

TOWNSHIP OF STILLWATER

COUNTY OF SUSSEX

REPORT OF AUDIT

2016

*NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF STILLWATER

COUNTY OF SUSSEX

REPORT OF AUDIT

2016

TOWNSHIP OF STILLWATER
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TOWNSHIP OF STILLWATER

PART I

FINANCIAL STATEMENTS AND

SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2016



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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* - of the various funds of the Township of Stillwater, in the County of Sussex (the "Township") as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, as listed in the table of contents.

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

Auditors' Responsibility

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund and account group of the Township as of December 31, 2016 and 2015, or the changes in financial position where applicable, thereof for the years then ended.

Basis for Qualified Opinion

The Township's general fixed assets account group is stated at historical cost or estimated historical cost in the accompanying financial statements. We were unable to obtain sufficient evidence to support the cost of the fixed assets of the general fixed assets account group. As more fully described in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. Therefore, based upon the underlying accounting records, we have not audited the general fixed assets account group.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects on the December 31, 2016 and 2015 financial statements of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds of the Township of Stillwater as of December 31, 2016 and 2015, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Other Matters

Supplementary Information

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

The Honorable Mayor and Members
of the Township Committee
Township of Stillwater
Page 3

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2017 on our consideration of the Township of Stillwater's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Stillwater's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
March 29, 2017

NISIVOCIA LLP



Valerie A. Dolan
Registered Municipal Accountant No. 548
Certified Public Accountant

TOWNSHIP OF STILLWATER
COUNTY OF SUSSEX
2016
CURRENT FUND

TOWNSHIP OF STILLWATER
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 4,221,219.19	\$ 3,874,636.75
Change Fund		275.00	275.00
		<u>4,221,494.19</u>	<u>3,874,911.75</u>
Due From State of New Jersey:			
Senior Citizen and Veterans Deductions		750.00	750.00
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	268,479.64	332,634.91
Tax Title Liens Receivable	A-8	396,761.28	328,390.20
Property Acquired for Taxes at Assessed Valuation		1,492,600.00	1,492,600.00
Revenue Accounts Receivable	A-9	43,834.34	10,136.45
Due from Payroll Agency Fund			329.66
Due Animal Control Trust Fund	B	<u>7,604.93</u>	<u>6,116.13</u>
Total Receivables and Other Assets			
With Full Reserves		<u>2,209,280.19</u>	<u>2,170,207.35</u>
Deferred Charges:			
Special Emergency Authorizations (40A:4-53)		<u>45,000.00</u>	<u>90,000.00</u>
		<u>45,000.00</u>	<u>90,000.00</u>
<u>TOTAL ASSETS</u>		<u>\$ 6,476,524.38</u>	<u>\$ 6,135,869.10</u>

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

		December 31,	
	<u>Ref.</u>	2016	2015
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 51,787.39	\$ 43,377.12
Unencumbered	A-3;A-11	561,438.33	488,233.39
		<u>613,225.72</u>	<u>531,610.51</u>
Prepaid Taxes		45,152.18	64,916.02
Tax Lien Overpayment		4,000.00	4,000.00
Accounts Payable - Vendors		116,925.00	116,925.00
Water District Taxes Payable		2,808.86	3,109.70
Due to State of New Jersey -			
Marriage License Fees		75.00	50.00
Due Other Trust Funds	B	94,899.00	3,734.40
Due General Capital Fund	C	40,000.00	21,204.00
Due to State of New Jersey - DCA Training Fees		496.00	1,294.00
Due to County of Sussex Added and Omitted Taxes		8,750.12	2,404.61
Reserve for:			
Sale of Municipal Assets		31,441.00	31,441.00
Master Plan		17,382.99	17,382.99
Public Assistance		4,760.31	4,760.31
Revaluation		55,246.50	55,246.50
Pending Tax Appeals		100,000.00	100,000.00
Reserve for Grant Funds - Appropriated:			
Clean Communities		33,595.18	23,597.57
Municipal Alliance			3,282.31
Recycling Tonnage Grant		3,889.05	
Federal Grant- Gypsy Moth Grant		2,559.89	
Federal Grant- FEMA - Generators		9,727.13	
Sustainable Jersey Small Grant		309.85	3,946.35
New Jersey State Police Grant		1,695.76	1,695.76
New Jersey Department of Transportation Trust Fund		150,000.00	150,000.00
Environmental Grant		3,710.00	3,710.00
Stormwater Management		6,250.00	6,250.00
		<u>1,346,899.54</u>	<u>1,150,561.03</u>
Reserve for Receivables and Other Assets	A	2,209,280.19	2,170,207.35
Fund Balance	A-1	2,920,344.65	2,815,100.72
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		\$ 6,476,524.38	\$ 6,135,869.10

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

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

	Year Ended December 31,	
Ref.	2016	2015
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 699,130.00	\$ 650,000.00
Miscellaneous Revenue Anticipated	698,159.45	637,431.01
Receipts from:		
Delinquent Taxes	330,694.52	281,949.41
Current Taxes	11,775,770.33	11,591,586.90
Nonbudget Revenue	40,400.60	66,646.00
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	203,819.39	354,150.40
Interfunds Returned	6,445.79	9,674.85
Total Income	13,754,420.08	13,591,438.57
<u>Expenditures</u>		
Budget and Emergency Appropriations:		
Municipal Purposes	2,847,282.16	2,634,024.38
County Taxes	2,424,645.02	2,310,276.75
Local District School Taxes	4,078,123.00	4,030,426.00
Regional School Districts Taxes	3,443,725.00	3,532,444.00
Open Space Taxes	12,193.99	12,482.16
Water District Taxes	109,505.76	109,505.76
State of New Jersey Refund -		
Overpayment of FEMA Reimbursements	26,966.29	
Interfunds Advanced	7,604.93	6,445.79
Total Expenditures	12,950,046.15	12,635,604.84
Excess in Revenue	804,373.93	955,833.73
<u>Fund Balance</u>		
Balance January 1	2,815,100.72	2,509,266.99
	3,619,474.65	3,465,100.72
Decreased by:		
Utilized as Anticipated Revenue	699,130.00	650,000.00
Balance December 31	A \$ 2,920,344.65	\$ 2,815,100.72

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

TOWNSHIP OF STILLWATER
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 699,130.00		\$ 699,130.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	1,000.00		1,680.00	\$ 680.00
Fees and Permits	95,000.00		112,425.15	17,425.15
Municipal Court - Fines and Costs	4,500.00		7,694.19	3,194.19
Interest and Costs on Taxes	55,000.00		82,725.09	27,725.09
Interest on Investments	1,200.00		2,742.36	1,542.36
Consolidated Municipal Property Tax Relief Act	1,831.00		1,831.00	
Energy Receipts Tax	275,900.00		275,900.00	
Garden State Preservation Trust Fund	64,272.00		64,272.00	
Uniform Construction Code Fees	50,000.00		54,044.00	4,044.00
Clean Communities Grant		\$ 18,168.43	18,168.43	
Municipal Alliance	1,500.00		725.55	774.45 *
Reserve for Recycling Tonnage Grant	3,889.05		3,889.05	
FEMA - Generator	40,500.00			40,500.00 *
Federal Grant - Gypsy Moth	39,370.00		36,810.11	2,559.89 *
Reserve to Pay Debt Service	35,252.52		35,252.52	
	669,214.57	18,168.43	698,159.45	10,776.45
Receipts from Delinquent Taxes	250,000.00		330,694.52	80,694.52
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	2,010,781.52		2,507,577.56	496,796.04
Budget Totals	3,629,126.09	18,168.43	4,235,561.53	588,267.01
Nonbudget Revenue			40,400.60	40,400.60
	\$ 3,629,126.09	\$ 18,168.43	\$ 4,275,962.13	\$ 628,667.61

TOWNSHIP OF STILLWATER
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes	\$ 11,775,770.33
Allocated to School, County, and Open Space Taxes	10,068,192.77
Balance for Support of Municipal Budget	<u>1,707,577.56</u>

Add: Appropriation "Reserve for Uncollected Taxes"	<u>800,000.00</u>
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Realized for Support of Municipal Budget	<u><u>\$ 2,507,577.56</u></u>
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Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$ 323,050.19
Tax Title Liens	<u>7,644.33</u>

	<u><u>\$ 330,694.52</u></u>
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Analysis of Fees and Permits:

Municipal Clerk	\$ 105,855.15	
Planning, Soil Erosion, and Board of Adjustment	800.00	
Recreation Commission	540.00	
Zoning Officer	<u>5,230.00</u>	
		<u><u>\$ 112,425.15</u></u>

Analysis of Interest on Investments

Collected/Received by the Treasurer	\$ 2,731.88	
Due from Other Trust Funds	<u>10.48</u>	
		<u><u>\$ 2,742.36</u></u>

TOWNSHIP OF STILLWATER
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(continued)

Analysis of Nonbudget Revenue:

Treasurer:

SECTV Franchise Fee	\$ 14,437.00	
Other Miscellaneous	<u>7,695.12</u>	
		\$ 22,132.12

Statutory Excess in Animal Control Trust Fund	7,604.93
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Tax Collector:

Miscellaneous Revenue	527.10
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Collection of Prior Year Grants Receivable:

Municipal Alliance - 2014	774.45
Municipal Alliance - 2015	4,362.00
Sustainable Jersey	<u>5,000.00</u>

	<u><u>\$ 40,400.60</u></u>
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THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF STILLWATER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL GOVERNMENT:					
General Administration:					
Salaries & Wages	\$ 60,886.00	\$ 60,886.00	\$ 58,604.34	\$ 2,281.66	
Other Expenses	11,300.00	11,300.00	10,907.17	392.83	
Mayor & Council:					
Salaries & Wages	20,140.00	20,140.00	20,140.00		
Other Expenses	5,850.00	5,850.00	3,708.07	2,141.93	
Municipal Clerk:					
Salaries & Wages	69,267.00	69,267.00	68,400.70	866.30	
Other Expenses	15,050.00	15,050.00	9,401.89	5,648.11	
Financial Administration:					
Salaries & Wages	57,473.00	57,713.00	57,616.24	96.76	
Other Expenses	5,512.50	5,512.50	5,312.01	200.49	
Annual Audit	28,254.00	28,254.00	27,800.00	454.00	
Data Processing:					
Other Expenses	15,660.00	15,660.00	14,332.52	1,327.48	
Tax Collector:					
Salaries & Wages	32,981.00	32,981.00	31,894.66	1,086.34	
Other Expenses	3,170.00	3,170.00	2,787.35	382.65	
Tax Assessment Administration:					
Salaries & Wages	28,835.00	28,835.00	28,835.00		
Other Expenses	13,175.00	13,175.00	6,441.97	6,733.03	
Legal Services and Costs:					
Other Expenses	70,000.00	70,000.00	35,736.01	34,263.99	

TOWNSHIP OF STILLWATER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL GOVERNMENT (continued):					
Engineering Services and Costs:					
Other Expenses	\$ 16,000.00	\$ 16,000.00	\$ 13,140.00	\$ 2,860.00	
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Planning Board:					
Salaries & Wages	6,194.00	6,194.00	6,194.00		
Other Expenses	8,150.00	8,150.00	3,503.58	4,646.42	
Zoning Board of Adjustment:					
Salaries & Wages	6,194.00	6,194.00	6,142.54	51.46	
Other Expenses	8,245.00	8,245.00	1,282.18	6,962.82	
Zoning Officer:					
Salaries & Wages	35,547.00	35,547.00	35,547.00		
Other Expenses	950.00	950.00	446.00	504.00	
Insurance:					
Group Insurance Plans for Employees	241,500.00	241,500.00	232,757.74	8,742.26	
General Liability Insurance	102,988.00	102,988.00	102,288.00	700.00	
Worker's Compensation	49,494.00	49,494.00	49,494.00		
Health Insurance Waiver	5,000.00	5,000.00	5,000.00		
Unemployment Insurance	8,000.00	8,000.00	4,168.26	3,831.74	
Other Insurance Premiums	1,000.00	1,000.00	500.00	500.00	
CODE ENFORCEMENT AND ADMINISTRATION:					
Building Sub-Code Official:					
Salaries & Wages	32,091.00	32,091.00	31,891.00	200.00	
Other Expenses	4,850.00	4,850.00	3,486.50	1,363.50	

TOWNSHIP OF STILLWATER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
PUBLIC SAFETY:					
Contribution to First Aid Organizations	\$ 18,000.00	\$ 18,000.00	\$ 17,879.00	\$ 121.00	
Police:					
Salaries & Wages		2,475.00	2,399.04	75.96	
Other Expense		120.00	120.00		
Aid to Volunteer Fire Companies	35,000.00	35,000.00	35,000.00		
Municipal Court:					
Other Expenses	39,535.00	39,535.00	39,535.00		
Fire Department:					
Other Expenses	27,900.00	28,900.00	28,068.45	831.55	
Emergency Management Services:					
Salaries & Wages	1,793.00	1,793.00	1,642.72	150.28	
Other Expenses	2,200.00	2,200.00	40.68	2,159.32	
STREETS AND ROADS:					
Public Works Department:					
Salaries & Wages	305,600.00	305,600.00	286,516.76	19,083.24	
Other Expenses	233,900.00	233,900.00	70,425.57	163,474.43	
Recycle Program:					
Salaries & Wages	11,598.00	11,598.00	11,096.06	501.94	
Solid Waste Collection:					
Salaries & Wages	18,000.00	18,000.00	9,700.31	8,299.69	
Other Expenses	52,000.00	52,000.00	40,514.71	11,485.29	
Landfill Testing	5,500.00	5,500.00	5,165.00	335.00	

TOWNSHIP OF STILLWATER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
STREETS AND ROADS:					
Public Building and Grounds:					
Other Expenses	\$ 31,410.00	\$ 31,410.00	\$ 28,969.67	\$ 2,440.33	
Vehicle Maintenance :					
Other Expenses	73,325.00	73,325.00	49,189.63	24,135.37	
Gypsy Moth Control:					
Other Expenses	87,630.00	87,630.00	82,216.19	5,413.81	
HEALTH AND WELFARE:					
Dog Regulation:					
Salaries & Wages (Animal Control Officer)	8,109.00	8,109.00	8,109.00		
Board of Health:					
PEOSHA- Hepatitis B Vaccinations	2,000.00	2,000.00		2,000.00	
PEOSHA- Judgment	5,000.00	5,000.00	780.00	4,220.00	
Environmental Health Services:					
Salaries & Wages	2,485.00	2,485.00	2,485.00		
Other Expenses	5,725.00	5,725.00	1,845.50	3,879.50	
RECREATION AND EDUCATION:					
Parks and Playgrounds:					
Salaries & Wages	1,910.00	1,910.00	1,910.00		
Other Expenses	24,200.00	24,200.00	20,775.63	3,424.37	
Celebration of Public Events:					
Other Expenses	1,000.00	1,000.00		1,000.00	

TOWNSHIP OF STILLWATER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
UNCLASSIFIED:					
Municipal Services Act:					
Other Expenses	\$ 166,000.00	\$ 166,000.00	\$ 44,184.05	\$ 121,815.95	
Utilities:					
Electricity	9,000.00	9,000.00	7,492.83	1,507.17	
Telephone (excluding equipment acquisition)	11,700.00	11,700.00	11,032.10	667.90	
Gas (natural or propane)	11,500.00	11,500.00	3,841.10	7,658.90	
Fuel Oil	7,100.00	7,100.00	1,734.52	5,365.48	
Gasoline	48,000.00	44,165.00	16,771.13	27,393.87	
Total Operations including Contingent within "CAPS"	<u>2,210,876.50</u>	<u>2,210,876.50</u>	<u>1,707,198.38</u>	<u>503,678.12</u>	
Detail:					
Salaries & Wages	699,103.00	701,818.00	669,124.37	32,693.63	
Other Expenses	<u>1,511,773.50</u>	<u>1,509,058.50</u>	<u>1,038,074.01</u>	<u>470,984.49</u>	
Deferred Charges and Statutory Expenditures -					
Municipal Within "CAPS":					
Public Employees Retirement System	50,570.00	50,570.00	50,570.00		
Social Security System (O.A.S.I.)	53,000.00	53,000.00	50,471.23	2,528.77	
DCRP	<u>3,000.00</u>	<u>3,000.00</u>	<u>1,768.56</u>	<u>1,231.44</u>	
Total Deferred Charges and Statutory Expenditures -					
Municipal Within "CAPS"	<u>106,570.00</u>	<u>106,570.00</u>	<u>102,809.79</u>	<u>3,760.21</u>	
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>2,317,446.50</u>	<u>2,317,446.50</u>	<u>1,810,008.17</u>	<u>507,438.33</u>	

TOWNSHIP OF STILLWATER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Total Operations Excluded "CAPS":					
Fire Department - Other Expenses (LOSAP)	\$ 48,000.00	\$ 48,000.00		\$ 48,000.00	
Police and Fire Dispatch Services:					
Shared Service Agreements (Police/Fire)	12,240.00	12,240.00	\$ 12,240.00		
Public and Private Programs Offset by Revenues:					
Clean Communities Grant (N.J.S.A. 40A:4-87, +\$18,168.43)		18,168.43	18,168.43		
Reserve for Recycling Tonnage Grant	3,889.05	3,889.05	3,889.05		
FEMA - Generator	40,500.00	40,500.00	40,500.00		
Federal Grant - Gypsy Moth	39,370.00	39,370.00	39,370.00		
Municipal Alliance on Alcoholism and Drug Abuse:					
State Share	1,500.00	1,500.00	1,500.00		
Total Operations Excluded from "CAPS"	145,499.05	163,667.48	115,667.48	48,000.00	
Detail:					
Other Expenses	145,499.05	163,667.48	115,667.48	48,000.00	
Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	30,000.00	30,000.00	30,000.00		
Reserve for Purchase of DPW Equipment	3,000.00	3,000.00		3,000.00	
Reserve for Purchase of Emergency Vehicle	3,000.00	3,000.00		3,000.00	
Total Capital Improvements - Excluded from "CAPS"	36,000.00	36,000.00	30,000.00	6,000.00	

TOWNSHIP OF STILLWATER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Municipal Debt Service - Excluded from "CAPS":					
Payment of Bond Anticipation Notes and Capital Notes	\$ 265,000.00	\$ 265,000.00	\$ 265,000.00		
Interest on Notes	11,580.54	11,580.54	11,580.54		
Crandon Lakes Dam Loan - Principal and Interest	8,600.00	8,600.00	8,587.64		\$ 12.36
Total Municipal Debt Service - Excluded from "CAPS"	285,180.54	285,180.54	285,168.18		12.36
Deferred Charges - Municipal - Excluded from "CAPS":					
Special Emergency Authorizations	45,000.00	45,000.00	45,000.00		
Total Deferred Charges - Municipal - Excluded from "CAPS"	45,000.00	45,000.00	45,000.00		
Total General Appropriations - Excluded from "CAPS"	511,679.59	529,848.02	475,835.66	54,000.00	12.36
Subtotal General Appropriations	2,829,126.09	2,847,294.52	2,285,843.83	561,438.33	12.36
Reserve for Uncollected Taxes	800,000.00	800,000.00	800,000.00		
Total General Appropriations	\$ 3,629,126.09	\$ 3,647,294.52	\$ 3,085,843.83	\$ 561,438.33	\$ 12.36

Ref.

A

TOWNSHIP OF STILLWATER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Ref.</u>	Analysis of	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 3,629,126.09	
Added by N.J.S.A. 40A:4-53		18,168.43	
		<u>\$ 3,647,294.52</u>	
Reserve for Uncollected Taxes			\$ 800,000.00
Reserve for Encumbrances	A		51,787.39
Deferred Charges:			
Special Emergency Authorizations			45,000.00
Reserve for Recycling Tonnage Grant			3,889.05
Reserve for Clean Communities			18,168.43
Reserve for FEMA Generator			40,500.00
Reserve for Federal Grant- Gypsy Moth			39,370.00
Reserve for Municipal Alliance - State Share			1,500.00
Cash Disbursed			<u>2,101,585.91</u>
			3,101,800.78
Less: Appropriation Refunds			<u>15,956.95</u>
			<u>\$ 3,085,843.83</u>

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

TOWNSHIP OF STILLWATER
COUNTY OF SUSSEX
2016
TRUST FUNDS

TOWNSHIP OF STILLWATER
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31	
	Ref.	2016	2015
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents			
Treasurer	B-4	\$ 17,302.93	\$ 15,982.73
Total Animal Control Trust Funds		17,302.93	15,982.73
Assessment Trust Fund:			
Assessment Receivable		183.47	183.47
Assessment Liens		7,812.43	7,812.43
Assessments and Liens Interest and Costs		1,069.73	1,069.73
Total Assessment Trust Fund		9,065.63	9,065.63
Other Trust Funds:			
Cash and Cash Equivalents	B-4	680,218.16	746,754.22
Due Current Fund	A	94,899.00	3,734.40
Total Other Trust Funds		775,117.16	750,488.62
<u>TOTAL ASSETS</u>		<u>\$ 801,485.72</u>	<u>\$ 775,536.98</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Reserve for Animal Control Expenditures	B-6	\$ 9,696.80	\$ 9,866.60
Due Current Fund	A	7,604.93	6,116.13
Due State of New Jersey		1.20	
Total Animal Control Trust Funds		17,302.93	15,982.73
Assessment Trust Fund:			
Reserve for Assessments and Liens Receivable		7,995.90	7,995.90
Reserve for Assessments and Liens Interest and Costs		1,069.73	1,069.73
Total Assessment Trust Fund		9,065.63	9,065.63

TOWNSHIP OF STILLWATER
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31	
<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Other Trust Funds:		
Reserve for:		
Driveway Bonds	\$ 48,867.46	\$ 48,867.46
Subdivision Deposits	20,946.29	21,616.13
Tax Sale Premiums	127,300.00	151,600.00
Landfill Escrow	8,077.47	8,063.56
Recycling	73,283.69	82,770.12
Recreation Commission	1,635.38	1,286.17
DNA Lifeprint	1,062.63	1,062.10
Council on Affordable Housing	40,867.88	36,971.41
Municipal Open Space	101,236.39	97,932.43
Storm Recovery	262,852.09	209,552.09
Compensated Absences	62,242.21	64,034.86
Performance Bonds	26,745.67	26,732.29
Total Other Trust Funds	<u>775,117.16</u>	<u>750,488.62</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 801,485.72</u>	<u>\$ 775,536.98</u>

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

TOWNSHIP OF STILLWATER
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

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

TOWNSHIP OF STILLWATER
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

TOWNSHIP OF STILLWATER
COUNTY OF SUSSEX
2016
GENERAL CAPITAL FUND

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

		December 31,	
	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 1,270,241.05	\$ 946,311.88
Due Current Fund	A	40,000.00	21,204.00
New Jersey Department of Transportation Grant Receivable		195,000.00	
Deferred Charges to Future Taxation:			
Unfunded	C-4	<u>1,906,575.00</u>	<u>1,813,000.00</u>
<u>TOTAL ASSETS</u>		<u>\$ 3,411,816.05</u>	<u>\$ 2,780,515.88</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-7	\$ 1,876,475.00	\$ 1,528,000.00
Improvement Authorizations:			
Funded	C-5	666,564.65	284,966.14
Unfunded	C-5	646,070.00	329,524.37
Contracts Payable			93,199.74
Capital Improvement Fund	C-6	18,338.30	6,128.30
Reserve for Purchase of Emergency Vehicle		7,622.30	7,622.30
Reserve for DPW Equipment			6,000.00
Reserve for Road Reconstruction		48,988.69	16,423.69
Reserve for Vegetative Mitigation			162,000.00
Reserve for PSE&G Susquehanna Roseland Project		42,768.00	242,768.00
Reserve for PEOSHA Gear		7,435.00	7,435.00
Reserve for Courtroom Improvements			21,900.00
Reserve for Housing Rehabilitation Fund		3,129.25	2,477.83
Reserve to Pay Debt Service		57,606.87	35,252.52
Fund Balance	C-1	<u>36,817.99</u>	<u>36,817.99</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 3,411,816.05</u>	<u>\$ 2,780,515.88</u>

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

TOWNSHIP OF STILLWATER
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2015	C	\$ 36,817.99
Balance December 31, 2016	C	<u>\$ 36,817.99</u>

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

TOWNSHIP OF STILLWATER
COUNTY OF SUSSEX
2016
WATER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF STILLWATER
COUNTY OF SUSSEX
2016
SEWER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF STILLWATER
COUNTY OF SUSSEX
2016
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF STILLWATER
COUNTY OF SUSSEX
2016
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF STILLWATER
COUNTY OF SUSSEX
2016
GENERAL FIXED ASSETS ACCOUNT GROUP

(UNAUDITED)

TOWNSHIP OF STILLWATER
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
 (Unaudited)

	December 31,	
	2016	2015
<u>ASSETS</u>		
Land	\$ 2,755,615.00	\$ 2,755,615.00
Buildings and Improvements	610,675.00	610,675.00
Equipment	3,308,423.65	3,308,423.65
<u>TOTAL ASSETS</u>	<u>\$ 6,674,713.65</u>	<u>\$ 6,674,713.65</u>
 <u>LIABILITIES AND RESERVES</u>		
Reserve for Fixed Assets	\$ 6,674,713.65	\$ 6,674,713.65
<u>TOTAL LIABILITIES AND RESERVES</u>	<u>\$ 6,674,713.65</u>	<u>\$ 6,674,713.65</u>

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

TOWNSHIP OF STILLWATER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources, and significance) should be included in the financial reporting entities. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of Governmental Accounting Standards Board's Codification section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

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

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

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

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

General Fixed Assets Account Group (Unaudited) - These accounts were established with estimated values of land, buildings and certain fixed assets of the Township as discussed in Note 1E.

TOWNSHIP OF STILLWATER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

C. Basis of Accounting

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

The more significant accounting policies in New Jersey follow:

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

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

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

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

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

TOWNSHIP OF STILLWATER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

C. Basis of Accounting (Cont'd)

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

D. Deferred Charges to Future Taxation

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

E. Other significant accounting policies include:

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

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

Investments – Investments are stated at cost or amortized cost, which approximates market.

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

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

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

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.

TOWNSHIP OF STILLWATER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

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

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

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

F. Budget/Budgetary Control

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

Note 2: Long-Term Debt

Summary of Municipal Debt

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

TOWNSHIP OF STILLWATER
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2016
 (Continued)

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

Summary of Municipal Debt (Cont'd)

	December 31,		
	2016	2015	2014
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 1,876,475.00	\$ 1,528,000.00	\$ 1,405,000.00
	<u>1,876,475.00</u>	<u>1,528,000.00</u>	<u>1,405,000.00</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	30,100.00	285,000.00	
	<u>30,100.00</u>	<u>285,000.00</u>	
Less:			
Reserve to Pay Debt Service	<u>57,606.87</u>	<u>35,252.52</u>	
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 1,848,968.13</u>	<u>\$ 1,777,747.48</u>	<u>\$ 1,405,000.00</u>

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .415%.

	Gross Debt	Deductions	Net Debt
School Debt	\$ 266,039.08	\$ 266,039.08	
General Debt	<u>1,906,575.00</u>	<u>57,606.87</u>	<u>\$ 1,848,968.13</u>
	<u>\$ 2,172,614.08</u>	<u>\$ 323,645.95</u>	<u>\$ 1,848,968.13</u>

Net Debt: \$1,848,968.13 divided by Average Equalized Valuations of \$445,423,806.33 of Real Property = .415%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 15,589,833.22
Net Debt	<u>1,848,968.13</u>
Remaining Borrowing Power	<u>\$ 13,740,865.09</u>

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

TOWNSHIP OF STILLWATER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

Summary of Municipal Debt Issued and Outstanding - Prior Year

Fund	Balance 12/31/2014	Additions	Retirements	Balance 12/31/2015
Bond Anticipation Notes:				
General Capital Fund	\$1,405,000.00	\$1,528,000.00	\$1,405,000.00	\$1,528,000.00
	<u>\$1,405,000.00</u>	<u>\$1,528,000.00</u>	<u>\$1,405,000.00</u>	<u>\$1,528,000.00</u>

Summary of Municipal Debt Issued and Outstanding - Current Year

Fund	Balance 12/31/2015	Additions	Retirements	Balance 12/31/2016
Bond Anticipation Notes:				
General Capital Fund	\$1,528,000.00	\$1,876,475.00	\$1,528,000.00	\$1,876,475.00
	<u>\$1,528,000.00</u>	<u>\$1,876,475.00</u>	<u>\$1,528,000.00</u>	<u>\$1,876,475.00</u>

The Township's debt issued and outstanding on December 31, 2016 is described as follows:

General Capital - Bond Anticipation Notes Payable

	Final Maturity	Rate	Amount
Total Debt Issued and Outstanding	9/22/2017	0.90%	<u>\$ 1,876,475.00</u>

Net Pension Liability

The State of New Employees' Retirement System's (PERS) net pension liability was calculated to be \$1,320,406 at December 31, 2015.

Note 3: Fund Balances Appropriated

The amount of fund balance at December 31, 2017, which is included in the Current Fund introduced budget for the year ending December 31, 2016 was \$723,000.

Note 4: School District Taxes

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

The Township of Stillwater has not elected to defer school taxes.

TOWNSHIP OF STILLWATER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 5: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding years. As of December 31, 2016 the following deferred charge is required to be raised in succeeding years as follows:

	<u>Balance at</u> <u>Dec. 31, 2016</u>	<u>To be</u> <u>Raised in</u> <u>2017 Budget</u>	<u>Balance to</u> <u>Succeeding</u> <u>Years Budgets</u>
<u>Current Fund</u>			
Special Emergency Authorization	\$ 45,000.00	\$ 45,000.00	\$ -0-

The appropriation in the 2017 budget is not less than that required by statute.

Note 6: Pension Plans

Township employees participate in a defined benefit public employee retirement system, the State of New Jersey Public Employee's Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible 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

TOWNSHIP OF STILLWATER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 6: Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 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. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$50,570 for 2016.

The employee contribution rate was 7.06% effective July 1, 2015 and increased to 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At December 31, 2015, the Township's liability was \$1,320,406 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the Township's proportion was 0.006%, which was an increase of 0.000% from its proportion measured as of June 30, 2014. The Township has rolled forward the net pension liability to December 31, 2015 with no adjustments. The State of New Jersey Public Employee's Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Services, State of New Jersey is permitting municipalities to include the June 30, 2015 pension information in the Notes to the Financial Statements as the June 30, 2016 has not been released as of the date of this audit.

For the year ended December 31, 2016, the Township recognized actual pension expense in the amount of \$50,570.

TOWNSHIP OF STILLWATER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 6: Pension Plans (Cont'd)

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

Actuarial Assumptions

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

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

TOWNSHIP OF STILLWATER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 6: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of 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 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Township's proportionate share of the collective net pension liability as of December 31, 2015 calculated using the discount rate as disclosed below, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

TOWNSHIP OF STILLWATER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 6: Pension Plans (Cont'd)

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

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

	December 31, 2015		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(3.90%)	(4.90%)	(5.90%)
Township's proportionate share of the Net Pension Liability	\$ 1,641,103	\$ 1,320,406	\$ 1,051,536

Pension Plan Fiduciary Net Position

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

B. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Township recognized pension expense of \$1,768.56 for the year ended December 31, 2016. Employee contributions to DCRP amounted to \$2,453.65 for the year ended December 31, 2016.

TOWNSHIP OF STILLWATER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 7: Accrued Sick and Vacation Benefits

The Township permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$60,000 at December 31, 2016. This amount is not reported either as an expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used. This amount has been funded in the Reserve for Accumulated Sick of \$62,242.21 on the Trust Fund balance sheet at December 31, 2016.

Note 8: Deferred Compensation

The Township offers its employees a choice of deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans permit participants to defer a portion of their salary until future years. Amounts deferred under these plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plans are administered by the Nationwide.

Note 9: Selected Tax Information

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Tax Rate</u>	\$ 2.954	\$ 2.936	\$ 2.916
<u>Apportionment of Tax Rate</u>			
Municipal	0.499	0.495	0.513
County	0.598	0.572	0.563
Local School	1.007	0.996	0.985
Regional School	0.850	0.873	0.855
<u>Assessed Valuations</u>			
2016	\$ 404,975,204.00		
2015		\$ 404,507,556.00	
2014			\$ 405,678,306.00

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

TOWNSHIP OF STILLWATER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 9: Selected Tax Information (Cont'd)

Comparison of Tax Levies and Collections Currently

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collections</u>
2016	\$ 12,115,645.15	\$ 11,775,770.33	97.19%
2015	11,997,732.02	11,591,586.90	96.61%
2014	11,946,223.86	11,601,913.60	97.12%

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

Note 10: Cash and Cash Equivalents

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

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

GASB Statement No. 40 *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the Township in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

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

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

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

Deposits:

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

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

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

TOWNSHIP OF STILLWATER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 10: Cash and Cash Equivalents (Cont'd)

Deposits: (Cont'd)

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

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

Investments

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

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

TOWNSHIP OF STILLWATER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 10: Cash and Cash Equivalents (Cont'd)

As of December 31, 2016, cash and cash equivalents of the Township of Stillwater consisted of the following:

<u>Fund</u>	<u>Change Funds</u>	<u>Checking Accounts</u>	<u>Total</u>
Current Fund	\$ 275.00	\$ 4,221,219.19	\$ 4,221,494.19
Animal Control Trust Fund		17,302.93	17,302.93
Other Trust Fund		680,218.16	680,218.16
General Capital Fund		1,270,241.05	1,270,241.05
	<u>\$ 275.00</u>	<u>\$ 6,188,981.33</u>	<u>\$ 6,189,256.33</u>

During the period ended December 31, 2016, the Township did not hold any investments. The carrying amount of the Township's cash and cash equivalents at December 31, 2016, was \$6,189,256.33 and the bank balance was \$6,263,861.68.

Note 11: Post-Retirement Medical Benefits

In addition to the pension benefits described in Note 6, the Township provides other post-retirement benefits to certain Township employees after retirement, substantially similar in nature to the health benefits provided to employees presently working.

The Township contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP.

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

Municipal Employees

Upon retirement, employees with twenty-five (25) years of full-time service with the Township will receive full benefits. The coverage applies to the employee and their dependents. In the event of an employee's death, coverage ceases.

Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

TOWNSHIP OF STILLWATER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 11: Post-Retirement Medical Benefits (Cont'd)

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to:

State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Township on a monthly basis.

The Township's portion of post-retirement benefits is funded on a pay-as-you go basis from the Current Fund operating budget. During 2016 and 2015, the Township had 8 employees who met eligibility requirements and recognized expenses of approximately \$139,522.34 and \$144,035 respectively.

Note 12: Risk Management

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

Property, Liability and Workers' Compensation

The Township is currently a member of the Statewide Insurance Fund (the "Fund"). The Fund provides its members with Auto, Liability, Property Insurance, Workers' Compensation and Employee Liability Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self-administered group of governmental entities established for the purpose of providing low-cost insurance coverage for its members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

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

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. The members may either receive payment or offset their subsequent year assessments with their respective share of the distribution.

TOWNSHIP OF STILLWATER
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2016
 (Continued)

Note 12: Risk Management (Cont'd)

The December 31, 2016 audit report of the Fund is not filed as of the date of this report. Selected, summarized financial information for the Fund as of December 31, 2015 is as follows:

	Statewide Insurance Fund
Total Assets	\$ 42,511,989
Net Position	\$ 5,327,694
Total Revenue	\$ 27,313,612
Total Expenses	\$ 27,163,170
Change in Net Position	\$ 150,442
Members Dividends	\$ -0-

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

Statewide Insurance Fund
 26 Columbia Turnpike
 P.O. Box 678
 Florham Park, NJ 07932-0678
 (973) 549-1900

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Township is required to remit employee withholdings to the State on a quarterly basis. All of the Township's claims are paid by the State.

Note 13: Interfund Receivables and Payables

The following interfund balances remain on the balance sheet at December 31, 2016:

<u>Fund</u>	Interfund Receivables	Interfund Payables
Current Fund	\$ 7,604.93	\$ 134,899.00
Animal Control Trust Fund		7,604.93
Other Trust Funds	94,899.00	
General Capital Fund	40,000.00	
	\$ 142,503.93	\$ 142,503.93

The interfund between the Current Fund and the Animal Control Trust Fund represents the Statutory Excess in the Reserve for Animal Control Expenditures. The interfund between General Capital Fund and Current Fund represents the transfer of capital appropriation reserves from Current Fund to General Capital Fund to the reserve for road reconstruction. The interfund payable from Current Fund to Other Trust Funds is for the transfer of appropriation reserves from Current Fund to Other Trust to the storm recovery and accumulated sick reserves.

TOWNSHIP OF STILLWATER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 14: Economic Dependency

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

Note 15: Open Space Trust Fund

The Township of Stillwater created an Open Space Trust Fund with a tax levy of \$.02 per \$100 of assessed valuation in 1999. The funds collected are used to acquire and maintain open space property in the Township. The balances of the Open Space Trust Fund at December 31, 2016 and 2015 were \$101,236.39 and \$97,932.43, respectively.

Note 16: Contingent Liabilities

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

Various tax appeals on assessed valuations have been filed against the Township and are awaiting tax court decisions. The ultimate outcome and effect of such appeals have not been determined; however, the Tax Assessor will aggressively defend the Township's assessments. The Township has established a reserve, which it feels is sufficient, for this contingency in the amount of \$100,000.00.

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

TOWNSHIP OF STILLWATER

SUPPLEMENTARY DATA

TOWNSHIP OF STILLWATER
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2016

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Surety</u>
Timmy Fisher	Mayor		
George Scott	Deputy Mayor		
Lisa Chammings	Committee Member		
Charles Gross	Committee Member		
William Morrison	Committee Member		
Dana J. Mooney	Chief Financial Officer	(A)	*
Gisela Boltzer	Tax Collector	(A)	*
Penny Holenstein	Tax Assessor	(A)	*
Lynda Knott	Township Clerk	(A)	*
Richard Stein, Esq.	Attorney		

All bonds were examined and were properly executed.

* There is Public Employees Blanket Crime Coverage for \$1,000,000 covering all municipal employees, including statutory positions with the Statewide Insurance Fund.

TOWNSHIP OF STILLWATER
COUNTY OF SUSSEX
2016
CURRENT FUND

TOWNSHIP OF STILLWATER
CURRENT FUND
SCHEDULE OF CASH

Balance December 31, 2015	<u>Ref.</u> A	\$ 3,874,636.75
Increased by Receipts:		
Tax Collector	\$ 12,191,270.86	
Revenue Accounts Receivable	625,560.33	
Miscellaneous Revenue Not Anticipated	22,132.12	
Due State of New Jersey:		
Marriage License Fees	575.00	
DCA Training Fees	3,500.00	
Veterans and Senior Citizens' Deductions	38,750.00	
Due Animal Control Trust Fund	6,116.13	
Due Other Trust Funds:		
Interfunds Returned	3,496.37	
Due Payroll Agency Account	382.50	
Appropriation Refunds	15,956.95	
		<u>12,907,740.26</u>
		16,782,377.01
Decreased by Disbursements:		
2016 Appropriation Expenditures	2,101,585.91	
2015 Appropriation Reserves	200,112.41	
Regional School Taxes	3,443,725.00	
Local School Taxes	4,078,123.00	
County Taxes	2,418,299.51	
Tax Overpayments Refunded	11,047.65	
Due State of New Jersey:		
Marriage License Fees	550.00	
DCA Training Fees	4,298.00	
Redemption of Outside Liens	39,120.01	
Due to Water District	109,806.60	
Due Other Trust Funds:		
Open Space Tax Levy	12,193.99	
Interfunds Returned	9,900.00	
Due Payroll Agency Account	52.84	
Due General Capital Fund:		
Interfunds Returned	21,204.00	
Appropriated Grant Reserves:		
Clean Communities	8,170.82	
Sustainable Jersey Small Grant	3,636.50	
Federal Grant- Gypsy Moth Grant	36,810.11	
Federal Grant- FEMA - Generators	30,772.87	
Municipal Alliance - State Share	4,782.31	
State of New Jersey Refund -		
Overpayment of FEMA Reimbursements	26,966.29	
		<u>\$ 12,561,157.82</u>
Balance December 31, 2016	A	<u>\$ 4,221,219.19</u>

TOWNSHIP OF STILLWATER
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2016

Increased by Receipts:

Taxes Receivable	\$ 11,995,154.50	
Interest and Costs on Taxes	82,725.09	
2017 Prepaid Taxes	45,152.18	
Tax Overpayments	11,047.65	
Tax Title Liens	7,644.33	
Outside Liens	39,120.01	
Tax Sale Premiums - Due Other Trust Funds	9,900.00	
Miscellaneous Revenue Not Anticipated	527.10	
	<hr/>	\$ 12,191,270.86

Decreased by:

Disbursed to Municipal Treasurer	<hr/>	12,191,270.86
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TOWNSHIP OF STILLWATER
CURRENT FUND
SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

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

Year	Balance Dec. 31, 2015	2016 Levy	Collections		State of NJ Veterans and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2016
			2015	2016				
2015	\$ 332,634.91			\$ 323,050.19		\$ 447.01	\$ 9,137.71	
2016		\$ 12,115,645.15	\$ 64,916.02	11,672,104.31	\$ 38,750.00	6,263.26	65,131.92	\$ 268,479.64
	<u>\$ 332,634.91</u>	<u>\$ 12,115,645.15</u>	<u>\$ 64,916.02</u>	<u>\$ 11,995,154.50</u>	<u>\$ 38,750.00</u>	<u>\$ 6,710.27</u>	<u>\$ 74,269.63</u>	<u>\$ 268,479.64</u>

Ref.

A

A

Analysis of 2016 Property Tax Levy

Tax Yield:

General Purpose Tax	\$ 11,962,967.53	
Special District Taxes	109,505.76	
Added and Omitted Taxes	<u>43,171.86</u>	
		<u>\$ 12,115,645.15</u>
Regional School District Taxes		\$ 3,443,725.00
Local School District Taxes		4,078,123.00
County Taxes:		
General Tax	\$ 2,206,850.94	
Library Tax	139,058.66	
Health Tax	59,795.11	
County Open Space Tax	10,280.19	
Due County for Added and Omitted Taxes	<u>8,660.12</u>	
		2,424,645.02
Water District		109,505.76
Municipal Open Space		<u>12,193.99</u>
		10,068,192.77
Local Tax for Municipal Purposes Levied	2,010,781.52	
Add: Additional Tax Levied	<u>36,670.86</u>	
		<u>2,047,452.38</u>
		<u>\$ 12,115,645.15</u>

TOWNSHIP OF STILLWATER
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>		
Balance December 31, 2015	A	\$	328,390.20
Increased by:			
Transfer from Taxes Receivable		\$	74,269.63
Interest and Costs on Tax Sale			<u>1,745.78</u>
			<u>76,015.41</u>
			404,405.61
Decreased by:			
Redeemed			<u>7,644.33</u>
Balance December 31, 2016	A	\$	<u><u>396,761.28</u></u>

TOWNSHIP OF STILLWATER
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Accrued In</u> <u>2016</u>	<u>Collected by</u> <u>Treasurer</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Clerk:				
Alcoholic Beverage Licenses		\$ 1,680.00	\$ 1,680.00	
Fees and Permits		105,855.15	105,855.15	
Municipal Court:				
Fines and Costs		7,694.19	7,694.19	
Uniform Construction Code Fees:				
Fees and Permits		54,044.00	54,044.00	
Planning Board, Soil Erosion, & Board of Adjustment:				
Fees and Permits		800.00	800.00	
Recreation Commission:				
Fees and Permits		540.00	540.00	
Zoning Board:				
Fees and Permits		5,230.00	5,230.00	
Cell Tower Rental		2,731.88	2,731.88	
Interest on Investments		1,831.00	1,831.00	
Consolidated Municipal Property Tax Relief Program		275,900.00	275,900.00	
Energy Receipts Tax		18,168.43	18,168.43	
Clean Communities Grant -2016		39,370.00	36,810.11	\$ 2,559.89
Federal Grant- Gypsy Moth Spraying		40,500.00		40,500.00
FEMA-Generators			774.45	
Municipal Alliance - 2014	\$ 774.45		774.45	
Municipal Alliance - 2015	4,362.00		4,362.00	
Municipal Alliance - 2016		1,500.00	725.55	774.45
Sustainable Jersey Small Grant	5,000.00		5,000.00	
Recycling Tonnage Grant - 2016		3,889.05	3,889.05	
Garden State Preservation Trust Fund		64,272.00	64,272.00	
Reserve to Pay Debt Service		35,252.52	35,252.52	
	<u>\$ 10,136.45</u>	<u>\$ 659,258.22</u>	<u>\$ 625,560.33</u>	<u>\$ 43,834.34</u>

Ref.

A

A

TOWNSHIP OF STILLWATER
CURRENT FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

TOWNSHIP OF STILLWATER
CURRENT FUND
SCHEDULE OF 2015 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2016

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
GENERAL GOVERNMENT:				
General Administration:				
Salaries & Wages	\$ 1,343.62	\$ 1,343.62	\$ 1,300.00	\$ 43.62
Other Expenses	632.95	632.95	226.34	406.61
Mayor & Council:				
Salaries & Wages	187.60	187.60	180.00	7.60
Other Expenses	2,342.03	2,342.03	221.79	2,120.24
Municipal Clerk:				
Other Expenses	4,817.14	4,817.14	57.79	4,759.35
Financial Administration:				
Salaries & Wages	261.78	261.78	250.00	11.78
Other Expenses	3,424.55	3,424.55	318.31	3,106.24
Annual Audit	500.00	500.00	500.00	
Data Processing:				
Other Expenses	2,143.54	2,143.54	2,099.99	43.55
Tax Collector:				
Salaries & Wages	560.64	560.64	550.00	10.64
Other Expenses	243.45	243.45	40.00	203.45
Tax Assessment Administration:				
Other Expenses	11,556.21	11,556.21	2,955.10	8,601.11
Legal Services and Costs:				
Other Expenses	32,559.07	32,559.07	18,939.21	13,619.86
Engineering Services and Costs:				
Other Expenses	10,624.00	10,624.00	1,440.00	9,184.00
Municipal Land Use Law:				
Planning Board:				
Other Expenses	5,570.89	5,570.89	362.25	5,208.64
Zoning Board of Adjustment:				
Other Expenses	6,209.31	6,209.31	64.75	6,144.56
Zoning Officer:				
Other Expenses	662.93	662.93		662.93
CODE ENFORCEMENT AND ADMINISTRATION:				
Building Sub-Code Official:				
Salaries & Wages	1,232.37	1,232.37	1,200.00	32.37
Other Expenses	643.28	884.28	883.44	0.84
PUBLIC SAFETY:				
Emergency Management Services:				
Salaries & Wages	66.72	66.72		66.72
Other Expenses	310.02	310.02		310.02
Police:				
Salaries & Wages	1,193.12	1,193.12	1,100.00	93.12
Other Expenses	190.25	190.25		190.25

TOWNSHIP OF STILLWATER
CURRENT FUND
SCHEDULE OF 2015 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2016

	Balance Dec. 31, 2015	Balance After Modification	Paid or Charged	Balance Lapsed
PUBLIC SAFETY:				
Aid to Volunteer Fire Companies	\$ 7,500.00	\$ 7,500.00		\$ 7,500.00
Contribution to First Aid Organizations	3,510.00	3,510.00		3,510.00
Fire Department:				
Other Expenses	14,911.92	14,911.92	\$ 1,760.60	13,151.32
STREETS AND ROADS:				
Public Works Department:				
Salaries & Wages	21,544.82	21,544.82	21,500.00	44.82
Other Expenses	39,811.17	39,811.17	39,740.14	71.03
Recycle Program:				
Salaries & Wages	58.20	58.20		58.20
Solid Waste Collection:				
Salaries & Wages	16,204.62	16,204.62	16,120.00	84.62
Other Expenses:	17,437.13	17,437.13	5,073.84	12,363.29
Landfill Testing	47.00	47.00		47.00
Public Building and Grounds:				
Other Expenses	18,938.89	18,938.89	4,938.49	14,000.40
Vehicle Maintenance (Including Police Vehicles):				
Other Expenses	20,962.53	20,962.53	3,764.59	17,197.94
Gypsy Moth Control:				
Other Expenses	5,000.00	5,000.00		5,000.00
HEALTH AND WELFARE:				
Board of Health:				
Other Expenses:				
PEOSHA- Hepatitis B Vaccinations	1,960.00	1,960.00		1,960.00
PEOSHA- Judgement	5,000.00	5,000.00	3,096.00	1,904.00
Environmental Health Services:				
Other Expenses	1,849.60	1,849.60	7.50	1,842.10
RECREATION AND EDUCATION:				
Parks and Playground:				
Other Expenses	5,190.67	5,190.67	1,412.03	3,778.64
Celebration of Public Events:				
Other Expenses	1,000.00	1,000.00		1,000.00
UNCLASSIFIED:				
Municipal Services Act:				
Other Expenses	95,001.02	95,001.02	95,001.02	
Utilities:				
Electricity	2,572.43	2,572.43	549.73	2,022.70
Telephone (excluding equipment acquisition)	1,126.51	1,134.51	1,133.73	0.78
Gas (natural or propane)	8,169.29	8,169.29	840.46	7,328.83

TOWNSHIP OF STILLWATER
CURRENT FUND
SCHEDULE OF 2015 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2016

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
UNCLASSIFIED:				
Utilities:				
Fuel Oil	\$ 5,036.92	\$ 5,036.92	\$ 111.77	\$ 4,925.15
Gasoline	25,623.59	25,623.59	1,059.16	24,564.43
Contributions to:				
Social Security System (O.A.S.I.)	3,275.11	3,026.11		3,026.11
DCRP	78.47	78.47	27.89	50.58
Insurance:				
Group Insurance Plans for Employees	13,926.38	13,926.38	11,065.20	2,861.18
Health Insurance Waiver	1.64	1.64		1.64
Unemployment Insurance	4,097.13	4,097.13		4,097.13
Other Insurance Premiums	500.00	500.00		500.00
Fire Department- Excluded from "CAPS"				
Other Expenses (LOSAP)	64,000.00	64,000.00	47,900.00	16,100.00
Capital Improvements - Excluded from "CAPS"				
Reconstruction of Various Roads	40,000.00	40,000.00	40,000.00	
	<u>\$ 531,610.51</u>	<u>\$ 531,610.51</u>	<u>\$ 327,791.12</u>	<u>\$ 203,819.39</u>

Ref.

Analysis of Balance 12/31/2015

Unencumbered	A \$ 488,233.39
Encumbered	A <u>43,377.12</u>
	<u>\$ 531,610.51</u>

Cash Disbursed	\$ 200,112.41
Due General Capital Fund - Reserve for Road Construction	40,000.00
Due to Other Trust Funds - Reserve for Snow Removal	53,300.00
Due to Other Trust Funds - Reserve for Compensated Absences	20,700.00
Due to Other Trust Funds - Special Trust	<u>13,678.71</u>
	<u>\$ 327,791.12</u>

TOWNSHIP OF STILLWATER
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAX PAYABLE
YEAR ENDED DECEMBER 31, 2016

Increased by:

Levy - Calendar Year 2016

\$ 4,078,123.00

Decreased by:

Payments to Local School District

\$ 4,078,123.00

TOWNSHIP OF STILLWATER
CURRENT FUND
SCHEDULE OF REGIONAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2016

Increased by:

Levy - Calendar Year 2016

\$ 3,443,725.00

Decreased by:

Payments to Regional School District

\$ 3,443,725.00

TOWNSHIP OF STILLWATER
COUNTY OF SUSSEX
2016
TRUST FUNDS

TOWNSHIP OF STILLWATER
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Balance December 31, 2015	B	\$ 15,982.73	\$ 746,754.22
Increased by Receipts:			
Township Dog License Fees		\$ 4,726.00	
Penalties on Dog License Fees		3,630.00	
State Dog License Fees		1,020.00	
Due Current Fund:			
Interest on Deposits		10.37	\$ 10.48
Subdivision Deposits			9,979.47
Tax Sale Premiums			9,900.00
Performane Bonds			13.38
Landfill Escrow			13.91
Recycling Deposits			5,128.57
Recreation Commission			4,166.04
DNA Lifeprint			0.53
Council on Affordable Housing			3,896.47
Municipal Open Space:			
Open Space Levy			12,193.99
Interest on Deposits			47.66
		<u>9,386.37</u>	<u>45,350.50</u>
		25,369.10	792,104.72

TOWNSHIP OF STILLWATER
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Decreased by Disbursements:		
Administrative Expenses	\$ 920.87	
Due to State of New Jersey	1,018.80	
Due Current Fund:		
Interfund Returned	6,116.13	\$ 3,496.37
Interest on Deposits	10.37	
Interfund Advanced - Special Trust		13,678.71
Subdivision Deposits		10,649.31
Tax Sale Premiums		34,200.00
Compensated Absences		22,492.65
Recycling Deposits		14,615.00
Recreation Commission		3,816.83
Municipal Open Space		8,937.69
	<u>\$ 8,066.17</u>	<u>\$ 111,886.56</u>
Balance December 31, 2016	B <u><u>\$ 17,302.93</u></u>	<u><u>\$ 680,218.16</u></u>

TOWNSHIP OF STILLWATER
ASSESSMENT TRUST FUND
ANALYSIS OF CASH
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

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

	<u>Ref.</u>	
Balance December 31, 2015	B	\$ 9,866.60
Increased by:		
Dog License Fees:		
Collected in Current Year	\$ 4,726.00	
Late Fees Dog License Fees	<u>3,630.00</u>	
		<u>8,356.00</u>
		18,222.60
Decreased by:		
Expenditures Under R.S. 4:19-15.11	920.87	
Statutory Excess Due to Current Fund	<u>7,604.93</u>	
		<u>8,525.80</u>
Balance December 31, 2016	B	<u><u>\$ 9,696.80</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2014	\$ 4,943.60
2015	<u>4,753.20</u>
Maximum Allowable Reserve	<u><u>\$ 9,696.80</u></u>

TOWNSHIP OF STILLWATER
COUNTY OF SUSSEX
2016
GENERAL CAPITAL FUND

TOWNSHIP OF STILLWATER
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2015	C	\$ 946,311.88
Increased by:		
2016 Budget Appropriations:		
Capital Improvement Fund	\$ 30,000.00	
Deferred Charges to Future Taxation Unfunded	265,000.00	
Bond Anticipation Notes	1,876,475.00	
Improvement Authorization Refund - 15-07	5,862.00	
Reserve for Housing Rehabilitation Fund	651.42	
Due Current Fund:		
Interfund Returned	21,204.00	
Interest Earned	447.04	
		<u>2,199,639.46</u>
		<u>3,145,951.34</u>
Decreased by:		
Improvement Authorization Expenditures	\$ 312,010.73	
Bond Anticipation Notes	1,528,000.00	
Due Current Fund:		
Reserve to Pay Debt Service	35,252.52	
Interest Earned	447.04	
		<u>1,875,710.29</u>
Balance December 31, 2016	C	<u><u>\$ 1,270,241.05</u></u>

TOWNSHIP OF STILLWATER
GENERAL CAPITAL FUND
ANALYSIS OF CASH

		Receipts			Disbursements					Balance/
	Balance/ (Deficit) Dec. 31, 2015	Budget Appropriation	Bond Anticipation Notes	Miscellaneous	Improvement Authorizations	Bond Anticipation Notes	Miscellaneous	Transfers		Balance/ (Deficit) Dec. 31, 2016
								From	To	
Capital Improvement Fund	\$ 6,128.30	\$ 30,000.00						\$ 23,490.00	\$ 5,700.00	\$ 18,338.30
Due to/from Current Fund	(21,204.00)			\$ 21,651.04			\$ 447.04	40,000.00		(40,000.00)
New Jersey Department of Transportation Grant Receivable								195,000.00		(195,000.00)
Contracts Payable	93,199.74							93,199.74		
Reserve:										
To Pay Debt Service	35,252.52						35,252.52		57,606.87	57,606.87
Purchase of Emergency Vehicle	7,622.30									7,622.30
DPW Equipment	6,900.00							6,000.00		
Reserve for PEOSHA Gear	7,435.00									7,435.00
Road Reconstruction	16,423.69							7,435.00	40,000.00	48,988.69
Housing Rehabilitation Fund	2,477.83			651.42						3,129.25
PSE&G Vegetative Mitigation	162,000.00							162,000.00		
PSE&G Susquehanna Roseland Project	242,768.00							200,000.00		42,768.00
Courtroom Improvements	21,900.00							21,900.00		
Fund Balance	36,817.99									36,817.99
Ord. Number	Improvement Description									
93-17/00-04	Rehabilitation of Low Income Housing	30,262.11								30,262.11
96-03/02-02	Development of Property	5,105.81								5,105.81
03-11	COAH Rehabilitation Project	18,367.61								18,367.61
06-12	Mt Benevolence Road - Phase I	53,000.00				\$ 53,000.00				
06-16	Purchase of Ambulance	2,500.00				2,500.00				
06-17	Pond Brook Park	16,303.08								16,303.08
07-12	Mt Benevolence Road - Phase II	52,000.00	\$ 22,000.00			74,000.00				
08-02	Mill Brook Road	15,800.00	30,000.00			45,800.00				
09-10	Purchase of Two Dump Trucks	19,000.00	56,900.00			75,900.00				
10-02	Reconstruction of Balwin Gate Bridge	12,000.00	38,700.00			50,700.00				
11-04	Middleville Road Phase I	22,000.00	88,000.00			110,000.00				
11-10	PEOSHA Gear and Fire Truck Pump	15,000.00	60,600.00			75,600.00				
12-02	Renovations to Municipal Building	300.00								300.00
12-04	Various Capital Improvements	38,000.00	229,500.00			267,500.00				
13-05	Renovations to Municipal Building	2,497.42	15,000.00		\$ 4,442.42	211,000.00			4,440.00	2,495.00
14-08	Various Capital Improvements	16,543.44	16,000.00		23,247.40	209,000.00		12,450.04	19,154.00	
14-10	Various Capital Improvements	70,994.72			19,292.42			16,700.00	3,404.60	38,406.90
14-18	Middleville Road Phase II								2,445.00	2,445.00
15-04	Various Equipment for Emergency Services	9,241.41			12,667.10				5,323.90	1,898.21
15-07	Various Capital Projects	25,483.51	4,700.00	348,300.00	5,862.00	38,460.92	353,000.00	51,156.83	58,272.24	
15-14	Purchase of Fire Truck	134,391.40		285,000.00		1,558.70			160.00	417,992.70
16-05	Equipment to Outfit Fire Pumper 2015					29.70			3,500.00	3,470.30
16-07	Various Capital Improvements			328,475.00		212,205.17			610,725.00	726,994.83
16-14	Acquisition of New and Additional Tractor					106.90			18,600.00	18,493.10
	\$ 946,311.88	\$ 295,000.00	\$ 1,876,475.00	\$ 28,164.46	\$ 312,010.73	\$ 1,528,000.00	\$ 35,699.56	\$ 829,331.61	\$ 829,331.61	\$ 1,270,241.05

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

Ord. Number	Improvement Description	Balance Dec. 31, 2015	Funded by Budget Appropriation	2016 Authorizations	Balance Dec. 31, 2016	Analysis of Balance December 31, 2016		Unexpended Improvement Authorizations
						Bond Anticipation Notes	Expenditures	
06-16	Purchase of Ambulance	\$ 2,500.00	\$ 2,500.00					
06-12	Mt Benevolence Road - Phase I	53,000.00	53,000.00					
07-12	Mt Benevolence Road - Phase II	74,000.00	52,000.00		\$ 22,000.00	\$ 22,000.00		
08-02	Mill Brook Road	45,800.00	15,800.00		30,000.00	30,000.00		
09-10	Purchase of Two Dump Trucks	75,900.00	19,000.00		56,900.00	56,900.00		
10-02	Reconstruction of Balwin Gate Bridge	50,700.00	12,000.00		38,700.00	38,700.00		
11-04	Middleville Road - Phase I	110,000.00	22,000.00		88,000.00	88,000.00		
11-10	PEOSHA Gear and Fire Truck Pump	75,600.00	15,000.00		60,600.00	60,600.00		
12-04	Various Capital Improvements	267,500.00	38,000.00		229,500.00	229,500.00		
13-05	Renovations to Municipal Building	211,000.00	15,000.00		196,000.00	196,000.00		
14-08	Various Capital Improvements	209,000.00	16,000.00		193,000.00	193,000.00		
15-07	Various Capital Projects	353,000.00	4,700.00		348,300.00	348,300.00		
15-14	Purchase of Fire Truck	285,000.00			285,000.00	285,000.00		
16-14	Acquisition of New and Additional Tractor			\$ 30,100.00	30,100.00			\$ 30,100.00
16-07	Various Capital Improvements			328,475.00	328,475.00	328,475.00		
		<u>\$ 1,813,000.00</u>	<u>\$ 265,000.00</u>	<u>\$ 358,575.00</u>	<u>\$ 1,906,575.00</u>	<u>\$ 1,876,475.00</u>	<u>\$ -0-</u>	<u>\$ 30,100.00</u>
	<u>Ref.</u>	C			C			

Improvement Authorizations Unfunded:	\$ 646,070.00
Less: Unexpended Proceeds of Bond Anticipation Notes Issued:	
Ordinance 13-05 Renovations to Municipal Building	(2,495.00)
Ordinance 15-14 Purchase of Fire Truck	(285,000.00)
Ordinance 16-07 Various Capital Improvements	(328,475.00)
	<u>\$ 30,100.00</u>

TOWNSHIP OF STILLWATER
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance December 31, 2015		2016 Authorizations		Paid or Charged	Contracts Payable Cancelled	Reappropriation	Cancelled	Balance December 31, 2016	
		Date	Amount	Funded	Unfunded	Funded by Various Sources	Deferred Charges to Future Taxation- Unfunded					Funded	Unfunded
00-04	Rehabilitation of Local Income Housing	03/07/00	\$ 100,000.00	\$ 30,262.11								\$ 30,262.11	
02-02	Development of Property	05/21/02	150,000.00	5,105.81								5,105.81	
03-11	COAH Rehabilitation Project	07/01/03	100,000.00	18,367.61								18,367.61	
06-17	Pond Brook Park	08/15/06	36,548.00	16,303.08								16,303.08	
12-02	Renovations to Municipal Building	03/06/12	38,975.00	300.00								300.00	
13-05	Renovations to Municipal Building	07/16/13	250,000.00		\$ 2,497.42			\$ 4,442.42	\$ 4,440.00				\$ 2,495.00
14-08	Various Capital Improvements	05/06/14	415,000.00		16,543.44			23,247.40	19,154.00		\$ 12,450.04		
14-10	Various Capital Improvements	05/06/14	193,300.00	70,994.72				19,292.42	3,404.60	\$ (11,000.00)	5,700.00	38,406.90	
14-18	Middleville Road Phase II	10/21/14	15,000.00						2,445.00			2,445.00	
15-04	Various Equipment for Emergency Services	05/19/15	53,200.00	9,241.41				12,667.10	5,323.90			1,898.21	
15-07	Various Capital Projects	07/07/15	373,000.00		25,483.51			32,598.92	58,272.24	(6,000.00)	45,156.83		
15-14	Purchase of Fire Truck	11/10/15	420,000.00	134391.4	285,000.00			1,558.70	160.00			132,992.70	285,000.00
16-05	Equipment to Outfit Fire Pumper 2015	04/19/16	3,500.00			\$ 3,500.00		29.70				3,470.30	
16-07	Various Capital Improvements	04/19/16	939,200.00			610,725.00	\$ 328,475.00	212,205.17				398,519.83	328,475.00
16-14	Acquisition of New and Additional Tractor	10/18/16	48,700.00			1,600.00	30,100.00	106.90		17,000.00		18,493.10	30,100.00
				<u>\$ 284,966.14</u>	<u>\$ 329,524.37</u>	<u>\$ 615,825.00</u>	<u>\$ 358,575.00</u>	<u>\$ 306,148.73</u>	<u>\$ 93,199.74</u>	<u>\$ -0-</u>	<u>\$ 63,306.87</u>	<u>\$ 666,564.65</u>	<u>\$ 646,070.00</u>
				Ref.	C	C							
Capital Improvement Fund						\$ 23,490.00							
New Jersey Department of Transportation Grant						195,000.00							
Reserve for Road Construction						7,435.00							
Reserve for DPW Equipment						6,000.00							
Reserve for Courtroom Improvements						21,900.00							
Reserve for PSE&G Susquehanna Roseland Project						200,000.00							
Reserve for Vegetative Mitigation						162,000.00							
						<u>\$ 615,825.00</u>							
Cash Disbursed								\$ 312,010.73					
Refunds								(5,862.00)					
								<u>\$ 306,148.73</u>					
Reserve to Pay Debt Service										\$ 57,606.87			
Capital Improvement Fund										5,700.00			
										<u>\$ 63,306.87</u>			

TOWNSHIP OF STILLWATER
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2015	C	\$ 6,128.30
Increased by:		
Current Fund Budget Appropriation	\$ 30,000.00	
Cancellation of Fully Funded Improvement Authorizations	<u>5,700.00</u>	
		<u>35,700.00</u>
		41,828.30
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>23,490.00</u>
Balance December 31, 2016	C	<u><u>\$ 18,338.30</u></u>

TOWNSHIP OF STILLWATER
GENERAL CAPITAL FUND
SCHEDULE OF BONDS ANTICIPATION NOTES PAYABLE

Improvement Authorization	Original Note		Date of		Interest Rate	Balance Dec. 31, 2015	Issued	Matured	Balance Dec. 31, 2016
	Date of Issue	Amount	Issue	Maturity					
Mill Brook Road	10/01/09	\$ 230,000.00	09/24/15 09/22/16	09/23/16 09/22/17	0.76% 0.90%	\$ 74,000.00	\$ 22,000.00	\$ 74,000.00	\$ 22,000.00
Purchase of Ambulance	03/11/09	16,000.00	09/24/15	09/23/16	0.76%	2,500.00		2,500.00	
Mt Benevolence Road - Phase I	03/11/09	144,000.00	09/24/15 09/22/16	09/23/16 09/22/17	0.76% 0.90%	45,800.00	30,000.00	45,800.00	30,000.00
Mt Benevolence Road - Phase II	03/11/09	279,000.00	09/24/15	09/23/16	0.76%	53,000.00		53,000.00	
Middleville Road - Phase I	10/18/11	155,000.00	09/24/15 09/22/16	09/23/16 09/22/17	0.76% 0.90%	110,000.00	88,000.00	110,000.00	88,000.00
Purchase of Two Dump Trucks	09/29/12	133,600.00	09/24/15 09/22/16	09/23/16 09/22/17	0.76% 0.90%	75,900.00	56,900.00	75,900.00	56,900.00
Reconstruction of Balwin Gate Bridge	09/29/12	80,000.00	09/24/15 09/22/16	09/23/16 09/22/17	0.76% 0.90%	50,700.00	38,700.00	50,700.00	38,700.00
PEOSHA Gear and Fire Truck Pump	09/29/12	100,000.00	09/24/15 09/22/16	09/23/16 09/22/17	0.76% 0.90%	75,600.00	60,600.00	75,600.00	60,600.00
Various Improvements	09/26/13	306,000.00	09/24/15 09/22/16	09/23/16 09/22/17	0.76% 0.90%	267,500.00	229,500.00	267,500.00	229,500.00

TOWNSHIP OF STILLWATER
GENERAL CAPITAL FUND
SCHEDULE OF BONDS ANTICIPATION NOTES PAYABLE

Improvement Authorization	Original Note		Date of		Interest Rate	Balance Dec. 31, 2015	Issued	Matured	Balance Dec. 31, 2016
	Date of Issue	Amount	Issue	Maturity					
Municipal Building Improvements	09/26/13	\$ 238,000.00	09/24/15 09/22/16	09/23/16 09/22/17	0.76% 0.90%	\$ 211,000.00	\$ 196,000.00	\$ 211,000.00	\$ 196,000.00
Various Improvements	09/25/14	223,000.00	09/24/15 09/22/16	09/23/16 09/22/17	0.76% 0.90%	209,000.00	193,000.00	209,000.00	193,000.00
Various Improvements	09/24/15	353,000.00	09/24/15 09/22/16	09/23/16 09/22/17	0.76% 0.90%	353,000.00	348,300.00	353,000.00	348,300.00
Fire Truck	09/22/16	285,000.00	09/22/16	09/22/17	0.90%		285,000.00		285,000.00
Various Improvements	09/22/16	353,000.00	09/22/16	09/22/17	0.90%		328,475.00		328,475.00
						<u>\$ 1,528,000.00</u>	<u>\$ 1,876,475.00</u>	<u>\$ 1,528,000.00</u>	<u>\$ 1,876,475.00</u>
					<u>Ref.</u>	C			C
Renewed							\$ 1,263,000.00	\$ 1,263,000.00	
Issued for Cash							613,475.00		
Paid by Budget Appropriation								265,000.00	
							<u>\$ 1,876,475.00</u>	<u>\$ 1,528,000.00</u>	

TOWNSHIP OF STILLWATER
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

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

Ord. Number	Improvement Description	Balance Dec. 31, 2015	2016 Authorizations	Funded by Budget Appropriation	Bond Anticipation Notes Issued	Bond Anticipation Notes Redeemed	Balance Dec. 31, 2016
06-16	Purchase of Ambulance			\$ 2,500.00		\$ 2,500.00	
06-12	Mt Benevolence Road - Phase I			53,000.00		53,000.00	
07-12	Mt Benevolence Road - Phase II			52,000.00	\$ 22,000.00	74,000.00	
08-02	Mill Brook Road			15,800.00	30,000.00	45,800.00	
09-10	Purchase of Two Dump Trucks			19,000.00	56,900.00	75,900.00	
10-02	Reconstruction of Balwin Gate Bridge			12,000.00	38,700.00	50,700.00	
11-04	Middleville Road - Phase I			22,000.00	88,000.00	110,000.00	
11-10	PEOSHA Gear and Fire Truck Pump			15,000.00	60,600.00	75,600.00	
12-04	Various Capital Improvements			38,000.00	229,500.00	267,500.00	
13-05	Renovations to Municipal Building			15,000.00	196,000.00	211,000.00	
14-08	Various Capital Improvements			16,000.00	193,000.00	209,000.00	
15-07	Various Capital Projects			4,700.00	348,300.00	353,000.00	
15-14	Purchase of Fire Truck	\$ 285,000.00			285,000.00		
16-07	Various Capital Improvements		\$ 328,475.00		328,475.00		
16-14	Acquisition of New and Additional Tractor		30,100.00				\$ 30,100.00
		<u>\$ 285,000.00</u>	<u>\$ 358,575.00</u>	<u>\$ 265,000.00</u>	<u>\$ 1,876,475.00</u>	<u>\$ 1,528,000.00</u>	<u>\$ 30,100.00</u>

TOWNSHIP OF STILLWATER
COUNTY OF SUSSEX
2016
WATER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF STILLWATER
COUNTY OF SUSSEX
2016
SEWER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF STILLWATER
COUNTY OF SUSSEX
2016
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF STILLWATER

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2016

TOWNSHIP OF STILLWATER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Funding Department	CFDA #	Pass Through Entity ID	Project Name	Grant Period		Award Amount	Grant Receipts	Amount of Expenditures	Cumulative Expenditures	Amounts Provided to Subrecipients
				From	To					
U.S. Department of Agriculture (Passed through New Jersey Department of Agriculture)	10.664	N/A	Cooperative Gypsy Moth Suppression	01/01/16	12/31/17	\$ 39,370.00	\$ 36,810.11	\$ 36,810.11	\$ 36,810.11	
Total Department of Agriculture							36,810.11	36,810.11	36,810.11	
U.S. Department of Homeland Security: (Passed Through New Jersey Department of Law and Public Safety)	97.036	N/A	Disaster Grants - Public Assistance - FEMA: Generators	01/01/16	12/31/16	40,500.00		30,772.87	30,772.87	
Total Department of Homeland Security							-0-	30,772.87	30,772.87	
TOTAL FEDERAL AWARDS							\$ 36,810.11	\$ 67,582.98	\$ 67,582.98	\$ -0-

N/A - Not Available

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF STILLWATER
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2016

Name of State Agency or Department	State Program	State Account No.	Grant Award	Amount Received	Grant Period		Amount of Expenditures	
					From	To	Year to Date	Cumulative
Department of Environmental Protection	Clean Communities Program	765-042-4900- 004-6020	\$ 13,925.37		01/01/13	12/31/16	\$ 1,270.97	\$ 13,925.37
			13,062.23		01/01/14	12/31/16	6,440.76	13,062.23
			15,885.84		01/01/15	12/31/17	459.09	459.09
			18,168.43	\$ 18,168.43	01/01/16	12/31/17		
			18,168.43			8,170.82	27,446.69	
	Sustainable Jersey Small Grant - Paulinskill Watershed Project	N/A	10,000.00	5,000.00	01/01/14	12/31/17	3,636.50	9,690.15
				5,000.00			3,636.50	9,690.15
	Recycling Tonnage Grants	752-042-4900- 001-6020	3,889.05	3,889.05	01/01/16	12/31/17		
				3,889.05				
	Total Department of Environmental Protection				27,057.48			11,807.32
Department of Treasury (Passed Through Sussex County) Governor's Council of Alcoholism and Drug Abuse	Municipal Alliance	665120-60	6,543.00	774.45	07/01/14	06/30/15	3,282.31	6,543.00
			5,862.00	5,087.55	07/01/15	06/30/16	1,500.00	5,862.00
Total Department of Treasury				5,862.00			4,782.31	6,543.00
Total State Awards				\$ 32,919.48			\$ 16,589.63	\$ 43,679.84

N/A - Not Available

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

TOWNSHIP OF STILLWATER
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2016

A. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (the "Schedules") includes the federal and state grant activity of the Township of Stillwater under programs of the federal and state governments for the year ended December 31, 2016. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Township, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Township.

A. Summary of Significant Accounting Policies

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

B. Relationship to Federal and State Financial Reports

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



Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax
Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

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

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - *regulatory basis* - of the various funds of the Township of Stillwater,, in the County of Sussex (the "Township") as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated March 29, 2017. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. That qualified report also indicated that we did not audit the general fixed assets account group.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2016-1, that we consider to be a significant deficiency.

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

Compliance and Other Matters

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

The Township's Response to the Finding

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

Purpose of this Report

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

Mount Arlington, New Jersey
March 29, 2017

NISIVOCCIA LLP



Valerie A. Dolan
Registered Municipal Accountant No. 548
Certified Public Accountant

TOWNSHIP OF STILLWATER
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the Township's financial statements, prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as the general fixed assets account group was not audited.
- A significant deficiency disclosed during the audit of the financial statements is reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Township which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Township was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08 for the year ended December 31, 2016 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

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

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

Finding 2016-1

The Township does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time. The various departments/offices of the Township are responsible for the issuance of permits and licenses; collection of taxes and permit and license fees; and recording of collections. Also, the Chief Financial Officer reconciles the bank accounts for the respective funds or accounts and the Finance Clerk disburses funds under the direction of the Chief Financial Officer. This is due, in part, to the limited number of personnel of the Township and the decentralized nature of governmental collection procedures. Accordingly, management and the Township Committee should be aware of this situation and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Management's Response

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

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the Single Audit threshold.

Findings and Questioned Costs for State Awards:

- Not applicable since state expenditures were below the Single Audit threshold.

TOWNSHIP OF STILLWATER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

The prior year audit finding regarding segregation of duties has not been resolved and is included as finding 2016-1.

TOWNSHIP OF STILLWATER

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2016

TOWNSHIP OF STILLWATER
COMMENTS AND RECOMMENDATIONS

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

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

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

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

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

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

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

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

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

TOWNSHIP OF STILLWATER
COMMENTS AND RECOMMENDATIONS
(Continued)

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

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.

During our review of awarded bids for the year, it was noted that the purchasing agent did not prepare a report evaluating and recommending the award of a contract as required by N.J.S.A.40A:11-1 of the Local Public Contracts Law. This report lists the names of all potential vendors who submitted a proposal and summarize the proposals of each vendor. This report ranks vendors in order of evaluation, recommends the selection of a vendor or vendors, as appropriate, for a contract, is clear in the reasons why the vendor or vendors have been selected among others considered, and details the terms, conditions, scope of services, fees, and other matters to be incorporated into a contract. The report should be made available to the public at least 48 hours prior to the awarding of the contract, or when made available to the governing body, whichever is sooner.

It is recommended that the purchasing agent prepare a report evaluating and recommending the award of a contract and that the report is made available to the public at least 48 hours prior to the awarding of the contract as required by N.J.S.A.40A:11-1 of the Local Public Contracts Law.

Management's Response

The Township will ensure the purchasing agent prepares a report evaluating and recommending the award as required and will ensure the report is available to the public.

Collection of Interest on Delinquent Taxes and Assessments

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

On January 5, 2016 the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes charges:

BE IT RESOLVED by the Mayor and Committee of the Township of Stillwater, Sussex County, New Jersey that the rate of interest charges on delinquent taxes in this Township shall be as follows:

On all delinquents to and including December 31, 2016, at the rate or rates heretofore governing, and on all delinquents on and after January 1, 2016 at the rate of 8% per annum for and upon the first \$1,500 of the delinquency, the rate of 18% per annum for and upon any amount of the delinquency in excess of \$1,500, and the rate of 6% per annum for and upon any amount in excess of \$10,000; and that a grace period of 10 days will be allowed on taxes due February 1, May 1, August 1, and November 1. If taxes are not paid by the 10th, interest shall be charged from the due date.

BE IT RESOLVED, that the collector of the Township be and hereby directed to collect interest on all taxes accordingly.

TOWNSHIP OF STILLWATER
COMMENTS AND RECOMMENDATIONS
(Continued)

Delinquent Taxes and Tax Title Liens

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>Tax Title Liens</u>
2016	96
2015	84
2014	80

It was noted that the large number of municipal liens held by the Township continues to increase every year. It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis.

It is recommended that the records for the Township liens be reviewed and measures be taken to collect or foreclose on the liens held by the Township.

Management Response:

The Chief Financial Officer and Tax Collector will review all lien balances and begin to take measures to collect or foreclose on the liens held by the Township.

New Jersey Administrative Code Accounting Requirements

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

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

The Township maintains an encumbrance accounting system, a fixed asset accounting and reporting system and a general ledger accounting system. The Township maintains a listing of current year additions to their fixed asset records; however, a cumulative listing of all the assets of the Township is not maintained.

It is recommended that the Township maintain a cumulative listing of the Township's fixed assets.

Management's Response

The fixed assets accounting and reporting records will be investigated to determine the feasibility of obtaining the cumulative record in 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, consisting of verification notices as follows:

TOWNSHIP OF STILLWATER
SUMMARY OF RECOMMENDATIONS

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

<u>Type</u>	<u>Number Mailed</u>
Payment of 2016 Taxes	20
Payment of 2017 Taxes	20
Delinquent Taxes	15
Tax Title Liens	5

Payroll

During our review of payroll we recalculated health benefit deductions for accuracy. For two out of the three employees tested, the calculation was not modified for the employee's pay increase.

It is recommended that the Finance Department recalculates employees' health benefit contributions when they receive a pay increase to ensure they are contributing the correct amount for health benefits.

Management's Response

The Finance Department will begin to recalculate health benefit deductions for employees when they receive pay increases.

Management Suggestions:

Payroll

During our review of payroll we recalculated employee's overtime calculations. A DPW employee was overpaid for holiday pay as the new DPW contract, which went into effect in the later part of the year, was incorrectly interpreted. The employee should have been paid for the total hours worked at 2.5 times the employee's regular rate. The employee was paid for the hours worked at 2.5 times his regular rate, was also paid 8 hours at his regular rate, as it was interpreted that the holiday pay was in addition to regular pay.

Certified Copies Fee Collections

During our review of fees collected for certified copies, we noticed several instances where certified copies were issued to residents as a courtesy and without charge. Fees should be collected for certified copies in accordance with the fee ordinance number 2007-22. When fees are waived, they should be done by committee resolution.

Governmental Accounting Standards Board Statements

The next Governmental Accounting Standards Board ("GASB") statement which will have a significant impact on the Borough will be GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, will be effective for the fiscal year ending June 30, 2018. This standard replaces GASB No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. It is similar to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in that successful implementation of this standard will require the provision of certain key financial and non-financial information from the State of New Jersey.

Corrective Action Plan

The prior year recommendations with respect to segregation of duties, review of Township liens and fixed assets were not resolved and are included in the current year recommendations.

TOWNSHIP OF STILLWATER
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An adequate segregation of duties be maintained with respect to the recording and treasury functions.
2. The records for the Township liens be reviewed and measures be taken to collect or foreclose on the liens held by the Township.
3. The Township maintain a cumulative listing of the Township's fixed assets.
4. The Finance Department recalculates employees' health benefit contributions when they receive a pay increase to ensure they are contributing the correct amount for health benefits.

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