

BOROUGH OF ELMER

COUNTY OF SALEM

REPORT OF AUDIT

DECEMBER 31, 2017

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COUNTY OF SALEM
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COUNTY OF SALEM
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BOROUGH OF ELMER

COUNTY OF SALEM

PART I

OFFICIALS IN OFFICE AND SURETY BONDS

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

FOR THE YEAR ENDED DECEMBER 31, 2017

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Joseph P. Stemberger	Mayor	(A)
Lewis M. Schneider	Council President	(A)
Lynda Davis	Councilwoman	(A)
Cynthia L. Nolan	Councilwoman	(A)
R. Matthew Richards	Councilman	(A)
Steven A. Schalick	Councilman	(A)
James W. Zee, III	Councilman	(A)
Sarah D. Walker	Borough Clerk, Officer for Municipal Improvement Searches and Registrar of Vital Statistics	\$ 18,500 (1)
Joanne Eddy (to May 1, 2017)	Tax Collector, Tax Search Office, Collector - Water Department	\$ 150,000 (1)
Sandra Ferguson (from May 1, 2017-December 31, 2017)		
James Davis (from January 1, 2018)		
Christina Digneo	Animal Registrar	(A)
Cynthia A. Strang	Chief Financial Officer/Treasurer, Chief Financial Officer-Water Dept.	\$ 74,000 (1)
Roy A. Duffield (to July 31, 2017)	Assessor	(A)
Gregory Busa (from August 1, 2017)		
Robert M. Richards	Assistant Superintendent - Water Department	(A)
Brian J. Duffield	Solicitor	(A)
Fralinger Engineering	Engineer	(A)

(A) Selective Insurance Company \$2,500 Blanket Bond

(1) Public Employee Dishonesty Bond

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Borough Council
Borough of Elmer
County of Salem
Elmer, New Jersey 08318

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities, reserves and fund balance – regulatory basis of the various funds of the Borough of Elmer, in the County of Salem, State of New Jersey, as of December 31, 2017 and 2016, and the related statements of operations and changes in fund balance – regulatory basis for the years then ended, and the related statement of revenues – regulatory basis, statement of expenditures – regulatory basis, and statement of general fixed assets group of accounts - regulatory basis for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 consideration of internal control relevant to the Borough's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough of Elmer, in the County of Salem, State of New Jersey, as of December 31, 2017 and 2016, or the results of its operations and changes in fund balance for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to previously present fairly, in all material respects, the assets, liabilities, reserves and fund balance – regulatory basis of the various funds of the Borough of Elmer, in the County of Salem, State of New Jersey as of December 31, 2017 and 2016, and the results of its operations and changes in fund balance – regulatory basis of such funds for the years then ended, and the revenues – regulatory basis, expenditures - regulatory basis of the various funds, and general fixed assets group of accounts - regulatory basis, for the year ended December 31, 2017 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in Note 1.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The supplemental financial statements presented for the various funds are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance programs are presented for purposes of additional analysis as required by the State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and is also not a required part of the financial statements.

The supplementary financial statements presented for the various funds and the schedule of expenditures of state financial assistance programs 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information described in the previous paragraph is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2018, on our consideration of the Borough of Elmer's, in the County of Salem, State of New Jersey, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Elmer's internal control over financial reporting.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

Raymond Colavita, C.P.A.
Registered Municipal Accountant
April 27, 2018

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Borough Council
Borough of Elmer
County of Salem
Elmer, New Jersey 08318

Ladies and Gentlemen:

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **Government Auditing Standards** issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements prepared on a regulatory basis of accounting prescribed Division of Local Government Services, Department of Community Affairs, State of New Jersey of the Borough of Elmer, County of Salem, State of New Jersey, as of and for the year ended December 31, 2017, and the related notes to financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated April 27, 2018. Our report disclosed that, as described in Note 1 to the financial statements, the Borough of Elmer's financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America, but were prepared on a regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Elmer'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**.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control or on compliance. This report is an integral part of an audit performed in accordance with **Government Auditing Standards** and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

Raymond Colavita, C.P.A.
Registered Municipal Accountant
April 27, 2018

CURRENT FUND
COMPARATIVE STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE

REGULATORY BASIS

	<u>Ref.</u>	<u>Balance December 31, 2017</u>	<u>Balance December 31, 2016</u>
<u>ASSETS</u>			
Regular Fund:			
Cash - Chief Financial Officer	A-4	\$ 682,379	\$ 721,158
Cash - Collector	A-5	189,871	1,465
Change Fund		200	200
		<u>872,450</u>	<u>722,823</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	73,559	79,332
Tax Title Liens Receivable	A-7	16,641	13,662
Property Acquired for Taxes - Assessed Valuation	A-8	20,500	20,500
Revenue Accounts Receivable	A-10	10,930	5,529
Interfunds Receivable	A-11	2,172	4,367
Miscellaneous Accounts Receivable	A-21	234	1,417
		<u>124,036</u>	<u>124,807</u>
Total Regular Fund		<u>996,486</u>	<u>847,630</u>
Federal and State Grant Fund:			
State Grants Receivable	A-17	14,178	13,668
Amount Due from Current Fund	A-11	20,981	22,846
Total Grant Fund		<u>35,159</u>	<u>36,514</u>
Total Current Fund		<u>\$ 1,031,645</u>	<u>\$ 884,144</u>

CURRENT FUND**COMPARATIVE STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE****REGULATORY BASIS**

		Balance December 31, 2017	Balance December 31, 2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
	<u>Ref.</u>		
Regular Fund			
Liabilities			
Appropriation Reserves	A-3,13	\$ 57,382	\$ 43,149
Amount Due to State of New Jersey for Senior Citizen and Veterans Tax Exemptions	A-9	3,049	3,049
Amount Due to Grant Fund	A-11	20,981	22,846
Prepaid Taxes	A-12	119,513	40,963
Encumbrances Payable	A-14	47,791	41,935
Local District School Taxes Payable	A-15	268,491	240,412
Amount Due County for Added Taxes	A-16	474	3,855
County Tax Payable	A-16	27	27
Amount Due to State of New Jersey	A-20	25	25
Reserve for Sale of Municipal Assets	A-22	64,610	64,610
Total Liabilities		582,343	460,871
Reserve for Receivables and Other Assets	A	124,036	124,807
Fund Balance	A-1	290,107	261,952
Total Regular Fund		996,486	847,630
Federal and State Grant Fund			
Encumbrances Payable	A-14	747	1,747
Reserve for State Grants - Unappropriated	A-18	3,600	981
Reserve for State Grants - Appropriated	A-19	30,812	33,786
Total Grant Fund		35,159	36,514
Total Current Fund		\$ 1,031,645	\$ 884,144

CURRENT FUNDCOMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCEREGULATORY BASIS

	Ref.	Year 2017	Year 2016
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	A-2	\$ 145,700	\$ 142,900
Miscellaneous Revenue Anticipated	A-2	233,260	232,579
Receipts from Delinquent Taxes	A-2	75,854	70,495
Receipts from Current Taxes	A-2	3,233,007	3,084,689
Non-Budget Revenue	A-2	55,312	49,144
Other Credits to Income			
Cancellation of Prior year Grants	A-11	864	865
Interfunds Received Advanced	A-11	3,378	3,288
Statutory Excess in Animal Control Fund			2,118
Unexpended Balance of Appropriation Reserves	A-13	41,491	28,775
Cancellation of Prior year Encumbrances	A-14	215	
Total Income		3,789,081	3,614,853
<u>Expenditures</u>			
Budget and Emergency Appropriations			
Appropriations Within "CAPS":			
Operations:			
Salaries and Wages	A-3	263,940	264,348
Other Expenses	A-3	485,544	456,814
Deferred Charges and Statutory Expenditures	A-3	55,007	46,562
Appropriations Excluded from "CAPS":			
Operations:			
Other Expenses	A-3	58,697	65,956
Capital Improvements	A-3	1,000	1,000
Debt Service	A-3	74,153	92,137
Transfer to Board of Education	A-3	8,029	8,453
Local District School Taxes	A-15	1,411,141	1,363,918
County Taxes	A-16	1,257,241	1,169,511
County Taxes - Added	A-16	474	3,855
Total Expenditures		3,615,226	3,472,554
Excess in Revenue		173,855	142,299
Fund Balance, January 1	A	261,952	262,553
		435,807	404,852
Decreased by			
Utilization of Anticipated Revenue	A-2	145,700	142,900
Fund Balance, December 31	A	\$ 290,107	\$ 261,952

CURRENT FUNDSTATEMENT OF REVENUES - REGULATORY BASIS

	Ref.	Anticipated Budget	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 145,700	\$ 145,700	\$
Miscellaneous Revenues:				
Fines and Costs - Municipal Court	A-10	54,000	69,407	15,407
Interest and Costs on Taxes	A-6	14,000	17,335	3,335
Interest on Investments	A-10	2,300	4,288	1,988
Consolidated Municipal Property Tax Relief Act	A-10	18,444	18,444	
Energy Receipts Tax (P.L. 1987 Ch. 162 & 167)	A-10	108,109	108,109	
Uniform Fire Safety Act	A-10	4,700	4,225	(475)
Clean Communities Program	A-17	4,000	4,000	
Municipal Alliance on Alcoholism and Drug Abuse	A-17	4,178	4,178	
Recycling Tonnage Grant	A-17	2,293	2,293	
Reserve for Body Armor Fund	A-18	981	981	
Utility Operating Surplus		8,500		(8,500)
Total Miscellaneous Revenue	A-1	221,505	233,260	11,755
Receipts from Delinquent Taxes	A-2(2)	62,601	75,854	13,253
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	A-2	634,680	682,262	47,582
Budget Totals	A-3	\$ 1,064,486	1,137,076	\$ 72,590
Non-budget Revenue	A-1,10		55,312	
			\$ 1,192,388	

CURRENT FUNDSTATEMENT OF REVENUES - REGULATORY BASIS

<u>Analysis of Realized Revenues</u>	<u>Ref.</u>		
Allocation of Current Tax Collections			
Revenue from Collections	A-6	\$	3,233,007
Allocated to			
County and School Taxes	A-15,16		2,668,856
Balance for Support of Municipal Budget Appropriations			564,151
Add: Appropriation "Reserve for Uncollected Taxes"	A-3		118,111
Amount for Support of Municipal Budget Appropriations	A-2	\$	682,262
Receipts from Delinquent Taxes			
Delinquent Tax Collections	A-6,2	\$	75,854
Tax Title Lien Collections	A-7		
	A-1,2		75,854
<u>Analysis of Anticipated Interest Earned:</u>			
Revenue Accounts Receivable:			
Treasurer	A-10	\$	3,545
Interest Earned - Interfunds	A-11		743
	A-1, 2(1)		4,288

CURRENT FUNDSTATEMENT OF EXPENDITURES - REGULATORY BASIS

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<u>OPERATIONS WITHIN "CAPS"</u>					
<u>GENERAL GOVERNMENT</u>					
Mayor and Council:					
Salaries and Wages	\$ 19,834	\$ 19,534	\$ 19,334	\$ 200	\$
Other Expenses	5,700	6,700	5,728	972	
Municipal Clerk:					
Salaries and Wages	13,600	13,600	13,494	106	
Other Expenses	10,000	10,000	4,639	5,361	
Elections:					
Other Expenses	5	5		5	
Financial Administration (Treasury):					
Salaries and Wages	17,709	17,309	17,259	50	
Other Expenses	9,500	8,700	7,016	1,684	
Audit Services:					
Other Expenses	13,000	13,000	13,000		
Revenue Administration (Tax Collection):					
Salaries and Wages	13,159	12,459	11,557	902	
Other Expenses	6,500	7,200	5,060	2,140	
Tax Assessment Administration:					
Salaries and Wages	12,159	11,459	10,843	616	
Other Expenses	3,700	3,700	2,164	1,536	
Legal Services and Costs:					
Other Expenses	27,000	31,400	28,071	3,329	
Engineering Services:					
Other Expenses	3,000	3,000	2,263	737	
Public Building and Grounds:					
Salaries and Wages	9,491	7,491	6,586	905	
Other Expenses	17,500	20,600	17,543	3,057	
Insurance:					
Liability	30,199	30,199	29,343	856	
Workers' Compensation Insurance	22,240	20,240	19,818	422	
Technology:					
Other Expenses	7,800	7,300	6,477	823	

CURRENT FUND**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<u>OPERATIONS WITHIN "CAPS" (Continued)</u>					
<u>LAND USE ADMINISTRATION</u>					
Land Use Board:					
Salaries and Wages	\$ 4,710	\$ 4,710	\$ 4,710		\$
Other Expenses	3,700	3,700	2,474	1,226	
<u>PUBLIC SAFETY FUNCTION</u>					
Police Department:					
Salaries and Wages	153,800	153,300	152,319	981	
Other Expenses	28,300	25,600	25,296	304	
Fire:					
Other Expenses	36,000	36,000	35,907	93	
Emergency Management Services:					
Salaries and Wages	2,396	2,396	2,357	39	
Other Expenses	1,000	1,000	704	296	
First Aid Organization Contribution	17,000	15,700	15,555	145	
Housing Inspections					
Salaries and Wages	5,995	5,995	5,995		
Other Expenses	1,000	1,200	814	386	
Fire Code Inspector (Uniform Fire Code)					
Salaries and Wages	7,640	7,640	7,639	1	
Other Expenses	2,300	2,300	2,200	100	
<u>PUBLIC WORKS FUNCTION</u>					
Streets and Road Maintenance					
Other Expenses	19,000	19,000	14,771	4,229	
<u>SANITATION FUNCTION</u>					
Garbage and Trash Removal:					
Other Expenses	94,500	94,500	92,290	2,210	
Recycling:					
Other Expenses	32,000	32,000	31,949	51	

CURRENT FUNDSTATEMENT OF EXPENDITURES - REGULATORY BASIS

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<u>OPERATIONS WITHIN "CAPS" (Continued)</u>					
<u>HEALTH AND WELFARE FUNCTION</u>					
Board of Health:					
Salaries and Wages	\$ 7,716	\$ 7,316	\$ 7,056	\$ 260	\$
Other Expenses	2,000	2,400	1,620	780	
Animal Control Services:					
Salaries and Wages	731	731	731		
Other Expenses	4,000	4,000	1,759	2,241	
<u>RECREATION AND EDUCATION FUNCTION</u>					
Other Expense	9,700	9,200	8,521	679	
Celebration of Public Event Anniversary or Holiday					
Other Expenses	4,500	4,500	1,233	3,267	
Grants man					
Other Expenses	100	100		100	
<u>UNCLASSIFIED</u>					
Electric	24,000	24,000	21,128	2,872	
Street Lighting	17,500	17,500	16,526	974	
Telephone	14,000	13,500	12,315	1,185	
Heating	9,000	9,000	6,954	2,046	
Gasoline	6,500	8,300	7,484	816	
Total Operations Within "CAPS"	\$ 751,184	\$ 749,484	\$ 700,502	\$ 48,982	\$

CURRENT FUNDSTATEMENT OF EXPENDITURES - REGULATORY BASIS

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<u>OPERATIONS WITHIN "CAPS" (Continued)</u>					
Detail:					
Salaries and Wages	\$ 268,940	\$ 263,940	\$ 259,880	\$ 4,060	
Other Expenses (Incl. Contingent)	482,244	485,544	440,622	44,922	
DEFERRED CHARGES AND STATUTORY EXPENDITURES - <u>MUNICIPAL WITHIN "CAPS"</u>					
Deferred Charges:					
Prior Year Bill					
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	28,557	28,557	28,557		
Social Security System (O.A.S.I.)	21,000	21,000	19,886	1,114	
Unemployment Compensation Insurance	1,700	2,200	1,635	565	
Defined Contribution Retirement Program	2,250	3,250	2,188	1,062	
Total Deferred Charges and Statutory Expenditures - Municipal Within "Caps"	<u>53,507</u>	<u>55,007</u>	<u>52,266</u>	<u>2,741</u>	
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>\$ 804,691</u>	<u>\$ 804,491</u>	<u>\$ 752,768</u>	<u>\$ 51,723</u>	

CURRENT FUND**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Budget	Budget After Modification	Paid or Charged	Reserved	Cancelled
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Recycling Tax Appropriation	\$ 2,000	\$ 2,200	\$ 2,004	\$ 196	\$
Municipal Library (Aid to Library)	4,000	4,000	4,000		
<u>SHARED SERVICE AGREEMENTS</u>					
Joint Municipal Court	40,000	40,000	34,537	5,463	
Public and Private Programs Offset by Revenues:					
Reserve for Body Armor Fund	981	981	981		
Get Active Grant - New Jersey Prevention Network					
Municipal Alliance Program					
State Share	4,178	4,178	4,178		
Local Share	1,045	1,045	1,045		
Clean Communities Program					
Other Expenses	4,000	4,000	4,000		
Recycling Tonnage Grant	2,293	2,293	2,293		
Total Public and Private Programs Offset By Revenues	12,497	12,497	12,497		
Total Operations Excluded from "CAPS":	58,497	58,697	53,038	5,659	
Detail:					
Other Expenses	58,497	58,697	53,038	5,659	
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</u>					
Capital Improvement Fund	1,000	1,000	1,000		
Total Capital Improvements - Excluded from "CAPS"	1,000	1,000	1,000		
<u>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</u>					
Payment of Bond Anticipation and Capital Notes	73,358	73,358	73,358		
Interest on Notes	800	800	795		5
Total Municipal Debt Service Excluded From "CAPS"	74,158	74,158	74,153		5
Deferred Charges - Municipal - Excluded from "CAPS"					
Emergency Authorizations					
Transferred to Board of Education for Use of Local Schools	\$ 8,029	\$ 8,029	\$ 8,029	\$	\$

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Total General Appropriations Excluded from "CAPS"	\$ 141,684	\$ 141,884	\$ 136,220	\$ 5,659	\$ 5
Subtotal General Appropriations	946,375	946,375	888,988	57,382	5
Reserve for Uncollected Taxes	118,111	118,111	118,111		
Total General Appropriations	<u>\$ 1,064,486</u>	<u>\$ 1,064,486</u>	<u>\$ 1,007,099</u>	<u>\$ 57,382</u>	<u>\$ 5</u>
		A-2	A-1	A:A-1	
Adopted Budget	<u>Ref.</u>				
Chapter 159	A-2	\$ 1,060,486			
Reserve for Uncollected Taxes	A-2	4,000			
Disbursed	A-2(2)		\$ 118,111		
Grant Matching Share	A-4		828,700		
Encumbrances Payable	A-11,19		1,045		
Federal and State Grants	A-14		47,791		
	A-19		11,452		
		<u>\$ 1,064,486</u>	<u>\$ 1,007,099</u>		

TRUST FUND
COMPARATIVE STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE
REGULATORY BASIS

	Ref.	Balance December 31, 2017	Balance December 31, 2016
<u>ASSETS</u>			
<u>Animal Control Fund:</u>			
Cash - Chief Financial Officer	B-1	\$ 4,468	\$ 6,755
<u>Other Trust Funds:</u>			
Cash - Chief Financial Officer	B-1	153,165	169,503
		\$ 157,633	\$ 176,258
<u>LIABILITIES, RESERVES & FUND BALANCE</u>			
<u>Animal Control Fund:</u>			
Due to Current Fund	B-3	\$ 2	\$ 2,121
Reserve for Animal Control Fund			
Expenditures	B-4	3,641	3,869
Prepaid Licenses	B-5	825	765
		4,468	6,755
<u>Other Trust Funds:</u>			
Amount Due to Current Fund	B-6	2,115	2,201
Payroll Taxes Payable	B-7	3,440	2,144
Reserved for:			
Tax Title Lien Redemptions	B-8		16,850
Premiums Received at Tax Sale	B-9	25,300	28,400
Escrow Deposits	B-10	6,965	6,900
Performance Guarantee	B-10	6,483	6,464
William Haluszka Bequest	B-10	100,782	100,480
Fire Safety Fees	B-10	925	925
Snow Removal Trust	B-10	7,155	5,139
		153,165	169,503
		\$ 157,633	\$ 176,258

GENERAL CAPITAL FUND**COMPARATIVE STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE****REGULATORY BASIS**

	<u>Ref.</u>	<u>Balance December 31, 2017</u>	<u>Balance December 31, 2016</u>
<u>ASSETS</u>			
Cash - Chief Financial Officer	C-2	\$ 230,041	\$ 210,733
Due from State of New Jersey - Transportation Trust Fund Authority Act	C-5	66,816	53,141
Deferred Charges to Future Taxation Unfunded	C-6	47,000	120,358
		<u>\$ 343,857</u>	<u>\$ 384,232</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Capital Improvement Fund Improvement Authorizations Funded	C-7	\$ 32,422	\$ 54,790
Unfunded	C-8	168,454	79,590
Bond Anticipation Notes	C-8	31,374	120,358
Contracts Payable	C-9		73,358
Encumbrances Payable	C-11	88,894	39,356
Amount Due to Current Fund	C-11		
Fund Balance	C-4	55	45
	C-1	22,658	16,735
		<u>\$ 343,857</u>	<u>\$ 384,232</u>

There were bonds and notes authorized but not issued on December 31, 2016 of \$47,000 and \$47,000 on December 31, 2017 (Exhibit C-10).

GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE

	<u>Ref.</u>		
Balance, December 31, 2016	C	\$	16,735
Increased by:			
Cancellation of Ordinance 2012-9	C-8		<u>5,923</u>
Balance, December 31, 2017	C		<u><u>22,658</u></u>

WATER UTILITY FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS

		December 31,	
		2017	2016
<u>ASSETS</u>	<u>Ref.</u>		
Operating Fund			
Cash - Treasurer	D-5	\$ 208,320	\$ 196,353
Cash - Collector	D-6	15,312	1,034
Change Fund		25	25
Due from Water Capital Fund	D-7	51	53
		<u>223,708</u>	<u>197,465</u>
Receivables with Full Reserves			
Water Utility Charges Receivable	D-9	7,625	6,594
Total Operating Fund		<u>231,333</u>	<u>204,059</u>
Capital Fund			
Cash - Treasurer	D-5:D-8	193,991	197,289
Fixed Capital	D-10	2,731,718	2,055,902
Fixed Capital Authorized and Uncompleted	D-16	95,160	500,000
Total Capital Fund		<u>3,020,869</u>	<u>2,753,191</u>
Total Utility Fund		<u>\$ 3,252,202</u>	<u>\$ 2,957,250</u>

There were Bonds and Notes Authorized But Not Issued of \$325,000 on December 31, 2016 and none on December 31, 2017.

The Accompanying Notes to the Financial Statements are an Integral Part of These Statements.

WATER UTILITY FUND
COMPARATIVE BALANCE SHEET
REGULATORY BASIS

		December 31,	
		2017	2016
<u>Liabilities, Reserves and Fund Balance</u>	Ref.		
Operating Fund Liabilities			
Appropriation Reserves	D-4:D-11	\$ 21,404	\$ 41,003
Encumbrances Payable	D-12	26,561	10,198
Water Rent Overpayments	D-15		537
Total Liabilities		<u>47,965</u>	<u>51,738</u>
Reserve for Receivables	D	7,625	6,594
Fund Balance	D-1	175,743	145,727
Total Operating Fund		<u>231,333</u>	<u>204,059</u>
Capital Fund			
Due to Water Operating Fund	D-7	51	53
Capital Improvement Fund	D-13	35,959	25,959
Reserve for Amortization	D-14	2,246,878	2,055,902
Unexpended Improvement Authorizations	D-17	95,160	357,606
Reserve for Deferred Amortization	D-18		175,000
Contracts Payable	D-20	2,850	78,700
NJ Environmental Infrastructure Loan Payable	D-21	580,000	
Fund Balance	D-2	59,971	59,971
Total Capital Fund		<u>3,020,869</u>	<u>2,753,191</u>
		<u>\$ 3,252,202</u>	<u>\$ 2,957,250</u>

The Accompanying Notes to the Financial Statements are an Integral Part of These Statements

WATER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE
STATUTORY BASIS

	Ref.	Year ended December 31,	
		2017	2016
Revenue and Other Income Realized:			
Fund Balance Utilized	D-1:D-3	\$ 53,200	\$ 51,400
Water Rents	D-3	233,091	237,992
Interest on Water Rents	D-3	5,673	2,843
Miscellaneous Revenue not Anticipated	D-3	1,149	1,259
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	D-11	41,003	37,027
Total Revenue and Other Income		334,116	330,521
Expenditures:			
Budget Appropriations:			
Operations	D-4	200,700	199,800
Capital Improvements	D-4	39,000	30,000
Deferred Charges and Statutory Expenditures	D-4	11,200	9,300
Total Expenditures		250,900	239,100
Excess in Revenue		83,216	91,421
Fund Balance, January 1	D	145,727	105,706
		228,943	197,127
Decreased by:			
Utilized by Operating Budget	D-2	53,200	51,400
Fund Balance, December 31	D	\$ 175,743	\$ 145,727

The Accompanying Notes to the Financial Statements are an Integral Part of These Statements.

WATER UTILITY CAPITAL FUND
STATEMENT OF WATER CAPITAL FUND BALANCE - STATUTORY BASIS

	<u>Ref.</u>	
Balance, December 31, 2016 and 2017	D	\$ <u>59,971</u>

EXHIBIT D-3

WATER UTILITY OPERATING FUND
STATEMENT OF REVENUE - STATUTORY BASIS

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Operating Fund Balance Anticipated	D-1	\$ 53,200	\$ 53,200	\$
Water Rents	D-1,9	202,000	233,091	31,091
Miscellaneous - Interest on Water Rents	D-1,9	1,700	5,673	3,973
	D-4	<u>\$ 256,900</u>	<u>\$ 291,964</u>	<u>\$ 35,064</u>

Analysis of Realized Revenue:

Non-budget Revenue

Interest Earned on Bank Deposits	D-5	\$ 576
Interest Earned on Collector's Account	D-6	34
Interest Earned on Water Capital Fund	D-7	539
Total Non-budget Revenue	D-1	<u>\$ 1,149</u>

The Accompanying Notes to the Financial Statements are an Integral Part of These Statements.

WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS

	<u>Appropriations</u>		<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
	<u>Budget</u>	<u>Modified</u>			
Operations					
Salaries and Wages	\$ 56,200	\$ 56,200	\$ 50,761	\$ 5,439	\$
Other Expenses	136,900	136,900	128,994	7,906	
Liability Insurance	7,600	7,600	7,569	31	
Total Operations	<u>200,700</u>	<u>200,700</u>	<u>187,324</u>	<u>13,376</u>	
Capital Improvements					
Capital Improvement Fund	10,000	10,000	10,000		
Capital Outlay	35,000	35,000	21,786	7,214	6,000
Total Capital Improvements	<u>45,000</u>	<u>45,000</u>	<u>31,786</u>	<u>7,214</u>	<u>6,000</u>
Deferred Charges and Statutory Expenditures					
Public Employees' Retirement System	6,100	6,100	6,100		
Contribution to Social Security System	4,500	4,500	3,883	617	
Unemployment Compensation Insurance	600	600	403	197	
Total Statutory Expenditures	<u>11,200</u>	<u>11,200</u>	<u>10,386</u>	<u>814</u>	
	<u>\$ 256,900</u>	<u>\$ 256,900</u>	<u>\$ 229,496</u>	<u>\$ 21,404</u>	<u>\$ 6,000</u>
	<u>Ref.</u>				
Encumbrances Payable	D-12		\$ 26,561		
Cash Disbursed	D-5		202,935		
			<u>\$ 229,496</u>		

The Accompanying Notes to the Financial Statements are an Integral Part of These Statements.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Borough of Elmer is governed by a Mayor and six Council Members, as defined by revised statutes 40:142-1 as amended by New Jersey Statutes Annotated 40A:63-1, with the Mayor serving a four-year term and the Council Members serving three-year terms.

Except as noted below, the financial statements of the Borough of Elmer include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Elmer, as required by **N.J.S.A.** 40A:5-5.

Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The financial statements do not contain any component units of the Borough of Elmer, as defined by Governmental Accounting Standard Board State No. 14, since none exist at December 31, 2017.

B. Description of Funds

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

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

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

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

1. **Summary of Significant Accounting Policies** - Continued

B. Description of Funds - Continued

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

Water Operating and Capital Funds - account for the operations and acquisitions of capital facilities, other than those acquired in the Current Fund.

Public Assistance Fund - receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes. The activities of the public assistance office were transferred to Salem County in early 1999.

Account Group - In addition to the funds listed above, the Borough maintains one account group, which is as follows:

General Fixed Assets Account Group - All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant of these policies in New Jersey follow:

- A modified accrual basis of accounting is followed with minor exceptions. Taxes and other receivables are fully reserved.
- Interfund receivables in the Current Fund are fully reserved.
- Unexpended and uncommitted appropriations are reflected as expenditures.
- Over-expended appropriations and emergency appropriations are deferred to the succeeding year's operations.
- Undetermined contributions to state-administered pension plans applicable to the six months ended December 31 are not accrued.
- Estimated losses arising from tax appeals and other contingencies are not recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

It was not practicable to determine the effect of such differences.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

1. **Summary of Significant Accounting Policies** – Continued

C. Basis of Accounting - Continued

Revenues - are recorded when received in cash except for certain amounts, which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the Borough budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Expenditures - are to be recorded on the "budgetary" basis of accounting. Generally expenditures are required to be recorded when an amount is encumbered for goods and services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are required to be reported as a cash liability in the financial statements as encumbrances payable. 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 canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis. Compensated absences are treated on a pay as you go basis with no amount charged to operations in the year accrued.

Property Tax Revenue - The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied annually and are payable in quarterly installments on February 1, May 1, August 1 and November 1 of each year. Delinquent taxes are considered fully collectable and, therefore, no allowance for uncollectable taxes is provided. Property taxes unpaid on the 11th day of the 11th month in the fiscal year following their final due date are subject to tax sale in accordance with statutes. The amount of tax levied includes not only the amount required in support of the Borough's annual budget, but also the amounts required in support of the budgets of the entities that follow.

Levy of Taxes - The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

1. **Summary of Significant Accounting Policies** - Continued

C. **Basis of Accounting** - Continued

School Taxes - The municipality is responsible for levying, collecting and remitting school taxes for the Borough of Elmer school district. Operations are charged for the full amount required to be raised from taxation to operate the school district for the period from January 1 to December 31. Elmer Borough raises school taxes on a fiscal year basis.

County Taxes - The municipality is responsible for levying, collecting and remitting County taxes for the County of Salem. Operations are charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. Taxes are payable on the 15th day of February, May, August and November. In addition, operations are charged for the County share of added and omitted taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15th of the following year.

Tax Appeals and Other Contingent Losses - Losses, which arise from tax appeals, and other contingent losses are recognized at the time an unfavorable decision is rendered by an administrative or judicial body.

Reserve for Uncollected Taxes - The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Borough's annual budget protects the Borough from taxes not paid currently. The reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

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.

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

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

1. **Summary of Significant Accounting Policies** - Continued

C. **Basis of Accounting** - Continued

General Fixed Assets - In accordance with Technical Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the Borough has developed a fixed asset accounting and reporting system.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. All fixed assets are recorded at historical cost or estimated historical cost if actual historical cost is not available, in accordance with the State of New Jersey's Technical Accounting Directive 85-2.

Property acquired for taxes (foreclosed property) and by purchase are recorded in the Current Fund at the assessed valuation when such property is acquired or purchased and concurrently fully reserved.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately. The Borough Hall was acquired from the school board.

Property and equipment purchased by the Water Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The Water Utility does not record depreciation on fixed assets.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

1. **Summary of Significant Accounting Policies** - Continued

C. **Basis of Accounting** - Continued

Interest on Delinquent Taxes - It is the policy of the Borough to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500 becoming delinquent after due date and if a delinquency is in excess of \$10,000 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten (10) day grace period.

Levy of Utility Charges - The Borough operates a water utility fund. Rates are determined by ordinance and changed as necessary. Water charges are based on flat fees, dependent on meter size, as well as usage. Charges are billed quarterly and are due on designated dates in February, May, August and November.

Interest on Delinquent Utility Charges - It is the policy of the Borough to collect interest for the nonpayment of utility charges on or before the date when they would become delinquent. The Utility Collector is authorized to charge five percent (5%) per annum on any charge becoming delinquent after due date.

Capitalization of Interest - It is the policy of the Borough of Elmer to treat interest on projects as a current expense and the interest is included in both the current and utility operating budgets.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles or the statutory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. **Required Financial Statements**

The State of New Jersey requires the following financial statements to be presented for each fund on the regulatory basis of accounting: Balance Sheet, Statement of Operations and Changes in Fund Balance, Statement of Revenue and Statement of Expenditures. These statements differ from those presented under Generally Accepted Accounting Principles, which requires a Statement of Net Position and Statement of Activities in addition to the fund financial statements.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

1. **Summary of Significant Accounting Policies** - Continued

E. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the Borough's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the Statement of Revenues - Regulatory Basis and Statement of Expenditures - Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

F. Recent Accounting Pronouncements

GASB No. 82 - Pensions - an Amendment of GASB No. 67, No. 68 and No. 73: The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

G. Budgets and Budgetary Accounting

The Borough of Elmer must adopt an annual budget in accordance with the **N.J.S.A. 40A: et al. N.J.S.A. 40A:4-5** requires the governing body to introduce and approve the annual municipal budget no later than February 10 of each year. At introduction, the governing body shall fix the time and place for public hearing on the budget and must advertise the time and place in a newspaper published and circulated in the municipality at least 10 days prior to the hearing. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with **N.J.S.A. 40A:4-9**.

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

1. **Summary of Significant Accounting Policies** - Continued

G. **Budgets and Budgetary Accounting** - Continued

Budgets are adopted on the same basis of accounting utilized for the preparation of the Borough's financial statements.

N.J.S.A. 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During the 2017 and 2016 calendar years, Borough Council approved the following budget insertions:

	<u>2017</u>	<u>2016</u>
NJDEP Clean Communities	\$ 4,000	\$ 4,000
Get Active		3,000
Salem County Safe Roadways Project		

Under New Jersey Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2017 and 2016 statutory budgets included a reserve for uncollected taxes in the amount of \$118,111 and \$106,306, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2017 and 2016 statutory budgets was \$145,700 and \$142,900, respectively.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1, these transfers can be made in the form of a resolution and approved by Borough Council. There were no significant transfers approved during the 2017 calendar year, except for \$4,400 to Legal Services and \$3,100 to Public Buildings & Grounds – Other Expenses.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose, which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency Appropriations, except those classified as a Special Emergency, must be raised in the budget of the succeeding year. Special Emergency Appropriations are permitted to be raised in the budgets of the succeeding three or five years. No emergency appropriations were adopted by resolution in 2017. No special emergency resolutions were adopted by Borough Council during 2017 and no balances remained from prior years special emergency appropriations.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

1. **Summary of Significant Accounting Policies** - Continued

H. Investments

As of December 31, 2017, the Borough had no investments.

Interest Rate Risk - The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk - New Jersey Statutes 40A:5-15.1(a) limits Borough investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the Borough or the school districts of which the Borough is a part; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk - The Borough places no limit on the amount the Borough may invest in any one issuer.

I. Cash and Cash Equivalents

New Jersey municipal units are required by **N.J.S.A.** 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or the New Jersey Cash Management fund. **N.J.S.A.** 40A:5-15.1 provides a list of securities, which may be purchased by New Jersey municipal units.

The Borough Council designates and approves a list of authorized depository institutions based on an evaluation of solicited responses and presentation of GUDPA certifications provided by the financial institutions.

2. **Cash**

Custodial Credit Risk

The Governmental Unit Deposit Protection Act, P.L. 1970, Chapter 236, was passed to afford protection against bankruptcy or default by a depository. C.17:9-42 provides that no governmental unit shall deposit funds in a public depository unless such funds are secured in accordance with this act. All public depositories are required to furnish information and reports dealing with public funds on deposit every six months, June 30 and December 31, with the Commissioner of Banking.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

2. **Cash** - Continued

Custodial Credit Risk – Continued

All bank deposits and investments as of the balance sheet date are entirely insured or collateralized by a pool maintained by public depositories as required by the Governmental Unit Protection Act and are classified as credit risk.

Custodial Credit Risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or fund that may pass to the municipality relative to the happening of a future condition.

As of December 31, 2017, \$1,430,769 of the municipal's bank balance was exposed to custodial credit risk and is covered by GUDPA. The total bank balance was \$1,680,769.

3. **Fixed Assets**

The following schedules are a summarization of the changes in general fixed assets by category for the calendar year ended December 31, 2017 and 2016.

	Balance as of <u>12/31/16</u>	<u>Additions</u>	Adjustments (Disposals)	Balance as of <u>12/31/17</u>
Land	\$ 127,922			\$ 127,922
Buildings & Improv.	729,546	13,885		743,431
Vehicles	633,700			633,700
Furniture, Fixtures and Equipment	935,414	\$ 36,926	\$ 19,910	952,430
	<u>\$ 2,426,582</u>	<u>\$ 50,811</u>	<u>\$ 19,910</u>	<u>\$ 2,457,483</u>

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

4. PENSION PLANS

Description of Plans - All required employees of the Borough are covered by the Public Employees' Retirement System (PERS) which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who are 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.

Public Employees' Retirement System

The PERS is a cost sharing multiple-employer defined benefit pension plan that was established in 1955. The PERS provides retirement, death and disability, and medical benefits to qualified members.

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service.

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System (PERS) to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

4. **PENSION PLANS** - Continued

Public Employees' Retirement System - Continued

The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994. The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS who retired from a municipality with 25 years of service.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service or under the disability provisions of PERS.

Contributions - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 7.20% through June 30, 2017 and 7.34% thereafter of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The Borough's contributions to PERS for the years ended December 31, 2017, and 2016, were \$34,657 and \$28,006 respectively, equal to the required contributions for each year. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The total payroll for the year ended December 31, 2017 was \$310,301. Payroll covered by PERS was \$184,128 for fiscal year 2017.

Information regarding contributions made by the State of New Jersey on behalf of the Borough is not available. Contributions to the system for the year ended December 31, 2017 is as follows:

	<u>PERS</u>
Employees \$	13,372
Borough	<u>34,657</u>
Total \$	<u>48,029</u>

The Borough is billed annually for its normal contribution plus any accrued liability. These contributions were equal to the required contributions for 2017, as follows:

Public Employees Retirement System					
<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Funded by State</u>	<u>Paid by Borough</u>
2017	\$ 5,421	\$ 27,589	\$ 34,657	\$ N/A	\$ 34,657

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

4. **PENSION PLANS** - Continued

Public Employees' Retirement System - Continued

Components of Net Pension Liability - At December 31, 2017, the Borough's proportionate share of the PERS net pension liability was \$791,456. The net pension liability was measured as of June 30, 2017. The Borough's proportion of the net pension liability was based on the Borough's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The Borough's proportion measured as of June 30, 2017 was 0.003400% which was a decrease of 0.000501% from its proportion measured as of June 30, 2016.

Pension Expense and Deferred Outflows/Inflows of Resources - The Borough's 2017 PERS pension expense, with respect to GASB 68, was \$49,483. The Borough's 2017 deferred outflows of resources and deferred inflows of resources were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,636	\$
Changes of assumptions	159,451	158,867
Net difference between projected and actual earnings on pension plan investments	5,389	
Changes in proportion	96,430	134,353
Total	<u>\$ 4,446,384</u>	<u>\$ 3,118,539</u>

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

<u>Year</u>	<u>PERS</u>
2018	\$ 120
2019	10,579
2020	14,985
2021	(33,574)
2022	(5,424)
Thereafter	
Total	<u>\$ (13,314)</u>

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

4. **PENSION PLANS** - Continued

Public Employees' Retirement System - Continued

Additional Information - Collective Balances at December 31, 2017 and 2016 are as follows:

Year		12/31/2017		12/31/2016
Collective deferred outflows of resources	\$	279,906	\$	430,201
Collective deferred inflows of resources	\$	293,220	\$	61,584
Collective Net Pension Liability	\$	791,456	\$	1,155,400
Borough's Proportion		0.003400%		0.003901%

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

	<u>PERS</u>
Measurement Date	June 30, 2017
Actuarial Valuation Date	July 1, 2016
Investment Rate of Return	7.00%
Salary Scale (Based on Age):	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Inflation	2.25%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

4. **PENSION PLANS** - Continued

Public Employees' Retirement System - Continued

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

	PERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Client 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 markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
Total	100.00%	

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

4. **PENSION PLANS** - Continued

Public Employees' Retirement System - Continued

Discount Rate - The discount rate as of June 30, 2017 used to measure the total pension liability was 5.00% for PERS. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate - The following presents the collective net pension liability of the participating employers as of June 30, 2017, calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4%) or 1-percentage-point higher (6%) than the current rate:

	<u>1% Decrease (4.00%)</u>	<u>Current Discount (5.00%)</u>	<u>1% Increase (6.00%)</u>
Borough's proportionate share the net pension liability	\$ <u>981,855</u>	\$ <u>791,456</u>	\$ <u>632,830</u>

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

4. **PENSION PLANS** - Continued

Public Employees' Retirement System - Continued

Required Supplementary Pension Information – The following schedules align with GASB 68 10-year information requirements for PERS. Information is currently only available for the past five years for the Public Employees Retirement System.

Schedule of the Boroughs' Proportionate Share of the Net Pension Liability (PERS)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Borough's Proportion of the Net Pension Liability	0.003400 %	0.003901 %	0.003258 %	0.003749 %	0.003549 %
Borough's Proportionate Share of the Net Pension Liability	\$791,456	\$1,155,400	\$731,250	\$702,001	\$678,335
Borough's Covered-Employee Payroll	\$ 184,128	\$ 291,466	\$ 259,257	\$ 266,775	\$ 252,142
Borough's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	429.84%	396.41%	282.06%	263.14%	269.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

Schedule of the Borough's Contributions (PERS)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Borough's Contractually Required Contribution	\$ 31,497	\$ 34,657	\$ 28,006	\$ 30,910	\$ 26,743
Borough's Contribution in Relation to the Contractually Required Contribution	(31,497)	(34,657)	(28,006)	(30,910)	(26,743)
Borough's Contribution Deficiency (Excess)	\$	\$	\$	\$	\$
Borough's Covered-Employee Payroll	184,128	291,466	259,257	266,775	252,142
Borough's Contributions as a Percentage of Covered-Employee Payroll	1.10%	0.69%	0.78%	0.75%	0.80%

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

4. **PENSION PLANS** - Continued

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated at the beginning of this note.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was July 1, 2007 under the provisions of Chapter 92, P.L. 2007 (NJSA 43:15c-1 et seq). The DCRP is administered by Prudential Financial and provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et seq. The Borough's contributions to the DCRP for the year were as follows:

	<u>DCRP</u>
Employees	\$ 2,945
Borough	<u>1,607</u>
Total	<u>\$ 4,552</u>

5. **Long-Term Debt**

Summary of Statutory Debt Condition - Annual Debt Statement

As of December 31, 2017, the Borough of Elmer did not have any long term debt.

This 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 .12%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ -	\$ -	\$ -
Water Utility Debt	580,000	580,000	-
General Debt	<u>47,000</u>		<u>47,000</u>
	<u>\$ 627,000</u>	<u>\$ 580,000</u>	<u>\$ 47,000</u>

The foregoing information is in agreement with the Annual Debt Statement filed by the Borough, as amended. The deduction against Gross Debt represents cash on hand.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

5. **Long-Term Debt** - Continued

Summary of Statutory Debt Condition - Annual Debt Statement

Equalized Valuation Basis:

2015		\$	106,891,430
2016			107,565,262
2017			<u>108,435,982</u>
Average		\$	<u><u>107,630,891</u></u>

Net debt \$47,000/Equalized Valuation Basis per N.J.S.A. 4A:2-2 as amended, \$107,630,891 =.04%.

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$	3,390,373
Net Debt		<u>47,000</u>
Remaining Borrowing Power	\$	<u><u>3,343,373</u></u>

6. **Bond Anticipation Notes Payable**

	Beginning Balance	Additions	Reductions	Ending Balance
General Capital Notes	\$ 73,358	\$	\$ 73,358	\$ -

All bond anticipation notes are with the First National Bank of Elmer. During 2017, the Borough paid down \$73,358 through the current operating budget.

7. **Deferred Charges to be Raised in Succeeding Budgets**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2017, there were no deferred charges on the Current Fund balance sheet.

8. **Taxes Collected in Advance**

Taxes collected in advance, set forth as cash liabilities in the financial statements, are as follows:

	Balance December 31, 2017	Balance December 31, 2016
Prepaid Taxes - Cash Liability	\$ <u>119,513</u>	\$ <u>40,963</u>

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

9. **Leases**

The Borough has one copier lease agreement. The minimum lease payments are as follows:

2017	\$ 1,325
	<hr/>
	\$ 1,325
	<hr/> <hr/>

10. **Accrued Sick and Vacation Benefits**

The Borough has permitted full-time employees to accrue vacation time based on their length of service with the Borough. No more than one week of vacation may be carried over from one calendar year to the next, and these days must be used by June 1 of that year. Full-time employees also earn five sick days per year, which may be carried over to the following calendar year up to a maximum of 15 accumulated sick days at any time. Employees will not be reimbursed for carried-over or unused sick time upon the conclusion of their employment. Based on this policy, the estimated current cost of such unpaid compensation would approximate \$5,290 as of December 31, 2017.

11. **Local District School Tax**

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. In the case of Elmer Borough, \$681,959 was the maximum amount permitted to be deferred as of December 31, 2016, under those regulations, with \$583,011 representing the amount deferred, based on the Borough's, prior years elections to defer school taxes.

As of July 31, 2017, the Elmer Board of Education ceased to exist, as a result of the merger/consolidation with the Pittsgrove Township Board of Education. As Pittsgrove Township raises school tax on the calendar year method, the basis for charging Elmer Borough's school tax in 2018 should be pursued for change from the deferred method to the calendar year method. Accordingly, the amount of Elmer Borough's previously deferred school tax will be eliminated, once the change in the method of raising school tax is approved by the New Jersey Department of Education.

In addition, the Elmer Borough school tax charged to operations in 2017 represents the original fiscal year school tax for the 2017/2018 school budget. There will also be an additional charge to Elmer Borough in the amount of \$366,062, which is planned to be added to the 2017/2018 school budget in 2018 or deferred to 2019. While this amount was related to the 2017/2018 merged budget, revision of the school tax calculation was not approved and therefore, none of this amount was charged to operations of the Borough of Elmer, as of December 31, 2017. This will translate to a significant school tax increase in 2018.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

11. **Local District School Tax** - Continued

Local District School Tax has been raised and liabilities deferred by statute, resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

	Local District School Tax Balance, December 31	
	<u>2017</u>	<u>2016</u>
Balance of Tax	\$ 851,502	\$ 823,423
Deferred	583,011	583,011
Taxes Payable	<u>\$ 268,491</u>	<u>\$ 240,412</u>

12. **Contingent Liabilities**

As per confirmation from the Borough's solicitor, no contingent liabilities of a material amount were noted.

13. **Joint Municipal Court**

The Borough is a member of the Mid-Salem County Municipal Court which includes the Borough of Woodstown, the Borough of Elmer, the Township of Mannington, the Township of Oldsman and the Township of Quinton. Woodstown serves as the lead agency for the joint municipal court. All fines and costs are distributed to the municipality in which the complaint, charge, event, acts or violation occurred. Each municipality includes a line item in their annual budget to cover their share of the courts administration expenses.

14. **Economic Dependency**

The Borough of Elmer is not economically dependent on any one business or industry as a major source of tax revenue for the Borough.

15. **Litigation**

From time to time, the Borough is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the Borough's management, the outcome of any present legal proceedings will not have an adverse material effect on the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

16. Risk Management

The Borough is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough maintains commercial insurance coverage for property, liability and surety bonds. During the years ended December 31, 2017 and 2016, the Borough did not incur claims in excess of this coverage and there was no reduction in the stated coverage.

17. 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 probably increase in future tax levies.

<u>Year</u>	Currently		
	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percent of Collections</u>
2017	\$ 3,307,137	\$ 3,232,144	97.73%
2016	3,168,297	3,084,689	97.36%
2015	2,971,040	2,889,361	97.25%
2014	2,936,720	2,896,487	98.63%

18. Property Acquired by Tax Title Lien Liquidation

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

<u>Year</u>	<u>Amount</u>
2017	\$ 20,500
2016	20,500
2015	20,500

19. Comparative Schedule of Tax Rate Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax Rate	\$ 3.123	\$ 2.989	\$ 2.79	\$ 2.77	2.66
Apportionment of Tax Rate:					
Municipal	0.600	0.590	0.59	0.55	0.53
County	1.189	1.108	0.93	0.98	0.92
Local School	1.334	1.291	1.27	1.24	1.21
Assessed Valuation	\$ 105,779,300	\$ 107,999,522	\$ 105,963,385	\$ 105,963,385	\$ 106,172,020

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

20. Interfund Balances

As of December 31, 2017, the following interfunds were included on the balance sheets of the various funds of the Borough of Elmer:

	Due to	Due From
Current Fund:		
Grant Fund	\$ 20,981	\$
Animal Control Fund		2
Trust Other Fund		2,115
General Capital		55
Grant Fund:		
Current Fund		20,981
Animal Control Fund		
Current Fund	2	
Trust Other Funds:		
Current Fund	2,115	
General Capital:		
Current Fund	55	
Water Operating Fund:		
Due from Water Capital	51	
Water Capital Fund:		
Due to Water Operating		51

21. Delinquent Taxes and Tax Title Liens

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

Year	Amount of Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent	Percentage of Tax Levy
2017	\$ 16,641	\$ 73,559	\$ 90,200	2.85%
2016	13,662	79,332	92,994	2.94%
2015	10,810	70,495	81,305	74.00%
2014	8,142	37,473	45,615	1.55%
2013	6,672	96,433	103,105	3.64%

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

22. Comparative Statement of Operations and Change in Fund Balance - Current Fund

	Year 2017		Year 2016	
	Amount	%	Amount	%
<u>Revenue and Other Income</u>				
Fund Balances Utilized	\$ 145,700	3.85%	\$ 142,900	3.95%
Miscellaneous - From Other than Local Property Tax Levies	334,520	8.83%	316,769	8.77%
Collection of Delinquent Taxes and Tax Title Liens	3,233,007	85.32%	3,084,689	85.33%
Collection of Current Tax Levy	75,854	2.00%	70,495	1.95%
	\$ 3,789,081	100.00%	\$ 3,614,853	100.00%
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	\$ 946,370	26.18%	\$ 935,270	26.93%
County Taxes	1,257,715	34.79%	1,173,366	33.79%
Local School Taxes	1,411,141	39.03%	1,363,918	39.28%
	3,615,226	100.00%	3,472,554	100.00%
Excess in Revenue	173,855		142,299	
Fund Balance, January 1	261,952		262,553	
	435,807		404,852	
Less:				
Utilization as Anticipated Revenue	145,700		142,900	
Fund Balance, December 31	\$ 290,107		\$ 261,952	

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

23. Comparative Statement of Operations and Change in Fund Balance – Water Fund

	<u>Year 2017</u>		<u>Year 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Revenue and Other Income</u>				
Fund Balances Utilized	\$ 53,200	15.92%	\$ 51,400	15.55%
Water Rents	233,091	69.76%	237,992	72.00%
Miscellaneous Revenue	6,822	2.04%	4,102	1.25%
Other	41,003	12.28%	37,027	11.20%
	<hr/>		<hr/>	
Total Income	\$ 334,116	100.00%	\$ 330,521	100.00%
	<hr/> <hr/>		<hr/> <hr/>	
<u>Expenditures</u>				
Budget Expenditures:				
Water Operating Fund	\$ 250,900	100.00%	\$ 239,100	100.00%
Other				
	<hr/>		<hr/>	
Total Expenditures	250,900	100.00%	239,100	100.00%
	<hr/> <hr/>		<hr/> <hr/>	
Excess in Revenue	83,216		91,421	
Fund Balance, January 1	145,727		105,706	
	<hr/>		<hr/>	
	228,943		197,127	
Less:				
Utilization as Anticipated Revenue	53,200		51,400	
	<hr/>		<hr/>	
Fund Balance, December 31	\$ 175,743		\$ 145,727	
	<hr/> <hr/>		<hr/> <hr/>	

24. Grants and Contracts

During the 2017 calendar year, the Borough was awarded various grants, as shown in the Schedule of Appropriated Reserves.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

25. Comparative Schedule of Fund Balances

Fund balances at December 31, that were appropriated and included as anticipated revenue in their own respective funds are as follows:

Current Fund

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
2017	\$ 290,107	\$ 135,000
2016	261,952	145,700
2015	262,553	143,200
2014	221,472	142,900

Water Operating Fund

	<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2017	\$ 146,966	\$ 53,200
	2016	145,727	51,400
	2015	105,706	51,400
	2014	72,381	52,100
	2013	58,887	56,000

26. Subsequent Events

There were no material events between December 31, 2017 and April 27, 2018 affecting the financial status of the Borough of Elmer.

End of Notes to Financial Statement

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**BOROUGH OF ELMER****COUNTY OF SALEM****FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Federal Grant Number</u>	<u>Grant Award Amount</u>	<u>Grant Period</u>		<u>Balance December 31, 2016</u>		<u>Receipts or Revenue Recognized</u>	<u>Disbursements</u>	<u>Balance December 31, 2017</u>	
					<u>From</u>	<u>To</u>	<u>Accounts Receivable</u>	<u>Reserve</u>			<u>Accounts Receivable</u>	<u>Reserve</u>
FEMA Reimbursements- Hurricane Irene	N/A	N/A	N/A	\$ 20,134	1/1/12	12/31/12	\$	\$ 4,301	\$ 2,400	\$	\$	\$ 1,901
Small Cities Reimbursements	14.219	14.219	14.219	13,445	1/1/11	12/31/11		10,792				10,792
2007 Small Cities	14.219	14.219	14.219		1/1/07	Closing		583	24			559
							\$	\$ 15,676	\$ 2,424	\$	\$	\$ 13,252

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS**BOROUGH OF ELMER****COUNTY OF SALEM****FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

State Grantor / Program Title	Grant or State Project Number	Grant Award Amount	Grant Period		Balance December 31, 2016		Revenue Recognized	Matching Share	Received	Expenditures	Cancelled	Balance December 31, 2017	
			From	To	Accounts Receivable	Reserve						Accounts Receivable	Reserve
Department of Community Affairs													
Stormwater Grant	4850-800054-201	\$ 4,000	1/1/08	12/31/08	\$ 5,000	\$ 76	\$	\$	\$	\$	\$	\$ 5,000	\$ 76
Wastewater Management	N/A	5,000	1/1/10	12/31/10	5,000	5,000						5,000	5,000
Recycling Tonnage Grant	4830-752-050580-50	2,729	1/1/15	12/31/15		39				39			
Recycling Tonnage Grant	4830-752-050580-50	2,228	1/1/16	12/31/16		2,228				2,228			
Recycling Tonnage Grant	4830-752-050580-50	2,293	1/1/17	12/31/17			2,293		2,293	840			1,453
Clean Communities Program	4900-765-042-4900-004	4,000	1/1/16	12/31/16		310				310			
Clean Communities Program	4900-765-042-4900-005	4,000	1/1/17	12/31/17			4,000		4,000	3,388			612
Municipal Alliance	N/A	6,266	1/1/14	12/31/14		494					494		
Municipal Alliance	N/A	4,178	1/1/15	12/31/15	156	1,361					1,205		
Municipal Alliance	N/A	4,178	1/1/16	12/31/16	3,512	2,677					(835)		
Municipal Alliance	N/A	4,178	1/1/17	12/31/17			4,178	1,045				4,178	5,223
Get Active Grant	N/A	3,000	1/1/16	12/31/15		3,000							3,000
Body Armor Fund	1020-718-066-1020-001	1,374	1/1/13	12/31/13		914				914			
Body Armor Fund	1020-718-066-1020-001	1,006	1/1/15	12/31/15		1,006				796			210
Body Armor Fund	1020-718-066-1020-001	1,005	1/1/16	12/31/16		1,005							1,005
Body Armor Fund	1020-718-066-1020-002	981	1/1/17	12/31/17			981						981
Total					\$ 13,668	\$ 18,110	\$ 11,452	\$ 1,045	\$ 6,293	\$ 8,515	\$ 864	\$ 14,178	\$ 17,560

BOROUGH OF ELMER

COUNTY OF SALEM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2017

NONE

BOROUGH OF ELMER**SCHEDULE OF CASH AND INVESTMENTS PER N.J.S.A. 40A:5-5****FOR THE PERIOD DECEMBER 31, 2017 TO MARCH 31, 2018**

	<u>Current Fund</u>	<u>Animal Control Fund</u>	<u>Trust Other Fund</u>	<u>Payroll Fund</u>	<u>General Capital Fund</u>	<u>Water Operating Fund</u>	<u>Water Capital Fund</u>
Balance, December 31, 2017	\$ 867,626	\$ 4,468	\$ 153,165	\$ 3,441	\$ 230,041	\$ 223,632	\$ 193,991
Increased by:							
Cash Receipts Record	840,006	1,979	122,946	80,087	140	61,103	143
	<u>1,707,632</u>	<u>6,447</u>	<u>276,111</u>	<u>83,528</u>	<u>230,181</u>	<u>284,735</u>	<u>194,134</u>
Decreased by:							
Cash Disbursements Record	935,718	252	105,547	81,632	101,379	60,299	74
Balance, March 31, 2018	<u>\$ 771,914</u>	<u>\$ 6,195</u>	<u>\$ 170,564</u>	<u>\$ 1,896</u>	<u>\$ 128,802</u>	<u>\$ 224,436</u>	<u>\$ 194,060</u>
Balance on Deposit per Certification of: First National Bank of Elmer: Checking Account	\$ 773,013	\$ 6,195	\$ 170,564	\$ 9,810	\$ 128,802	\$ 224,411	\$ 194,060
Deposits in Transit	200					25	
Prudential Error							
Less: Outstanding Checks	1,299			7,914			
Balance, March 31, 2018	<u>\$ 771,914</u>	<u>\$ 6,195</u>	<u>\$ 170,564</u>	<u>\$ 1,896</u>	<u>\$ 128,802</u>	<u>\$ 224,436</u>	<u>\$ 194,060</u>

CURRENT FUND**SCHEDULE OF CASH - CHIEF FINANCIAL OFFICER**

	<u>Ref.</u>		
Balance, December 31, 2016	A		\$ 721,158
Increased by Receipts			
Collector	A-5	\$ 3,204,357	
Revenue Accounts Receivable	A-10	257,525	
State's Share of Senior Citizens and Veterans Deductions Allowed	A-9	13,500	
Interfunds Receivable	A-11	12,831	
Miscellaneous Accounts Receivable	A-21	1,383	
State Marriage License Fees	A-20	100	
Total Receipts		<hr/>	3,489,696
			<hr/> 4,210,854
Decreased by Disbursements			
2017 Appropriations	A-3	828,700.00	
2016 Appropriation Reserves	A-13	1,658.00	
Interfunds	A-11	11,939.00	
Encumbrances Payable	A-14	41,720.00	
Local District School Taxes	A-15	1,383,062.00	
County Taxes	A-16	1,261,096.00	
State Marriage License Fees	A-20	100.00	
Miscellaneous Accounts Receivable	A-21	200.00	
Total Disbursements		<hr/>	3,528,475
Balance, December 31, 2017	A		<hr/> \$ 682,379 <hr/>

CURRENT FUND**SCHEDULE OF CASH - COLLECTOR**

	<u>Ref.</u>		
Balance, December 31, 2016	A	\$	1,465
Increased by:			
Taxes Receivable	A-6	\$	3,254,398
Interest and Costs on Taxes	A-2		17,335
Revenue Accounts Receivable	A-10		1,517
2018 Taxes Prepaid	A-12		119,513
			<u>3,392,763</u>
			3,394,228
Decreased by:			
Payments to Chief Financial Officer	A-4		<u>3,204,357</u>
Balance, December 31, 2017	A	\$	<u><u>189,871</u></u>

CURRENT FUND**SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance December 31, 2016	2017 Levy	Collections by Cash		State Share of Senior Citizens And Veterans Deductions	Cancellations	Transfer to Tax Title Lien	Balance December 31, 2017
			2016	2017				
2016	\$ 79,332	\$	\$	\$ 76,604	\$ (750)	\$	\$	\$ 3,478
	79,332			76,604	(750)			3,478
2017		3,307,137	40,963	3,177,794	14,250	1,070	2,979	70,081
	\$ 79,332	\$ 3,307,137	\$ 40,963	\$ 3,254,398	\$ 13,500	\$ 1,070	\$ 2,979	\$ 73,559
<u>Ref.</u>	A		A-12	A-5	A-9		A-7	A

Analysis of 2017 Property Tax LevyRef.

Tax Yield

General Purpose	\$ 3,303,488
Added Taxes	3,649

Tax Levy

\$ 3,307,137

Local District School Tax (Abstract)

A-15

\$ 1,411,140

County Taxes

County Tax	\$ 1,257,241
Amount Due County Added Taxes	474

Total County Taxes

A-16

1,257,715

Local Tax for Municipal Purposes

A-2

634,680

Add Additional Tax Levied

3,602

638,282

\$ 3,307,137

CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>		
Balance, December 31, 2016	A	\$	13,662
Increased by:			
Transfer from Taxes Receivable	A-6		2,979
Balance, December 31, 2017	A	\$	<u>16,641</u>

CURRENT FUND

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES - ASSESSED VALUATION

	<u>Ref.</u>	
Balance, December 31, 2016 and 2017	A	\$ <u>20,500</u>

CURRENT FUND

SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY

PER CHAPTER 20, P.L. 1971

SENIOR CITIZEN AND VETERANS DEDUCTIONS

	<u>Ref.</u>	
Balance, December 31, 2016	A	\$ 3,049
Increased by:		
Cash Received from the State	A-4	<u>13,500</u>
		16,549
Decreased by:		
Deductions per Original Billing:		
Senior Citizens		\$ 6,000
Veterans		<u>8,250</u>
		14,250
Less: Disallowed by Collector		
2016		(750)
2017		
	A-6	<u>13,500</u>
Balance, December 31, 2017	A	\$ <u>3,049</u>

CURRENT FUND

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

Ref.	Balance December 31, 2016	Accrued in 2017	Collected by		Balance December 31, 2017
			Collector	Treasurer	
Anticipated Revenues:					
Fines and Costs - Municipal Court	A-2 \$ 3,954	\$ 71,577	\$	\$ 69,407	\$ 6,124
Interest on Investments	A-2 (2)	3,545	507	3,038	
Consolidated Municipal Property Tax Relief Act	A-2	18,444		18,444	
Energy Receipts Tax	A-2	108,109		108,109	
Uniform Fire Safety Act	A-2	4,225		4,225	
Total Anticipated Revenues	3,954	205,900	507	203,223	6,124
Miscellaneous Revenue Not Anticipated:					
Non-Budget Licenses					
Housing Fees	50	2,645		2,670	25
Fire Safety Permit Fees	25	1,443		1,443	25
Police Vehicle Usage		420		315	105
Police Reports		115		115	
Zoning Fees		280		280	
Registrar Fees	1,000	22,357		22,537	820
Cable Television Franchise Fee		5,808		5,808	
Tent Permit		25		25	
Senior Citizen Administration Fees		270		270	
Tax Search		10	10		
Homestead Benefit Mailing		74		74	
Land Use Applications		300		300	
DMV Inspection Fines		734		734	
Rental of Poll Places		50		50	
Insurance Refunds		3,233		3,233	
Tax Premium		1,000	1,000		
Vacant Property Registration	500	13,500		10,500	3,500
Fingerprinting		500		500	
Insurance Dividends		973		973	
Voided Checks		330		330	
Small Cities Receipt		4,145		4,145	
Farm Ground Lease		331			331
Total Miscellaneous Revenue Not Anticipated	1,575	58,543	1,010	54,302	4,806
	\$ 5,529	\$ 264,443	\$ 1,517	\$ 257,525	\$ 10,930
Ref.	A		A-5	A-4	A

CURRENT FUND
SCHEDULE OF INTERFUNDS

	Ref.	Total	Grant Fund	Animal Control Fund	Trust Other Fund	General Capital Fund
Balance, December 31, 2016	A	\$ (18,479)	\$ (22,846)	\$ 2,121	\$ 2,201	\$ 45
Increased by						
Interest Earned	A-2(2)	743		18	138	587
Expenditures Paid by Current Fund:						
Grant Appropriated Reserves	A-4,19	10,192	10,192			
Cancellation of Grant Balances	A-1, 17, 19	864	864			
Payment of Grant Encumbrances	A-4,14	1,747	1,747			
		<u>(4,933)</u>	<u>(10,043)</u>	<u>2,139</u>	<u>2,339</u>	<u>632</u>
Decreased by						
2017 Budget Matching Share	A-3	1,045	1,045			
Grant Fund Receipts	A-4,17	6,293	6,293			
Receipt	A-4	2,938		2,137	224	577
Unappropriated Grant Fund Receipts	A-4,18	3,600	3,600			
		<u>13,876</u>	<u>10,938</u>	<u>2,137</u>	<u>224</u>	<u>577</u>
Balance, December 31, 2017	A	<u>\$ (18,809)</u>	<u>\$ (20,981)</u>	<u>\$ 2</u>	<u>\$ 2,115</u>	<u>\$ 55</u>
Interfund Payable	A	\$ (20,981)				
Interfund Receivable	A	2,172				
		<u>\$ (18,809)</u>				

CURRENT FUND
SCHEDULE OF PREPAID TAXES

	<u>Ref.</u>		
Balance, December 31, 2016	A	\$	40,963
Increased by:			
Receipt of 2018 Taxes	A-5		119,513
			160,476
Decreased by:			
Applied to 2017 Taxes Receivable	A-6		40,963
Balance, December 31, 2017	A	\$	119,513

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2016

	<u>Balance December 31, 2016</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Salaries and Wages:				
Revenue Administration (Tax)	\$ 1,000	\$ 500	\$	\$ 500
Police	535	1,035		1,035
Board of Health	652	152		152
Other Expenses:				
Municipal Clerk's Office	1,652	1,652	176	1,476
Technology	958	458		458
PB&G	849	2,149		2,149
Police	953	1,953	959	994
Garbage & Trash	867	867	308	559
Recycling	1,025	1,025	215	810
Public Events	1,950	1,650		1,650
Gasoline	1,439	439		439
Other Accounts No Changes	31,269	31,269		31,269
	\$ 43,149	\$ 43,149	\$ 1,658	\$ 41,491
<u>Ref.</u>	A		A-4	A-1

CURRENT FUND**SCHEDULE OF ENCUMBRANCES PAYABLE**

	<u>Ref.</u>	<u>Current Fund</u>	<u>Grant Fund</u>
Balance, December 31, 2016	A	\$ 41,935	\$ 1,747
Increased by:			
2017 Budget Encumbrances	A-3,19	47,791	747
		<u>89,726</u>	<u>2,494</u>
Decreased by:			
Payments	A-4,11	41,720	1,747
Cancelled	A-1	215	
		<u>41,935</u>	<u>1,747</u>
Balance, December 31, 2017	A	<u>\$ 47,791</u>	<u>\$ 747</u>

CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX

	<u>Ref.</u>		
Balance, December 31, 2016			
School Tax Payable	A	\$ 240,412	
School Tax Deferred		583,011	
		823,423	\$ 823,423
Increased by			
Levy - School Year, July 1, 2017- June 30, 2018	A-1,2,6		1,411,141
			2,234,564
Decreased by			
Payments	A-4		1,383,062
			851,502
Balance, December 31, 2017			
School Tax Payable	A	268,491	
School Tax Deferred		583,011	
		851,502	\$ <u>851,502</u>

2017 Liability for Local District School Tax

Taxes Paid		\$ 1,383,062	
Taxes Payable December 31, 2017		268,491	
		1,651,553	
Less: Tax Payable December 31, 2016		240,412	
Amount Charged to 2017 Operations	A-1		\$ <u>1,411,141</u>

Note - As of July 31, 2017, the Elmer Board of Education ceased operations through the merger/consolidation with the Pittsgrove Township Board of Education. Accordingly, as of the calendar year 2017, the above method of charging the Borough of Elmer's school tax should be requested for approval to change from the Deferred method to the Calendar year method to be in line with the continuing District of Pittsgrove Board of Education.

CURRENT FUND
SCHEDULE OF COUNTY TAXES

	<u>Ref.</u>			
Balance, December 31, 2016				
County Taxes	A	\$	27	
Added County Taxes	A		3,855	
			3,882	\$ 3,882
Increased by				
2017 County Taxes:				
General County Taxes		\$	1,235,321	
County Open Space			21,920	
			1,257,241	
Due County on Added and Omitted Taxes	A-1		474	
	A-1,2,6			1,257,715
				1,261,597
Decreased by				
Payments	A-4			1,261,096
Balance, December 31, 2017				
County Taxes	A	\$	27	
Added County Taxes	A		474	
			501	\$ 501

FEDERAL AND STATE GRANT FUND
SCHEDULE OF GRANTS RECEIVABLE

<u>Grant Purpose</u>	Balance December 31, 2016	2017 Revenue	Received	Cancellation	Balance December 31, 2017
State Grants:					
Stormwater Grant	\$ 5,000	\$	\$	\$	\$ 5,000
Wastewater Management	5,000				5,000
Recycling Tonnage Grant		2,293	2,293		
Clean Communities		4,000	4,000		
Get Active Grant - NJ Prevention Network					
Municipal Alliance on Alcoholism and Drug Abuse:					
2015	156			156	
2016	3,512			3,512	
2017		4,178			4,178
Total Grants	\$ 13,668	\$ 10,471	\$ 6,293	\$ 3,668	\$ 14,178
<u>Ref.</u>	A	A-2	A-11	A-11	A

FEDERAL AND STATE GRANT FUNDS
SCHEDULE OF RESERVE FOR STATE GRANTS - UNAPPROPRIATED

<u>Grant Purpose</u>	Balance December 31, 2016	Receipts	Anticipated in 2017 Budget	Balance December 31, 2017
Body Armor Fund	\$ 981	\$ 982	\$ 981	\$ 982
Recycling Tonnage Grant		2,618		2,618
	\$ 981	\$ 3,600	\$ 981	\$ 3,600
<u>Ref.</u>	A	A-11	A-2	A

FEDERAL, STATE AND OTHER GRANT FUND
SCHEDULE OF GRANTS - APPROPRIATED

<u>Grant Purpose</u>	<u>Balance December 31, 2016</u>	<u>Transferred from 2017 Budget Appropriation</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance December 31, 2017</u>
Federal Grants:					
FEMA Reimbursements- Hurricane Irene	\$ 4,301	\$	\$ 2,400	\$	\$ 1,901
Small Cities Reimbursements	10,792				10,792
2007 Small Cities	583		24		559
Total Federal Grants	15,676		2,424		13,252
State Awards:					
Stormwater Grant	76				76
Wastewater Management	5,000				5,000
Recycling Tonnage Grant	2,267		2,267		
Recycling Tonnage Grant 2017		2,293	840		1,453
Municipal Alliance Program	494			494	
Municipal Alliance Program	1,361			1,361	
Municipal Alliance Program 2016	2,677			2,677	
Municipal Alliance Program 2017		5,223			5,223
Clean Communities Program 2016	310		310		
Clean Communities Program 2017		4,000	3,388		612
Get Active Grant	3,000				3,000
Body Armor Fund	2,925		1,710		1,215
Body Armor Fund 2017		981			981
Total State Awards	18,110	12,497	8,515	4,532	17,560
Total All Grants	\$ 33,786	\$ 12,497	\$ 10,939	\$ 4,532	\$ 30,812
<u>Ref.</u>	A			A-11	A
Grant Share	A-3	\$ 11,452	\$		
Paid by Current Fund	A-11		10,192		
Matching Share	A-3,11	1,045			
Encumbrances Payable	A-14		747		
		\$ 12,497	\$ 10,939		

CURRENT FUND**SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY**

	<u>Ref.</u>	<u>Marriage Licenses</u>
Balance, December 31, 2016	A	\$ 25
Increased by Receipts	A-4	100
		<u>125</u>
Decreased by Disbursements	A-4	100
Balance, December 31, 2017	A	<u>\$ 25</u>

EXHIBIT A-21**CURRENT FUND****SCHEDULE OF MISCELLANEOUS ACCOUNTS RECEIVABLE**

	<u>Ref.</u>	
Balance, December 31, 2016	A	\$ 1,417
Increased by: Disbursements	A-4	200
		<u>1,617</u>
Decreased by: Receipts	A-4	1,383
Balance, December 31, 2017	A	<u>\$ 234</u>

CURRENT FUND
SCHEDULE OF OTHER RESERVES

	<u>Ref.</u>	<u>Total</u>	<u>Reserve to Pay Debt Service</u>	<u>Sale of Municipal Assets</u>
Balance, December 31, 2016 and 2017	A	\$ 64,610	\$	\$ 64,610

TRUST FUND**SCHEDULE OF CASH - CHIEF FINANCIAL OFFICER**

	Ref.	Animal Control Fund	Other Trust Fund
Balance, December 31, 2016	B	\$ 6,755	\$ 169,503
Increased by Receipts			
Interest Earned	B-3	18	
Dog License Fees	B-4	1,727	
Cat License Fees	B-4	865	
State Dog License Fees	B-2	428	
Prepaid Licenses	B-5	825	
Amount Due to Current Fund	B-6		138
Deposits for Payroll	B-7		372,060
Tax Title Lien Redemptions	B-8		168,865
Premiums Received at Tax Sale	B-9		10,900
Escrow Deposits	B-10		15,781
William Haluszka Bequest	B-10		302
Performance Guarantee	B-10		19
Snow Removal Trust	B-10		2,016
		<u>10,618</u>	<u>739,584</u>
Decreased by Disbursements			
Expenditures Made Under R. S. 4:19-15.11	B-4	3,585	
State of New Jersey- Dog Licenses	B-2	428	
Amount Due to Current Fund	B-3,6	2,137	224
Payroll Expenditures	B-7		370,764
Tax Title Lien Redemptions	B-8		185,715
Premiums Received at Tax Sale	B-9		14,000
Escrow Deposits	B-10		15,716
		<u>6,150</u>	<u>586,419</u>
Balance, December 31, 2017	B	\$ <u>4,468</u>	\$ <u>153,165</u>

TRUST FUND**SCHEDULE OF AMOUNT DUE FROM/TO STATE OF NEW JERSEY****ANIMAL CONTROL FUND**

	<u>Ref.</u>		
Balance, December 31, 2016	B	\$	-
Increased by:			
Collection of State License Fees	B-1		428
Decreased by:			
Payments	B-1		428
Balance, December 31, 2017	B	\$	-

TRUST FUND**SCHEDULE OF AMOUNT DUE TO/(FROM) CURRENT FUND****ANIMAL CONTROL FUND**

	<u>Ref.</u>		
Balance December 31, 2016	B	\$	2,121
Increased by:			
Interest Earned	B-1	\$	18
			18
			2,139
Decreased by:			
Payment to Current Fund			2,137
Balance December 31, 2017	B	\$	2

TRUST FUNDS**SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES**

	<u>Ref.</u>		
Balance, December 31, 2016	B	\$	3,869
Increased by:			
Dog License Fees Collected	B-1	\$	1,727
Cat License Fees Collected	B-1		865
Prior Year Prepaid	B-5		765
			<u>3,357</u>
			7,226
Decreased by:			
Expenditures Under R. S. 4:19-5.11:			
Cash	B-1		3,585
			<u>3,585</u>
Balance, December 31, 2017	B	\$	<u><u>3,641</u></u>

LICENSE FEES COLLECTED

<u>Year</u>	<u>Amount</u>
2015	\$ 1,920
2016	1,810
	<u>3,730</u>
	<u><u>\$ 3,730</u></u>

SCHEDULE OF PREPAID LICENSES**TRUST OTHER FUND**

	<u>Ref.</u>		
Balance December 31, 2016	B	\$	765
Increased by:			
Receipt	B-1		825
			<u>1,590</u>
Decreased by:			
Applied to Licenses Fee Revenue	B-4		765
Balance December 31, 2017	B	\$	<u><u>825</u></u>

TRUST FUND**SCHEDULE OF AMOUNT DUE TO/FROM CURRENT FUND****TRUST OTHER FUND**

	<u>Ref.</u>		
Balance December 31, 2016	B	\$	2,201
Increased by:			
Interest Earned - Trust Other	B-1		138
			<u>2,339</u>
Decreased by:			
Payment	B-1		224
Balance December 31, 2017	B	\$	<u><u>2,115</u></u>

TRUST FUND
SCHEDULE OF PAYROLL TAXES PAYABLE

	<u>Ref.</u>	
Balance, December 31, 2016	B	\$ 2,144
Increased by:		
Deposits	B-1	<u>372,060</u>
		374,204
Decreased by:		
Payment	B-1	<u>370,764</u>
Balance, December 31, 2017	B	<u><u>\$ 3,440</u></u>
<u>Analysis of Deposits Balance</u>		
941		\$ 2,269
GIT		194
UC 927		914
Unallocated		<u>63</u>
		<u><u>\$ 3,440</u></u>

TRUST FUND
SCHEDULE OF TAX TITLE LIEN REDEMPTIONS PAYABLE

	<u>Ref.</u>	
Balance, December 31, 2016	B	\$ 16,850
Increased by:		
Receipt	B-1	168,865
		185,715
Decreased by:		
Disbursements	B-1	185,715
		185,715
Balance, December 31, 2017	B	\$ -

TRUST FUND
SCHEDULE OF PREMIUMS RECEIVED AT TAX SALE

	<u>Ref.</u>	
Balance, December 31, 2016	B	\$ 28,400
Increased by:		
Receipt	B-1	10,900
		39,300
Decreased by:		
Disbursements	B-1	14,000
		14,000
Balance, December 31, 2017	B	\$ 25,300

Analysis of Balance:

<u>Block</u>	<u>Lot</u>	<u>Date</u>		<u>Amount</u>
2	8	1/4/17	\$	800
5	10	1/4/17		800
6	12	1/4/17		700
15	17	1/6/16		11,600
17	16	1/6/16		100
24	3	1/4/17		100
24	21	1/6/16		100
26	17	1/4/17		600
26	17	1/6/16		6,700
27	37	1/6/16		3,800
				25,300
			\$	25,300

CURRENT FUND**SCHEDULE OF MISCELLANEOUS RESERVES**

Reserve	Balance December 31, 2016	Receipts	Disbursements	Balance December 31, 2017
Escrow Deposits	\$ 6,900	\$ 15,781	\$ 15,716	\$ 6,965
Performance Guarantee Trust	6,464	19		6,483
William Haluszka Bequest	100,480	302		100,782
Fire Safety Fees	925			925
Snow Removal Trust	5,139	2,016		7,155
Total Reserves	\$ 119,908	\$ 18,118	\$ 15,716	\$ 122,310
Ref.	B	B-1	B-1	B

GENERAL CAPITAL FUND**SCHEDULE OF CASH - CHIEF FINANCIAL OFFICER**

	<u>Ref.</u>		
Balance, December 31, 2016	C,C-3		\$ 210,733
Increased by Receipts			
Interest Earned	C-4	\$ 587	
Due from NJ Transportation Trust Fund Authority Act	C-5	109,957	
Capital Improvement Fund	C-7	1,000	
		<hr/>	111,544
			<hr/>
			322,277
Decreased by Disbursements:			
Due from Current Fund	C-5	577	
Improvement Authorizations	C-8	38,418	
Contracts Payable	C-11	53,241	
		<hr/>	92,236
			<hr/>
Balance, December 31, 2017	C,C-3		\$ <u><u>230,041</u></u>

GENERAL CAPITAL FUND

ANALYSIS OF CASH

	Balance December 31, 2016	Receipts		Disbursements			Balance December 31, 2017	
		Budget App.ropriation	Miscellaneous	Improvement Authorization	Miscellaneous	Transfers		
						To		From
Fund Balance	\$ 16,735	\$	\$	\$	\$	\$ 5,923	\$	\$ 22,658
Capital Improvement Fund	54,790	1,000					23,368	32,422
Amount Due Current Fund	45		587		577			55
NJ Transportation Trust Fund Authority Act Receivable	(53,141)		109,957	(53,141)			123,632	(66,816)
Contracts and Encumbrances Payable	39,356				53,241	102,779		88,894
IMPROVEMENT AUTHORIZATIONS:								
GENERAL IMPROVEMENTS:								
<u>Ord. No.</u>								
11-7 Construction of Sidewalks	142,449							142,449
12-9 Purchase of Anthony Property Police Vehicle	5,923						5,923	
15-14 Reconstruction of State Street	4,153			6,284				(2,131)
16-15 Replacement of Municipal Building Roof	423			13,918				(13,495)
17-11 Reconstruction of Union Street and Hitchner Avenue				18,216		147,000	102,779	26,005
	<u>\$ 210,733</u>	<u>\$ 1,000</u>	<u>\$ 110,544</u>	<u>\$ 38,418</u>	<u>\$ 53,818</u>	<u>\$ 255,702</u>	<u>\$ 255,702</u>	<u>\$ 230,041</u>
<u>Ref.</u>	C-2	C-2,7	C-2	C-8	C-2			C-2

GENERAL CAPITAL FUND**SCHEDULE OF AMOUNT DUE TO/FROM CURRENT FUND**

	<u>Ref.</u>		
Balance, December 31, 2016	C	\$	45
Increased by:			
Interest Earned	C-2		587
			<u>632</u>
Decreased by:			
Payment of Bond Anticipation Note	C-2		577
Balance, December 31, 2017	C	\$	<u><u>55</u></u>

GENERAL CAPITAL FUND**SCHEDULE OF DUE FROM NEW JERSEY****TRANSPORTATION TRUST FUND AUTHORITY ACT**

	<u>Ref.</u>		
Balance, December 31, 2016	C	\$	53,141
Increased by:			
2017 Award for Ordinance 2017-11	C-8		123,632
			<u>176,773</u>
Decrease by:			
Receipt	C-4		109,957
Balance, December 31, 2017	C	\$	<u><u>66,816</u></u>

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

Ord. Number	Improvement Description	Balance December 31, 2016	Funded by Budget Appropriation	2017 Authorization	Balance December 31, 2017	Analysis of Balance December 31, 2017		
						Unexpended Improvement Authorization	Expenditures	Bond Anticipation Notes
General Improvements:								
11-7	Construction of Sidewalks	\$ 73,358	\$ 73,358	\$	\$	\$	\$	\$
15-14	Reconstruction of State Street	18,500			18,500	16,369	2,131	
16-15	Replacement of Municipal Building Roof	28,500			28,500	15,005	13,495	
		<u>\$ 120,358</u>	<u>\$ 73,358</u>	<u>\$</u>	<u>\$ 47,000</u>	<u>\$ 31,374</u>	<u>\$ 15,626</u>	<u>\$</u>
<u>Ref.</u>		C	C-9		C			

GENERAL CAPITAL FUND**SCHEDULE OF CAPITAL IMPROVEMENT FUND**

	<u>Ref.</u>		
Balance, December 31, 2016	C	\$	54,790
Increased by:			
2017 Budget Appropriation	C-2		1,000
			<hr/>
			55,790
Decrease by:			
Appropriated to Finance Ordinance 2017-11	C-8		23,368
			<hr/>
Balance, December 31, 2017	C	\$	<u><u>32,422</u></u>

GENERAL CAPITAL FUND

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord No.	Improvement Description	Ordinance		Balance December 31, 2016		2017 Authorizations	Cancelled	Paid or Charged	Balance December 31, 2017	
		Date	Amount	Funded	Unfunded				Funded	Unfunded
<u>General Improvements:</u>										
11-7	Construction of Sidewalks	4-13-11	\$ 300,000	\$ 69,091	\$ 73,358	\$	\$	\$	\$ 142,449	\$
12-9	Purchase of Anthony Property	9-12-12	50,000	5,923			5,923			
15-14	Reconstruction of State Street	9-9-15	230,000	4,153	18,500			6,284		16,369
16-15	Replacement of Municipal Building Roof	4-13-16	30,000	423	28,500			13,918		15,005
17-11	Reconstruction of Union Street and Hitchner Avenue	8-9-17	147,000			147,000		120,995		26,005
				<u>\$ 79,590</u>	<u>\$ 120,358</u>	<u>\$ 147,000</u>	<u>\$ 5,923</u>	<u>\$ 141,197</u>	<u>\$ 168,454</u>	<u>\$ 31,374</u>
		<u>Ref.</u>		<u>C</u>	<u>C</u>		<u>C-1</u>		<u>C</u>	<u>C</u>
	Cash Disbursements	C-2,3				\$	\$	38,418		
	Contracts and Encumbrances Payable Due from NJ Transportation Trust Fund Act	C-11						102,779		
	Capital Improvement Fund	C-5				123,632				
		C-7				23,368				
						<u>\$ 147,000</u>	<u>\$</u>	<u>141,197</u>		

GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES

<u>Improvement Description</u>	<u>Ordinance Number</u>	<u>Date of Issue of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance December 31, 2016</u>	<u>Decreased</u>	<u>Balance December 31, 2017</u>
Construction of Sidewalks	11-7	5-11-11	5-16-16	5-16-17	1.09%	\$ 73,358	\$ 73,358	\$
						\$ 73,358	\$ 73,358	\$
		<u>Ref.</u>				C		
Paid by Budget Appropriation		C-6					\$ 73,358	
							\$ 73,358	

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

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance December 31, 2016</u>	<u>Amount Authorized in 2017</u>	<u>Balance December 31, 2017</u>
2015-14	Reconstruction of State Street	\$ 18,500	\$	\$ 18,500
2016-15	Replacement of Municipal Building Roof	28,500		28,500
		<u>\$ 47,000</u>	<u>\$</u>	<u>\$ 47,000</u>
	<u>Ref.</u>	C		C

GENERAL CAPITAL FUND**SCHEDULE OF CONTRACTS PAYABLE**

	<u>Ref.</u>	
Balance, December 31, 2016	C	\$ 39,356
Increased by:		
2017 Contracts	C-8	102,779
		<hr/>
		142,135
Decreased by:		
Payments	C-2	53,241
		<hr/>
Balance, December 31, 2017	C	<u><u>\$ 88,894</u></u>

WATER UTILITY FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2016	D:D-6	\$ 196,353	\$ 197,289
Increased by Receipts:			
Water Collector	D-6	223,983	
Due from Water Capital Fund	D-7	541	
Interest Earned	D-3,8	576	539
2017 Budget Appropriations - Capital Improvement Fund	D-13		10,000
NJIT Notes Payable	D-8,21		580,000
Total Receipts		<u>225,100</u>	<u>590,539</u>
		<u>421,453</u>	<u>787,828</u>
Decreased by Disbursements:			
2017 Budget Appropriations	D-4	202,935	
Due to Water Operating Account	D-7		541
Encumbrances Payable	D-12	10,198	
Contracts Payable	D-20		78,700
Improvement Authorization	D-17		514,596
Total Disbursements		<u>213,133</u>	<u>593,837</u>
Balance, December 31, 2017	D-D:6	\$ <u>208,320</u>	\$ <u>193,991</u>

WATER UTILITY FUND
SCHEDULE OF CASH - COLLECTOR

	<u>Ref.</u>		
Balance, December 31, 2016	D	\$	1,034
Increased by Receipts:			
Water Consumer Account Collections	D-9	\$	232,554
Interest on Water Rents	D-9		5,673
Interest Earned on Bank Deposits	D-3		34
			<hr style="width: 100px; margin-left: auto; margin-right: 0;"/>
			238,261
			<hr style="width: 100px; margin-left: auto; margin-right: 0;"/>
			239,295
Decreased by:			
Payments to Treasurer	D-5		223,983
			<hr style="width: 100px; margin-left: auto; margin-right: 0;"/>
Balance, December 31, 2017	D	\$	<u><u>15,312</u></u>

EXHIBIT D-7

SCHEDULE OF AMOUNT DUE TO/FROM WATER CAPITAL FUND

	<u>Ref.</u>		
Balance, December 31, 2016	D	\$	53
Increased by:			
Interest Earned on Bank Deposits	D-3,5		539
			<hr style="width: 100px; margin-left: auto; margin-right: 0;"/>
			592
Decreased by:			
Receipt	D-5		541
			<hr style="width: 100px; margin-left: auto; margin-right: 0;"/>
Balance, December 31, 2017	D	\$	<u><u>51</u></u>

WATER UTILITY CAPITAL FUND
ANALYSIS OF WATER UTILITY CAPITAL CASH

	Balance	Receipts		Disbursements		Balance	
	December 31, 2016	Budget Appropriations	Miscellaneous	Miscellaneous	Improvement Authorization	Transfers	December 31, 2017
Fund Balance	\$ 59,971	\$	\$	\$	\$	\$	\$ 59,971
Water Capital Improvement Fund	25,959	10,000					35,959
Water Capital Improvement Ord. 2015-15	32,606		580,000		514,596	(2,850)	95,160
Water Capital Contracts Payable	78,700			78,700		2,850	2,850
Due to Water Operating Fund	53		539	541			51
	<u>\$ 197,289</u>	<u>\$ 10,000</u>	<u>\$ 539</u>	<u>\$ 541</u>	<u>\$ 514,596</u>	<u>\$</u>	<u>\$ 193,991</u>
<u>Ref.</u>	D:D-5	D-13	D-5	57	D-17		D, D-5

WATER UTILITY OPERATING FUND
SCHEDULE OF WATER UTILITY CHARGES RECEIVABLE

	<u>Ref.</u>		
Balance, December 31, 2016	D		\$ 6,594
Increased by:			
Water Rents Levied			239,795
			<hr/> 246,389
Decreased by:			
Collections	D-6	\$ 238,227	
Overpayments Applied	D-15	537	
	D-3		<hr/> 238,764
Balance, December 31, 2017	D		<hr/> <hr/> \$ 7,625

WATER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

<u>Description:</u>	<u>Balance December 31, 2016</u>	<u>Additions</u>	<u>Balance December 31, 2017</u>
Springs and Wells	\$ 297,096	\$	\$ 297,096
Distribution Mains and Accessories	49,678		49,678
Pumping Station and Structures	7,251		7,251
Fire Hydrants	33,324		33,324
Water Tower and Standpipes	672,538		672,538
Water Service Installation	23,527		23,527
Electric Pumping Equipment	18,235		18,235
Maintenance Equipment	6,260		6,260
Miscellaneous Equipment	1,827		1,827
New Meters	41,434		41,434
Installation of New Service - N. Main Street	3,468		3,468
Rehabilitation of Well #6	92,685		92,685
Water System Improvements	588,015		588,015
Purchase of Water Meters	145,564		145,564
Repairs to Water Wells	50,000		50,000
Installation of New Tablet Chlorination Feed System	25,000		25,000
Scadata System		9,279	9,279
Well Pump Motor		6,697	6,697
Water Tank Improvements		659,840	659,840
	<u>\$ 2,055,902</u>	<u>\$ 659,840</u>	<u>\$ 2,731,718</u>
	Ref. D		D
Added by 2017 Capital Outlay	D-14	\$ 15,976	
Transfer from Fixed Capital Authorized and Uncompleted	D-16	659,840	
		<u>\$ 675,816</u>	

WATER UTILITY OPERATING FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES

	Balance December 31, 2016	Balance After Transfers	Paid or Charged	Balance Lapsed
Operations				
Salaries and Wages	\$ 5,341	\$ 5,341	\$	\$ 5,341
Other Expenses	21,452	21,452		21,452
Liability Insurance	65	65		65
Capital Improvements:				
Capital Outlay	13,457	13,457		13,457
Statutory Expenditures				
Social Security System	577	577		577
Unemployment Compensation Insurance	111	111		111
	<u>\$ 41,003</u>	<u>\$ 41,003</u>	<u>\$</u>	<u>\$ 41,003</u>

Ref.

D

D-1

WATER UTILITY OPERATING FUND
SCHEDULE OF ENCUMBRANCES PAYABLE

	<u>Ref.</u>		
Balance, December 31, 2016	D	\$	10,198
Increased by:			
Current Encumbrances	D-4		26,561
			<hr/> 36,759
Decreased by:			
Payments	D-5		10,198
			<hr/> 26,561
Balance, December 31, 2017	D	\$	<hr/> <hr/> 26,561

WATER UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>		
Balance, December 31, 2016	D	\$	25,959
Increased by:			
2017 Budget Appropriation	D-5,8		10,000
			<hr/> 35,959
Balance, December 31, 2017	D	\$	<hr/> <hr/> 35,959

WATER UTILITY CAPITAL FUND
SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>Ref.</u>		
Balance, December 31, 2016	D	\$	2,055,902
Increased by:			
Transfer from Deferred Amortization	D-18	\$	175,000
Capital Outlay by 2017 Operating Budget	D-10		15,976
			<u>190,976</u>
Balance, December 31, 2017			<u><u>2,246,878</u></u>

WATER UTILITY OPERATING FUND
SCHEDULE OF WATER RENT OVERPAYMENTS

	<u>Ref.</u>		
Balance, December 31, 2016	D	\$	537
Decreased by:			
Overpayments Applied	D-9		537
Balance, December 31, 2017	D	\$	<u><u>-</u></u>

WATER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

<u>Number</u>	<u>Ordinance Improvement Description</u>	<u>Balance December 31, 2016</u>	<u>Increased by 2017 Authorization</u>	<u>Transfer to Fixed Capital</u>	<u>Balance December 31, 2017</u>
2015-15	Water Tower Improvements	\$ 500,000	\$ 255,000	659,840	\$ 95,160
	Ref.	D	D-17	D-10	D

WATER CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATION

Ord. No.	Improvement Description	Ordinance		Balance December 31, 2016		2017 Authorization	Expended	Balance December 31, 2017	
		Date	Amount	Funded	Unfunded			Funded	Unfunded
2015-15	Water Tower Improvement	1/14/15	\$ 500,000	\$ 32,606	\$ 325,000	\$ 255,000	\$ 517,446	\$	\$ 95,160
				\$ 32,606	\$ 325,000	\$ 255,000	\$ 517,446	\$	\$ 95,160
		<u>Ref.</u>		D	D	D-16-19	D-5		D
	Encumbrance Payable		D-20				\$ 2,850		
	Payments		D-5,8				514,596		
							\$ 517,446		

WATER CAPITAL FUND
SCHEDULE OF RESERVE FOR DEFERRED AMORTIZATION

	<u>Ref.</u>	
Balance, December 31, 2016	D	\$ 175,000
Decreased by:		
Transfer to Reserve for Amortization	D-14	<u>175,000</u>
Balance, December 31, 2017	D	<u><u>-</u></u>

WATER UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ord</u> <u>No.</u>	<u>Improvement Description</u>	<u>Balance</u> <u>December</u> <u>31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December</u> <u>31, 2017</u>
15-15	Water Tower Improvements	\$ 325,000	\$ 255,000	\$ 580,000	\$ -
	Ref	D	D-17	D-21	D

WATER CAPITAL FUND
SCHEDULE OF CONTRACTS PAYABLE

	<u>Ref.</u>	
Balance, December 31, 2016	D	\$ 78,700
Increased by:		
Encumbrances Payable	D-17	2,850
		<u>81,550</u>
Decreased by:		
Payment	D-5	78,700
Balance, December 31, 2017	D	<u>\$ 2,850</u>

WATER CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE
LOAN PAYABLE

	<u>Ref.</u>	
Receipt	D-5,19	\$ 580,000
Balance, December 31, 2017	D	<u>\$ 580,000</u>

BOROUGH OF ELMER

COUNTY OF SALEM

PART II

INTERNAL CONTROL COMMENTS

GENERAL COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

GENERAL COMMENTS

**CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED PER
N.J.S. 40A:11-4**

N.J.S. 40A:11-4 states "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law." No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate of \$17,500, except by contract or agreement.

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

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

Reconstruction of State Street

N.J.S. 40A:11-5 provides for exceptions to the above-mentioned statutory bidding requirements for various stipulated areas of expenditures. Included in these areas of exception are all professional services, which include but are not limited to solicitors, engineers, land surveyors and accountants. However, in lieu of recording formal bidding procedures for these categories of expenditures, in awarding contracts to fill these positions, certain other statutory requirements must be adhered to by the governing body. These requirements include the following stipulation (**N.J.S. 40A:11-5 (1) (a) (i)**):

"The governing body shall, in each instance, state supporting reasons for its action in the resolution awarding each contract and shall forthwith cause to be printed once, in the official newspaper, a brief notice stating the nature, duration, service and amount of the contract, and that the resolution and contract are on file..."

Our examination indicated that the Borough complied with the requirements when soliciting professional services.

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.

**CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED PER
N.J.S. 40A:11-4 (Continued)**

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of statutory requirements "for the performance of any work or the furnishing or hiring of any materials or supplies" other than those where bids had been previously adopted under the provisions of **N.J.S. 40A:11-6**.

**AWARD OF PURCHASES, CONTRACTS OR AGREEMENTS BY QUOTATIONS
PER N.J.S. 40A:11-6.1**

Prior to the award of any purchase, contract or agreement, the contracting agent shall, except in the case of the performance of professional services, solicit quotations, whenever practicable, on any purchase, contract or agreement, the estimated cost or price of which is \$2,625, and the award thereof shall be made, in accordance with Section 3 (C.40A:11-3) or Section 4 (C.40A:11-4), as the case may be, of the Local Public Contracts Law, on the basis of the lowest responsible quotation received, which quotation is most advantageous to the contracting unit, price and other factors considered; provided, however, that if the contracting agent deems it impractical to solicit competitive quotations in the case of extraordinary, unspecifiable services, or, in the case of such or any other purchase, contract or agreement awarded hereunder, having sought such quotation received, the contracting agent shall file a statement of explanation of the reason or reasons therefore, which shall be placed on file with said purchase, contract or agreement.

Our examination indicated that, for individual payments, contracts or agreements, made "for the performance of any work or the furnishing or hiring of any materials or supplies" in excess of or \$2,625, solicitation for quotations was done for the appropriate purchases in accordance with the provisions of **N.J.S. 40A:11-6.1b**.

COLLECTION OF INTEREST ON DELINQUENT TAXES AND ASSESSMENTS

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

The Governing Body on January 4, 2017 adopted the following resolutions authorizing interest to be charged on delinquent taxes and water charges:

WHEREAS, the Borough of Elmer is able to set policies and procedures for the office of the Tax and Water Collector that allows for the best fiscal interest of the municipality,

COLLECTION OF INTEREST ON DELINQUENT TAXES AND ASSESSMENTS (Cont'd)

NOW, THEREFORE BE IT RESOLVED, that the Tax Collector, is hereby authorized and directed to the following:

TAXES

- a) Interest on taxes shall be 8% on the first \$1,500 of the delinquency and 18% on all subsequent delinquency until the account is paid in full all accounts have a 10 day grace period during each quarter when taxes are due
- b) A year end penalty of 6% for taxpayers with a delinquency in excess of \$10,000 who fail to pay the delinquency before the end of the year
- c) A tax sale of all delinquent accounts for the 2016 Municipal Taxes will be held no later than January 31, 2017.
- d) A tax sale of all delinquent accounts for the 2017 Municipal Taxes will be held no later than January 31, 2018.
- e) Delinquent tax accounts in the amount of +/- \$5.00 may, at the discretion of the tax collector be cancelled prior to the tax sale.
- f) Charges for Certificates of Redemption shall be \$25.00 per certificate.
- g) Charges for Replacements of Loss Tax Sale Certificates shall be \$100.00.
- h) All Tax Sale Liens shall be redeemed through certified funds only (cash, money order or certified check).
- i) All payments made to clear accounts for tax sale must be made through certified funds only (cash, money, certified check)
- j) Borough Charges for property clean-up, trash removal, and other similar charges shall be charged an interest rate of 18%, 30 days after the billing date.

WATER

- a) A late fee penalty on water shall be 5% on the 11th day following the due date on the bill. All accounts have a 10-day grace period during each quarter when the bills are due.
- b) A tax sale of all delinquent accounts for the 2016 Municipal Taxes will be held no later than January 31, 2017.
- c) A tax sale of all delinquent accounts for the 2017 Municipal Taxes will be held no later than January 31, 2018.
- d) All payments made to clear accounts for tax sale must be made through certified funds only (cash, money order, or certified check).
- e) Delinquent water accounts in the amount of +/- \$5.00 may, at the discretion of the tax collector be cancelled prior to the tax sale.
- f) Final water reads shall be given a charge of \$20.00 per read.

DELINQUENT TAXES AND TAX TITLE LIENS

The tax collection percentage increased from 97.36% in 2016 to 97.73% in 2017 and no properties were noted in Bankruptcy during the year under audit.

The last tax sale was held on January 4, 2017, and was complete and inspection of Tax Sale Certificates revealed that all were on file.

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>
2016	2
2015	2
2014	2

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

There were no foreclosures completed during 2017.

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 and generally accepted auditing standards, including the mailing of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2018 Taxes	40
Payments of 2017 Taxes	40
Delinquent Taxes	3
Tax Title Liens	4
Water Assessments	40

The result of the test, which was made as of November 30, 2017 and December 31, 2017, did not reveal any irregularities based upon inspection and evaluation of the test results.

GENERAL COMMENTS

MUNICIPAL COURT

The municipal court activities of the Borough of Elmer are maintained through the Mid Salem County Court which includes the Borough of Woodstown, the Borough of Elmer, the Township of Mannington and the Township of Quinton. Therefore, no court report is prepared or submitted by the Borough of Elmer.

ASSIGNMENT OF DUTIES

Due to the limited number of Borough employees, there is no segregation of duties in the maintenance of accounting records, cash receipts, cash disbursements, preparation of bank reconciliation's, and the review, approval, and distribution of payroll checks. The Borough Council, however, does not believe that the potential benefit of hiring additional employees would outweigh the cost of doing so at this time.

PAYMENT OF CLAIMS

During the course of the audit, it was noted that payments of claims contained the required supporting detail, required signatures and minute approval.

INTERFUND BALANCES

The results of our audit determined that interfunds appeared appropriate and that they were to be cleared during the subsequent year, where practical.

ANIMAL CONTROL FUND

The Borough issued 117 dog licenses during the year versus 221 in 2016. The animal control records for Dog and Cat licenses appeared properly maintained, during the year under audit and reconciled to detailed records.

PAYROLL FUND

The examination of the payroll fund determined that the detailed computation of various deductions and other credits were properly made and withholdings were always disbursed to the proper agencies on a timely basis.

GENERAL AND WATER CAPITAL FUNDS

There exist three remaining General Capital Project Ordinances that are currently being reviewed for expenditure or other proper disposition and no open Water Capital Projects. Funding of the open ordinances was determined to be within the applicable statutory requirements.

TAX OFFICE

The tax office maintains a computerized tax accounting system, which appeared to provide proper reports and balances. This included analysis of prior year balances, which have been cleared from the records.

TAX TITLE LIEN REDEMPTION and PREMIUM ACCOUNTS

The Borough maintains separate Tax Title Lien Redemption and Tax Sale Premium accounts, which were properly maintained during the year, including transfers to the Current Fund.

STATE OF NEW JERSEY - TECHNICAL ACCOUNTING DIRECTIVES

The Division has mandated that specific accounting procedures be adopted and operative pertaining to: use of the general ledger, general fixed asset ledger and an encumbrance purchase order system.

The general ledger record was properly maintained during the year and a selective encumbrance purchase order system appeared operative in the year under audit. Encumbrances payable were provided, tested, as part of the audit and reported as of December 31, 2017.

GRANT FUND RESERVE BALANCES

The grant fund contains numerous accounts receivables and reserve balances that are being reviewed for proper disposition by the Finance Officer.

ESCROW FUNDS AND OTER TRUST FUNDS

The Borough maintains trust funds for Escrow Accounts, Performance Guarantees, Fire Safety Fees and Snow Removal. An in-house computer is currently being used to maintain the accounting records as well as provide related internal controls for planning and zoning board escrow funds. A trial balance of open escrow accounts was processed as of December 31, 2017.

Schedule of Comments and Recommendations
For the Year Ended December 31, 2017

Schedule of Financial Statement Comments

This section identifies the instances of noncompliance that are required to be reported in accordance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

In accordance with governmental auditing standards, our procedures included a review of the prior year findings and resulted in the following conclusion:

There were no prior year recommendations.

RECOMMENDATIONS

None

APPRECIATION

We wish to express our appreciation for the assistance and courtesies rendered to us by the officials during the course of the audit.

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

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

Raymond Colavita, C.P.A.
Registered Municipal Accountant