	450,000.00	450,000.00		
Total General Appropriations	\$ 2,560,284.32	\$ 2,560,284.32	\$ 2,340,724.34	\$ 217,623.26	\$ 1,936.72

Ref.

A

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

	<u>Ref</u>	<u>Analysis of Paid or Charged</u>
Reserve for Uncollected Taxes		\$ 450,000.00
Encumbrances	A	27,535.55
Deferred Charges:		
Special Emergency Authorizations		34,104.00
Due to Federal and State Grant Fund		17,942.32
Cash Disbursed		<u>1,834,546.94</u>
		2,364,128.81
Less: Appropriation Refunds		<u>23,404.47</u>
		<u><u>\$ 2,340,724.34</u></u>

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

TOWNSHIP OF MONTAGUE
COUNTY OF SUSSEX
2018
TRUST FUNDS

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

		December 31,	
	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>			
Assessment Trust Fund:			
Assessment Liens	B-8	<u>\$ 23,323.56</u>	<u>\$ 23,323.56</u>
Animal Control Fund:			
Cash and Cash Equivalents	B-4	<u>8,633.62</u>	<u>4,421.78</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	<u>242,586.91</u>	<u>195,591.06</u>
TOTAL ASSETS		<u>\$ 274,544.09</u>	<u>\$ 223,336.40</u>

TOWNSHIP OF MONTAGUE
TRUST FUNDS
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS
(Continued)

		December 31,	
	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Assessment Trust Fund:			
Reserve for Assessments & Liens	B-9	\$ 23,323.56	\$ 23,323.56
Animal Control Fund:			
Due to Current Fund	A	1,452.62	
Prepaid Licenses		580.00	650.00
Reserve for Animal Control Fund Expenditures	B-6	6,601.00	3,771.78
		<u>8,633.62</u>	<u>4,421.78</u>
Other Trust Funds:			
Due to Current Fund	A	5,200.00	
Reserve for:			
Accrued Sick and Vacation		15,536.20	15,536.20
Road Openings		4,350.00	4,350.00
Unemployment Compensation		20,707.63	15,083.27
Monuments		1,920.00	1,920.00
Driveway Bonds		3,202.00	3,202.00
Recreation		24,014.63	23,184.63
Public Defender		5,991.70	5,991.70
Tax Sale Premiums		7,200.00	17,400.00
Fire Prevention		40,931.52	35,431.52
Council on Affordable Housing		1,584.08	95.42
Escrow		27,295.26	12,531.08
Revolving Loan		28,495.25	18,495.25
Storm Recovery		56,158.64	42,369.99
		<u>242,586.91</u>	<u>195,591.06</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		\$ 274,544.09	\$ 223,336.40

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

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

NOT APPLICABLE

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

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

NOT APPLICABLE

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

NOT APPLICABLE

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

TOWNSHIP OF MONTAGUE
COUNTY OF SUSSEX
2018
GENERAL CAPITAL FUND

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

		December 31,	
	Ref.	2018	2017
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 649,895.82	\$ 729,791.70
New Jersey Department of Transportation Grant Receivable		99,020.45	195,000.00
Deferred Charges to Future Taxation:			
Unfunded	C-4	<u>2,120,081.00</u>	<u>2,254,226.00</u>
TOTAL ASSETS		<u>\$ 2,868,997.27</u>	<u>\$ 3,179,017.70</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-7	\$ 136,081.00	\$ 270,226.00
Improvement Authorizations:			
Funded	C-5	366,078.04	687,780.18
Unfunded	C-5	1,984,000.00	1,984,000.00
Capital Improvement Fund	C-6	262,161.93	220,958.02
Encumbrances Payable		104,655.30	32.50
Reserve for:			
Improvements to Municipal Building		4,521.00	4,521.00
Purchase of Emergency Management Equipment		1,500.00	1,500.00
Improvements to Parks/Recreation		<u>10,000.00</u>	<u>10,000.00</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 2,868,997.27</u>	<u>\$ 3,179,017.70</u>

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

TOWNSHIP OF MONTAGUE
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

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

TOWNSHIP OF MONTAGUE
COUNTY OF SUSSEX
2018
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF MONTAGUE
COUNTY OF SUSSEX
2018
SEWER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF MONTAGUE
COUNTY OF SUSSEX
2018
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF MONTAGUE
COUNTY OF SUSSEX
2018
GENERAL FIXED ASSETS ACCOUNT GROUP

TOWNSHIP OF MONTAGUE
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,	
	2018	2017 Restated
<u>ASSETS</u>		
Land and Buildings	\$ 2,293,485.46	\$ 1,760,385.46
Equipment and Vehicles	2,873,766.00	2,811,005.00
TOTAL ASSETS	<u>\$ 5,167,251.46</u>	<u>\$ 4,571,390.46</u>
<u>RESERVES</u>		
Reserve for Fixed Assets	<u>\$ 5,167,251.46</u>	<u>\$ 4,571,390.46</u>
TOTAL RESERVES	<u>\$ 5,167,251.46</u>	<u>\$ 4,571,390.46</u>

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

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Description of Funds

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

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

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

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

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

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

B. Description of Funds (Cont'd)

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

C. Basis of Accounting

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

The following is a summary of significant accounting policies.

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

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

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

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

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

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

C. Basis of Accounting (Cont'd)

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

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

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

- E. Other significant accounting policies include:

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

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

Investments - Investments are stated at cost.

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

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

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

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

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

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

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

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

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

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

- F. Budget/Budgetary Control – An annual appropriated budget is usually prepared in the first quarter for the Current Operating Fund. The budget is submitted to the governing body and the State Division of Local Government Service. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in NJSA 40A. All budget amendments/transfers must be approved by the Township during the year.

Note 2: Long-Term Debt

Summary of Municipal Debt

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

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

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

Summary of Municipal Debt

	<u>December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Issued</u>			
General:			
Bonds and Notes	\$ 136,081.00	\$ 270,226.00	\$ 377,520.00
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	1,984,000.00	1,984,000.00	-0-
Net Bonds and Notes Issued and			
Authorized but not Issued	<u>\$ 2,120,081.00</u>	<u>\$ 2,254,226.00</u>	<u>\$ 377,520.00</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.58%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	<u>\$ 2,120,081.00</u>		<u>\$ 2,120,081.00</u>
	<u>\$ 2,120,081.00</u>	<u>\$ -0-</u>	<u>\$ 2,120,081.00</u>

Net Debt \$2,120,081 divided by Average Equalized Valuations of \$366,906,895.67 of Real Property = 0.58%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 12,841,741.35
Net Debt	<u>2,120,081.00</u>
Remaining Borrowing Power	<u>\$ 10,721,660.35</u>

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

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

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

Summary of Municipal Debt Issued and Outstanding - Prior Year

<u>Fund</u>	<u>Balance 12/31/2016</u>	<u>Issued</u>	<u>Retirements</u>	<u>Balance 12/31/2017</u>
Bond Anticipation Notes:				
General Capital Fund	<u>\$ 377,520.00</u>	<u>\$ 270,226.00</u>	<u>\$ 377,520.00</u>	<u>\$ 270,226.00</u>

Summary of Municipal Debt Issued and Outstanding - Current Year

<u>Fund</u>	<u>Balance 12/31/2017</u>	<u>Issued</u>	<u>Retirements</u>	<u>Balance 12/31/2018</u>
Bond Anticipation Notes:				
General Capital Fund	<u>\$ 270,226.00</u>	<u>\$ 136,081.00</u>	<u>\$ 270,226.00</u>	<u>\$ 136,081.00</u>

General Capital Fund Bond Anticipation Notes

<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>
Acquisition of a New Pumper /Tanker Fire Truck	8/7/2019	2.60%	44,700.00
Acquisition of a Utility Truck	8/7/2019	2.60%	9,100.00
Acquisition of a Dump Truck	8/7/2019	2.60%	<u>82,281.00</u>
Total Debt Issued and Outstanding			<u>\$ 136,081.00</u>

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$959,655 at June 30, 2018. See Note 5 for further information on the PERS.

Net OPEB Liability

The Township's Net OPEB liability related to the State Health Benefit Local Government Retired Employees Plan was calculated to be \$2,335,158. See Note 9 for further information on this liability.

Note 3: Fund Balance Appropriated

The amount of fund balance at December 31, 2018, which has been included in the introduced budget for the Current Fund for the year ending December 31, 2019 is \$460,000.

Note 4: Local School District Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district. The Township of Montague has elected not to defer school taxes.

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

Note 5: Pension Plans

Township employees participate in a contributory, defined benefit public employee retirement system: the State of New Jersey Public Employee's Retirement System (PERS).

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

The following represents the membership tiers for PERS:

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability.

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

Note 5: Pension Plans (Cont'd)

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

Contributions (Cont'd)

Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the State's fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$46,932 for 2018.

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

Pension Liabilities and Pension Expense

At June 30, 2018, the Township's liability was \$959,655 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the Township's proportion was 0.0048%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Township recognized actual pension expense in the amount of \$46,932.

Actuarial Assumptions

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

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

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

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

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

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

Long Term Expected Rate of Return

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

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

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Management Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market 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 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

Note 5: Pension Plans (Cont'd)

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

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

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

	June 30, 2018		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(4.66%)	(5.66%)	(6.66%)
Township's proportionate share of the Net Pension Liability	\$ 1,206,656	\$ 959,655	\$ 752,437

Pension Plan Fiduciary Net Position

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

Note 6: Accrued Sick and Vacation Benefits

The Township permits employees to accrue unused sick and vacation pay, which may be taken as time off or paid upon retirement or separation at the employee's current rate. It is estimated that the current cost of such compensation would approximate \$5,338.44. This amount is not reported either as an expenditure or liability. Such compensation would be included in the Township's budget operating expenditures in the year it is paid. This amount is fully reserved in the Reserve for Accrued Sick and Vacation of \$15,536.20 on the Trust Funds balance sheet at December 31, 2018.

Note 7: Selected Tax Information

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

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

Note 7: Selected Tax Information (Cont'd)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate</u>	\$ 2.71	\$ 2.62	\$ 2.60
<u>Apportionment of Tax Rate</u>			
Municipal	.41	.41	.40
County	.60	.59	.55
Local School	1.70	1.63	1.65
<u>Assessed Valuations</u>			
2018	<u>\$ 355,548,700.00</u>		
2017		<u>\$ 355,633,400.00</u>	
2016			<u>\$ 357,216,400.00</u>

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	\$ 9,644,441.13	\$ 9,274,179.78	96.16%
2017	9,334,432.83	8,998,822.79	96.40%
2016	9,276,321.92	8,915,273.43	96.10%

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

Note 8: Cash and Cash Equivalents

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

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

GASB, requires disclosure of the level of custodial credit risk assumed by the Township in its cash, cash equivalents and investments, if those items are uninsured or unregistered.

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

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

Custodial risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

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

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

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

Deposits

New Jersey statutes 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 agency 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 deposits of public funds that exceed insurance limits as follows:

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

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

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

Investments

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;

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

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

Investments (Cont'd)

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

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

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

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

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>NJ Cash Management Fund</u>	<u>Totals</u>
Current	\$ 250.00	\$ 1,330,009.69	\$ 926.98	\$1,331,186.67
Other Trust		242,586.91		242,586.91
Animal Control		8,633.62		8,633.62
General Capital		639,495.73	10,400.09	649,895.82
	<u>\$ 250.00</u>	<u>\$ 2,220,725.95</u>	<u>\$ 11,327.07</u>	<u>\$2,232,303.02</u>

The carrying amount of the Township's cash and cash equivalents at year end was \$2,232,303.02 and the bank balance was \$2,224,345.49. The \$11,327.07 in the NJ Cash Management Fund is uninsured and unregistered. During the year ended December 31, 2018, the Township did not hold any investments.

Note 9: Postemployment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

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

Note 9: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

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

Benefits Provided (Cont'd)

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

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

In accordance with the Township's resolution, Township employees are entitled to the following benefits:

The coverage applies to the employee and dependents. In the event of an employee's death, coverage ceases. In order to be eligible for this benefit, the employee must have a minimum of twenty-five (25) years of full-time service with the Township.

Contributions

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total

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

Note 9: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

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

Allocation Methodology (Cont'd)

members of the Plan's nonspecial funding situation during the measurement period July 1, 2016 through June 30, 2017. Employer and nonemployer allocation percentages were rounded for presentation purposes.

OPEB Expense

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

At June 30, 2017, the Township had a liability of \$2,335,158 for its proportionate share of the net OPEB liability. At June 30, 2017, the Township's proportion was .01144% which was a decrease of .00225% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017 the Township's OPEB expense as determined by the State of New Jersey Division of Pensions and Benefits was \$98,726.

The Township's actual post retirement payments in 2018 for 1 retired employee were \$17,992.

Actuarial Assumptions and Other Inputs

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

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

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

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

Certain actuarial assumptions used in the June 30, 2016 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under

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

Note 9: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

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

Actuarial Assumptions and Other Inputs (Cont'd)

this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 – June 30, 2014, respectively.

Health Care Trend Assumptions

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

Discount Rate

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

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

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

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
Net OPEB Liability Attributable to the Township	\$ 2,754,388	\$ 2,335,158	\$ 2,002,506

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

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

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

Note 9: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

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

Sensitivity of the Net OPEB Liability Attributable to the Township to Changes in the Healthcare Trend Rate (Cont'd)

	June 30, 2017		
	1%	Healthcare	1%
	Decrease	Cost Trend Rate	Increase
Net OPEB Liability Attributable to the Township	\$ 1,940,584	\$ 2,335,158	\$ 2,848,938

Note 10: Risk Management

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

The Township of Montague is currently a member of the Statewide Insurance Fund (the "Fund"). This Fund provides their members with Liability, Property and Workers' Compensation Insurance.

The Fund is a risk-sharing public entity risk pool that is both an insured and self-administered group of governmental entities established for the purpose of providing low-cost insurance coverage for respective members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

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

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

The December 31, 2018 audit report of the Fund is not filed as of the date of this audit. Selected, summarized financial information for the Fund as of December 31, 2017, is as in the table on the following page:

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

Note 10: Risk Management (Cont'd)

	Statewide Insurance Fund
Total Assets	\$ 48,640,942
Net Position	\$ 13,386,585
Total Revenue	\$ 28,241,347
Total Expenses	\$ 23,341,898
Change in Net Position	\$ 4,899,449
Member Dividends	\$ -0-

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

Statewide Insurance Fund
One Sylvan Way
Parsippany, New Jersey 07054
(862) 260 – 2050

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Township is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Township is billed quarterly for amounts due to the State. The following is a summary of Township contributions, employee contributions, interest earned, reimbursements to the State for benefits paid and the ending balance of the Township's expendable trust fund for the current and previous year.

Year	Township Contributions	Interest Earnings	Employee Contributions	Amount Reimbursed	Ending Balance
2018	\$ 4,627.78	\$ -0-	\$ 1,116.42	\$ 119.84	\$20,707.63
2017	-0-	-0-	1,085.88	129.45	15,083.27
2016	4,509.01	-0-	1,036.31	168.24	14,126.84

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

Note 11: Interfund Receivables and Payables

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 6,652.62	\$ 23,692.17
Federal and State Grant Fund	23,692.17	
Other Trust Funds		5,200.00
Animal Control Fund		1,452.62
	<u>\$ 30,344.79</u>	<u>\$ 30,344.79</u>

The interfund receivable in the Federal and State Grant Fund and the interfund payable in the Current Fund are due to the normal timing difference between the disbursement and receipt of grant funds. The interfund payable in the Other Trust Funds and the interfund receivable in the Current Fund are due to the cancellation of tax sale premiums. The interfund payable in the Animal Control Fund and the interfund receivable in the Current Fund are due to the statutory excess in the Reserve for Animal Control Fund Expenditures due back to the Current Fund.

Note 12: Contingent Liabilities

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

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

Note 13: Economic Dependency

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

Note 14: Deferred Compensation

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

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

Note 15: Fixed Assets

The following is a schedule of the Township of Montague's fixed assets for the year ended December 31, 2018:

	Balance 12/31/2017 as Restated	Additions	Deletions	Balance 12/31/2018
Land and Buildings	\$ 1,760,385.46	\$ 533,100.00		\$ 2,293,485.46
Equipment and Vehicles	2,811,005.00	222,779.00	\$ (160,018.00)	2,873,766.00
	<u>\$ 4,571,390.46</u>	<u>\$ 755,879.00</u>	<u>\$ (160,018.00)</u>	<u>\$ 5,167,251.46</u>

Note 16: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding year. At December 31, 2018, the following deferred charge is shown on the balance sheet of the Current Fund:

	Balance Dec. 31, 2018	2019 Budget Appropriation	Balance to Succeeding Years' Budgets
Current Fund:			
Special Emergency Authorization	<u>\$ 34,104.00</u>	<u>\$ 34,104.00</u>	<u>\$ -0-</u>

The appropriation in the 2019 budget is not less than that required by statute.

Note 17: Prior Period Adjustment

The prior period balance for the general fixed assets account group was restated due to the Township having its initial independent appraisal for the valuation of the Township's land, buildings, equipment and vehicles. Additionally, the restatement reflects a change in the fixed assets capitalization threshold to \$5,000 for equipment and vehicles.

	Balance 12/31/2017 as Previously Reported	Retroactive Adjustments	Balance 12/31/2017 as Restated
<u>General Fixed Assets Account Group</u>			
Assets:			
Land and Buildings	\$ 1,744,385.46	\$ 16,000.00	\$ 1,760,385.46
Equipment and Vehicles	1,685,993.00	1,125,012.00	2,811,005.00
Reserves:			
Reserve for Fixed Assets	3,430,378.46	1,141,012.00	4,571,390.46

TOWNSHIP OF MONTAGUE

SUPPLEMENTARY DATA

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

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
George Zitone	Mayor	
Richard Innella	Deputy Mayor	
Paul Brislin	Committeeperson	
Gene Crawford	Committeeperson	
Fred Merusi	Committeeperson	
Eileen DeFabiis	Municipal Clerk	(A)
Sharon Yarosz	Chief Financial Officer/Treasurer	(A)
Frances Multari	Tax Collector and Tax Search Officer	(A)
Jason Laliker	Tax Assessor	(A)
Bob Huber	Construction Official and Building Inspector	(A)
Bryan Leeper	Code Enforcement Official/ Zoning Official	(A)
Harold E. Pellow & Associates, Inc.	Township Engineer	
William Hinkes	Attorney	

(A) - A faithful performance blanket bond for \$250,000, issued by Statewide Insurance Fund, was in effect for all employees.

The surety bond was examined and appeared to be properly executed.

TOWNSHIP OF MONTAGUE
COUNTY OF SUSSEX
2018
CURRENT FUND

TOWNSHIP OF MONTAGUE
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2017	A	\$ 1,429,611.82
Increased by Receipts:		
Tax Collector	\$ 9,455,465.26	
Revenue Accounts Receivable	474,546.84	
Miscellaneous Revenue Not Anticipated	139,174.86	
Interest on Investments and Deposits	2,937.27	
Due to Federal and State Grant Fund:		
Unappropriated Grant Reserves	11,266.08	
Due to/from State of New Jersey:		
Veterans' and Senior Citizens' Deductions	36,124.66	
Marriage License Fees	475.00	
DCA Training Fees	2,188.00	
Appropriation Refunds	23,404.47	
		<hr/> 10,145,582.44
		<hr/> 11,575,194.26

TOWNSHIP OF MONTAGUE
CURRENT FUND
SCHEDULE OF CASH - TREASURER
(Continued)

	<u>Ref.</u>	
Decreased by Disbursements:		
2018 Budget Appropriations	\$ 1,834,546.94	
2017 Appropriation Reserves	130,253.26	
Tax Overpayments Refunded	10,148.68	
Refund of Prior Year Revenue	2,844.74	
Due from Federal and State Grant Fund:		
Appropriated Grant Reserves	14,607.18	
Due to State of New Jersey:		
Marriage License Fees	350.00	
DCA Training Fees	2,314.00	
Local School District Taxes	6,076,020.00	
County Taxes	2,118,131.26	
Reserve for Redemption of Outside Liens	55,041.53	
	<hr/>	<hr/>
		\$ 10,244,257.59
Balance December 31, 2018	A	\$ 1,330,936.67
		<hr/> <hr/>

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

Increased by Receipts:

Taxes Receivable	\$ 9,238,203.63	
Interest and Costs on Taxes	42,785.44	
2019 Prepaid Taxes	98,967.04	
Tax Overpayments	10,148.68	
Tax Title Lien Redemption	10,298.94	
Outside Lien Redemption	55,041.53	
Miscellaneous Revenue not Anticipated	20.00	
	<hr/>	<hr/>
		\$ 9,455,465.26

Decreased by:

Disbursed to Municipal Treasurer		<hr/> <hr/>
		\$ 9,455,465.26

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

NOT APPLICABLE

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

Year	Balance Dec. 31, 2017	2018 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2018
			2017	2018				
2016	\$ 250.00			\$ 250.00				
2017	213,948.24			203,780.32	\$ (566.44)	\$ 4.69	\$ 10,479.67	250.00
	214,198.24			204,030.32	(566.44)	4.69	10,479.67	250.00
2018		\$ 9,644,441.13	\$ 202,039.35	9,034,173.31	37,967.12	12,892.91	135,022.41	222,346.03
	\$ 214,198.24	\$ 9,644,441.13	\$ 202,039.35	\$ 9,238,203.63	\$ 37,400.68	\$ 12,897.60	\$ 145,502.08	\$ 222,596.03

Ref. A

Analysis of 2018 Property Tax Levy

Tax Yield:

General Purpose Tax	\$ 9,642,481.52
Added and Omitted Taxes (54:4-63.1 et.seq.)	1,959.61
	<u>\$ 9,644,441.13</u>

Tax Levy:

Local School District Taxes	\$ 6,076,020.00
County Taxes	
Due County for Added and Omitted Taxes	\$ 2,117,699.73
	<u>431.53</u>
	2,118,131.26

Local Tax for Municipal Purposes Levied
Add: Additional Tax Levied

	1,447,251.00
	<u>3,038.87</u>
	1,450,289.87
	<u>\$ 9,644,441.13</u>

A

TOWNSHIP OF MONTAGUE
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2017	A	\$ 785,619.84
Increased by:		
Transfer from Taxes Receivable	\$ 145,502.08	
Interest and Costs on Tax Sale	<u>995.66</u>	
		<u>146,497.74</u>
		932,117.58
Decreased by:		
Cash Received	10,298.94	
Transferred to Property Acquired for Taxes	<u>167,517.23</u>	
		<u>177,816.17</u>
Balance December 31, 2018	A	<u><u>\$ 754,301.41</u></u>

TOWNSHIP OF MONTAGUE
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2018

	<u>Accrued In</u> 2018	<u>Collected By</u> Treasurer
Clerk:		
Licenses:		
Alcoholic Beverages	\$ 2,880.00	\$ 2,880.00
Fees and Permits	11,807.00	11,807.00
Municipal Court:		
Fines and Costs	17,750.40	17,750.40
Energy Receipts Tax	253,520.00	253,520.00
Uniform Fire Safety Act	15,963.44	15,963.44
Garden State Preservation Trust Fund	123,371.00	123,371.00
Uniform Construction Code Fees	49,255.00	49,255.00
	<u>\$ 474,546.84</u>	<u>\$ 474,546.84</u>

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

NOT APPLICABLE

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

	Balance Dec. 31, 2017	Balance After Modification	Paid or Charged	Balance Lapsed
GENERAL GOVERNMENT:				
Vital Statistics:				
Salaries & Wages	\$ 152.88	\$ 152.88		\$ 152.88
Other Expenses	18.50	18.50		18.50
Mayor and Committee:				
Salaries & Wages	347.52	347.52		347.52
Other Expenses	205.00	205.00		205.00
Municipal Clerk:				
Salaries & Wages	323.35	323.35		323.35
Other Expenses	18,013.86	18,013.86	\$ 6,504.35	11,509.51
Financial Administration:				
Salaries & Wages	446.14	446.14		446.14
Other Expenses	317.43	317.43		317.43
Other Expenses-Grant Writer	4,000.00	4,000.00		4,000.00
Audit Services	8,440.00	8,440.00	8,440.00	
Computer Services	4,383.70	4,383.70	217.90	4,165.80
Collection of Taxes:				
Salaries & Wages	3,016.20	3,016.20		3,016.20
Other Expenses	1,580.88	1,580.88	108.65	1,472.23
Liquidations of Tax Title Liens:				
Other Expenses	338.31	338.31	338.31	
Assessment of Taxes:				
Salaries & Wages	1,123.74	1,123.74		1,123.74
Other Expenses	581.46	581.46	77.00	504.46
Legal Service Costs:				
Other Expenses	24,647.89	24,647.89	5,784.70	18,863.19
Engineering Services and Costs:				
Other Expenses	2,425.23	2,425.23		2,425.23
Municipal Land Use Law (N.J.S.A. 40:55D-1):				
Salaries & Wages	1,341.29	1,341.29		1,341.29
Other Expenses - Miscellaneous	268.00	268.00		268.00
PUBLIC SAFETY:				
Constable:				
Salaries & Wages	362.80	362.80		362.80
"911" Dispatching Communication:				
Other Expenses	15.00	15.00		15.00
Emergency Management Systems:				
Salaries & Wages	119.68	119.68		119.68
Other Expenses	970.00	970.00		970.00
Other Expenses - First Responders	3,803.57	3,803.57	3,803.57	
Salaries & Wages - Flood Mitigation	190.80	190.80		190.80
Other Expenses - Flood Mitigation	200.00	200.00		200.00
Fire:				
Montague Fire Department - Other Expenses	17,693.25	17,693.25	16,177.96	1,515.29
Other Expenses - Fire Truck Repairs	9,422.39	9,422.39	9,422.39	
Uniform Safety Act (Ch.383 P.L. 1983):				
Fire Official:				
Salaries & Wages	90.80	90.80		90.80
Other Expenses	1,101.98	1,101.98		1,101.98
Public Safety				
Other Expenses	700.00	700.00		700.00
PUBLIC WORKS FUNCTIONS:				
Road Repairs and Maintenance:				
Salaries & Wages	20,787.11	20,787.11		20,787.11

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

	Balance Dec. 31, 2017	Balance After Modification	Paid or Charged	Balance Lapsed
PUBLIC WORKS FUNCTIONS:				
Road Repairs and Maintenance:				
Other Expenses	\$ 8,945.78	\$ 8,945.78	\$ 3,375.24	\$ 5,570.54
Other Expenses - Various Roads	2,326.83	2,326.83	1,814.00	512.83
Snow Removal:				
Salaries & Wages	10,331.32	10,331.32	10,331.32	
Other Expenses	15,571.62	15,571.62	15,571.62	
Sanitation:				
Salaries & Wages - Recycling	138.80	138.80		138.80
Other Expenses - Garbage Collection/ Recycling	1,356.33	1,356.33		1,356.33
Public Buildings and Grounds:				
Salaries & Wages	533.56	533.56		533.56
Other Expenses	42,470.29	39,320.12	22,827.36	16,492.76
HEALTH & WELFARE:				
Board of Health:				
Salaries & Wages	234.96	234.96		234.96
Animal Regulation:				
Other Expenses	235.75	235.75		235.75
RECREATION AND EDUCATION:				
Youth Activities:				
Other Expenses	49.36	49.36	45.00	4.36
Historic Preservation Society Committee:				
Other Expenses	112.00	112.00		112.00
Celebration of Public Events, Anniversaries or Holidays:				
Other Expenses	141.94	141.94		141.94
INSURANCE (NJSA 40A:4-45.3(00)):				
Other Insurance Premiums	1,720.00	1,720.00		1,720.00
Workers Compensation Insurance	998.00	998.00		998.00
Group Insurance Plan for Employee	1,726.71	1,726.71		1,726.71
Health Benefit Waivers	465.80	465.80		465.80
UNIFORM CONSTRUCTION CODE:				
Construction Official:				
Salaries & Wages	692.61	636.16		636.16
Other Expenses	260.60	317.05	317.05	
Fire Sub-Code Official:				
Salaries & Wages	136.00	136.00		136.00
UNIFORM CONSTRUCTION CODE (Cont'd):				
Code Enforcement Official:				
Salaries & Wages	2,672.47	2,672.47		2,672.47
Other Expenses	1,000.00	1,000.00		1,000.00
UNCLASSIFIED:				
Electricity	1,952.38	1,952.38	901.86	1,050.52
Telephone	2,337.52	2,337.52	1,286.11	1,051.41
Fuel Oil	802.99	2,285.11	2,285.11	
Gasoline/ Diesel Fuel	1,131.63	2,799.68	2,799.68	
Fire Hydrant Contract	2,692.50	2,692.50	1,921.50	771.00
Contingent	5,000.00	5,000.00		5,000.00
Statutory Expenditures:				
Contribution to:				
Social Security System (O.A.S.I.)	4,511.96	4,511.96		4,511.96
Unemployment Compensation	4,638.04	4,638.04		4,638.04

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

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operations Excluded from "CAPS":				
Affordable Housing Administration:				
(N.J.S.A. 40A:45.3T)- Other Expenses	\$ 500.00	\$ 500.00		\$ 500.00
Joint Municipal Court:				
Other Expenses - Contractual	<u>20,496.35</u>	<u>20,496.35</u>	<u>\$ 15,902.58</u>	<u>4,593.77</u>
	<u><u>\$ 263,612.86</u></u>	<u><u>\$ 263,612.86</u></u>	<u><u>\$ 130,253.26</u></u>	<u><u>\$ 133,359.60</u></u>
 <u>Ref.</u>				
<u>Analysis of Balance December 31, 2017:</u>				
Unencumbered	A \$ 178,045.30			
Encumbered	A <u>85,567.56</u>			
	<u><u>\$ 263,612.86</u></u>			

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

Increased by:

Levy - Calendar Year 2018	<u>\$ 6,076,020.00</u>
---------------------------	------------------------

Decreased by:

Payments to Local School District	<u><u>\$ 6,076,020.00</u></u>
-----------------------------------	-------------------------------

TOWNSHIP OF MONTAGUE
FEDERAL AND STATE GRANT FUND
SCHEDULE OF GRANTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2018

	2018 Budget Revenue Realized	Transferred from Unappropriated Reserves
Clean Communities Grant	\$ 11,663.90	\$ 11,663.90
Recycling Tonnage Grant	6,278.42	6,278.42
	<u>\$ 17,942.32</u>	<u>\$ 17,942.32</u>

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

	Balance Dec. 31, 2017	Prior Year Encumbrances Returned	Transferred from 2018 Budget Appropriations	Expended in Current Fund	Encumbrances Payable	Balance Dec. 31, 2018
Recycling Tonnage Grant	\$ 177.60	\$ 325.00	\$ 6,278.42	\$ 4,038.99	\$ 10.00	\$ 2,732.03
Clean Communities Grant	8,073.63		11,663.90	10,568.19	851.37	8,317.97
	<u>\$ 8,251.23</u>	<u>\$ 325.00</u>	<u>\$ 17,942.32</u>	<u>\$ 14,607.18</u>	<u>\$ 861.37</u>	<u>\$ 11,050.00</u>

Ref:

A

A

A

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

	Balance Dec. 31, 2017	Transferred to 2018 Budget Revenue	Received in Current Fund	Balance Dec. 31, 2018
Municipal Court Alcohol Rehabilitation	\$ 514.72		\$ 73.23	\$ 587.95
Clean Communities	11,663.90	\$ 11,663.90	11,192.85	11,192.85
Recycling Tonnage Grant	6,278.42	6,278.42		
	<u>\$ 18,457.04</u>	<u>\$ 17,942.32</u>	<u>\$ 11,266.08</u>	<u>\$ 11,780.80</u>
<u>Ref.</u>	A			A

TOWNSHIP OF MONTAGUE
COUNTY OF SUSSEX
2018
TRUST FUNDS

TOWNSHIP OF MONTAGUE
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

		<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
	<u>Ref.</u>		
Balance December 31, 2017	B	\$ 4,421.78	\$ 195,591.06
Increased by Receipts:			
Animal Control License Fees		\$ 2,783.20	
Late Fees		420.00	
Replacement License Fee		2.00	
State Registration Fees		526.80	
Prepaid Licenses		580.00	
Miscellaneous		1,331.82	
Recreation Fees			\$ 1,030.00
Unemployment Contributions:			
Employee			1,116.42
Employer			4,627.78
Escrow Deposits			21,321.01
Fire Prevention			5,500.00
Revolving Loan Deposits			10,000.00
Council on Affordable Housing			1,488.66
Storm Recovery			13,788.65
Interest Due to Current Fund			202.51
		<u>5,643.82</u>	<u>59,075.03</u>
		10,065.60	254,666.09
Decreased by Disbursements:			
Due to State of New Jersey		619.20	
Administrative Expenditures		812.78	
Tax Sale Premiums			5,000.00
Unemployment Compensation			119.84
Recreation Expenses			200.00
Escrow Deposits Refunded			6,556.83
Interest Due to Current Fund			202.51
		<u>1,431.98</u>	<u>12,079.18</u>
Balance December 31, 2018	B	<u>\$ 8,633.62</u>	<u>\$ 242,586.91</u>

TOWNSHIP OF MONTAGUE
ASSESSMENT TRUST FUND
ANALYSIS OF CASH
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

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

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

	<u>Ref.</u>		
Balance December 31, 2017	B	\$	3,771.78
Increased by:			
Animal Control License Fees:			
Collected in Current Year		\$	2,783.20
Prepaid License Fees Applied			557.60
Replacement Fee			2.00
Late Fees			420.00
Miscellaneous - Cancellation of Prior Year Check			1,331.82
			<u>5,094.62</u>
			8,866.40
Decreased by:			
Expenditures Under R.S. 4:19-15.11		812.78	
Statutory Excess Due to Current Fund		1,452.62	
			<u>2,265.40</u>
Balance December 31, 2018	B	\$	<u><u>6,601.00</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2016	\$ 3,017.40
2017	3,583.60
	<u>6,601.00</u>
Maximum Allowable Reserve	<u><u>\$ 6,601.00</u></u>

TOWNSHIP OF MONTAGUE
ASSESSMENT TRUST FUND
SCHEDULE OF ASSESSMENTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

TOWNSHIP OF MONTAGUE
ASSESSMENT TRUST FUND
SCHEDULE OF ASSESSMENT LIENS

<u>Improvement Description</u>	<u>Balance Dec. 31, 2017</u>	<u>Balance Dec. 31, 2018</u>
Improvements to Various Roads	\$ 23,323.56	\$ 23,323.56
	<u>\$ 23,323.56</u>	<u>\$ 23,323.56</u>
	<u>Ref.</u> B	B

TOWNSHIP OF MONTAGUE
ASSESSMENT TRUST FUND
SCHEDULE OF RESERVE FOR ASSESSMENTS AND LIENS

<u>Improvement Description</u>	<u>Balance Dec. 31, 2017</u>	<u>Balance Dec. 31, 2018</u>
Improvements to Various Roads	\$ 23,323.56	\$ 23,323.56
	<u>\$ 23,323.56</u>	<u>\$ 23,323.56</u>
<u>Ref.</u>	B	B

TOWNSHIP OF MONTAGUE
COUNTY OF SUSSEX
2018
GENERAL CAPITAL FUND

TOWNSHIP OF MONTAGUE
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 729,791.70
Increased by:		
2018 Budget Appropriations:		
Budget Appropriation - Payment of Bond Anticipation Notes	\$ 134,145.00	
Capital Improvement Fund	339,700.00	
Bond Anticipation Notes	136,081.00	
New Jersey Department of Transportation Grant Receivable	223,979.55	
		<u>833,905.55</u>
		1,563,697.25
Decreased by:		
Improvement Authorization Expenditures	643,542.93	
Encumbrances Payable	32.50	
Bond Anticipation Notes	270,226.00	
		<u>913,801.43</u>
Balance December 31, 2018	C	<u>\$ 649,895.82</u>

Capital Improvement Fund Encumbrances Payable	New Jersey Department of Transportation Grant Receivable Reserve for Improvements to Municipal Building	Reserve for Purchase of Emergency Management Equipment	Reserve for Improvements to Parks/Recreation	No.	Improvement Description
--	--	--	--	-----	-------------------------

	Receipts				Disbursements				Balance/ (Deficit) Dec. 31, 2018
	Balance/ (Deficit) Dec. 31, 2017	Budget Appropriations	Bond		Improvement Authorizations	Bond		Transfers	
			Anticipation	Notes		Anticipation	Notes		
No.	Improvement Description							From	To
Capital Improvement Fund		\$ 220,958.02	\$ 339,700.00					\$ 302,400.00	\$ 3,903.91
Encumbrances Payable		32.50							104,655.30
New Jersey Department of Transportation Grant Receivable		(195,000.00)							(99,020.45)
Reserve for Improvements to Municipal Building		4,521.00			\$ 223,979.55			128,000.00	4,521.00
Reserve for Purchase of Emergency Management Equipment		1,500.00							1,500.00
Reserve for Improvements to Parks/Recreation		10,000.00							10,000.00
06-12;	Addition to DPW Building - Garage and								
12-03	Renovations to Municipal Building	2,331.07	17,140.00			\$ 17,140.00			
10-05	Acquisition of Real Property								
11-10;	Acquisition of a New Pumper /								
11-11	Tanker Fire Truck		44,700.00	\$ 44,700.00		89,400.00			
12-07	Acquisition of A Utility Truck		9,100.00	9,100.00		18,200.00			
14-08	Acquisition of Dump Truck		63,205.00	82,281.00		145,486.00			
14-14	Purchase of 911 Equipment for Cellular Tower	1,342.90							
14-15	Purchase of Radio Equipment	1,000.00							
14-15	Beach Drive Culvert Rehabilitation	7,707.50			\$ 3,019.70				
15-06	Preliminary Planning Expense for Construction of a new Firehouse/Community Center	2,138.75							
15-19	Beach Drive Culvert Rehabilitation	211,342.95			140,784.53			1,950.00	
16-10	Firehouse/Community Center	8,000.00			8,000.00				
16-14	Acquisition of Engine/Pumper Fire Truck	85.32						85.32	
16-16	DPW Replacement Furnace	250.00						250.00	
17-5	Purchase of the Mitchell Humphrey Software	2,350.00							
17-6	Major Repairs to DPW Sweeper	25,000.00			24,943.32			56.68	
17-7	Repair and Resurfacing of Various Roads	22,578.78			22,578.78				
17-10	Transmission Repairs on DPW Truck #3	2,652.91						2,652.91	
17-12	Purchase of 2018 Western Star 4700 4X4 Plow Truck	200,000.00			191,282.00				
17-14	Purchase of Subdivision of Block 7 Lot 33	10,000.00			9,116.81				
	Construction of a Firehouse, Community Center and Emergency Center								
17-16	Rubin Hill Road Improvements	191,000.00			134,041.00			883.98	148,000.00
18-02	Repair and Resurfacing of Various Roads				80,097.79				150,000.00
18-03	Purchase of FTR Digital Recording System				3,356.00			44.00	3,400.00
18-04	Purchase of Kyocera Copier				7,685.00			315.00	8,000.00
18-05	Purchase of Buffalo Turbine				5,500.00			500.00	6,000.00
18-06	Purchase of Mower Head				12,618.00				13,000.00
18-07	Purchase of 2018 John Deere Backhoe							101,821.32	102,000.00
18-11									
		\$ 729,791.70	\$ 473,845.00	\$ 136,081.00	\$ 223,979.55	\$ 643,542.93	\$ 32.50	\$ 538,959.21	\$ 538,959.21
									\$ 649,895.82

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

Ord. No.	Improvement Description	Balance Dec. 31, 2017	Funded by Budget Appropriations	Balance Dec. 31, 2018	Analysis of Balance December 31, 2018		
					Bond Anticipation Notes	Unexpended Improvement Authorizations	
10-05	Acquisition of Real Property	\$ 17,140.00	\$ 17,140.00				
11-10;	Acquisition of a New Pumper/Tanker Fire						
11-11	Truck	89,400.00	44,700.00	\$ 44,700.00	\$ 44,700.00		
12-07	Acquisition of A Utility Truck	18,200.00	9,100.00	9,100.00	9,100.00		
14-08	Acquisition of Dump Truck	145,486.00	63,205.00	82,281.00	82,281.00		
	Construction of a Firehouse, Community						
17-16	Center and Emergency Center	1,984,000.00		1,984,000.00		\$ 1,984,000.00	
		<u>\$ 2,254,226.00</u>	<u>\$ 134,145.00</u>	<u>\$ 2,120,081.00</u>	<u>\$ 136,081.00</u>	<u>\$ 1,984,000.00</u>	

Ref.

C

C

TOWNSHIP OF MONTAGUE
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance December 31, 2017		2018 Authorizations		Paid or Charged		Improvement Authorizations Cancelled	Balance December 31, 2018	
		Date	Amount	Funded	Unfunded	Various Funding Sources	Encumbered	Cash Disbursed	Funded		Unfunded	
06-12,	Addition to DPW Building - Garage and	7/11/2006;										
12-03	Renovations to Municipal Building	5/18/2012	\$ 200,000.00	\$ 2,331.07							\$ 2,331.07	
14-14	Purchase of 911 Equipment for Cellular Tower	11/12/2014	24,000.00	1,342.90							1,342.90	
14-15	Purchase of Radio Equipment	11/12/2014	1,000.00	1,000.00							1,000.00	
15-06	Beach Drive Culvert Rehabilitation	7/14/2015	20,000.00	7,707.50				\$ 3,019.70			4,687.80	
	Preliminary Planning Expenses for Construction											
15-19	of a New Firehouse/Community Center	10/27/2015	5,000.00	2,138.75							1,618.75	
16-04	Beach Drive Culvert Rehabilitation	5/24/2016	220,000.00	211,342.95			\$ 1,950.00				68,608.42	
16-10	Firehouse/Community Center	8/9/2016	8,000.00	8,000.00								
16-14	Acquisition of Engine/Pumper Fire Truck	10/25/2016	414,691.00	85.32						\$ 85.32		
16-16	DPW Replacement Furnace	12/13/2016	11,000.00	250.00						250.00		
17-5	Purchase of The Mitchell Humphrey Software	6/27/2017	14,000.00	2,350.00							2,350.00	
17-6	Major Repairs to DPW Sweeper	6/27/2017	25,000.00	25,000.00						56.68		
17-7	Repair and Resurfacing of Various Roads	6/27/2017	180,000.00	22,578.78								
17-10	Transmission Repairs to DPW Truck #3	6/27/2017	17,000.00	2,652.91						2,652.91		
17-12	Purchase of 2018 Western Star 4700											
	4X4 Plow Truck	9/12/2017	200,000.00	200,000.00					191,282.00		8,718.00	
17-14	Purchase of Subdivision of Block 7 Lot 33	10/10/2017	20,000.00	10,000.00					9,116.81		883.19	
	Construction of a Firehouse, Community											
17-16	Center and Emergency Center	11/14/2017	2,175,000.00	191,000.00	\$ 1,984,000.00						191,000.00	\$ 1,984,000.00
18-02	Rubin Hill Road Improvements	5/22/2018	148,000.00			\$ 148,000.00		883.98	134,041.00		13,075.02	
18-03	Repair and Resurfacing of Various Roads	7/24/2018	150,000.00	150,000.00		150,000.00			80,097.79		69,902.21	
18-04	Purchase of FTR Digital Recording System	7/24/2018	3,400.00			3,400.00			3,356.00	44.00		
18-05	Purchase of Kyocera Copier	8/14/2018	8,000.00	8,000.00		8,000.00			7,685.00	315.00		
18-06	Purchase of Buffalo Turbine	8/28/2018	6,000.00			6,000.00			5,500.00	500.00		
18-07	Purchase of Mower Head	8/28/2018	13,000.00			13,000.00			12,618.00		382.00	
18-11	Purchase of 2018 John Deere Backhoe	11/27/2018	102,000.00			102,000.00		101,821.32			178.68	
				\$ 687,780.18	\$ 1,984,000.00	\$ 430,400.00	\$ 104,655.30	\$ 643,542.93		\$ 3,903.91	\$ 366,078.04	\$ 1,984,000.00
			Ref.	C	C		C				C	C
	Capital Improvement Fund					\$ 302,400.00						
	N.J. Department of Transportation Grant					128,000.00						
						\$ 430,400.00						

TOWNSHIP OF MONTAGUE
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 220,958.02
Increased by:		
Current Fund Budget Appropriation		\$ 339,700.00
Improvement Authorizations Cancelled		3,903.91
		<u>343,603.91</u>
		564,561.93
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>302,400.00</u>
Balance December 31, 2018	C	<u><u>\$ 262,161.93</u></u>

C-7

TOWNSHIP OF MONTAGUE
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

TOWNSHIP OF MONTAGUE
GENERAL CAPITAL FUND
SCHEDULE OF LOANS PAYABLE
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

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

Ord. No.	Improvement Description	Balance Dec. 31, 2017	Funded by Budget Appropriation	Bond Anticipation Notes Issued	Bond Anticipation Notes Matured	Balance Dec. 31, 2018
10-05	Acquisition of Real Property		\$ 17,140.00		\$ 17,140.00	
11-10; 11-11	Acquisition of a New Pumper/Tanker Fire Truck		44,700.00	\$ 44,700.00	89,400.00	
12-07	Acquisition of A Utility Truck		9,100.00	9,100.00	18,200.00	
14-08	Acquisition of Dump Truck		63,205.00	82,281.00	145,486.00	
17-16	Acquisition of a Fire House, Community Center and Emergency Center	\$ 1,984,000.00				\$ 1,984,000.00
		<u>\$ 1,984,000.00</u>	<u>\$ 134,145.00</u>	<u>\$ 136,081.00</u>	<u>\$270,226.00</u>	<u>\$ 1,984,000.00</u>

TOWNSHIP OF MONTAGUE
COUNTY OF SUSSEX
2018
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF MONTAGUE
COUNTY OF SUSSEX
2018
SEWER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF MONTAGUE
COUNTY OF SUSSEX
2018
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF MONTAGUE

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2018

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

Name of Federal Agency or Department	Name of Program	C.F.D.A. Number	State Grant Award Number	Grant Period		Grant Award Amount	Amount Received	Amount of Expenditures	Cumulative Expenditures
				From	To				
U.S. Department of Transportation: (Passed through NJ Department of Transportation)	Transportation Trust Fund Authority Act:								
	Beach Drive Culvert Rehabilitation	20.205	6320-480-078-6320-AL5	01/01/16	12/31/18	\$ 195,000.00	\$ 129,645.96	\$ 129,645.96	\$ 129,645.96
U.S. Department of Transportation: (Passed through NJ Department of Transportation)	Transportation Trust Fund Authority Act:								
	Rubin Hill Road Improvements	20.205	6320-480-078-6320-AM2	01/01/18	12/31/18	128,000.00	94,333.59	94,333.59	94,333.59
TOTAL DEPT. OF TRANSPORTATION							223,979.55	223,979.55	223,979.55
TOTAL FEDERAL AWARDS							<u>\$223,979.55</u>	<u>\$223,979.55</u>	<u>\$ 223,979.55</u>

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

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

New Jersey Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures
			From	To				
Department of Environmental Protection	Clean Communities Act	765-042-4900- 004-178910	01/01/16	12/31/18	\$ 13,729.29		\$ 8,073.63	\$ 13,729.29
			01/01/17	12/31/19	11,663.90		2,494.56	2,494.56
			01/01/18	12/31/19	11,192.85	\$ 11,192.85		
	Recycling Tonnage	100-042-4910- 224-238490	01/01/17	12/31/19	11,515.93		4,038.99	8,773.90
Total Department of Environmental Protection						11,192.85	14,607.18	24,997.75
Department of Health and Senior Services	Municipal Court Alcohol Rehabilitation	760-098-9735- 001-060000	01/01/18	12/31/19	587.95	73.23		
Total Department of Health and Senior Services						73.23		
TOTAL STATE AWARDS						\$ 11,266.08	\$ 14,607.18	\$ 24,997.75

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

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

A. BASIS OF ACCOUNTING

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

C. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

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

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - *regulatory basis* - of the various funds of the Township of Montague, in the County of Sussex (the "Township") as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 6, 2019. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. That qualified report also indicated that we did not audit the general fixed assets account group.

Internal Control Over Financial Reporting

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

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

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

The Honorable Mayor and Members
of the Township Committee
Township of Montague
Page 2

control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

The Township's Response to the Finding

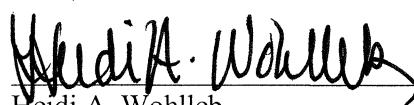
The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Mount Arlington, New Jersey
June 6, 2019

NISIVOCCIA LLP



Heidi A. Wohlleb

Certified Public Accountant

Registered Municipal Accountant No. 481

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

Summary of Auditors' Results:

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

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

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

Finding 2018-001:

Segregation of Duties

Criteria

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

Condition

The Township does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time. The various departments/offices of the Township are responsible for the issuance of permits and licenses; collection of taxes, and permit and license fees; and recording of these collections. Also, the reconciliation of bank accounts, the preparation of the general ledger for the various funds and the review of the quarterly payroll reports are performed by the Chief Financial Officer while the Finance Department Accounting Clerk is responsible for the processing of payroll, processing and approval of purchase orders, disbursement of funds and the deposit and recording of receipts for the various funds.

Cause

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

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

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

Finding 2018-001: (Cont'd)

Effect or Potential Effect

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

Recommendation

Consideration be given to providing for a more adequate segregation of duties with respect to the recording and treasury functions.

Management's Response:

The finding was evaluated, however due to budgetary constraints no resolution can be made at this time.

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

TOWNSHIP OF MONTAGUE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018

The Township's finding 2017-001 regarding segregation of duties noted was not resolved in 2018 due to budgetary constraints and is included in the audit for the year ended December 31, 2018 as Finding 2018-001.

TOWNSHIP OF MONTAGUE

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

TOWNSHIP OF MONTAGUE
COMMENTS AND RECOMMENDATIONS

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

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

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (N.J.S.A. 40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

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

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

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

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

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

TOWNSHIP OF MONTAGUE
COMMENTS AND RECOMMENDATIONS
(Continued)

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

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

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

Collection of Interest on Delinquent Taxes and Assessments

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

From our testing of the Tax Collector's records, it appeared that interest was charged, for delinquent tax payments, in accordance with the above resolution.

Delinquent Taxes and Tax Title Liens

A tax sale was held on June 8, 2018 and all eligible properties were included. Inspection of tax sale certificates revealed that tax sale certificates were available for audit.

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

<u>Year</u>	<u>Number of Liens</u>
2018	329
2017	347
2016	304

In prior years, the Township instituted in-rem foreclosure proceedings on certain properties which were foreclosed on in the current year. Although the Township has made significant progress during the current year there still remains a large number of tax title liens. It is recommended that a continuing effort be made to utilize all means provided by statute to liquidate tax title liens in order to get such properties back on a taxpaying basis.

Management's Response:

The Township will continue to institute in-rem foreclosure proceedings on additional properties in 2019. Every effort will continue to be made to liquidate the tax title liens in order to get these properties back on a taxpaying basis.

TOWNSHIP OF MONTAGUE
COMMENTS AND RECOMMENDATIONS
(Continued)

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2019 Taxes	20
Payments of 2018 Taxes	20
Delinquent Taxes Receivable	15
Tax Title Liens Receivable	10

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

New Jersey Administrative Code Accounting Requirements

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

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

The Township is currently in compliance with the accounting requirements for maintenance of an encumbrance accounting system and a general ledger system as required by the New Jersey Administrative Code.

Zoning Department

During our review of the Zoning Department records, we noted that certain permits selected for testing could not be located. It is recommended that greater care be taken to ensure that Zoning Department permits are available for audit review.

Management's Response:

The Township hired a new Code Enforcement/Zoning Official and an assistant to the Code Enforcement/Zoning Official later in 2018 who will ensure that Zoning Department permits are on file for audit review in the future.

TOWNSHIP OF MONTAGUE
COMMENTS AND RECOMMENDATIONS
(Continued)

Suggestions to Management

Fire Prevention Penalties

State statutes and regulations allow for the Fire Prevention Official to issue penalties and then negotiate those penalties at the Official's discretion. To ensure there are adequate internal controls over this process it is suggested that a monthly report be prepared for the Township Mayor and Committee detailing any penalties issued which were subsequently negotiated to a lower penalty or where a penalty was abated and the reason for the adjustment to the penalty originally issued.

Purchase Order Process

During the review of the purchase orders processed during the year we noted that since the Finance Office duties are performed by the part-time Finance Department Accounting Clerk and Chief Financial Officer, it is not always possible for purchase orders to be physically encumbered in the accounting software prior to orders being placed for certain goods and services. Consideration should be given to maintaining an approval log for these purchases or other similar documentation.

Status of Prior Year Recommendations

Recommendations 1 - 2 were not resolved and corrective action is in the process of being implemented with respect to these recommendations where possible. Recommendation 3 regarding fixed assets was resolved in the current year.

TOWNSHIP OF MONTAGUE
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. Consideration be given to providing for a more adequate segregation of duties with respect to the recording and treasury functions.
2. A continuing effort be made to utilize all means provided by statute to liquidate tax title liens in order to get such properties back on a taxpaying basis.
3. Greater care be taken to ensure that Zoning Department permits are available for audit review.

* * * * *