

BOROUGH OF KINNELON

COUNTY OF MORRIS

REPORT OF AUDIT

2022

NISIVOCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS

BOROUGH OF KINNELON

COUNTY OF MORRIS

REPORT OF AUDIT

2022

BOROUGH OF KINNELON
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BOROUGH OF KINNELON

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2022

Independent Auditors' Report

The Honorable Mayor and Members
of the Borough Council
Borough of Kinnelon
Kinnelon, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements-*regulatory basis* of the various funds and account groups of the Borough of Kinnelon in the County of Morris (the "Borough") as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements as listed in the foregoing table of contents.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of each fund and account group of the Borough as of December 31, 2022 and 2021, and the results of operations and changes in fund balance, where applicable, of such funds and account group, thereof for the years then ended in accordance with the accounting practices prescribed or permitted, as described in Note 1, by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying 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 Borough as of December 31, 2022 and 2021, or the changes in financial position or where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough on the basis of the financial reporting provisions prescribed or permitted by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division's regulatory basis of accounting and the budget laws of New Jersey.

The Honorable Mayor and Members
of the Borough Council
Borough of Kinnelon
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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 and pervasive.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Borough's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

The Honorable Mayor and Members
of the Borough Council
Borough of Kinnelon
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Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds and account group that collectively comprise the Borough'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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the various fund and account group financial statements. The information has been subjected to the auditing procedures applied in the audit of the various fund and account group 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 and account group financial statements or to the various fund and account group 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 various fund and account group financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2023 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control over financial reporting and compliance.

June 5, 2023
Mount Arlington, New Jersey

NISIVOCCIA LLP



Raymond A. Sarinelli
Certified Public Accountant
Registered Municipal Accountant No. 563

BOROUGH OF KINNELON
COUNTY OF MORRIS
2022
CURRENT FUND

BOROUGH OF KINNELON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2022	2021
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 8,192,288.34	\$ 7,662,814.91
Change Funds		680.00	680.00
		<u>8,192,968.34</u>	<u>7,663,494.91</u>
Prepaid School Taxes		<u>10,001.52</u>	<u>5,001.50</u>
Due From State of New Jersey:			
Senior Citizen and Veterans Deductions		<u>1,597.52</u>	<u>2,389.28</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	349,313.61	316,913.80
Tax Title Liens Receivable	A-8	1,103,810.74	1,019,465.29
Property Acquired for Taxes - Assessed Valuation		1,210,750.00	1,210,750.00
Revenue Accounts Receivable	A-9	1,632.58	3,584.67
Due from Animal Control Trust Fund	B	<u>17,646.25</u>	<u>38,794.31</u>
Total Receivables and Other Assets		<u>2,683,153.18</u>	<u>2,589,508.07</u>
Total Regular Fund		<u>10,887,720.56</u>	<u>10,260,393.76</u>
Federal and State Grant Fund:			
Federal and State Grants Receivable	A-13	334,475.87	345,736.42
Due from Current Fund	A	<u>1,501,991.53</u>	<u>941,812.53</u>
Total Federal and State Grant Fund		<u>1,836,467.40</u>	<u>1,287,548.95</u>
<u>TOTAL ASSETS</u>		<u>\$ 12,724,187.96</u>	<u>\$ 11,547,942.71</u>

BOROUGH OF KINNELON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31	
		2022	2021
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-11	\$ 944,736.72	\$ 1,123,332.54
Encumbered	A-3;A-11	268,943.26	109,455.27
Total Appropriation Reserves		1,213,679.98	1,232,787.81
Accounts Payable - Vendors		64,710.42	64,710.42
Tax Overpayments		22,902.68	12,448.96
Prepaid Taxes		274,317.41	340,597.66
Due to Borough of Butler - Electric Payments		2,704.58	212.80
Due State of New Jersey:			
Building Surcharge Fees		10,945.00	11,359.00
Marriage License / Domestic Partnership		1,972.00	2,147.00
Due to Federal and State Grant Fund	A	1,501,991.53	941,812.53
Due to Other Trust Funds	B	434,998.85	692,088.89
Due to General Capital Fund	C	389,336.79	697,745.16
Reserve for Pending Tax Appeals		609,974.02	609,974.02
Reserve for Sale of Municipal Assets		115,881.00	165,881.00
Reserve for Municipal Relief Fund		29,107.14	
Reserve for Third-Party Lien		5,222.08	5,222.08
		4,677,743.48	4,776,987.33
Reserve for Receivables and Other Assets	A	2,683,153.18	2,589,508.07
Fund Balance	A-1	3,526,823.90	2,893,898.36
Total Regular Fund		10,887,720.56	10,260,393.76
Federal and State Grant Fund:			
Appropriated Reserves	A-14	1,308,026.69	502,465.99
Unappropriated Reserves	A-15	525,821.03	518,587.10
Encumbrances Payable	A-14	2,619.68	1,495.86
Due General Capital Fund	C		265,000.00
Total Federal and State Grant Fund		1,836,467.40	1,287,548.95
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 12,724,187.96</u>	<u>\$ 11,547,942.71</u>

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

BOROUGH OF KINNELON
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	<u>Year Ended December 31,</u>	
		<u>2022</u>	<u>2021</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$	1,505,000.00	\$ 1,485,000.00
Miscellaneous Revenue Anticipated		2,507,866.22	2,151,069.08
Receipts from Delinquent Taxes		316,161.11	456,885.88
Receipts from Current Taxes		57,573,371.69	56,396,769.21
Nonbudget Revenue		162,167.05	100,199.58
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		468,721.77	453,313.98
Prior Year Veteran and Senior Citizen Deductions Allowed			131.50
Interfunds Returned		21,148.06	
		<u>62,554,435.90</u>	<u>61,043,369.23</u>
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes		14,504,657.34	13,730,726.20
County Taxes		5,580,379.78	5,495,350.56
Local District School Tax		40,224,299.00	39,494,238.00
Municipal Open Space Tax		105,614.24	105,447.24
Reserve for Pending Tax Appeals			200,000.00
Refund of Anticipated Revenue		560.00	
Prior Year Veteran and Senior Citizen Deductions Disallowed		1,000.00	
Interfunds Advanced			23,673.38
		<u>60,416,510.36</u>	<u>59,049,435.38</u>
Excess in Revenue		2,137,925.54	1,993,933.85
<u>Fund Balance</u>			
Balance January 1		<u>2,893,898.36</u>	<u>2,384,964.51</u>
		5,031,823.90	4,378,898.36
Decreased by:			
Utilization as Anticipated Revenue		<u>1,505,000.00</u>	<u>1,485,000.00</u>
Balance December 31	A	<u>\$ 3,526,823.90</u>	<u>\$ 2,893,898.36</u>

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

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

	<u>Anticipated</u>		<u>Realized</u>	<u>Excess or Deficit *</u>
	<u>Budget</u>	<u>Added by N.J.S.A 40A:4-87</u>		
Fund Balance Anticipated	\$ 1,505,000.00		\$ 1,505,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverage	4,000.00		6,845.00	\$ 2,845.00
Other	9,000.00		16,373.00	7,373.00
Fees and Permits	46,000.00		51,926.05	5,926.05
Municipal Court Fines and Costs	28,000.00		33,946.84	5,946.84
Interest and Costs on Taxes	110,000.00		64,850.61	45,149.39 *
Interest on Investments & Deposits	15,000.00		159,038.65	144,038.65
Cablevision Franchise Fees	41,000.00		44,191.00	3,191.00
Watershed Moratorium Offset Aid	45,261.00		45,261.00	
Energy Receipts Taxes	557,994.00		557,994.00	
Garden State Preservation Trust Fund	173,696.00		173,696.00	
Uniform Construction Code Official	161,000.00		141,930.00	19,070.00 *
Reserve for Sale of Municipal Assets	50,000.00		50,000.00	
Reserve to Pay Debt Service	155,000.00		155,000.00	
Body Armor Replacement Fund		\$ 1,081.01	1,081.01	
Body Worn Camera Grant		40,760.00	40,760.00	
Clean Communities Grant		22,530.02	22,530.02	
American Rescue Plan		517,900.01	517,900.01	
New Jersey Department of Transportation Grant		221,750.00	221,750.00	
Public Assistance Grant		5,904.45	5,904.45	
Historical Commission Grant		1,140.00	1,140.00	
Water Assistance Grant		801.98	801.98	
Recycling Tonnage Grant		11,196.60	11,196.60	
Green Acres Grant		183,750.00	183,750.00	
Total Miscellaneous Revenue	<u>1,395,951.00</u>	<u>1,006,814.07</u>	<u>2,507,866.22</u>	<u>105,101.15</u>
Receipts from Delinquent Taxes	<u>310,000.00</u>		<u>316,161.11</u>	<u>6,161.11</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Minimum Library Tax	720,192.00		722,543.38	2,351.38
Local Tax for Municipal Purposes	11,249,048.59		12,616,540.60	1,367,492.01
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>11,969,240.59</u>		<u>13,339,083.98</u>	<u>1,369,843.39</u>
Budget Totals	<u>15,180,191.59</u>	<u>1,006,814.07</u>	<u>17,668,111.31</u>	<u>1,481,105.65</u>
Nonbudget Revenue			<u>162,167.05</u>	<u>162,167.05</u>
Totals	<u>\$ 15,180,191.59</u>	<u>\$ 1,006,814.07</u>	<u>\$ 17,830,278.36</u>	<u>\$ 1,643,272.70</u>

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Allocation of Current Tax Collections:

Revenue from Collections	\$ 57,573,371.69
Allocated to School, County and Open Space Taxes	45,910,293.02
Balance for Support of Municipal Budget	11,663,078.67

Add: Appropriation "Reserve for Uncollected Taxes"	1,676,005.31
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Realized for Support of Municipal Budget	\$ 13,339,083.98
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Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$ 316,161.11
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Interest on Investments & Deposits:

Collections in Current Fund	\$ 150,373.96
Due from Other Trust Funds	7,699.18
Due from Animal Control Trust Fund	965.51
	\$ 159,038.65

Analysis of Nonbudget Revenue:

Miscellaneous Revenue Not Anticipated:	
Uniform Fire Safety	\$ 26,288.31
Police Outside Duty Administration Fees	63,706.81
Sale of Municipal Assets	41,607.00
2% Administrative Fee - Seniors' and Veterans' Deduction	864.03
Other Miscellaneous Revenue Not Anticipated	12,054.65
	\$ 144,520.80

Statutory Excess in Animal Control Fund- Due from Animal Control Fund	17,646.25
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	\$ 162,167.05
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THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
Department of Administration:					
Salaries and Wages	\$ 3,340.00	\$ 3,340.00	\$ 3,338.40	\$ 1.60	
Other Expenses	76,150.00	76,150.00	62,153.31	13,996.69	
Office of the Mayor:					
Salaries and Wages	19,500.00	19,500.00	19,499.94	0.06	
Other Expenses	2,000.00	2,000.00	762.25	1,237.75	
Municipal Clerk					
Salaries and Wages	126,905.00	135,405.00	135,351.56	53.44	
Other Expenses	77,500.00	68,300.00	63,511.32	4,788.68	
Financial Administration:					
Salaries and Wages	293,985.00	293,395.00	290,404.27	2,990.73	
Other Expenses	32,500.00	32,500.00	11,438.61	21,061.39	
Webmaster - Other Expenses	4,000.00	4,600.00	4,600.00		
Audit Services:					
Other Expenses	36,175.00	36,175.00	36,175.00		
Collection of Taxes:					
Salaries and Wages	71,220.00	71,220.00	71,123.97	96.03	
Other Expenses	15,400.00	15,400.00	8,063.29	7,336.71	
Assessment of Taxes:					
Salaries and Wages	35,875.00	35,875.00	35,875.00		
Other Expenses	20,700.00	20,700.00	10,166.82	10,533.18	
Legal Services and Costs:					
Other Expenses	155,000.00	155,000.00	153,833.23	1,166.77	
Engineering Services and Costs:					
Other Expenses	14,250.00	15,250.00	15,100.00	150.00	

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
LAND USE ADMINISTRATION:					
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Historical Preservation Commission					
Salaries and Wages	\$ 8,155.00	\$ 8,155.00	\$ 4,373.00	\$ 3,782.00	
Other Expenses	20,585.00	20,585.00	12,179.20	8,405.80	
Planning Board:					
Salaries and Wages	12,215.00	12,215.00	12,210.12	4.88	
Other Expenses	30,000.00	27,100.00	16,791.11	10,308.89	
Zoning Board of Adjustment:					
Salaries and Wages	1,240.00	1,240.00	1,236.56	3.44	
Other Expenses	15,675.00	15,675.00	10,053.12	5,621.88	
PUBLIC SAFETY:					
Municipal Court:					
Salaries and Wages	102,115.00	102,325.00	102,324.46	0.54	
Other Expenses	14,250.00	14,250.00	3,278.93	10,971.07	
Police Department:					
Salaries and Wages	2,353,220.00	2,353,220.00	2,342,123.59	11,096.41	
Other Expenses	214,950.00	214,950.00	172,204.75	42,745.25	
Police Dispatch/911:					
Salaries and Wages	119,350.00	119,350.00	109,821.82	9,528.18	
Office of Emergency Management:					
Salaries and Wages	2,815.00	2,815.00	2,812.94	2.06	
Other Expenses	325.00	325.00	75.00	250.00	
Aid to Volunteer Fire Companies:					
Other Expenses	115,500.00	125,500.00	115,594.00	9,906.00	

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
PUBLIC SAFETY:					
Aid to Tri-Borough Ambulance Squad:					
Other Expenses	\$ 37,000.00	\$ 37,000.00	\$ 25,000.00	\$ 12,000.00	
Fire Hydrants	67,000.00	67,000.00	64,138.72	2,861.28	
Fire Prevention Bureau:					
Other Expenses	5,060.00	4,900.00	4,499.25	400.75	
Municipal Prosecutor's Office:					
Other Expenses	17,500.00	17,660.00	17,659.83	0.17	
PUBLIC WORKS:					
Streets and Roads Maintenance:					
Salaries and Wages	1,006,465.00	1,006,465.00	863,431.26	143,033.74	
Other Expenses	247,600.00	232,800.00	189,980.79	42,819.21	
Solid Waste Collections:					
Salaries and Wages	16,445.00	18,720.00	17,127.88	1,592.12	
Other Expenses	805,718.00	803,943.00	777,739.74	26,203.26	
Building and Grounds:					
Salaries and Wages	35,000.00	35,000.00	8,395.20	26,604.80	
Other Expenses	65,500.00	65,500.00	35,497.30	30,002.70	
Vehicles and Maintenance					
Other Expenses	65,000.00	65,000.00	63,803.94	1,196.06	

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
HEALTH AND HUMAN SERVICES:					
Board of Health:					
Salaries and Wages	\$ 2,500.00	\$ 2,880.00	\$ 2,877.42	\$ 2.58	
Other Expenses	23,275.00	22,775.00	188.04	22,586.96	
Animal Control Services:					
Other Expenses	1,000.00	1,000.00		1,000.00	
Senior Citizen Programs:					
Other Expenses	2,350.00	2,350.00	2,350.00		
Environmental Commission:					
Salaries and Wages	7,365.00	7,365.00	5,276.44	2,088.56	
Other Expenses	1,850.00	1,850.00	1,238.82	611.18	
PARKS AND RECREATION FUNCTIONS:					
Recreation Services:					
Salaries and Wages	96,840.00	101,940.00	99,913.50	2,026.50	
Other Expenses	76,075.00	76,075.00	74,677.38	1,397.62	
Smoke Rise - Condo Costs:					
Other Expenses	164,000.00	164,000.00	121,234.28	42,765.72	
OTHER COMMON OPERATING FUNCTIONS:					
Accumulated Leave Compensation:					
Other Expenses	33,000.00	33,000.00	33,000.00		
Celebration of Public Events:					
Other Expenses	30,000.00	24,900.00	24,763.19	136.81	

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
UTILITY EXPENSE AND BULK PURCHASES:					
Electricity	\$ 63,500.00	\$ 54,000.00	\$ 45,177.86	\$ 8,822.14	
Street Lighting	14,000.00	14,000.00	9,498.03	4,501.97	
Telephone	66,000.00	75,500.00	72,810.63	2,689.37	
Water	47,000.00	37,500.00	22,067.14	15,432.86	
Natural Gas	19,500.00	29,000.00	26,626.59	2,373.41	
Gasoline	120,000.00	120,000.00	111,879.54	8,120.46	
Landfill Tipping Fees	422,000.00	415,500.00	395,139.57	20,360.43	
STATE UNIFORM CONSTRUCTION CODE:					
Construction Official:					
Salaries and Wages	14,455.00	16,565.00	16,563.64	1.36	
Other Expenses	21,350.00	20,240.00	14,329.00	5,911.00	
INSURANCE:					
General Liability	251,862.00	251,862.00	234,784.48	17,077.52	
Workers Compensation	161,404.00	161,404.00	156,792.00	4,612.00	
Employee Group Health	899,500.00	899,500.00	690,510.30	208,989.70	
Employee Group Health Waiver	42,000.00	42,000.00	31,115.08	10,884.92	
Flexible Spending Advance	1,500.00	1,500.00		1,500.00	
Total Operations Within "CAPS"	8,945,509.00	8,933,209.00	8,086,562.41	846,646.59	
Total Operations Including Contingent Within "CAPS"	8,945,509.00	8,933,209.00	8,086,562.41	846,646.59	

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Detail:	\$ 4,329,005.00	\$ 4,382,130.00	\$ 4,185,091.36	\$ 197,038.64	
Salaries and Wages	4,616,504.00	4,551,079.00	3,901,471.05	649,607.95	
Other Expenses					
Deferred Charges and Statutory Expenditures - Municipal within "CAPS":					
Statutory Expenditures:					
Contributions to:					
Police & Firemen's Retirement System	655,592.00	655,592.00	653,592.00	2,000.00	
Public Employees' Retirement System	315,302.00	328,302.00	328,293.87	8.13	
Public Employees' DCRP System	8,750.00	8,750.00	6,433.69	2,316.31	
Social Security System (O.A.S.I.)	352,510.00	342,010.00	314,114.26	27,895.74	
Unemployment Insurance	16,500.00	16,500.00	13,416.91	3,083.09	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	1,348,654.00	1,351,154.00	1,315,850.73	35,303.27	
Total General Appropriations for Municipal Purposes Within "CAPS"	10,294,163.00	10,284,363.00	9,402,413.14	881,949.86	
Operations Excluded from "CAPS":					
Aid to Library (N.J.S.A 40:54-35):					
Other Expenses	720,192.00	720,192.00	710,056.19	10,135.81	
Storm Water Management (N.J.S.A. 40A:4-45.3):					
Salaries and Wages	24,585.00	29,385.00	27,679.31	1,705.69	
Other Expenses	5,000.00	5,000.00	14.95	4,985.05	
Reserve for Tax Appeals	20,000.00	20,000.00	3,986.17	16,013.83	
Length of Service Awards Program	17,000.00	17,000.00	16,268.84	731.16	

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS": (Cont'd)					
Public & Private Programs Offset by Revenue:					
Body Armor Replacement Grant (N.J.S.A 40A:4-87, +\$1,081.01)		\$ 1,081.01	\$ 1,081.01		
Body Worn Camera Grant (N.J.S.A 40A:4-87, +\$40,760.00)		40,760.00	40,760.00		
Clean Communities Grant (N.J.S.A 40A:4-87, +\$22,530.02)		22,530.02	22,530.02		
Historical Commission Grant (N.J.S.A 40A:4-87, +\$1,140.00)		1,140.00	1,140.00		
Water Assistance Grant (N.J.S.A 40A:4-87, +\$801.98)		801.98	801.98		
Recycling Tonnage Grant (N.J.S.A 40A:4-87, +\$11,196.60)		11,196.60	11,196.60		
Green Acres Grant (N.J.S.A 40A:4-87, +\$183,750.00)		183,750.00	183,750.00		
New Jersey Department of Transportation Grants:					
(N.J.S.A 40A:4-87, +\$60,500.00)		60,500.00	60,500.00		
(N.J.S.A 40A:4-87, +\$68,750.00)		68,750.00	68,750.00		
(N.J.S.A 40A:4-87, +\$26,250.00)		26,250.00	26,250.00		
(N.J.S.A 40A:4-87, +\$66,250.00)		66,250.00	66,250.00		
Public Assistance Grant (N.J.S.A 40A:4-87, +\$5,904.45)		5,904.45	5,904.45		
American Rescue Plan (N.J.S.A 40A:4-87, +\$517,900.01)		517,900.01	517,900.01		
Total Operations - Excluded from "CAPS"	\$ 786,777.00	1,798,391.07	1,764,819.53	\$ 33,571.54	
Detail:					
Salaries & Wages	24,585.00	29,385.00	27,679.31	1,705.69	
Other Expenses	762,192.00	1,769,006.07	1,737,140.22	31,865.85	

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS": (Cont'd)					
Shared Service Agreements:					
Interlocal Health Services Agreement - Pequannock	\$ 154,091.40	\$ 154,091.40	\$ 139,332.00	\$ 14,759.40	
Construction Code - Bloomingdale	260,062.88	260,062.88	247,706.96	12,355.92	
Dial-A-Ride - Pequannock	99,994.00	99,994.00	99,994.00		
Interlocal ACO Services - Bloomingdale	29,472.00	29,472.00	29,472.00		
Interlocal Dispatch - Butler	34,400.00	34,400.00	32,300.00	2,100.00	
Interlocal Mechanic Services - Bloomingdale	16,250.00	21,250.00	21,250.00		
Interlocal Fire Official - Bloomingdale	15,086.00	15,086.00	15,086.00		
Total Shared Service Agreement	609,356.28	614,356.28	585,140.96	29,215.32	
Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	220,000.00	220,000.00	220,000.00		
Total Capital Improvements - Excluded from "CAPS"	220,000.00	220,000.00	220,000.00		
Municipal Debt Service - Excluded from "CAPS":					
Payment of Bond Principal	985,000.00	985,000.00	985,000.00		
Payment of Bond Anticipation Notes	353,000.00	353,000.00	353,000.00		
Interest on Bonds	207,985.00	208,211.00	208,210.20		\$ 0.80
Interest on Notes	47,905.00	47,679.00	41,336.79		6,342.21
Total Municipal Debt Service - Excluded from "CAPS"	1,593,890.00	1,593,890.00	1,587,546.99		6,343.01
Total General Appropriations - Excluded from "CAPS"	3,210,023.28	4,226,637.35	4,157,507.48	62,786.86	6,343.01
Subtotal General Appropriations	13,504,186.28	14,511,000.35	13,559,920.62	944,736.72	6,343.01
Reserve for Uncollected Taxes	1,676,005.31	1,676,005.31	1,676,005.31		
Total General Appropriations	\$ 15,180,191.59	\$ 16,187,005.66	\$ 15,235,925.93	\$ 944,736.72	\$ 6,343.01

Ref.

A

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 15,180,191.59	
Added by N.J.S.A. 40A:4-87		<u>1,006,814.07</u>	
		<u>\$ 16,187,005.66</u>	
Cash Disbursed			\$ 12,229,055.06
Encumbrances	A		268,943.26
Due to General Capital Fund:			
Bond Anticipation Note Principal and Interest			394,336.79
Transfer to Appropriated Grant Reserves:			
Federal and State Grants			1,006,814.07
Reserve for Uncollected Taxes			<u>1,676,005.31</u>
			15,575,154.49
Less: Appropriation Refunds			<u>339,228.56</u>
			<u>\$ 15,235,925.93</u>

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

BOROUGH OF KINNELON
COUNTY OF MORRIS
2022
TRUST FUNDS

BOROUGH OF KINNELON
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS

		December 31	
<u>ASSETS</u>	<u>Ref.</u>	2022	2021
Animal Control Fund:			
Cash and Cash Equivalents:			
Treasurer	B-4	\$ 53,169.75	\$ 76,470.21
		53,169.75	76,470.21
Other Trust Funds:			
Cash and Cash Equivalents	B-4	2,468,531.27	2,365,964.05
Due From Current Fund	A	434,998.85	692,088.89
		2,903,530.12	3,058,052.94
<u>TOTAL ASSETS</u>		<u>\$ 2,956,699.87</u>	<u>\$ 3,134,523.15</u>

LIABILITIES, RESERVES AND FUND BALANCE

Animal Control Fund:			
Due To State of New Jersey		\$ 1,498.30	\$ 1,489.90
Due to Current Fund	A	17,646.25	38,794.31
Reserve for Animal Control Expenditures	B-5	34,025.20	36,186.00
		53,169.75	76,470.21

BOROUGH OF KINNELON
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS

	Ref.	December 31	
		2022	2021
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Other Trust Funds:			
Due to General Capital Fund	C		\$ 150,000.00
Reserve for:			
Special Deposits		\$ 490,311.54	464,809.00
Developers Deposits - Escrow		197,225.80	174,407.54
Special Recreation		100,982.49	94,914.07
Historical Commission		11,390.91	11,270.63
Community Policing Donation		1,011.26	6.75
Open Space		215,064.08	287,463.34
Storm Recovery		573,730.41	506,545.66
Accumulated Absences		799,559.30	830,440.10
Parking Offenses Adjudication Act		521.46	486.02
Recycling		34,088.41	21,801.22
Forfeited Assets		12,568.09	12,568.09
Uniform Fire Safety Act		5,546.40	5,487.84
Municipal Alliance		3,024.99	3,422.24
Tax Sale Premium		332,573.42	362,970.43
Clerk Special		27,205.88	23,655.88
K-Fest		5,127.08	295.20
Public Defender		108.83	318.71
Flexible Spending		8,707.79	9,538.72
Police Outside Services		78,722.72	91,656.21
Planning Board Inspection		6,059.26	5,995.29
		<u>2,903,530.12</u>	<u>3,058,052.94</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 2,956,699.87</u>	<u>\$ 3,134,523.15</u>

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

BOROUGH OF KINNELON
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

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

BOROUGH OF KINNELON
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

BOROUGH OF KINNELON
ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

BOROUGH OF KINNELON
COUNTY OF MORRIS
2022
GENERAL CAPITAL FUND

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2022	2021
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 6,117,992.97	\$ 1,508,842.21
Grants Receivable:			
New Jersey Department of Transportation		74,394.06	229,894.06
Morris County Open Space		1,700,000.00	1,700,000.00
Morris County Municipal Utility Authority		150,000.00	150,000.00
Morris County Park Commission		300,000.00	300,000.00
New Jersey Highlands Council		300,000.00	300,000.00
Other Sources		100,000.00	100,000.00
Due from Sewer Utility Operating Fund	E		45,000.00
Due from Current Fund	A	389,336.79	697,745.16
Due from Federal and State Grant Fund	A		265,000.00
Due from Open Space Trust Fund	B		150,000.00
Due from Water Utility Capital Fund	D		4,719.00
Deferred Charges to Future Taxation:			
Funded		6,885,000.00	7,870,000.00
Unfunded	C-4	6,645,215.79	5,156,215.79
<u>TOTAL ASSETS</u>		<u>\$ 22,661,939.61</u>	<u>\$ 18,477,416.22</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 6,885,000.00	\$ 7,870,000.00
Bond Anticipation Notes Payable	C-7	6,389,850.00	4,334,850.00
Due to Water Utility Capital Fund	D	1,877,602.14	
Improvement Authorizations:			
Funded	C-5	3,160,536.13	3,092,691.13
Unfunded	C-5	3,506,667.29	1,839,660.51
Encumbrances Payable		108,007.00	773,699.22
Capital Improvement Fund	C-6	501,735.00	224,735.00
Reserve:			
To Pay Debt Service		198,574.12	307,812.43
For Cost of Issuance		2,701.00	2,701.00
For Housing Rehabilitation		15,550.00	15,550.00
Fund Balance	C-1	15,716.93	15,716.93
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 22,661,939.61</u>	<u>\$ 18,477,416.22</u>

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

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2021	C	<u>\$ 15,716.93</u>
Balance December 31, 2022	C	<u><u>\$ 15,716.93</u></u>

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

BOROUGH OF KINNELON
COUNTY OF MORRIS
2022
WATER UTILITY FUND

BOROUGH OF KINNELON
WATER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>ASSETS</u>	<u>Ref.</u>	December 31	
		2022	2021
Operating Fund:			
Cash and Cash Equivalents:			
Treasurer	D-4	\$ 702,764.62	\$ 664,189.37
Change Fund		100.00	100.00
		702,864.62	664,289.37
Other Receivables			
Due from Sewer Utility Operating Fund	E	92.24	92.24
			30.25
		702,956.86	664,411.86
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	D-6	15,543.32	18,298.31
Total Operating Fund		718,500.18	682,710.17
Capital Fund:			
Cash and Cash Equivalents	D-4	157,824.13	136,101.79
Due from Water Utility Operating Fund	D	30,000.00	64,260.21
Due from General Capital Fund	C	1,877,602.14	
Fixed Capital	D-7	529,360.00	485,360.00
Fixed Capital Authorized and Uncompleted	D-8	2,855,000.00	855,000.00
Total Capital Fund		5,449,786.27	1,540,722.00
<u>TOTAL ASSETS</u>		\$ 6,168,286.45	\$ 2,223,432.17

BOROUGH OF KINNELON
WATER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>Ref.</u>	<u>December 31</u>	
		<u>2022</u>	<u>2021</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	D-3; D-9	\$ 45,009.06	\$ 119,482.09
Encumbered	D-3; D-9	9,694.02	7,007.95
		<u>54,703.08</u>	<u>126,490.04</u>
Due to Water Utility Capital Fund	D	30,000.00	64,260.21
Accrued Interest on Bonds and Notes		22,207.50	3,370.83
Water Rent Overpayments		2,020.55	1,371.49
		<u>108,931.13</u>	<u>195,492.57</u>
Reserve for Receivables	D	15,543.32	18,298.31
Fund Balance	D-1	594,025.73	468,919.29
		<u>594,025.73</u>	<u>468,919.29</u>
Total Operating Fund		<u>718,500.18</u>	<u>682,710.17</u>
Capital Fund:			
Serial Bonds Payable	D-14	298,000.00	323,000.00
Bond Anticipation Notes Payable	D-13	1,904,500.00	
Improvement Authorizations:			
Funded	D-10	144,883.96	85,775.00
Unfunded	D-10	1,904,500.00	
Capital Improvement Fund	D-11	368.00	109,868.00
Due to General Capital Fund	C		4,719.00
Deferred Reserve for Amortization	D-12	145,500.00	50,000.00
Reserve for Amortization	D-12A	1,036,360.00	967,360.00
Reserve to Pay Debt Service		13,639.31	
Fund Balance	D-1A	2,035.00	
		<u>2,035.00</u>	<u>967,360.00</u>
Total Capital Fund		<u>5,449,786.27</u>	<u>1,540,722.00</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 6,168,286.45</u>	<u>\$ 2,223,432.17</u>

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

BOROUGH OF KINNELON
WATER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	Ref.	Year Ended December 31,	
		2022	2021
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 112,560.00	\$ 112,560.00
Water Rents		649,706.35	592,809.55
Nonbudget Revenue		8,353.47	1,135.85
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		83,655.29	75,455.73
		<u>854,275.11</u>	<u>781,961.13</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operating		498,961.00	522,766.00
Capital Improvements		30,000.00	25,000.00
Debt Service		51,447.67	33,131.66
Deferred Charges and Statutory Expenditures		36,200.00	36,200.00
Cancellation of Prior Year Revenue - Water Rents			0.08
		<u>616,608.67</u>	<u>617,097.74</u>
Excess Revenue/Statutory Excess to Fund Balance		237,666.44	164,863.39
<u>Fund Balance</u>			
Balance January 1	D	468,919.29	416,615.90
		<u>706,585.73</u>	<u>581,479.29</u>
Decreased by:			
Utilized by Water Utility Operating Budget		112,560.00	112,560.00
		<u>112,560.00</u>	<u>112,560.00</u>
Balance December 31	D	<u>\$ 594,025.73</u>	<u>\$ 468,919.29</u>

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

BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>		
Balance December 31, 2021	D	\$	-0-
Increased by:			
Refund of Fully Funded Ordinance			<u>2,035.00</u>
Balance December 31, 2022	D	\$	<u><u>2,035.00</u></u>

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

BOROUGH OF KINNELON
WATER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

	Anticipated	Realized	Excess
Fund Balance Anticipated	\$ 112,560.00	\$ 112,560.00	
Rents	504,278.00	649,706.35	\$ 145,428.35
	616,838.00	762,266.35	145,428.35
Nonbudget Revenue		8,353.47	8,353.47
	\$ 616,838.00	\$ 770,619.82	\$ 153,781.82
 <u>Analysis of Revenue - Rents</u>			
Collections		\$ 648,334.86	
Overpayments Applied		1,371.49	
		\$ 649,706.35	
 <u>Nonbudget Revenue:</u>			
Treasurer:			
Interest on Investments		\$ 8,353.47	
		\$ 8,353.47	

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

BOROUGH OF KINNELON
WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

	Appropriation		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	\$ 150,275.00	\$ 131,230.00	\$ 124,672.13	\$ 6,557.87	
Other Expenses	367,731.00	367,731.00	356,034.01	11,696.99	
Capital Improvements:					
Capital Improvement Fund	30,000.00	30,000.00	30,000.00		
Debt Service:					
Payment of Bond Principal	25,000.00	25,000.00	25,000.00		
Interest on Bonds	7,632.00	26,677.00	26,447.67		\$ 229.33
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	22,400.00	22,400.00		22,400.00	
Unemployment Insurance	800.00	800.00	375.67	424.33	
Social Security System (O.A.S.I.)	13,000.00	13,000.00	9,070.13	3,929.87	
	<u>\$ 616,838.00</u>	<u>\$ 616,838.00</u>	<u>\$ 571,599.61</u>	<u>\$ 45,009.06</u>	<u>\$ 229.33</u>

Ref.

D

Analysis of Paid or Charged:

Cash Disbursed		\$ 505,457.92
Due to Water Utility Capital Fund		30,000.00
Accrued Interest on Bonds and Notes		26,447.67
Encumbrances Payable	D	9,694.02
		<u>\$ 571,599.61</u>

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

BOROUGH OF KINNELON
COUNTY OF MORRIS
2022
SEWER UTILITY FUND

BOROUGH OF KINNELON
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2022	2021
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents:			
Treasurer	E-4	\$ 598,155.54	\$ 564,503.02
		598,155.54	564,503.02
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	E-5	8,716.04	10,644.52
			10,644.52
		<u>\$ 606,871.58</u>	<u>\$ 575,147.54</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	E-3;E-6	\$ 47,167.22	\$ 83,886.16
Encumbered	E-3;E-6	22,654.63	6,000.00
Total Appropriation Reserves		69,821.85	89,886.16
Accounts Payable - Vendors		1,634.00	1,634.00
Due to General Capital Fund	C		45,000.00
Overpayments		2,700.95	3,113.11
Due to Water Utility Operating Fund	D		30.25
		74,156.80	139,663.52
Reserve for Receivables	E	8,716.04	10,644.52
Fund Balance	E-1	523,998.74	424,839.50
		<u>\$ 606,871.58</u>	<u>\$ 575,147.54</u>

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

BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN
FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	<u>Year Ended December 31</u>	
		<u>2022</u>	<u>2021</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 95,815.00	\$ 95,815.00
Miscellaneous Revenues Not Anticipated		7,092.84	1,426.80
Sewer Service Charges - Fees		509,753.34	532,355.39
Unexpended Balance of Appropriation Reserves		60,382.06	34,256.44
Total Income		673,043.24	663,853.63
 Budget Appropriations:			
Operating		474,079.00	474,079.00
Deferred Charges and Statutory Expenditures		3,990.00	3,990.00
Total Expenditures		478,069.00	478,069.00
Excess Revenue to Fund Balance		194,974.24	185,784.63
Balance January 1	E	424,839.50	334,869.87
		619,813.74	520,654.50
Decreased by:			
Utilized by Sewer Utility Operating Budget		95,815.00	95,815.00
Balance December 31	E	\$ 523,998.74	\$ 424,839.50

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

BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit*</u>
Fund Balance Anticipated	\$ 95,815.00	\$ 95,815.00	
Sewer Service Charges	382,254.00	509,753.34	\$ 127,499.34
	<u>478,069.00</u>	<u>605,568.34</u>	<u>127,499.34</u>
Nonbudget Revenue		7,092.84	7,092.84
	<u>\$ 478,069.00</u>	<u>\$ 612,661.18</u>	<u>\$ 134,592.18</u>
Analysis of Sewer Rents Revenue:			
Collected in Sewer Utility Operating Fund		\$ 506,932.98	
Overpayments Applied		<u>2,820.36</u>	
		<u>\$ 509,753.34</u>	
<u>Nonbudget Revenue:</u>			
Treasurer:			
Interest on Investments	\$ 692.47		
Other Miscellaneous	<u>6,400.37</u>		
		<u>\$ 7,092.84</u>	
		<u>\$ 7,092.84</u>	

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

BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

	Appropriation		Expended by			Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved		
Operating:						
Salaries and Wages	\$ 19,215.00	\$ 23,715.00	\$ 23,531.49	\$ 183.51		
Other Expenses	454,864.00	450,364.00	406,020.22	44,343.78		
Deferred Charges and Statutory Expenditures:						
Statutory Expenditures:						
Contribution to:						
Public Employee Retirement System	2,240.00	2,240.00		2,240.00		
Unemployment Compensation Insurance	150.00	150.00	54.30	95.70		
Social Security System (O.A.S.I.)	1,600.00	1,600.00	1,295.77	304.23		
Total Sewer Utility Appropriations	\$ 478,069.00	\$ 478,069.00	\$ 430,901.78	\$ 47,167.22	\$ -0-	

Ref.

E

Analysis of Paid or Charged:

Cash Disbursed	\$ 408,247.15
Encumbrances	22,654.63
	<u>\$ 430,901.78</u>

E

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

BOROUGH OF KINNELON
COUNTY OF MORRIS
2022
BOND AND INTEREST FUND

NOT APPLICABLE

BOROUGH OF KINNELON
COUNTY OF MORRIS
2022
PUBLIC ASSISTANCE FUND

BOROUGH OF KINNELON
PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	2022	2021
<u>ASSETS</u>			
Cash and Cash Equivalents	F-1	\$ 57,250.07	\$ 56,645.47
TOTAL ASSETS		\$ 57,250.07	\$ 56,645.47
 <u>LIABILITIES</u>			
Reserve for Public Assistance Fund I		\$ 57,250.07	\$ 56,645.47
TOTAL LIABILITIES AND RESERVES		\$ 57,250.07	\$ 56,645.47

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

BOROUGH OF KINNELON
COUNTY OF MORRIS
2022
GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF KINNELON
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,	
	2022	2021
<u>ASSETS</u>		
Land	\$ 10,236,364.00	\$ 10,236,364.00
Buildings and Improvements	2,978,541.20	2,978,541.20
Equipment	6,662,128.51	5,844,966.73
<u>TOTAL ASSETS</u>	<u>\$ 19,877,033.71</u>	<u>\$ 19,059,871.93</u>
<u>RESERVES</u>		
Reserve for Fixed Assets	\$ 19,877,033.71	\$ 19,059,871.93
<u>TOTAL RESERVES</u>	<u>\$ 19,877,033.71</u>	<u>\$ 19,059,871.93</u>

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Description of Funds

The accounting policies of the Borough of Kinnelon 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 Borough of Kinnelon accounts for its financial transactions through the following separate funds:

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

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

B. Description of Funds (Cont'd)

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

Water Utility Operating and Capital Funds - Account for the operations and acquisition of capital facilities of the municipally owned water utility.

Sewer Utility Operating Fund- Account for the operations of the municipally owned sewer utility.

Public Assistance Fund - Receipt and disbursement of funds that provide assistance to certain residents of the municipality pursuant to Title 44 of New Jersey Statutes. The operations of the State funded welfare program were transferred to the County in a prior year.

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

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement 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. Federal and state grants are generally recognized on the cash basis, except for certain assistance which is not realized until anticipated in the Borough's budget in the Current Fund. Grant revenue is realized in the Capital Funds when improvements are authorized. The amounts recorded as property taxes receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

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

1. Accumulated unpaid vacation, sick pay and other employee benefit 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.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

C. Basis of Accounting (Cont'd)

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 Borough'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 fixed assets purchased by the Water Utility Fund would be depreciated and the Borough's net pension liability and related deferred inflows and outflows would be recorded.

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

D. Deferred Charges to Future Taxation

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

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

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

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.

General Fixed Assets - In accordance with New Jersey Administrative Code accounting requirements, as promulgated by the Division of Local Government Services, the Borough 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 estimated historical cost. 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, General Capital Fund, and Water Utility and Sewer Utility Funds. 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.

Property and equipment purchased by the Water Utility Funds are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent replacement costs or current value.

Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Water Utility Capital Fund represent charges to operations for the costs of acquisitions of property, equipment and improvements. The Water Utility Fund does not record depreciation on fixed assets.

F. Budgets/Budgetary Controls

Annual appropriated budgets are usually prepared in the first quarter for current operating, utility, 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 Borough during the year.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 2: Long-Term Debt

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

Summary of Municipal Debt

	<u>December 31,</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Issued</u>			
General:			
Bonds and Notes	\$ 13,274,850	\$ 12,204,850	\$ 12,180,850
Water Utility:			
Bonds and Notes	<u>2,202,500</u>	<u>323,000</u>	<u>348,000</u>
Total Issued	<u>15,477,350</u>	<u>12,527,850</u>	<u>12,528,850</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	<u>255,366</u>	<u>821,366</u>	<u>255,366</u>
Total Authorized but not Issued	<u>255,366</u>	<u>821,366</u>	<u>255,366</u>
<u>Less:</u>			
Reserve to Pay Debt Service			
General Capital Fund	\$ 198,574	\$ 307,812	\$ 462,812
Water Utility Capital Fund	<u>13,639</u>		
	<u>212,213</u>	<u>307,812</u>	<u>462,812</u>
Net Bonds and Notes			
Issued and Authorized but not Issued	<u>\$ 15,520,503</u>	<u>\$ 13,041,404</u>	<u>\$ 12,321,404</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 as of December 31, 2022 and indicates a statutory net debt of 0.61%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School District Debt	\$ 12,085,000	\$ 12,085,000	
Water Utility Debt	2,202,500	2,202,500	
General Debt	<u>13,530,216</u>	<u>198,574</u>	<u>\$ 13,331,642</u>
	<u>\$ 27,817,716</u>	<u>\$ 14,486,074</u>	<u>\$ 13,331,642</u>

Net Debt \$13,331,642 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$2,175,944,187 = 0.61%.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

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

3-1/2% Average Equalized Valuation of Real Property	\$ 76,158,047
Net Debt	<u>13,331,642</u>
Remaining Borrowing Power	<u>\$ 62,826,405</u>

Calculation of "Self-Liquidating Purpose", Water Utility Per N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 770,620
Deductions:	
Operating and Maintenance Costs	\$ 535,161
Debt Service	<u>51,448</u>
	<u>586,609</u>
Excess in Revenue	<u>\$ 184,011</u>

Footnote: If there is an "excess in revenue", all such utility debt is deductible. If there is a "deficit", then utility debt is not deductible to the extent of 20 times such deficit amount, or the total amount of debt service for that fund, whichever is less.

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

Summary of Municipal Debt Issued and Outstanding - Prior Year

Fund	Balance 12/31/2020	Additions	Retirements	Balance 12/31/2021
Serial Bonds:				
General Capital Fund	\$ 8,820,000		\$ 950,000	\$ 7,870,000
Water Utility Capital Fund	348,000		25,000	323,000
Bond Anticipation Notes:				
General Capital Fund	3,360,850	\$ 4,334,850	3,360,850	4,334,850
	<u>\$ 12,528,850</u>	<u>4,334,850</u>	<u>\$ 4,335,850</u>	<u>\$ 12,527,850</u>

Summary of Municipal Debt Issued and Outstanding - Current Year

Fund	Balance 12/31/2021	Additions	Retirements	Balance 12/31/2022
Serial Bonds:				
General Capital Fund	\$ 7,870,000		\$ 985,000	\$ 6,885,000
Water Utility Capital Fund	323,000		25,000	298,000
Bond Anticipation Notes:				
General Capital Fund	4,334,850	\$ 9,243,700	7,188,700	6,389,850
Water Utility Capital Fund		1,904,500		1,904,500
	<u>\$ 12,527,850</u>	<u>\$ 11,148,200</u>	<u>\$ 8,198,700</u>	<u>\$ 15,477,350</u>

At December 31, 2022, the Borough had capital debt issued and outstanding described as follows:

General Capital Bond Anticipation Notes

Purpose	Final Maturity	Rate	
Various Improvements	09/29/23	4.00%	\$ 6,389,850

General Capital Serial Bonds

Purpose	Final Maturity	Rate	
General Refunding	03/01/24	4.00% - 4.75%	985,000
General Improvements	02/01/32	2.00% - 3.00%	5,900,000

Water Utility Capital Serial Bonds

Purpose	Final Maturity	Rate	
Water Improvements	02/01/32	2.00% - 3.00%	298,000

Water Utility Capital Bond Anticipation Notes

Final Maturity	Final Maturity	Rate	
Water Improvements	09/23/23	4.00%	1,904,500

Total Debt Issued and Outstanding	<u>\$ 15,477,350</u>
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BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

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

Schedule for Annual Debt Service For Principal and Interest for the Next Five Years and Thereafter for Bonded Debt Issued and Outstanding

Calendar Year	General		Water		Total
	Principal	Interest	Principal	Interest	
2023	\$ 1,015,000	\$ 176,413	\$ 30,000	\$ 7,040	\$ 1,228,453
2024	1,045,000	145,963	30,000	6,440	1,227,403
2025	550,000	125,063	30,000	5,840	710,903
2026	575,000	113,094	30,000	5,171	723,265
2027	575,000	99,438	30,000	4,428	708,865
2027-2032	3,125,000	236,625	148,000	9,124	3,518,749
	<u>\$ 6,885,000</u>	<u>\$ 896,594</u>	<u>\$ 298,000</u>	<u>\$ 38,043</u>	<u>\$ 8,117,636</u>

Note 3: Fund Balances Appropriated

Fund balances at December 31, 2022, which were included in the adopted budget as anticipated revenue for the year ending December 31, 2023 budget, were as follows:

Current Fund	\$ 1,750,000
Water Utility Operating Fund	112,560
Sewer Utility Operating Fund	95,815

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 Borough of Kinnelon has not elected to defer school taxes.

Note 5: Pension Plans

Borough employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee's Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); 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 annual financial statements which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

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. 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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. 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 are adjusted by the rate of return on the actuarial value of assets.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

Contributions (Cont'd)

Borough contributions to PERS amounted to \$328,294 for 2022. During the fiscal year ended June 30, 2022, the State of New Jersey contributed \$8,474 to the PERS for normal pension benefits on behalf of the Borough.

The employee contribution rate was 7.50% effective July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2022, the Borough's liability was \$4,027,652 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2022, the Borough's proportion was 0.0267%, which was a decrease of 0.0012% from its proportion measured as of June 30, 2021. The Borough has rolled forward the net pension liability as of June 30, 2021 with no adjustments. The State of New Jersey Public Employees' 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.

There was no state proportionate share of net pension liability attributable to the Borough as of June 30, 2022.

For the year ended December 31, 2022, the Borough recognized actual pension expense in the amount of \$328,294.

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	2.75 – 6.55% based on years of service
Investment Rate of Return	7.00%

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2022) 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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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 and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the Borough's proportionate share of the collective net pension liability as of June 30, 2022 calculated using the discount rate as disclosed below, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2022		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
Borough's proportionate share of the Net Pension Liability	\$ 5,174,354	\$ 4,027,652	\$ 3,051,764

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. Police and Firemen's Retirement System (PFRS)

Plan Description

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

Benefits Provided

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

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

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

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, which includes the normal costs and unfunded accrued liability. For fiscal year 2021, the State contributed an amount less than the actuarially determined amount.

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

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

Special Funding Situation (Cont'd)

amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer.

Borough contributions to PFRS amounted to \$653,592 for the year ended December 31, 2022. During the fiscal year ended June 30, 2021, the State of New Jersey contributed \$100,146 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$128,392.

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

Pension Liabilities and Pension Expense

At June 30, 2021, the Borough's liability for its proportionate share of the net pension liability was \$4,098,970. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2021, the Borough's proportion was 0.0560%, which was an increase of 0.003% from its proportion measured as of June 30, 2020. The Borough has rolled forward the net pension liability as of June 30, 2021 with no adjustments. The State of New Jersey Police and Firemen's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2021 pension information in the Notes to the Financial Statements as the June 30, 2022 pension information has not been released as of the date of this audit.

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$1,152,835 as of June 30, 2021. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. The State's proportionate share of the net pension liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2021, the State's proportion was 0.0560%, which was a increase of 0.003% from its proportion measured as of June 30, 2020 which is the same proportion as the Borough's.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

Borough's Proportionate Share of the Net Pension Liability	\$ 4,098,970
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>1,152,835</u>
Total Net Pension Liability	<u>\$ 5,251,805</u>

For the year ended December 31, 2022, the Borough recognized total pension expense of \$653,592.

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	2.75%
Salary Increases:	
Through all future years	3.25 – 15.25% based on years of service
Investment Rate of Return	7.00%

Employee mortality rates were based on the PubS-2010 amount-weighted mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females. Disability rates were based on the PubS-2010 amount-weighted mortality table with a 152.0% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Market Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Assets	3.00%	7.40%
Real Estate	8.00%	9.15%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 5: Pension Plans (Cont'd)

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

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

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Borough) as of June 30, 2021 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2021		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
Borough's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Borough	\$ 7,974,707	\$ 5,251,805	\$ 2,985,290

Pension Plan Fiduciary Net Position - PFRS

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

C. 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 Borough recognized pension expense of \$4,765.48 for the year ended December 31, 2022. Employee contributions to DCRP amounted to \$8,736.72 for the year ended December 31, 2022.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 6: Selected Tax Rate 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 there is an 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 years may be placed in lien at a tax sale held after April 1 and through December 31. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

	2022	2021	2020
<u>Tax Rate</u>	\$ 2.747	\$ 2.697	\$ 2.647
<u>Apportionment of Tax Rate</u>			
Municipal	0.538	0.524	0.507
County	0.265	0.262	0.264
Local School	1.910	1.878	1.842
Library	0.034	0.033	0.034
<u>Assessed Valuations</u>			
2022	\$ 2,106,464,900		
2021		\$ 2,103,105,500	
2020			\$ 2,106,754,800

Comparison of Tax Levies and Collections Currently

A study of this tabulation could indicate a possible trend in future tax levies.

A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

Year	Tax Levy	Currently	
		Cash Collections	Percentage of Collection
2022	\$ 58,053,846	\$ 57,573,872	99.17%
2021	56,882,579	56,396,769	99.15%
2020	55,863,000	55,170,700	98.76%

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 6: Selected Tax Rate Information (Cont'd)

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 7: 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. The Borough classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Borough 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 Borough ensures that any deposit or investments 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 Borough 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 Borough's policy with respect to custodial credit risk requires that the Borough ensures that Borough funds are only deposited in financial institutions in which NJ municipalities are permitted to invest their funds.

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other 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; and in addition

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value 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.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 7: Cash and Cash Equivalents (Cont'd)

Investments

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

As of December 31, 2022, cash and cash equivalents of the Borough of Kinnelon consisted of the following:

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 7: Cash and Cash Equivalents (Cont'd)

Investments (Cont'd)

<u>Fund</u>	<u>Checking Accounts</u>	<u>Cash on Hand</u>	<u>Totals</u>
Current	\$ 8,192,288.34	\$ 680.00	\$ 8,192,968.34
Animal Control	53,169.75		53,169.75
Other Trust	2,468,531.27		2,468,531.27
General Capital	6,117,992.97		6,117,992.97
Water Utility Operating	702,764.62	100.00	702,864.62
Water Utility Capital	157,824.13		157,824.13
Sewer Utility Operating	598,155.54		598,155.54
Public Assistance	57,250.07		57,250.07
	<u>\$ 18,347,976.69</u>	<u>\$ 780.00</u>	<u>\$ 18,348,756.69</u>

The carrying amount of the Borough of Kinnelon's cash and cash equivalents at cost at December 31, 2022, was \$18,348,769.69 and the bank balance was \$18,272,606.75.

Note 8: Accrued Sick and Vacation Benefits

The Borough has permitted employees to accrue unused sick pay, which may be taken as time off or paid upon retirement or separation at the employee's current rate upon such termination. It is estimated that the current cost of such unpaid compensation would approximate \$647,105.86. This amount is not reported either as an expenditure or liability. However, it is expected that the cost of such unpaid compensation would be included in the Borough's budget operating expenditures in the year in which it is used. This amount is funded in the Reserve for Accumulated Absences of \$799,559.30 on the Trust Funds balance sheet at December 31, 2022.

Note 9: Risk Management

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

The Borough of Kinnelon is a member of the Morris County Municipal Joint Insurance Fund. This fund is both an insured and self-administered group of municipalities established for the purpose of providing certain low-cost insurance coverage for member municipalities in order to keep local property taxes at a minimum.

The following coverages are offered by these funds to its members:

- a.) Workers' Compensation and Employers' Liability
- b.) Liability Other Than Motor Vehicles
- c.) Property Damage Other Than Motor Vehicles
- d.) Motor Vehicle
- e.) Environmental

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 9: Risk Management (Cont'd)

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

This 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. In accordance with the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The Fund's financial statements for the year ended December 31, 2022 were unavailable at the time of this audit. Selected financial information for the Fund as of December 31, 2021 is as follows:

Total Assets	\$ 38,998,094
Net Position	\$ 16,225,925
Total Revenue	\$ 21,199,571
Total Expenses	\$ 20,283,613
Change in Net Position	\$ 915,958
Members Dividends	\$ -0-

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

PERMA Risk Management Services
9 Campus Drive, Suite 216
Parsippany, NJ 07054
(201) 881-7632

New Jersey Unemployment Compensation Insurance

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

Note 10: Contingencies

The Borough is periodically involved in lawsuits arising in the normal course of business, including claims for disputes over contract awards. In the opinion of management, the ultimate outcome of these lawsuits will not have a material adverse effect on the Borough's financial position as of December 31, 2022.

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 Borough 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 Borough officials expect such amounts, if any, to be immaterial.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 10: Contingencies (Cont'd)

Various tax appeals on assessed valuations have been filed against the Borough and are awaiting tax court decisions. The ultimate outcome and effect of such appeals have not been determined; however, the Borough Tax Assessor will aggressively defend the Borough's assessments. The Borough has established a reserve for this contingency in the amount of \$609,974, which the Borough believes is adequate to cover any potential liability.

Note 11: Open Space Trust Fund

The Borough of Kinnelon created an Open Space Trust Fund in a prior year. The Borough has levied a tax equal to five (.05) cents per \$100 of total Borough equalized real property valuation. The funds collected are used to acquire and maintain open space property in the Borough. The balances of the Open Space Trust Fund at December 31, 2022 and 2021 were \$215,064.08 and \$287,463.34, respectively.

Note 12: Economic Dependency

The Borough of Kinnelon 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 Borough's programs and activities.

Note 13: Deferred Compensation Plan

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. This plan, which is administered by Nationwide, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

Note 14: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2022:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 17,646.25	\$ 2,326,327.17
General Capital Fund	389,336.79	1,877,602.14
Water Utility Operating Fund		30,000.00
Water Utility Capital Fund	1,907,602.14	
Federal and State Grant Fund	1,501,991.53	
Animal Control Fund		17,646.25
Other Trust Fund	434,998.85	
	<u>\$ 4,251,575.56</u>	<u>\$ 4,251,575.56</u>

The Animal Control interfund payable to the Current Fund represents the statutory excess in the Animal Control Fund which was not turned over by year end. The interfund between the Current Fund and the Other Trust Funds represents the current year Open Space tax, the current year Tax Sale Premiums, and transfers to the Reserve for Storm Recovery, and the Reserve for Accumulated Absences offset by interest not turned over by year end. The interfund between the Current Fund and the Federal and State Grant Fund represents the net of Federal and State grant expenditures paid and grant receipts collected by the Current Fund which was not turned over by year end. The interfund between the Current Fund and the General Capital Fund represents the Bond Anticipation Notes and the Deferred Charges appropriations not yet transferred in cash.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 14: Interfund Receivables and Payables (Cont'd)

The interfund between Federal and State Grant Fund and General Capital Fund represents Federal and State Grant Fund Expenditures disbursed in the General Capital Fund and not returned by year end. The interfund between General Capital Fund and Sewer Utility Operating Fund represents funds appropriated for improvement authorizations not yet transferred. The interfund between the General Capital Fund and the Other Trust Fund represents prior year funds appropriated for improvement authorizations not yet transferred. The interfund between the General Capital Fund and the Water Utility Capital Fund represents a prior year capital improvement authorization funding not turned over by year end. The interfund between the Water Utility Operating Fund and the Water Utility Capital Fund represents the capital improvement and deferred charges appropriations not yet transferred in cash.

Note 15: Postemployment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost sharing multiple employers defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) annual financial statements, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 15: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

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

Benefits Provided (Cont'd)

Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Contributions

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

Special Funding Situation

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

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB (benefit)/expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit)/expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2020 through June 30, 2021. Employer and nonemployer allocation percentages were rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 15: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

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

OPEB Expense

The Borough has rolled forward the net OPEB liability as of June 30, 2021 with no adjustments. The Division of Local Government Services, Department of Community Affairs, State of New Jersey, is permitting municipalities and counties to include the June 30, 2021 OPEB information in the Notes to the Financial Statements as the June 30, 2022 information has not been released as of the date of this report.

The total OPEB liability as of June 30, 2022 was not available from the State of New Jersey Division of Pensions and Benefits as of the date of this report. The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021.

The State's proportionate share of the net OPEB liability attributable to the Borough at June 30, 2021 was \$6,891,481. At June 30, 2021, the State's proportion related to the Borough was .178473%. This is the percentage of the total State Share of the net OPEB liability of the Plan.

During the year ended June 30, 2021 the State of New Jersey's OPEB benefit related to the Borough was \$940,368.

Actuarial Assumptions and Other Inputs

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

Inflation Rate	2.50%
Salary Increases*:	
Public Employees' Retirement System (PERS)	
Initial fiscal year applied	
Rate through 2026	2.00% - 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 15.25%

*- Salary increases are based on years of service within the respective plan.

Mortality:

PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(Continued)

Note 15: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

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

Actuarial Assumptions and Other Inputs (Cont'd)

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of the PFRS and PERS experience studies were prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 – June 30, 2018, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially is 5.65% for fiscal year 2021 and decreases to a 4.5% long term trend rate after seven years. For PPO post 65 medical benefits, the trend rate is initially 13.08% and decreases to a 4.5% long term trend rate starting with fiscal year 2032 and later. For HMO Post 65 medical benefits, the trend rate is initially 13.76% and decreases to a 4.50% long term trend rate starting with fiscal year 2032 and later. For prescription drug benefits, the initial trend rate is 6.75% for fiscal year 2021 and decreases to a 4.5% long term rate after seven years.

Discount Rate

The discount rate for June 30, 2021 was 2.16%. This represents the municipal bond rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Note 16: Fixed Assets

The following is a summarization of general fixed assets for the year ended December 31, 2022 and 2021:

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
Land	\$ 10,236,364.00			\$ 10,236,364.00
Building and Improvements	2,978,541.20			2,978,541.20
Equipment	5,844,966.73	\$ 817,161.78		6,662,128.51
	<u>\$ 19,059,871.93</u>	<u>\$ 817,161.78</u>	<u>\$ -0-</u>	<u>\$ 19,877,033.71</u>
	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021
Land	\$ 10,236,364.00			\$ 10,236,364.00
Building and Improvements	2,978,541.20			2,978,541.20
Equipment	5,780,966.73	\$ 64,000.00		5,844,966.73
	<u>\$ 18,995,871.93</u>	<u>\$ 64,000.00</u>	<u>\$ -0-</u>	<u>\$ 19,059,871.93</u>

SUPPLEMENTARY DATA

BOROUGH OF KINNELON
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2022

Name	Title	Amount of Bond
James Freda	Mayor	
Randall Charles	Councilmember	
Vincent Russo	Councilmember	
Sean Mabey	Councilmember	
James Lorkowski	Councilmember	
William Yago	Councilmember	
Robert Roy	Councilmember	
Charles Daniel	Chief Financial Officer	
Karen Iuele	Borough Clerk	
Jennifer Stillman	Treasurer	\$ 1,000,000.00
Charles Daniel	Tax Collector; Tax Search Officer, Water and Sewer Collector	1,000,000.00
Judith O'Brien	Tax Search Officer	
Andrew Wubbenhorst	Magistrate	
Dara Tanzola	Court Administrator	
Joseph Napolitano	Police Chief	
Melanie Schuckers	Recreation Commission Director	
John Whitehead	Public Works Manager	
Chris Lauver	Tax Assessor	
Ed Buzak	Borough Attorney	

All bonds were examined and were properly executed.

* All employees, who are not specifically bonded, are covered under \$50,000 and \$950,000 Faithful Performance Bonds provided by the Morris County Municipal Joint Insurance Fund and the Municipal Excess Liability Joint Insurance Fund, respectively.

BOROUGH OF KINNELON
COUNTY OF MORRIS
2022
CURRENT FUND

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>		
Balance December 31, 2021	A	\$	7,662,814.91
Increased by Receipts:			
Tax Collector	\$	58,337,181.24	
Miscellaneous Revenue Not Anticipated		144,520.80	
Revenue Accounts Receivable		1,222,536.85	
Appropriation Refunds		339,228.56	
Appropriation Reserve Refunds		16,917.08	
Municipal Relief Fund		29,107.14	
Due from State of New Jersey:			
Senior Citizens' and Veterans' Deductions		43,201.37	
Building Surcharge Fees		13,234.00	
Marriage Licenses		550.00	
Due Other Trust Funds:			
Interest Earned		7,699.18	
Historical Commission Grant Due to Open Space Trust Fund		224,962.00	
Open Space Interfund Returned		65,940.00	
Due Animal Control Trust Fund:			
Interest Earned		965.51	
Prior Year Statutory Excess		38,794.31	
Due to Borough of Butler - Electric Payments		2,491.78	
Due to Federal and State Grant Fund:			
Unappropriated Grant Reserves		525,133.94	
Grants Receivable		500,174.61	
		<hr/>	<hr/>
			61,512,638.37
			<hr/>
			69,175,453.28
Decreased by Disbursements:			
2022 Appropriations	\$	12,229,055.06	
2021 Appropriation Reserves		480,983.12	
Refund of Tax Overpayments		14,591.43	
County Taxes		5,580,379.78	
Local School District Taxes		40,224,299.00	
Prepaid School Taxes		5,000.02	
Due to State of New Jersey:			
Building Surcharge Fees		13,648.00	
Marriage License Fees		725.00	
Refund of Anticipated Revenues		560.00	
Due to Other Trust Funds:			
Prior Year Interfund Returned - Reserve for Accumulated Absences		300,000.00	
Prior Year Interfund Returned - Reserve for Storm Recovery		200,000.00	
Prior Year Interfund Returned - Reserve for Open Space		210,931.88	
Payments made on Behalf of Other Trust Funds		320,274.40	
Due General Capital Fund		697,745.16	
Third-Party Lien Redemptions		239,842.54	
Due from Federal and State Grant Fund:			
Appropriated Grant Reserve Expenditure		200,129.55	
Due to General Capital Fund		265,000.00	
		<hr/>	<hr/>
			\$ 60,983,164.94
			<hr/>
Balance December 31, 2022	A	\$	<u>8,192,288.34</u>

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2022

Increased by Receipts:	
Interest and Costs on Taxes	\$ 64,850.61
Taxes Receivable	57,492,888.09
2023 Prepaid Taxes	274,317.41
Tax Overpayments	37,682.59
Tax Sale Premiums	227,600.00
Third-Party Lien Redemptions	239,842.54
	<hr/> 58,337,181.24
Decreased by:	
Amount Turned Over to Treasurer	<hr/> <u>\$ 58,337,181.24</u>

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance		Collections		Tax Overpayments Applied	Senior Citizen & Veteran Deductions	Taxes Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2022
	Dec. 31, 2021	2022 Levy	2021	2022					
2021	\$ 316,913.80		\$ 316,161.11			\$ (1,000.00)	\$ 64.00		\$ 1,688.69
	316,913.80		316,161.11			(1,000.00)	64.00		1,688.69
2022		\$ 58,053,846.55	\$ 340,597.66		\$ 12,637.44	43,409.61	49,481.21	\$ 83,368.73	347,624.92
Total	\$ 316,913.80	\$ 58,053,846.55	\$ 340,597.66	\$ 57,492,888.09	\$ 12,637.44	\$ 42,409.61	\$ 49,545.21	\$ 83,368.73	\$ 349,313.61

Ref. A

Analysis of 2022 Property Tax Levy

Tax Yield:

General Purpose Tax \$ 57,864,592.60
Added, Omitted and Rollback Taxes 189,253.95

\$ 58,053,846.55

Tax Levy:

Local School District Taxes \$ 40,224,299.00
County Taxes \$ 5,426,496.21
County Open Space Taxes 135,511.54
County Added & Omitted Taxes 18,372.03

5,580,379.78

105,323.00

291.24

45,910,293.02

Municipal Open Space
Local Taxes for Open Space - Due Other Trust Funds
Local Tax for Municipal Purposes 11,249,048.59
Local Taxes for Municipal Library 720,192.00
Library Added and Omitted Taxes 2,351.38
Add: Additional Tax Levied 171,961.56

12,143,553.53

\$ 58,053,846.55

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2021	A	\$ 1,019,465.29
Increased by:		
Transfer from Taxes Receivable		\$ 83,368.73
Interest and Costs on Tax Sale		<u>976.72</u>
		<u>84,345.45</u>
		<u>1,103,810.74</u>
Balance December 31, 2022	A	<u>\$ 1,103,810.74</u>

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2022

	Balance	Accrued In	Collected by		Balance
	Dec. 31, 2021	2022	Collector	Treasurer	Dec. 31, 2022
Clerk:					
Licenses:					
Alcoholic Beverage		\$ 6,845.00		\$ 6,845.00	
Other		16,373.00		16,373.00	
Fees and Permits		51,926.05		51,926.05	
Municipal Court:					
Fines and Costs	\$ 3,584.67	31,994.75		33,946.84	\$ 1,632.58
Interest and Costs on Taxes		64,850.61	\$ 64,850.61		
Interest on Investments and Deposits		150,373.96		150,373.96	
Cable Franchise Fees		44,191.00		44,191.00	
Uniform Construction Code Official		141,930.00		141,930.00	
Energy Receipts Taxes		557,994.00		557,994.00	
Watershed Moratorium Aid		45,261.00		45,261.00	
Garden State Trust Fund		173,696.00		173,696.00	
	<u>\$ 3,584.67</u>	<u>\$ 1,285,435.37</u>	<u>\$ 64,850.61</u>	<u>\$ 1,222,536.85</u>	<u>\$ 1,632.58</u>
	A				A

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2022

NOT APPLICABLE

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF 2021 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2022

	Balance Dec. 31, 2021	Balance After Modification	Paid or Charged	Balance Lapsed
GENERAL GOVERNMENT:				
General Administration:				
Salaries and Wages	\$ 6.01	\$ 6.01		\$ 6.01
Other Expenses	22,132.57	8,632.57	\$ 1,223.48	7,409.09
Office of the Mayor:				
Other Expenses	1,358.94	1,358.94		1,358.94
Clerk's Office:				
Salaries and Wages	39.95	39.95		39.95
Other Expenses	16,178.90	16,178.90	178.56	16,000.34
Financial Administration:				
Salaries and Wages	453.35	453.35		453.35
Other Expenses	5,697.50	5,697.50	5,697.50	
Webmaster - Other Expenses	2,957.66	2,957.66		2,957.66
Collection of Taxes:				
Salaries and Wages	1,200.97	1,200.97		1,200.97
Other Expenses	9,738.47	9,738.47	15.00	9,723.47
Assessment of Taxes:				
Salaries and Wages	85.32	85.32		85.32
Other Expenses	7,652.59	7,652.59	7,215.71	436.88
Legal Services and Costs:				
Miscellaneous Other Expenses	16,405.00	16,405.00	16,405.00	
Engineering Services and Costs:				
Other Expenses	2,500.00	2,500.00		2,500.00
LAND USE ADMINISTRATION:				
Historical Preservation Commission:				
Salaries and Wages	2,346.05	2,346.05		2,346.05
Other Expenses	7,825.63	7,825.63	299.80	7,525.83
Planning Board:				
Salaries and Wages	1,571.44	1,571.44		1,571.44
Other Expenses	13,891.72	13,891.72	660.00	13,231.72
Zoning Board of Adjustment:				
Salaries and Wages	14.97	14.97		14.97
Other Expenses	4,738.77	4,738.77	500.00	4,238.77
PUBLIC SAFETY:				
Municipal Court:				
Salaries and Wages	258.71	258.71		258.71
Other Expenses	824.61	824.61	125.00	699.61
Police Department:				
Salaries and Wages	181,108.31	106,108.31	5,728.81	100,379.50
Other Expenses	34,085.87	34,085.87	5,265.77	28,820.10
Police Dispatch/911:				
Salaries and Wages	1,092.11	1,092.11		1,092.11
PUBLIC SAFETY:				
Office of Emergency Management:				
Salaries and Wages	95.78	95.78		95.78
Other Expenses	250.00	250.00		250.00
Aid to Volunteer Fire Companies:				
Other Expenses	6,466.81	6,466.81	6,466.81	
Aid to Tri-Borough Ambulance Squad	12,000.00	12,000.00	6,993.48	5,006.52
Fire Prevention Bureau:				
Other Expenses	3,656.66	3,656.66		3,656.66
Fire Hydrants	861.28	861.28		861.28

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF 2021 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2022

	Balance Dec. 31, 2021	Balance After Modification	Paid or Charged	Balance Lapsed
PUBLIC WORKS:				
Streets and Roads Maintenance:				
Salaries and Wages	\$ 87,556.47	\$ 12,556.47		\$ 12,556.47
Other Expenses	45,009.33	36,184.33	\$ 35,962.20	222.13
Garbage and Trash Removal:				
Salaries and Wages	1,559.14	1,559.14		1,559.14
Other Expenses	142,377.28	142,377.28	128,301.60	14,075.68
Vehicle Maintenance				
Other Expenses	335.02	6,585.02		6,585.02
Building and Grounds:				
Salaries and Wages	3,382.36	3,382.36		3,382.36
Other Expenses	4,125.20	4,125.20	1,382.29	2,742.91
HEALTH AND HUMAN SERVICES:				
Board of Health:				
Salaries and Wages	678.57	678.57		678.57
Other Expenses	9,479.56	9,479.56		9,479.56
Animal Control Services:				
Other Expenses	1,000.00	1,000.00		1,000.00
Senior Citizen Program:				
Other Expenses	608.52	608.52		608.52
Environmental Commission:				
Salaries and Wages	2,053.84	2,053.84		2,053.84
Other Expenses	1,280.00	1,280.00		1,280.00
PARKS AND RECREATION FUNCTIONS:				
Recreation Services:				
Salaries and Wages	391.10	391.10		391.10
Other Expenses	8,985.70	8,985.70	8,985.70	
OTHER COMMON OPERATING FUNCTIONS:				
Celebration of Public Events:				
Other Expenses	7,492.83	7,492.83	911.27	6,581.56
Smoke Rise - Condo Costs				
Other Expenses	26,974.62	26,974.62	14,482.23	12,492.39
UTILITY EXPENSE AND BULK PURCHASES:				
Electricity	15,525.76	15,525.76	3,262.64	12,263.12
Street Lighting	1,145.96	1,145.96	789.49	356.47
Telephone	603.07	603.07	289.95	313.12
Water	2,354.98	2,354.98	631.25	1,723.73
Natural Gas	5,429.18	5,429.18		5,429.18
Gasoline	17,913.16	17,913.16	7,839.26	10,073.90
Landfill/Solid Waste Disposal Costs	56,334.17	69,834.17	63,726.00	6,108.17
STATE UNIFORM CONSTRUCTION CODE:				
Construction Official:				
Salaries and Wages	91.65	91.65	27.44	64.21
Other Expenses	2,631.09	2,631.09		2,631.09
Insurance:				
General Liability	8,956.62	8,956.62		8,956.62
Employee Group Health	236,440.80	236,440.80	150,276.00	86,164.80
Workman's Compensation	2.00	2.00		2.00
Flexible Spending Advance	1,500.00	1,500.00		1,500.00
Employee Group Health Waiver	598.12	598.12		598.12

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF 2021 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2022

	Balance Dec. 31, 2021	Balance After Modification	Paid or Charged	Balance Lapsed
STATUTORY EXPENDITURES				
Contribution to:				
Police & Firemen's Retirement System	\$ 206.30	\$ 206.30		\$ 206.30
Public Employee's Retirement System	267.64	267.64	\$ 208.20	59.44
Public Employees' DCRP System	2,741.06	2,741.06	727.74	2,013.32
Social Security System (O.A.S.I.)	13,185.58	13,185.58	434.43	12,751.15
Unemployment Insurance	2,669.46	2,669.46	34.50	2,634.96
OPERATIONS EXCLUDED FROM "CAPS"				
Maintenance of Free Public Library (PL 1988, Ch.82):				
Other Expenses	135,586.39	135,586.39	135,586.39	
Reserve for Pending Tax Appeal	18,279.45	18,279.45		18,279.45
Storm Water Management:				
Salaries and Wages	852.37	852.37		852.37
Other Expenses	2,503.00	2,503.00		2,503.00
Length of Service Award Program	641.31	641.31		641.31
Shared Service Agreements:				
Construction Code Services - Bloomingdale	281.25	2,856.25	2,854.00	2.25
Dial-a-ride - Pequannock	3,186.00	3,186.00		3,186.00
ACO Services - Bloomingdale	25.00	25.00		25.00
Dispatch Butler	1,437.00	1,437.00		1,437.00
Mechanic Services - Bloomingdale	613.95	613.95	578.54	35.41
CAPITAL IMPROVEMENTS				
Capital Improvement Fund		150,000.00	150,000.00	
	<u>\$ 1,232,787.81</u>	<u>\$ 1,232,787.81</u>	<u>\$ 764,066.04</u>	<u>\$ 468,721.77</u>
 <u>Analysis of Balance December 31, 2021:</u>				
	<u>Ref.</u>			
Unencumbered	A \$ 1,123,332.54			
Encumbered	A 109,455.27			
	<u>\$ 1,232,787.81</u>			
 <u>Analysis of Paid or Charged:</u>				
Cash Disbursed			\$ 480,983.12	
Due Other Trust Funds:				
Reserve for Storm Recovery			100,000.00	
Reserve for Accumulated Absences			50,000.00	
Due to General Capital Fund - Capital Improvement Fund			150,000.00	
			780,983.12	
Less: Refunds			16,917.08	
			<u>\$ 764,066.04</u>	

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE

Increased by:	
Levy - Calendar Year 2022	<u>\$ 40,224,299.00</u>
Decreased by:	
Payments to School District	<u><u>\$ 40,224,299.00</u></u>

BOROUGH OF KINNELON
FEDERAL AND STATE GRANT FUNDS
SCHEDULE OF GRANTS RECEIVABLE

	Balance Dec. 31, 2021	Accrued in 2022	Received	Transfer from Unappropriated Reserves	Balance Dec. 31, 2022
Charlotteburg Dam & Reservoir	\$ 2,125.00				\$ 2,125.00
Highlands Water Management Grant	123,026.54				123,026.54
Morris County Historic Preservation	27,399.00				27,399.00
Body Armor Replacement Fund	30.00	\$ 1,081.01	\$ 1,111.01		
Recycling Tonnage		11,196.60	11,196.60		
Clean Communities Programs		22,530.02	22,530.02		
Body Worn Camera Grant		40,760.00	40,760.00		
Green Acres Grant		183,750.00	183,750.00		
Valley National - Historical Commission Grant	3,000.00	1,140.00			4,140.00
SHARE Grant	342.00				342.00
Click It or Ticket	600.00				600.00
Drive Sober or Get Pulled Over	3,837.00				3,837.00
Bicycle Unit Grant	7,695.00				7,695.00
Gypsy Moth Spraying	4,476.00				4,476.00
PSE&G Energy Saver Program	106,955.88				106,955.88
American Rescue Plan		517,900.01		\$ 517,900.01	
Public Assistance Grant		5,904.45			5,904.45
New Jersey Department of Transportation Grant:					
Cutlass Road		221,750.00	173,775.00		47,975.00
Fayson Road			66,250.00		
Water Assistance Grant		801.98	801.98		
	\$ 345,736.42	\$ 1,006,814.07	\$ 500,174.61	\$ 517,900.01	\$ 334,475.87
Ref.	A	A-2		A-15	A

BOROUGH OF KINNELON
FEDERAL AND STATE GRANT FUNDS
SCHEDULE OF APPROPRIATED GRANT RESERVES

	Balance Dec. 31, 2021	Transferred from Current Fund 2022 Budget	Prior Year Encumbrances Returned	Expended	Balance Dec. 31, 2022
Drunk Driving Enforcement Fund	\$ 2,389.56				\$ 2,389.56
Municipal Alcohol Education Rehabilitation Act	498.00				498.00
Municipal Alcohol Education					
Rehabilitation Act- Local Match	4,005.00				4,005.00
Highlands Water Management Grant	99,871.64				99,871.64
Domestic Violence	300.00				300.00
Storm Water	10,465.00				10,465.00
Recycling Tonnage Grant	77,994.62	\$ 11,196.60		\$ 4,610.63	84,580.59
Bicycle Unit	4,576.00				4,576.00
Community Policing Donations	65.00				65.00
Historical Commission	1,457.57	1,140.00			1,140.00
Alcohol Education Rehabilitation Fund	2,883.00				2,883.00
PSE&G	89,277.80	22,530.02	1,495.86	10,801.68	102,502.00
Clean Communities Grant	1,981.01	1,081.01		3,062.02	
Body Armor Replacement Fund		40,760.00		524.90	40,235.10
Body Worn Camera Grant		183,750.00		183,750.00	
Green Acres Grant	3,837.00				3,837.00
Drive Sober or Get Pulled Over	34,517.00				34,517.00
Keep Kids Alive	1,944.00				1,944.00
Sustainable New Jersey	11,425.00				11,425.00
Homeland Security Buffer	4,476.00				4,476.00
Gypsy Moth Spraying	9,964.20				9,964.20
Gypsy Moth Spraying - Local Match	106,955.88				106,955.88
PSE&G Energy Saver Program		517,900.01			517,900.01
American Rescue Plan	13,390.71	5,904.45			19,295.16
Public Assistance Grant		221,750.00			221,750.00
New Jersey Department of Transportation Grant		801.98			801.98
Water Assistance Grant					
Morris County Heritage Commission	20,192.00				20,192.00
	\$ 502,465.99	\$ 1,006,814.07	\$ 1,495.86	\$ 202,749.23	\$ 1,308,026.69
	A			A	

Ref.

Cash Disbursed	\$ 200,129.55
Encumbrances	2,619.68
Total	\$ 202,749.23

BOROUGH OF KINNELON
FEDERAL AND STATE GRANT FUNDS
SCHEDULE OF UNAPPROPRIATED RESERVES

	Balance Dec. 31, 2021	Cash Received	Revenue Realized	Balance Dec. 31, 2022
Recycling Tonnage Grant	\$ 327.09			\$ 327.09
Historic Preservation Grant	360.00			360.00
Body Armor Replacement Fund		\$ 7,233.93		7,233.93
American Rescue Plan	517,900.01	517,900.01	\$ 517,900.01	517,900.01
	\$ 518,587.10	\$ 525,133.94	\$ 517,900.01	\$ 525,821.03
<u>Ref.</u>	A	A-4	A-13	A

BOROUGH OF KINNELON
COUNTY OF MORRIS
2022
TRUST FUNDS

BOROUGH OF KINNELON
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Balance December 31, 2021	\$ 76,470.21	\$ 2,365,964.05
Increased by Receipts:		
Animal Control Fees Collected	\$ 16,028.40	
State Registration Fees	1,638.60	
Miscellaneous Fees	1,417.00	
Due Current Fund:		
Interest Earned	965.51	7,699.18
Prior Year Interfund - Accumulated Absences		300,000.00
Budget Appropriation - Accumulated Absences		33,000.00
Prior Year Interfund - Open Space		210,931.88
Prior Year Interfund - Storm Recovery		200,000.00
Tax Sale Premiums		1,402.99
Open Space Trust Fund:		
Miscellaneous		1,841.00
Interest Earned		1,181.27
Special Deposits		25,502.54
Developers Deposits - Escrow		58,916.75
Special Recreation		253,441.31
Historical Commission		120.28
Community Policing Donation		1,004.51
Parking Offenses Adjudication Act		35.44
Recycling		32,455.88
Uniform Fire Safety Act		58.56
Municipal Alliance		3,829.96
Clerk Special		5,700.00
K-Fest		36,561.79
Public Defender		2,040.12
Flexible Spending		5,180.90
Police Outside Services		523,115.79
Planning Board Inspection		63.97
	20,049.51	1,704,084.12
	96,519.72	4,070,048.17

BOROUGH OF KINNELON
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Decreased by Disbursements:		
Animal Control Expenditures	\$ 1,959.95	
State Registration Fees	1,630.20	
Due Current Fund:		
Interest Earned	965.51	\$ 7,699.18
Interfund Returned - Prior Year Statutory Excess		
Interfund Returned - Open Space		65,940.00
Due General Capital Fund - Open Space		150,000.00
Open Space Trust Fund Expenditures		85,723.37
Developers Deposits - Escrow		36,098.49
Special Recreation		247,372.89
Storm Recovery		32,815.25
Accumulated Absences		113,880.80
Recycling		20,168.69
Municipal Alliance		4,227.21
Tax Sale Premium		259,400.00
Clerk Special		2,150.00
K-Fest		31,729.91
Public Defender		2,250.00
Flexible Spending		6,011.83
Police Outside Services		536,049.28
	<u>\$ 43,349.97</u>	<u>\$ 1,601,516.90</u>
Balance December 31, 2022	<u>\$ 53,169.75</u>	<u>\$ 2,468,531.27</u>

BOROUGH OF KINNELON
ANIMAL CONTROL FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>	
Balance December 31, 2021	B	\$ 36,186.00
Increased by:		
Dog License Fees Collected		\$ 16,028.40
Recovery, Late and Other Fees		1,417.00
		17,445.40
		53,631.40
Decreased by:		
Expenditures Under R.S. 4:19-15.11		1,959.95
Statutory Excess		17,646.25
		19,606.20
Balance December 31, 2022	B	\$ 34,025.20

License Fees Collected

<u>Year</u>	<u>Amount</u>
2020	\$ 16,635.20
2021	17,390.00
	34,025.20
Maximum Allowable Reserve	\$ 34,025.20

BOROUGH OF KINNELON
COUNTY OF MORRIS
2022
GENERAL CAPITAL FUND

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2021	C	\$ 1,508,842.21
Increased by:		
Budget Appropriation:		
Capital Improvement Fund	\$ 220,000.00	
Bond Anticipation Notes	9,243,700.00	
Due to Water Utility Capital Fund:		
Bond Anticipation Notes	1,904,500.00	
Premium on Bond Anticipation Notes	13,639.31	
Interfund Returned	4,719.00	
Due Current Fund - Interfund Returned	697,745.16	
Due Federal and State Grant Fund	265,000.00	
Due Sewer Utility Operating Fund - Interfund Returned	45,000.00	
Due from Open Space Trust Fund	150,000.00	
New Jersey Department of Transportation Grant	155,500.00	
Reserve to Pay Debt Service:		
Premium on Bond Anticipation Notes	45,761.69	
	12,745,565.16	12,745,565.16
		14,254,407.37
Decreased by:		
Improvement Authorizations	865,840.44	
Due Water Utility Capital Fund:		
Paid on Behalf of Water Utility Capital Fund	40,537.17	
Bond Anticipation Notes	7,188,700.00	
Due Current Fund:		
Payment on Behalf of Current Fund	41,336.79	
	8,136,414.40	8,136,414.40
Balance December 31, 2022	C	\$ 6,117,992.97

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Receipts		Disbursements		Transfers		Balance (Deficit) Dec. 31, 2022
	Balance/ (Deficit) Dec. 31, 2021	Bond Anticipation Notes Miscellaneous	Bond Anticipation Notes Miscellaneous	Improvement Authorizations	From	To	
Fund Balance	\$ 15,716.93						\$ 15,716.93
Capital Improvement Fund	224,735.00	\$ 220,000.00			\$ 93,000.00	\$ 150,000.00	501,735.00
State of New Jersey Grants Receivable:							(74,394.06)
Department of Transportation	(229,894.06)	155,500.00					
Receivables:							
Morris County Open Space	(1,700,000.00)						(1,700,000.00)
Morris County Municipal Utility Authority	(150,000.00)						(150,000.00)
New Jersey Highlands Council	(300,000.00)						(300,000.00)
Other Receivables	(100,000.00)						(100,000.00)
Morris County Park Commission	(300,000.00)						(300,000.00)
Due Current Fund	(697,745.16)	697,745.16			503,000.00	155,000.00	(389,336.79)
Due Federal and State Grant Fund	(265,000.00)	265,000.00					
Due Water Utility Capital Fund	(4,719.00)	1,922,858.31			40,537.17		1,877,602.14
Due Sewer Utility Operating Fund	(45,000.00)	45,000.00					
Due from Open Space Trust Fund	(150,000.00)	150,000.00					
Reserve for:							
Encumbrances Payable	773,699.22				773,699.22	108,007.00	108,007.00
Pay Debt Service	307,812.43				155,000.00		198,574.12
Housing Rehabilitation	15,550.00						15,550.00
Debt Issuance Costs	2,701.00	45,761.69					2,701.00
Ord. No.							
06-06	Rehab of Lake Reckabear Dam						12,345.00
17-12	Various Improvements						23,512.71
02-14	Various Improvements		\$ 2,405,000.00			140,000.00	487,771.27
01-13	Various Improvements	1,344,464.46	1,890,700.00	\$ 5,606.00		113,490.00	132,348.46
05-16	Various Improvements	(3,140.00)					(3,140.00)
06-16	Improvement of Fayson Lakes Road	28,150.40		3,625.00			24,525.40
07-16	Improvements to Kakeout Road	16.96					16.96
04-17	Acquisition of Real Property	1,600,000.00					1,600,000.00
06-17	Acquisition of Real Property	1,100,000.00					1,100,000.00
09-17	DPW Equipment, Door Replacement and Seal Coating	17,705.00					17,705.00
06-18	Improvement of Maple Lake Road	52,253.78					52,253.78
03-19	Acquisition of Firefighting Vehicle	1,066.00	570,000.00			80,000.00	1,066.00
07-19	Improvement of Kiel Avenue	179,026.85	843,000.00			23,000.00	179,026.85
08-20	Purchase of Asphalt Hot Patcher Dump Trailer	1,342.00					1,342.00
11-20	Purchase of Dump Truck	1,719.00					1,719.00
13-20	Various Road Improvements - Upper and Lower West Lake Drive	37,165.23					37,165.23
10-21	New Firefighting Equipment	(546,485.00)	566,000.00	575,485.00		575,485.00	19,515.00
11-21	Various Improvements	765,591.14	1,304,000.00	195,039.85		194,230.08	764,781.37
13-21	Various Improvements	218,481.05		494.14		494.14	218,481.05
03-22	Firefighting Equipment		352,000.00	64,810.45		107,257.00	12,932.55
10-22	Various Improvements		1,666,000.00	20,780.00	750.00	84,000.00	1,728,470.00
		\$ 1,508,842.21	\$ 9,243,700.00	\$ 865,840.44	\$ 1,632,706.22	\$ 1,632,706.22	\$ 6,117,992.97

BOROUGH OF KINNELON
GENERAL CAPITAL FUND

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. No.	Improvement Description	Paid by		2022 Authorizations	Balance Dec. 31, 2022	Bond Anticipation Notes	Analysis of Balance December 31, 2022	
		Budget Appropriation Bond Anticipation Notes Paid	Bond Anticipation Notes				Expenditures	Unexpended Improvement Authorizations
06-06	Rehab Lake Rickabear	\$ 250,000.00	\$ 250,000.00		\$ 250,000.00		\$	\$ 250,000.00
02-14	Various Improvements	1,272,500.00	140,000.00		1,132,500.00	\$ 1,132,500.00		
01-13	Various Improvements	1,000,350.00	110,000.00		890,350.00	890,350.00		
05-16	Various Improvements	5,365.79			5,365.79		\$ 3,140.00	2,225.79
03-19	Acquisition of Firefighting Vehicle	325,000.00	80,000.00		245,000.00	245,000.00		
07-19	Improvement of Kiel Avenue	433,000.00	23,000.00		410,000.00	410,000.00		
10-21	New Firefighting Equipment	566,000.00			566,000.00	566,000.00		
11-21	Various Improvements	1,304,000.00		\$ 176,000.00	1,304,000.00	1,304,000.00		
03-22	Firefighting Equipment			\$ 176,000.00	176,000.00	176,000.00		
10-22	Various Improvements			1,666,000.00	1,666,000.00	1,666,000.00		
		\$ 5,156,215.79	\$ 353,000.00	\$ 1,842,000.00	\$ 6,645,215.79	\$ 6,389,850.00	\$ 3,140.00	\$ 252,225.79

C	C
Ref.	

Improvement Authorizations - Unfunded	\$ 3,506,667.29
Less: Unexpended Proceeds of Bond Anticipation Notes Issued:	
Ordinance #02-14 Various Improvements	(487,771.27)
Ordinance #01-13 Various Improvements	(132,348.46)
Ordinance #03-19 Acquisition of Firefighting Vehicle	(1,066.00)
Ordinance # 07-19 Improvement of Kiel Avenue	(179,026.85)
Ordinance # 11-21 Various Improvements	(764,781.37)
Ordinance # 10-21 Acquisition of New Firefighting Equipment	(19,515.00)
Ordinance #03-22 Firefighting Equipment	(3,932.55)
Ordinance # 10-22 Various Improvements	(1,666,000.00)
	\$ 252,225.79

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Amount	Balance December 31, 2021		Capital Improvement Fund	2022 Authorizations		Deferred Charges to Future Taxation - Unfunded	Paid or Charged	Encumbrances Returned	Balance December 31, 2022	
			Funded	Unfunded		Funded	Unfunded					
06-06	Rehab of Lake Reckabear Dam	\$ 262,500.00	\$ 12,345.00	\$ 250,000.00							\$ 12,345.00	\$ 250,000.00
17-12	Various Improvements	1,835,000.00	23,512.71								23,512.71	
01-13	Various Improvements	1,467,850.00		134,464.46								132,348.46
02-14	Various Improvements	1,955,000.00		487,771.27								487,771.27
05-16	Various Improvements	658,600.00		2,225.79								2,225.79
06-16	Improvement of Fayson Lakes Road	230,000.00	28,150.40						3,625.00		24,525.40	
07-16	Improvements to Kakeout Road	350,000.00	16.96								16.96	
04-17	Acquisition of Real Property	1,600,000.00	1,600,000.00								1,600,000.00	
06-17	Acquisition of Real Property	1,100,000.00	1,100,000.00								1,100,000.00	
09-17	DPW Equipment, Door Replacement and Seal Coating	100,000.00	17,705.00								17,705.00	
06-18	Improvement of Maple Lake Road	225,015.00	52,253.78								52,253.78	
03-19	Acquisition of New Firefighting Vehicle	500,000.00		1,066.00								1,066.00
07-19	Improvement of Kiel Avenue	950,000.00		179,026.85								179,026.85
08-20	Purchase of Asphalt Hot Patcher Dump Trailer	35,000.00	1,342.00								1,342.00	
11-20	Purchase of Dump Truck	70,000.00	1,719.00								1,719.00	
13-20	Various Road Improvements - Upper and Lower West Lake Drive	320,000.00	37,165.23								37,165.23	
10-21	Acquisition of Firefighting Equipment	595,000.00		19,515.00					575,485.00			19,515.00
11-21	Various Improvements	1,370,000.00		765,591.14					195,039.85			764,781.37
13-21	Various Improvements	230,000.00	218,481.05						494.14		218,481.05	
03-22	Firefighting Equipment	185,000.00							172,067.45		9,000.00	3,932.55
10-22	Various Improvements	1,750,000.00							21,530.00		62,470.00	1,666,000.00
			\$ 3,092,691.13	\$ 1,839,660.51	\$ 93,000.00	\$ 1,842,000.00	\$ 973,847.44	\$ 773,699.22	\$ 3,160,536.13	\$ 3,506,667.29		

Ref.

\$ 865,840.44	Cash Disbursed
108,007.00	Encumbrances
<u>\$ 973,847.44</u>	

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2021	C	\$ 224,735.00
Increased by:		
Budget Appropriation Reserve		150,000.00
Budget Appropriation		<u>220,000.00</u>
		594,735.00
Decreased by:		
Appropriation to Finance Improvement Authorizations		<u>93,000.00</u>
Balance December 31, 2022	C	<u><u>\$ 501,735.00</u></u>

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES
YEAR ENDED DECEMBER 31, 2022

Ord. No.	Improvement Description	Date of				Interest Rate	Balance Dec. 31, 2021	Issued	Matured	Balance Dec. 31, 2022
		Issue of Original Note	Issue	Maturity						
02-14	Various Improvements	03/11/16	03/04/21 03/25/22 09/29/22	03/04/22 09/30/22 09/29/23	0.29% 0.80% 4.00%	\$ 1,272,500.00	\$ 1,132,500.00 1,132,500.00	\$ 1,272,500.00 1,132,500.00	\$ 1,132,500.00	
01-13	Various Improvements	03/11/16	03/04/21 03/25/22 09/29/22	03/04/22 09/30/22 09/29/23	0.29% 0.80% 4.00%	1,000,350.00	890,350.00 890,350.00	1,000,350.00 890,350.00	890,350.00	
03-19	Acquisition of a New Firefighting Vehicle	08/09/19	03/04/21 03/25/22 09/29/22	03/04/22 09/30/22 09/29/23	0.29% 0.80% 4.00%	325,000.00	245,000.00 245,000.00	325,000.00 245,000.00	245,000.00	
07-19	Improvement of Kiel Avenue	08/09/19	03/04/21 03/25/22 09/29/22	03/04/22 09/30/22 09/29/23	0.29% 0.80% 4.00%	433,000.00	410,000.00 410,000.00	433,000.00 410,000.00	410,000.00	
10-21	Firefighter Equipment	09/21/22	09/21/22	09/21/23	4.00%		566,000.00	566,000.00	566,000.00	
11-21	Various Improvements	10/01/21	10/01/21 09/29/22	09/30/22 09/29/23	1.50% 4.00%	1,304,000.00	1,304,000.00	1,304,000.00	1,304,000.00	
03-22	Firefighter Equipment	3/25/2022	03/25/22 09/29/22	09/30/22 09/29/23	0.80% 4.00%		176,000.00 176,000.00	176,000.00	176,000.00	
10-22	Various Improvements	09/29/22	09/29/22	09/29/23	4.00%		1,666,000.00	1,666,000.00	1,666,000.00	
						\$ 4,334,850.00	\$ 9,243,700.00	\$ 7,188,700.00	\$ 6,389,850.00	
						C				
						Ref.				
Renewed							\$ 6,835,700.00	\$ 6,835,700.00		
Issued for Cash							2,408,000.00			
Paid by Budget Appropriation								353,000.00		
						\$ 9,243,700.00	\$ 7,188,700.00	\$ 7,188,700.00	\$ 6,389,850.00	

BOROUGH OF KINNELON
 GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds		Interest Rate	Balance Dec. 31, 2021	Matured	Balance Dec. 31, 2022
			Outstanding Date	Amount				
General Refunding	12/16/09	\$ 6,070,000.00	03/01/23	\$ 490,000.00	4.00%	\$ 1,470,000.00	\$ 485,000.00	\$ 985,000.00
			03/01/24	495,000.00	4.00%			
General Improvement	5/11/15	9,100,000.00	02/01/23	525,000.00	2.00%			
			02/01/24	550,000.00	2.00%			
			02/01/25	550,000.00	2.00%			
			02/01/26	575,000.00	2.25%			
			02/01/27	575,000.00	2.50%			
			02/01/28	600,000.00	2.75%			
			02/01/29	625,000.00	3.00%			
			02/01/30	625,000.00	3.00%			
			02/01/31	625,000.00	3.00%			
			02/01/32	650,000.00	3.00%			
					6,400,000.00	500,000.00	5,900,000.00	
					<u>\$ 7,870,000.00</u>	<u>\$ 985,000.00</u>	<u>\$ 6,885,000.00</u>	

Ref.

C

C

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2022

Ord. No.	Improvement Description	Balance Dec. 31, 2021	2022 Improvement Authorizations	Bond Anticipation Notes Issued	Balance Dec. 31, 2022
06-06	Rehab Lake Rickabear Dam	\$ 250,000.00			\$ 250,000.00
05-16	Various Improvements	5,365.79			5,365.79
10-21	New Firefighting Equipment	566,000.00		\$ 566,000.00	
03-22	New Firefighting Equipment		\$ 176,000.00	176,000.00	
10-22	Various Improvements		1,666,000.00	1,666,000.00	
		<u>\$ 821,365.79</u>	<u>\$ 1,842,000.00</u>	<u>\$ 2,408,000.00</u>	<u>\$ 255,365.79</u>

BOROUGH OF KINNELON
COUNTY OF MORRIS
2022
WATER UTILITY FUND

BOROUGH OF KINNELON
WATER UTILITY FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2021	D	\$ 664,189.37	\$136,101.79
Increased by Receipts:			
Water Utility Collector		\$ 650,355.41	
Interest on Investments		8,353.47	
Refund of Fully Funded Ordinance			\$ 2,035.00
Due Sewer Utility Operating Fund:			
Interfund Returned		30.25	
Due Water Utility Operating Fund:			
Interfund Returned			64,260.21
		<u>658,739.13</u>	<u>66,295.21</u>
		1,322,928.50	202,397.00
Decreased by Disbursements:			
2022 Budget Appropriations		505,457.92	
2021 Appropriation Reserves		42,834.75	
Improvement Authorizations Expenditures			39,853.87
Accrued Interest on Bonds		7,611.00	
Due Water Utility Capital Fund		64,260.21	
Due General Capital Fund			4,719.00
		<u>620,163.88</u>	<u>44,572.87</u>
Balance December 31, 2022	D	<u>\$ 702,764.62</u>	<u>\$157,824.13</u>

BOROUGH OF KINNELON
WATER UTILITY OPERATING FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2022

Increased by Receipts:

Water Rents	\$ 637,656.94	
Other Water Fees	9,086.39	
Interest on Delinquent Accounts	1,591.53	
Water Overpayments	2,020.55	
	<hr/>	
Total Consumer Accounts Receivable		<u>\$ 650,355.41</u>

Decreased by Disbursements:

Paid to Treasurer		<u><u>\$ 650,355.41</u></u>
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BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
ANALYSIS OF WATER CAPITAL CASH

	Balance/(Deficit) Dec. 31, 2021	Receipts		Disbursements		Transfers		Balance/(Deficit) Dec. 31, 2022
		Miscellaneous		Improvement Authorizations	Miscellaneous	From	To	
Capital Fund Balance			\$ 2,035.00					\$ 2,035.00
Capital Improvement Fund	\$ 109,868.00					\$ 139,500.00	\$ 30,000.00	368.00
Due General Capital Fund	4,719.00			\$ 4,719.00		1,918,139.31	40,537.17	(1,877,602.14)
Due Water Utility Operating Fund	(64,260.21)	64,260.21				30,000.00		(30,000.00)
Reserve to Pay Debt Service							13,639.31	13,639.31
Ord. No.								
09-02								4,883.00
15-04								68,131.00
11-07								5,873.00
10-08								6,888.00
17-21				\$ 3,462.83		40,537.17	44,000.00	
11-22				36,391.04			2,000,000.00	
	\$ 136,101.79	\$ 66,295.21	\$ 39,853.87	\$ 4,719.00	\$ 2,128,176.48	\$ 2,128,176.48	\$ 2,128,176.48	\$ 157,824.13

BOROUGH OF KINNELON
WATER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2021	2022 Charges	Collections	Overpayments Applied	Balance Dec. 31, 2022
Water Rents	\$ 18,298.31	\$ 636,273.44	\$ 637,656.94	\$ 1,371.49	\$ 15,543.32
Miscellaneous	<u>10,677.92</u>	<u>10,677.92</u>	<u>10,677.92</u>		
	<u>\$ 18,298.31</u>	<u>\$ 646,951.36</u>	<u>\$ 648,334.86</u>	<u>\$ 1,371.49</u>	<u>\$ 15,543.32</u>

Ref. D

Miscellaneous:

Sprinkler Systems, Fire Hydrant Service and
 Other Water Fees
 Interest on Delinquent Rents

\$	9,086.39
\$	1,591.53
<u>\$</u>	<u>10,677.92</u>

D

BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

	Balance Dec. 31, 2021	Transfer from Fixed Capital Authorized and Uncomplete	Balance Dec. 31, 2022
Steel Water Tank	\$ 109,773.00		\$ 109,773.00
Meters and Meter Boxes	10,784.00		10,784.00
General Equipment	87,735.00		87,735.00
Pump House and Pumps	61,032.00	\$ 44,000.00	105,032.00
Improvement of Water Supply and Distribution	216,036.00		216,036.00
	<u>\$ 485,360.00</u>	<u>\$ 44,000.00</u>	<u>\$ 529,360.00</u>

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D

BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Ord. No.	Improvement Description	Balance Dec. 31, 2021	2022 Authorizations	Transfer to Fixed Capital	Balance Dec. 31, 2022
09-02	Improvement of Water Supply System	\$ 110,000.00			\$ 110,000.00
15-04	Improvement of Water Supply System	250,000.00			250,000.00
11-07	Improvement of Water Supply System	440,000.00			440,000.00
10-08	Acquisition of Vehicular Equipment	55,000.00			55,000.00
17-21	Takeout Road Pump Station		\$ 44,000.00	\$ 44,000.00	
11-22	Improvement of Water Supply System		2,000,000.00		2,000,000.00
		<u>\$ 855,000.00</u>	<u>\$ 2,044,000.00</u>	<u>\$ 44,000.00</u>	<u>\$ 2,855,000.00</u>
		D			D

BOROUGH OF KINNELON
WATER UTILITY OPERATING FUND
SCHEDULE OF 2021 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2022

	Balance Dec. 31, 2021	Balance After Modification	Paid or Charged	Balance Lapsed
Operating:				
Salaries and Wages	\$ 21,374.91	\$ 21,374.91		\$ 21,374.91
Other Expenses	101,077.27	101,077.27	\$ 42,834.75	58,242.52
Statutory Expenditures:				
Contribution to:				
Social Security Insurance	3,651.38	3,651.38		3,651.38
Unemployment Insurance	386.48	386.48		386.48
	\$ 126,490.04	\$ 126,490.04	\$ 42,834.75	\$ 83,655.29
<u>Balance December 31, 2021</u>				
Unencumbered	D \$ 119,482.09			
Encumbered	D 7,007.95			
	\$ 126,490.04			

BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Date	Amount	2022 Authorizations		Paid or Charged	Balance Dec. 31, 2022	
				Balance Dec. 31, 2021	Capital Improvement Fund		Deferred Charges to Future Revenue	Funded
09-02	Improvement of Water Supply System	05/16/2002	\$ 110,000.00	\$ 4,883.00			\$ 4,883.00	
15-04	Improvement of Water Supply System	06/17/2004	250,000.00	68,131.00			68,131.00	
11-07	Improvement of Water Supply System	03/23/2007	440,000.00	5,873.00			5,873.00	
10-08	Acquisition of Vehicular Equipment	06/19/2008	55,000.00	6,888.00		\$ 44,000.00	6,888.00	
17-21	Kakeout Road Pump Station	11/18/2021	44,000.00			\$ 44,000.00		
11-22	Various Water Improvements	07/21/2022	2,000,000.00		\$ 1,904,500.00	36,391.04	59,108.96	\$ 1,904,500.00
				\$ 85,775.00	\$ 139,500.00	\$ 80,391.04	\$ 144,883.96	\$ 1,904,500.00

Ref.

D

D

D

Cash Disbursed	\$ 39,853.87
Due to General Capital Fund	40,537.17
	<u>\$ 80,391.04</u>

BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2021	D	\$ 109,868.00
Increased by:		
2022 Budget Appropriation		<u>30,000.00</u>
		139,868.00
Decreased by:		
Appropriation to Finance Improvement Authorizations		<u>139,500.00</u>
Balance December 31, 2022	D	<u><u>\$ 368.00</u></u>

BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

Ord. No.	Improvement Description	Balance Dec. 31, 2021	2022 Authorizations	Transferred to Reserve for Amortization	Balance Dec. 31, 2022
11-07	Improvement of Water Supply System	\$ 50,000.00			\$ 50,000.00
17-21	Kekeout Road Pump Station		\$ 44,000.00	\$ 44,000.00	
12-09	Acquisition of Generator		95,500.00		95,500.00
		<u>\$ 50,000.00</u>	<u>\$ 139,500.00</u>	<u>\$ 44,000.00</u>	<u>\$ 145,500.00</u>

Ref.

D

D

BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>Ref.</u>	
Balance December 31, 2021	D	\$ 967,360.00
Increased by:		
Paid by Operating Budget		\$ 25,000.00
Transfer from Deferred Reserve for Amortization		<u>44,000.00</u>
		<u>69,000.00</u>
Balance December 31, 2022	D	<u>\$ 1,036,360.00</u>

BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES
YEAR ENDED DECEMBER 31, 2022

Ord. No.	Improvement Authorization	Date of			Interest Rate	Issued	Balance Dec. 31, 2022
		Issue of Original Note	Issue	Maturity			
11-22	Improvement of Water Supply System	09/29/22	09/29/22	09/29/23	4.00%	\$ 1,904,500.00	\$ 1,904,500.00
						<u>\$ 1,904,500.00</u>	<u>\$ 1,904,500.00</u>

BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
SCHEDULE OF WATER CAPITAL SERIAL BONDS

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds		Interest Rate	Balance	
			Outstanding Date	Amount		Dec. 31, 2021	Dec. 31, 2022
Water Improvement Bonds	05/11/15	\$ 458,000.00	02/01/23	\$ 30,000.00	2.00%		
			02/01/24	30,000.00	2.00%		
			02/01/25	30,000.00	2.00%		
			02/01/26	30,000.00	2.25%		
			02/01/27	30,000.00	2.50%		
			02/01/28	30,000.00	2.75%		
			02/01/29	30,000.00	3.00%		
			02/01/30	30,000.00	3.00%		
			02/01/31	30,000.00	3.00%		
				02/01/32	28,000.00	3.00%	\$ 323,000.00
						<u>\$ 323,000.00</u>	<u>\$ 298,000.00</u>

Ref. C C

BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
FOR THE YEAR ENDED DECEMBER 31, 2022

Ord. No.	Improvement Description	2022 Improvement Authorizations	Bond Anticipation Notes Issued	Balance Dec. 31, 2022
11-22	Improvement of Water Supply System	\$ 1,904,500.00	\$ 1,904,500.00	
		<u>\$ 1,904,500.00</u>	<u>\$ 1,904,500.00</u>	<u>\$ -0-</u>

BOROUGH OF KINNELON
COUNTY OF MORRIS
2022
SEWER UTILITY FUND

BOROUGH OF KINNELON
SEWER UTILITY FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Operating</u>
Balance December 31, 2021	E	\$ 564,503.02
Increased by Receipts:		
Sewer Utility Collector		\$ 510,326.40
Interest on Investments		6,400.37
		<u>516,726.77</u>
		1,081,229.79
Decreased by Disbursements:		
2022 Budget Appropriations		408,247.15
2021 Appropriation Reserves		29,504.10
Overpayments Refunded		292.75
Due to Water Utility Operating Fund:		
Interfunds Returned		30.25
Due General Capital Fund:		
Interfunds Returned		45,000.00
		<u>483,074.25</u>
Balance December 31, 2022	E	<u>\$ 598,155.54</u>

BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2022

Increased by Receipts:

Sewer Rents	\$ 479,454.89
Borough of Butler Sewer Rents Collected	27,478.09
Overpayment	2,700.95
Interest on Delinquent Accounts	692.47
Total Consumer Accounts Receivable	<u>510,326.40</u>

Decreased by Disbursements:

Paid to Treasurer	<u>\$ 510,326.40</u>
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BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Balance</u> <u>Dec. 31, 2021</u>	<u>Sewer Billings</u> <u>Levied</u>	<u>Collections</u>	<u>Over-</u> <u>payments</u> <u>Applied</u>	<u>Balance</u> <u>Dec. 31, 2022</u>
Rents	\$ 10,644.52	\$ 507,824.86	\$ 506,932.98	\$ 2,820.36	\$ 8,716.04
Miscellaneous		692.47	692.47		
	<u>\$ 10,644.52</u>	<u>\$ 508,517.33</u>	<u>\$ 507,625.45</u>	<u>\$ 2,820.36</u>	<u>\$ 8,716.04</u>

Ref.

E

E

Miscellaneous Revenue Anticipated:

Interest on Sewer Rents	<u>\$ 692.47</u>
	<u>\$ 692.47</u>

BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
SCHEDULE OF 2021 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Balance</u> <u>Dec. 31, 2021</u>	<u>Balance</u> <u>After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Salaries and Wages	\$ 1,294.68	\$ 1,294.68		\$ 1,294.68
Other Expenses	88,445.85	88,445.85	\$ 29,504.10	58,941.75
Statutory Expenditures:				
Contribution to:				
Unemployment Insurance	75.84	75.84		75.84
Social Security System (OASI)	69.79	69.79		69.79
	<u>\$ 89,886.16</u>	<u>\$ 89,886.16</u>	<u>\$ 29,504.10</u>	<u>\$ 60,382.06</u>

Ref.

Balance December 31, 2021

Unencumbered	E \$ 83,886.16
Encumbered	E <u>6,000.00</u>
	<u>\$ 89,886.16</u>

BOROUGH OF KINNELON
COUNTY OF MORRIS
2022
PUBLIC ASSISTANCE FUND

BOROUGH OF KINNELON
PUBLIC ASSISTANCE FUND
SCHEDULE OF CASH

	<u>Ref.</u>	<u>P.A.T.F. I</u>
Balance December 31, 2021	F	\$ 56,645.47
Increased by Receipts:		
Interest Earned		<u>604.60</u>
Balance December 31, 2022	F	<u>\$ 57,250.07</u>

BOROUGH OF KINNELON

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2022

BOROUGH OF KINNELON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Funding Department/ Pass Through Granitor	Federal Program	Assistance Listing Number	Pass Through Entity ID	Grant Period		Grant Award Amount	Grant Receipts	Amount of Expenditures	Cumulative Expenditures	Amounts Provided to Subrecipients
				From	To					
US Department of Homeland Security: (Pass Through New Jersey Department of Law and Public Safety)	Disaster Grants - Public Assistance - F.E.M.A. Tropical Storm Isaias	97,036	100-042-4910- 224-238490	08/04/20	08/04/20	\$ 5,904.45	\$ 5,904.45	\$ 5,904.45	\$ 5,904.45	\$ *
Total U.S. Department of Homeland Security						5,904.45	5,904.45	5,904.45	5,904.45	-
U.S. Department of Treasury (Passed Through New Jersey Department of Community Affairs)	COVID-19 American Rescue Plan Coronavirus State and Local/Fiscal Recovery Funds	21,027	100-022-8030- 687-046010	03/03/21	12/31/24	1,035,800.02	517,900.01			
U.S. Department of Health and Human Services (Passed Through New Jersey Department of Community Affairs)	COVID-19 Low Income Household Water Assistance Program	93,499	100-022-8050- 030-052324	03/03/21	12/31/23	801.98	801.98			
TOTAL FEDERAL AWARDS						\$ 524,606.44	\$ 5,904.45	\$ 5,904.45	\$ 5,904.45	\$ -0-

* - Expended in prior year

BOROUGH OF KINNELON
SCHEDULES OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

State Funding Department	State Program	State Grant Account Number	Grant Period		Grant Award Amount	Grant Receipts	Grant Expenditures	Cumulative Expenditures
			From	To				
Department of Environmental Protection	Clean Communities Program	765-042-4900-	01/01/18	12/31/23	20,983.80			
		004-178910	01/01/22	12/31/23	\$ 22,530.02	\$ 10,801.68	\$ 16,041.68	
	Recycling Tonnage Grant	100-042-4910-	01/01/13	12/31/22	11,372.00			
		224-238490	01/01/14	12/31/23	11,471.00	4,111.48	11,372.00	
			01/01/22	12/31/23	11,196.60	499.15	499.15	
	Green Acres	533-042-4800-	01/01/22	12/31/22	73,658.32			
		003-852000				73,658.32	73,658.32	
		582-042-4800-	01/01/22	12/31/22	110,091.68			
		002-956880				110,091.68	110,091.68	
	Total Department of Environmental Protection							
					217,476.62	199,162.31	211,662.83	
Department of Law and Public Safety	Body Armor Replacement Fund	718-066-1020-	01/01/15	12/31/15	1,847.00			
		001-090160	01/01/20	12/31/22	1,842.95	498.89	1,842.95	
			01/01/21	12/31/22	1,482.12	1,482.12	1,482.12	
			01/01/22	12/31/23	8,314.94	1,081.01	1,081.01	
					8,344.94	3,062.02	6,253.08	
Total Department of Law and Public Safety								
					40,760.00	524.90	524.90	
New Jersey Department of Transportation	Municipal Aid: Improvement of Maple Lake Road	480-078-6320-	01/01/18	12/31/21	105,000.00			
		AMQ-605177				26,250.00	105,000.00	
	Improvement of Kiel Avenue	480-078-6320-	01/01/19	12/31/21	275,000.00			
		AM2-605178				68,750.00	206,250.00	
	Improvement of Kiel Avenue	480-078-6320-	01/01/19	12/31/21	242,000.00			
		ANP-605179				60,500.00	181,500.00	
	Fayson Road	480-078-6320-	01/01/21	12/31/22	265,000.00			
		AN8-606280				66,250.00	265,000.00	
	Cutlass Road	480-078-6320-	01/01/22	12/31/23	221,750.00			
		AOP-606281				173,775.00	221,750.00	
Total New Jersey Department of Transportation								
					395,525.00	492,750.00		
TOTAL STATE AWARDS								
						\$ 662,106.56	\$ 202,749.23	\$ 711,190.81

* - Expended in prior year

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF KINNELON
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2022

Note 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) include the federal and state grant activity of the Borough of Kinnelon under programs of the federal and state governments for the year ended December 31, 2022. The information in these schedules is presented in accordance with the requirements of 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 Borough, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Borough.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 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 Borough has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. 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.



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 973.298.8500
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Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable Mayor and Members
 of the Borough Council
 Borough of Kinnelon
 Kinnelon, 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 Borough of Kinnelon, in the County of Morris (the "Borough") as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements and have issued our report thereon dated June 5, 2023. 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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing 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 Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough'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 Borough'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. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2022-001 that we consider to be a significant deficiency.

The Honorable Mayor and Members
of the Borough Council
Borough of Kinnelon
Kinnelon, New Jersey

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough'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 financial statements. 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 Borough's Response to the Finding

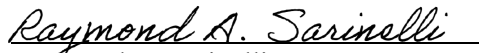
Government Auditing Standards requires the auditor to perform limited procedures on the Borough's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Borough's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Borough'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 Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 5, 2023
Mount Arlington, New Jersey

NISIVOCCIA LLP


Raymond A. Sarinelli
Certified Public Accountant
Registered Municipal Accountant No. 563

BOROUGH OF KINNELON
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2022

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the Borough's financial statements, prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey.
- A significant deficiency was disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Borough which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Borough was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08 for 2022 as grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and New Jersey's OMB Circular 15-08.

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Auditing Standards:

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

Finding 2022-001

Segregation of Duties

Criteria

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

Condition

The Borough does not maintain an adequate segregation of duties with respect to the recording and treasury functions.

The various departments/offices of the Borough are responsible for the issuance of permits and licenses; collection of taxes, permit and license fees; and recording of collections. The Chief Financial Officer is responsible for recording transactions, authorizing disbursements, reconciling cash and receivables, and reconciling the general ledger.

Cause

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

BOROUGH OF KINNELON
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2022

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Auditing Standards: (Cont'd)

Finding 2022-001 (Cont'd)

Effect or Potential Effect

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

Management's Response

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

Findings and Responses for Federal Awards:

- Not applicable – Federal award expenditures are less than the single audit threshold.

Findings and Responses for State Awards:

- Not applicable - State award expenditures are less than the single audit threshold.

BOROUGH OF KINNELON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2022

The prior year finding 2021-001 regarding segregation of duties has not been resolved due to budgetary constraints and is included in as finding 2022-001 on the Schedule of Findings and Responses.

BOROUGH OF KINNELON

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2022

BOROUGH OF KINNELON
COMMENTS AND RECOMMENDATIONS

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

N.J.S.A. 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, 2020 and thereafter, the bid thresholds in accordance with N.J.S.A. 40A:11-3 are \$17,500 for a contracting unit without a qualified purchasing agent and \$44,000 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 Borough Counsel's opinion should be sought before a commitment is made.

BOROUGH OF KINNELON
COMMENTS AND RECOMMENDATIONS
 (Continued)

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

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.

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

Collection of Interest on Delinquent Taxes, Utility Rents, and Assessments

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

On January 1, 2022, the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes, and utility rents:

"The interest penalty to be charged by the Chief Revenue Collector for tax and utility rent payment delinquencies shall be 8% per annum of the first \$1,500 (tax bill) and 18% per annum on any amount in excess of \$1,500 payable from tax and utility rent due dates. A penalty of up to 6% may be charged on any delinquency in excess of \$10,000 if not paid by the end of the fiscal year."

"No interest shall be charged if payment of any installment is made within ten (10) days after the date on which same is payable, said ten (10) days to be straight calendar days and if the tenth day falls on a Saturday, Sunday or Legal Holiday, then the grace period shall be extended to the next business day. After the ten (10) day "GRACE PERIOD", interest is charged from the due date."

Delinquent Taxes and Tax Title Liens

The last tax sale was held on November 12, 2022, and included all items which were eligible for sale.

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

Year	Number of Liens
2022	55
2021	55
2020	58

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.

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:

Type	Number Mailed
Payments of 2022 and 2023 Taxes	20
Payments of Utility Charges	20
Delinquent Taxes	10
Delinquent Utility Charges	20
Tax Title Liens	5

BOROUGH OF KINNELON
COMMENTS AND RECOMMENDATIONS
(Continued)

New Jersey Administrative Code Accounting Requirements

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

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

The Borough is currently in compliance with all of these requirements.

Treasurer's Records

Accounting Records

During our review of the accounting records, it was noted that not all activity was recorded in the proper fund resulting in large interfund balances at year-end. It is recommended that all activity is recorded in the proper fund and that a continuing effort be made to limit the amount of interfund balances at year end.

Management's Response:

The Borough will ensure that activity is charged to the proper fund and will make a continuing effort to limit the amount of interfund balances at year end.

Bank Reconciliations

During the course of our audit, it was noted that bank reconciliations were not completed on a monthly basis. It is recommended that bank reconciliations are completed on a monthly basis.

Management's Response:

The Borough will ensure that bank reconciliations are completed on a monthly basis.

Purchase Orders

During our review of purchase orders, several instances were noted where purchases were made prior to the preparation and approval of purchase orders. It is recommended that the purchase orders are prepared and approved prior to the purchase of goods or services to ensure the availability of funds.

Management's Response:

The Borough will ensure that the purchase orders are prepared and approved prior to the purchase of goods or services to ensure the availability of funds.

BOROUGH OF KINNELON
COMMENTS AND RECOMMENDATIONS
(Continued)

Municipal Court

The report of the Municipal Court has been forwarded to the Division of Local Government Services and the Borough Magistrate under separate cover. Reflected below is a compilation of Receipts and Disbursements for the year ended December 31, 2022.

	Balance			Balance
	<u>Dec. 31, 2021</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Dec. 31, 2022</u>
State of New Jersey	\$ 4,534.53	\$ 30,631.46	\$ 33,792.77	\$ 1,373.22
County of Morris	2,046.00	11,831.50	13,189.00	688.50
Municipality	3,584.67	32,748.35	34,700.44	1,632.58
POAA-FTA		32.00	30.00	2.00
Fish and Game		400.00	300.00	100.00
Weights and Measures	2,350.00	22,500.00	21,500.00	3,350.00
Conditional Dismissal		75.00	75.00	
Public Defender	200.00	2,031.00	1,831.00	400.00
Transcript Fee		10.00	10.00	
	<u>\$ 12,715.20</u>	<u>\$ 100,259.31</u>	<u>\$ 105,428.21</u>	<u>\$ 7,546.30</u>

Management Suggestions

Review of Balances

It is suggested that Grant Receivable and appropriated reserve balances be reviewed and evaluated for disposition, in the Federal and State Grant Fund, and the General Capital Fund.

Improvement Authorizations

It is suggested that improvement authorization in the General Capital Fund be reviewed and evaluated for completion, and that all improvement authorizations deemed to be complete have their respective balances cancelled to their original funding sources.

Bank Accounts

During our review of bank accounts, it was noted that bank accounts with no activity remained open at year end. It is suggested that the Borough review all bank accounts and close accounts that are no longer active.

BOROUGH OF KINNELON
COMMENTS AND RECOMMENDATIONS
(Continued)

Management Suggestions (Cont'd)

Governmental Accounting Standards Board (GASB) Statements

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Arrangements*, is effective for the year ended December 31, 2023. This statement addresses issues related to public-private and public-public partnership agreements (PPP's). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APA's). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset or a period of time.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA's), is effective for the year ended December 31, 2023. A SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor) information technology software, alone or in combination with tangible capital assets as specified in the related contract for a period of time. It is likely that a SBITA software or similar spreadsheets will need to be utilized to perform the various calculations necessary to implement this standard.

COVID-19 Federal Funding

It is possible that the Borough will undergo some review of its COVID-19 funding by the federal government. We strongly suggest that the Borough ensures that these funds are utilized in accordance with the applicable federal requirements especially with respect to procurement. Additionally, we strongly suggest that the Borough ensures that these funds are separately accounted for in the Borough's accounting records and that any applicable Borough policies are current with respect to federal grant requirements.

Because of the nature of these funds, being new programs, generally of a significant dollar amount, and some of which may be expended over a period of years, they may be subject to federal or state audit several years from now. It is important that the grant files maintained by local governments be complete, self-explanatory, and fully document the program(s) undertaken as part of the funding.

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2021 audit report. However, the recommendation regarding segregation of duties is still applicable.

BOROUGH OF KINNELON
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An adequate segregation of duties be maintained with respect to the recording and treasury functions.
2. All activity is recorded in the proper fund and that a continuing effort be made to limit the amount of interfund balances at year end.
3. Bank reconciliations be completed on a monthly basis.
4. The purchase orders are prepared and approved prior to the purchase of goods or services to ensure the availability of funds.

* * * * *