

BOROUGH OF KINNELON

Financial Statements
with Additional Financial Information

December 31, 2015

(With Independent Auditor's Report Thereon)

BOROUGH OF KINNELON

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BOROUGH OF KINNELON

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying regulatory basis balance sheets of the various funds and account groups as of December 31, 2015 and 2014 of the Borough of Kinnelon, New Jersey, and the related regulatory basis statements of operations and changes in fund balances for the years then ended and the related and the related regulatory basis statements of revenues and statements of expenditures of the Current Fund, Water and Sewer Utility Funds for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in note 1 of the financial statements, these financial statements were prepared in conformity with the accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey- regulatory basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America to meet the requirements of the State of New Jersey.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough of Kinnelon, New Jersey, as of December 31, 2015 and 2014 and the changes in financial position for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Borough of Kinnelon, New Jersey, as of December 31, 2015 and 2014 and the related statement of operations and changes in fund balances for the years then ended and the related statement of revenues and statements of expenditures of the Current Fund, Water and Sewer Utility Funds for the year ended December 31, 2015 on the regulatory basis of accounting described in note 1.

Other Matters

Additional Financial Information

Our audit was conducted for the purpose of forming an opinion on the regulatory financial statements that collectively comprise the Borough’s financial statements. The additional financial information included in the accompanying table of contents, is presented for the purpose of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information and schedules is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional financial information included in the accompanying table of contents are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Kinnelon’s financial statements. The information included in the Supplementary data and the General Comments and Recommendations as listed in the table of contents are presented for additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not

express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Borough of Kinnelon's internal control over financial reporting and compliance.

Louis C. Mai CPA & Associates
Louis C. Mai

Louis C. Mai, Registered Municipal Accountant
No. CR00217

July 27, 2016

LOUIS C. MAI CPA & ASSOCIATES

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

Independent Auditor's Report

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

We have audited , in accordance with the auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying regulatory basis balance sheets of the various funds and account groups as of December 31, 2015 and 2014 of the Borough of Kinnelon, New Jersey, and the related regulatory basis statements of operations and changes in fund balances for the years then ended and the related and the related regulatory basis statements of revenues and statements of expenditures of the Current Fund, Water and Sewer Utility Funds for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents, and have issued our report thereon dated July 27, 2016, which report expressed an adverse opinion in accordance with accounting principles generally accepted in the United States of America and an unmodified opinion on the regulatory basis of accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

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

did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Louis C. Mai CPA & Associates
Louis C. Mai

Louis C. Mai, Registered Municipal Accountant
No. CR00217

July 27, 2016

FINANCIAL STATEMENTS

BOROUGH OF KINNELON

Balance Sheets
Regulatory Basis
Current Fund

December 31, 2015 and 2014

Assets	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Regular Fund:			
Cash - checking	A-4	\$ 4,895,290	3,449,900
Change Fund - cash		580	580
Due from State of New Jersey - Senior Citizens' and Veterans' deductions	A-6	<u>5,592</u>	<u>5,342</u>
		<u>4,901,462</u>	<u>3,455,822</u>
Receivables and other assets with full reserves:			
Delinquent property taxes receivable	A-7	432,396	408,509
Tax title liens	A-8	542,519	375,223
Foreclosed property	A-25	1,210,750	1,410,350
Revenue accounts receivable	A-9	5,764	9,626
Due from:			
Dog Fund	A-21	—	138
Water Utility Operating Fund	A-21	87,283	—
General Capital Fund	A-21	—	33,878
Public Assistance Trust Fund	A-21	—	2,106
Sewer Operating Fund	A-21	12,906	26,662
Due from Payroll Account	A-4	3,816	—
Other Trust	A-21	—	1,000
General Account	A-4	24,521	—
Butler	A-18	<u>—</u>	<u>138</u>
		<u>2,319,955</u>	<u>2,267,630</u>
Deferred charges:			
Special emergency authorizations (40A-4:53)	A-27	<u>425,644</u>	<u>201,644</u>
		<u>7,647,061</u>	<u>5,925,096</u>
Federal and State Grant Fund:			
Grants receivable	A-22	79,893	136,964
Due from Current Fund	A-21	<u>194,159</u>	<u>221,205</u>
		<u>274,052</u>	<u>358,169</u>
		<u>\$ 7,921,113</u>	<u>6,283,265</u>

BOROUGH OF KINNELON

Balance Sheets
Regulatory Basis
Current Fund

December 31, 2015 and 2014

Liabilities, Reserves and Fund Balance	Ref.	2015	2014
Regular Fund:			
Liabilities:			
Appropriation reserves	A-3,A-10	\$ 873,868	387,359
Encumbrances payable	A-15	308,822	229,736
Tax overpayments	A-16	60,963	54,789
Prepaid taxes	A-17	246,811	279,582
Due to School District	A-12	—	6,731
Due to:			
Water Utility Operating Fund	A-21	—	37,400
Federal and State Grant Fund	A-21	194,159	221,205
General Capital Fund	A-21	35,161	—
Accumulated Absence Fund	A-21	—	70,644
Other Trust Fund	A-21	75,400	—
Open Space Trust Fund	A-29	77,591	78
Library	A-4	—	1,436
Butler	A-18	1,550	—
Various reserves	A-20	1,237,078	13,524
Reserve for tax appeals	A-19	58,152	41,526
Unallocated		0	0
Accounts payable	A-28	45,565	30,183
Unappropriated reserves	A-11	2,839	—
		<u>3,217,959</u>	<u>1,374,193</u>
Reserve for receivables and other assets		2,319,955	2,267,630
Fund balance	A-1	<u>2,109,147</u>	<u>2,283,273</u>
		<u>7,647,061</u>	<u>5,925,096</u>
Federal and State Grant Fund:			
Appropriated reserves	A-23	262,488	262,347
Encumbrances payable	A-26	0	84,351
Unappropriated reserves	A-24	11,564	11,471
		<u>274,052</u>	<u>358,169</u>
		<u>\$ 7,921,113</u>	<u>6,283,265</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Operations and Changes in Fund Balance
Regulatory Basis
Current Fund

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue and other income realized:		
Fund balance utilized	\$ 1,343,781	750,000
Miscellaneous revenue anticipated	1,428,410	1,633,223
Receipts from delinquent taxes	339,340	436,235
Receipts from current taxes	49,319,003	48,604,266
Non-budget revenues	70,346	30,134
Other credits to income:		
Budget appropriations canceled	—	32,556
Unexpended balance of appropriation reserves	161,682	366,131
Interfunds returned	63,922	—
Tax Overpayments cancelled	16,123	—
Total income	<u>52,742,607</u>	<u>51,852,545</u>
Expenditures:		
Budget and emergency appropriations:		
Appropriations within "CAPS":		
Operations:		
Salaries and wages	3,832,341	3,612,427
Other expenses	3,832,453	3,337,163
Deferred charges and statutory expenditures	959,149	983,361
Appropriations excluded from "CAPS":		
Operations:		
Salaries and wages	36,000	36,000
Other expenses	1,307,984	1,331,767
Capital improvements	230,000	100,000
Municipal debt service	931,591	1,209,500
Deferred charges	47,000	47,000
County taxes	5,295,398	5,196,288
Amount due County for added and omitted taxes	7,973	4,913
Local district school taxes	35,086,558	34,475,690
Municipal open space tax	77,598	80,062
Library added taxes	1,052	639
Interfunds advanced	128,526	27,635
Unallocated expenditure	116,471	—
Refund of prior year revenue	858	17,844
Total expenditures	<u>51,890,952</u>	<u>50,460,289</u>
Excess in revenue	851,655	1,392,256
Adjustments to income before surplus:		
Expenditures included above which are by statute deferred charges to budget of succeeding year - emergency appropriations and over expenditure	<u>318,000</u>	<u>0</u>
Statutory excess to fund balance	1,169,655	1,392,256
Fund balance, January 1	<u>2,283,273</u>	<u>1,641,017</u>
	3,452,928	3,033,273
Decreased by utilized as anticipated revenue	<u>1,343,781</u>	<u>750,000</u>
Fund balance, December 31	<u>\$ 2,109,147</u>	<u>2,283,273</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Revenues
Regulatory Basis
Current Fund

Year ended December 31, 2015

	<u>Budget</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Fund balance anticipated	\$ 1,343,781	1,343,781	—
Miscellaneous revenues:			
Licenses:			
Alcoholic beverages	1,600	2,345	745
Other	9,500	11,558	2,058
Fees and permits	20,000	24,464	4,464
Fines and costs - municipal court	92,000	98,630	6,630
Interest and costs on taxes	115,000	101,244	(13,756)
Interest on investments and deposits	5,000	5,802	802
Cablevision Franchise Fees	44,000	47,528	3,528
Energy Receipts Tax (P.L. 1999, Ch 162 & 167)	557,994	552,682	(5,312)
Garden State Trust Fund	173,696	173,696	—
Watershed Moratorium Offset Aid	45,261	45,261	—
Uniform construction code fees	185,000	225,130	40,130
Clean Communities Programs Ch 159	22,561	22,561	—
Alcohol Education and Rehabilitation Act Ch 159	354	354	—
NJ Dept. of LPS - Div. of Criminal Justice Body Armor Fund Ch 159	1,847	1,847	—
Recycling Tonnage Grant	11,471	11,471	—
Click It or Ticket Ch 159	3,838	3,838	—
General Capital Surplus	28,000	28,000	—
Reserve for Payment of Debt Service	72,000	72,000	—
	<u>1,389,121</u>	<u>1,428,410</u>	<u>39,289</u>
Receipts from delinquent taxes	\$ 408,000	339,340	(68,660)
Amount to be raised by taxes for support of municipal budget			
a) Local tax for municipal purposes	8,632,419	9,745,968	1,113,549
c) Minimum Library Tax	705,606	705,606	—
Total amount to be raised by taxes for support of municipal budget	<u>9,338,025</u>	<u>10,451,574</u>	<u>1,113,549</u>
Budget totals	\$ <u>12,478,927</u>	13,563,105	<u>1,084,178</u>
Non-budget revenues		70,346	
		<u>\$ 13,633,451</u>	
Allocation of current tax collections:			
Revenue from collections		\$ 49,319,003	
Allocated to:			
School, County, and Open Space taxes		41,173,035	
Balance for support of municipal budget		8,145,968	
Add appropriation reserve for uncollected taxes		1,600,000	
Amount for support of municipal budget		<u>\$ 9,745,968</u>	
Receipts from delinquent taxes:			
Delinquent tax collections		\$ 339,340	
Tax title liens		—	
		<u>\$ 339,340</u>	

(Continued)

BOROUGH OF KINNELON

Statement of Revenues
Regulatory Basis
Current Fund

Year ended December 31, 2015

	<u>Budget</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Miscellaneous revenue not anticipated:			
Returned check fees		\$ 200	
Bid specifications		50	
Restitution		275	
Escheated funds		398	
Construction violations		500	
Board of Health		55	
DMV Fees		1,859	
Uniform Fire Safety		22,226	
Police outside duty		9,370	
Mail Reimbursement		443	
Copy duplication fees		947	
Tax Collector Search fees		10	
Sale of assets		8,573	
Boonton Catch Basins		3,120	
Administrative fee Senior and Veterans deductions		1,270	
Maps		5	
Cost of sale		1,424	
Miscellaneous		19,621	
		<u>\$ 70,346</u>	

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Expenditures
Regulatory Basis
Current Fund

Year ended December 31, 2015

	Appropriations			Expended		
	Budget	Emergency appropriations	Budget after modification	Paid or charged	Reserved	Canceled
General appropriations:						
Operations within "CAPS":						
General Government:						
Mayor and Council:						
Salaries and wages	\$ 19,500	—	19,500	19,500	—	—
Other expenses	1,100	—	1,100	910	190	—
Municipal Clerk:						
Salaries and wages	81,000	—	81,000	63,776	17,224	—
Other expenses	74,650	—	74,650	73,836	814	—
General Administration:						
Salaries and wages	5,000	—	5,000	3,000	2,000	—
Other expenses	49,410	—	49,410	47,995	1,415	—
Financial Administration:						
Salaries and wages	140,500	—	140,500	100,974	39,526	—
Other expenses	20,750	—	20,750	4,778	15,972	—
Webmaster - Other Expenses	15,600		15,600	14,000	1,600	—
Auditor:						
Other expenses	30,000	—	30,000	—	30,000	—
Collection of Taxes:						
Salaries and wages	66,560	—	66,560	62,087	4,473	—
Other expenses	11,350	—	11,350	6,946	4,404	—
Assessment of Taxes						
Salaries and wages	59,150	—	59,150	58,976	174	—
Other expenses	31,255	—	31,255	27,065	4,190	—
Legal Services and Costs:						
Other expenses	100,000	—	100,000	86,208	13,792	—
Engineering Services and Costs:						
Other expenses	10,000	—	10,000	8,280	1,720	—
Historical preservation Commission:						
Salaries and wages	3,650	—	3,650	3,337	313	—
Other expenses	8,050	—	8,050	4,366	3,684	—

(continued)

BOROUGH OF KINNELON

Statement of Expenditures
Regulatory Basis
Current Fund

Year ended December 31, 2015

	Appropriations			Expended		
	Budget	Emergency appropriations	Budget after modification	Paid or charged	Reserved	Canceled
Municipal Land Use Law (N.J.S.A. 40:55):						
Planning Board:						
Salaries and wages	\$ 14,605	—	14,605	14,000	605	—
Other expenses	17,400	—	27,400	19,842	7,558	—
Zoning Board:						
Salaries and wages	1,150	—	1,150	1,000	150	—
Other expenses	20,825	—	20,825	3,243	17,582	—
Insurance:						
General Liability:						
Other expenses	206,650	—	206,650	198,477	8,173	—
Workers Compensation:						
Other expenses	160,000	—	160,000	148,866	11,134	—
Employee Group Health:						
Other expenses	828,050	—	708,050	687,610	20,440	—
Flexible Spending Advance:						
Other expenses	3,000	—	3,000	500	2,500	—
Health Insurance Waiver:						
Other expenses	18,800	—	18,800	—	18,800	—
Public Safety:						
Police:						
Salaries and wages	1,965,810	—	2,000,810	1,998,756	2,054	—
Other expenses	159,569	—	159,569	131,336	28,233	—
Police Dispatching/ 911:						
Salaries and wages	132,372	—	132,372	117,147	15,225	—
Emergency Management Services:						
Salaries and wages	4,080	—	4,080	1,383	2,697	—
Other expenses	675	—	675	75	600	—
Aid to Volunteer Fire Companies:						
Other expenses	75,000	—	75,000	72,018	2,982	—
Aid to Tri-Borough Ambulance Squad:						
Other expenses	36,000	—	36,000	25,000	11,000	—
Fire Hydrants	50,500	—	50,500	49,703	797	—

(continued)

BOROUGH OF KINNELON

Statement of Expenditures
Regulatory Basis
Current Fund

Year ended December 31, 2015

	Appropriations			Expended		
	Budget	Emergency appropriations	Budget after modification	Paid or charged	Reserved	Canceled
Fire Prevention Bureau:						
Salaries and wages	\$ 10,884	—	10,884	10,243	641	—
Other expenses	6,160	—	6,160	1,721	4,439	—
Municipal Prosecutor:						
Salaries and wages	16,000	—	16,000	16,000	—	—
Streets and Roads:						
Road Repair and Maintenance:						
Salaries and wages	1,021,000	—	1,041,000	1,040,645	355	—
Other expenses	194,650	—	214,650	196,105	18,545	—
Garbage and Trash Removal:						
Salaries and wages	20,000	—	20,000	19,857	143	—
Other expenses	455,734	—	465,734	454,641	11,093	—
Public Buildings and Grounds:						
Salaries and wages	3,300	—	3,300	3,000	300	—
Other expenses	55,000	—	55,000	49,797	5,203	—
Vehicle Maintenance:						
Other expenses	41,290	—	41,290	30,821	10,469	—
Health and Human Services Programs:						
Board of Health:						
Salaries and wages	47,300	—	47,300	46,672	628	—
Other expenses	6,550	—	6,550	2,213	4,337	—
Environmental Commission:						
Salaries and wages	6,730	—	6,730	1,000	5,730	—
Other expenses	1,650	—	1,650	520	1,130	—
Animal Control Regulations:						
Other expenses	1,000	—	1,000	—	1,000	—
Senior Citizen Programs:						
Other expenses	2,000	—	2,000	2,000	—	—
Recreation Services and Programs:						
Recreation:						
Salaries and wages	59,630	—	59,630	59,629	1	—
Other expenses	23,200	—	23,200	18,897	4,303	—

(continued)

BOROUGH OF KINNELON

Statement of Expenditures
Regulatory Basis
Current Fund

Year ended December 31, 2015

	Appropriations			Expended		
	Budget	Emergency appropriations	Budget after modification	Paid or charged	Reserved	Canceled
Celebration of Public Events						
Other expenses	\$ 8,000		8,000	2,144	5,856	
Municipal Court:						
Municipal Court:						
Salaries and wages	89,200	—	89,200	83,932	5,268	—
Other expenses	13,585	—	13,585	8,318	5,267	—
Smoke Rise Condo Costs:						
Other expenses	150,000	—	150,000	34,095	115,905	—
Uniform Construction Code-Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17):						
Uniform Construction Code:						
Salaries and wages	9,920	—	9,920	9,916	4	—
Other expenses	350	—	350	—	350	—
Unclassified:						
Gasoline	113,750	—	113,750	58,635	55,115	—
Fuel oil - Diesel	12,000	—	12,000	7,467	4,533	—
Electricity	60,300	—	60,300	51,825	8,475	—
Street lighting	15,000	—	15,000	2,005	12,995	—
Telephone	37,000	—	47,500	42,659	4,841	—
Water and Sewer.	10,000	—	15,500	10,000	5,500	—
Natural gas	10,000	—	10,000	8,654	1,346	—
Landfill/ Solid waste Disposal Costs	387,600	—	387,600	322,402	65,198	—
Preparation of Revaluation	—	260,000	260,000	260,000	—	—
Accumulated leave Compensation	100,000	—	100,000	100,000	—	—
Total operations within "CAPS"	7,410,794	260,000	7,661,794	7,010,803	650,991	—
Contingent	3,000	—	3,000	596	2,404	—
Total operations including contingent-within "CAPS"	7,413,794	260,000	7,664,794	7,011,399	653,395	—
Detail:						
Salaries and wages	3,777,341	—	3,832,341	3,734,830	97,511	—
Other expenses (including contingent)	3,636,453	260,000	3,832,453	3,276,569	555,884	—
	7,413,794	260,000	7,664,794	7,011,399	653,395	—

(continued)

BOROUGH OF KINNELON

Statement of Expenditures
Regulatory Basis
Current Fund

Year ended December 31, 2015

	Appropriations			Expended		
	Budget	Emergency appropriations	Budget after modification	Paid or charged	Reserved	Canceled
Deferred charges and statutory expenditures - municipal within "CAPS":						
Statutory expenditures - contributions to:						
Public Employees retirement System	\$ 233,941	—	233,941	230,968	2,973	—
Social Security System (O.A.S.I.)	280,000	—	280,000	274,972	5,028	—
Police and Firemen's Retirement System of N.J.	402,508	—	402,508	402,493	15	—
Unemployment Insurance	17,000	—	21,000	20,202	798	—
Defined Contribution Retirement Program (DCRP)	3,600	—	3,600	1,244	2,356	—
Volunteer Fire - VSAP	18,100	—	18,100	15,031	3,069	—
Total deferred charges and statutory expenditures - municipal within "CAPS"	955,149	—	959,149	944,910	14,239	—
Total general appropriations for municipal purposes within "CAPS"	8,368,943	260,000	8,623,943	7,956,309	667,634	—
Operations excluded from "CAPS" - mandated expenditures per N.J.S.A. 40A:4-45.3g:						
Maintenance - Free Public Library (Chapter 82, PL 1985):						
Other expenses	705,606	—	705,606	559,908	145,698	—
Reserve for Pending Tax Appeals	25,000	—	25,000	13,885	11,115	—
Storm Water Management:						
Salaries and wages	36,000	—	36,000	36,000	—	—
Other expenses	3,000	—	3,000	2,360	640	—
Employee Health insurance	26,950	—	26,950	21,159	5,791	—
Shared Service Agreements:						
Health Services Agreement - Pequannock	120,858	—	120,858	120,856	2	—
Construction Code Services - Bloomingdale	223,000	—	228,000	227,087	913	—
Dial-a-Ride - Pequannock	85,500	—	85,500	85,465	35	—
ACO Services - Bloomingdale	20,400	—	20,400	—	20,400	—
Catch Basin Services - Boonton Township	—	—	—	—	—	—
Dispatch Butler	30,600	—	30,600	30,500	100	—
QPA - Pequannock Township	2,000	—	2,000	1,000	1,000	—
Mechanic Services - Bloomingdale	20,000	—	20,000	7,308	12,692	—

(continued)

BOROUGH OF KINNELON

Statement of Expenditures
Regulatory Basis
Current Fund

Year ended December 31, 2015

	Appropriations			Expended		
	Budget	Emergency appropriations	Budget after modification	Paid or charged	Reserved	Canceled
Public and private programs offset by revenues:						
Alcohol Education Rehabilitation Fund	\$ 354	—	354	354	—	—
NJ Dept. L&PS Div. of Highway Traffic Safety:						
Click It Or Ticket	3,838	—	3,838	3,838	—	—
NJ Clean Communities Grant	22,561	—	22,561	22,561	—	—
Recycling Tonnage Grant	11,471	—	11,471	11,471	—	—
NJ Dept. L&PS:						
Body Armor Fund (Ch 159)	1,847	—	1,847	1,847	—	—
Total operations-excluded from "CAPS"	1,338,984	—	1,343,984	1,145,598	198,386	—
Detail:						
Salaries and wages	36,000	—	36,000	36,000	—	—
Other expenses	1,302,984	—	1,307,984	1,109,598	198,386	—
	1,338,984	—	1,343,984	1,145,598	198,386	—
Capital improvements excluded from "CAPS":						
Capital Improvement Fund	120,000	—	120,000	120,000	—	—
Acquisition and installation of Computer Equipment	—	55,000	55,000	47,152	7,848	—
Acquisition of police equipment	55,000	—	55,000	55,000	—	—
Total capital improvements excluded from "CAPS"	175,000	55,000	230,000	222,152	7,848	—
Municipal debt service excluded from "CAPS":						
Payment of bond principal	440,000	—	440,000	440,000	—	—
Payment of bond anticipation notes	250,556	—	250,556	250,556	—	—
Interest on bonds	186,000	—	186,000	185,738	—	262
Interest on notes	72,444	—	72,444	55,297	—	17,147
Total municipal debt service excluded from "CAPS"	949,000	—	949,000	931,591	—	17,409

(continued)

BOROUGH OF KINNELON

Statement of Expenditures
Regulatory Basis
Current Fund

Year ended December 31, 2015

	Appropriations			Expended		
	Budget	Emergency appropriations	Budget after modification	Paid or charged	Reserved	Canceled
Deferred charges - municipal - excluded from "CAPS":						
Special Emergency Authorization	\$ 47,000	—	47,000	47,000	—	—
Total deferred charges - municipal - excluded from "CAPS"	47,000	—	47,000	47,000	—	—
Total general appropriations excluded from "CAPS"	2,509,984	55,000	2,569,984	2,346,341	206,234	17,409
Subtotal general appropriations	10,878,927	315,000	11,193,927	10,302,650	873,868	17,409
Reserve for uncollected taxes	1,600,000	—	1,600,000	1,600,000	—	—
Total general appropriations	\$ 12,478,927	315,000	12,793,927	11,902,650	873,868	17,409
Original budget	\$ 12,450,328					
Added by NJS A 40A:4-87 (CH 159)	28,599					
	\$ 12,478,927					
<u>Analysis of paid or charged</u>						
Cash disbursed				\$ 9,629,597		
Transferred to Appropriated Reserves - Grant Fund				40,070		
Deferred Charges				47,000		
Reserve for preparation of revaluation				260,000		
Reserve for uncollected taxes				1,600,000		
Due to General Capital Fund				17,161		
Reserve for encumbrances				308,822		
				\$ 11,902,650		

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Balance Sheets
Regulatory Basis

Trust Funds

December 31, 2015 and 2014

		<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Assets				
Dog License Fund:				
Cash	B-1	\$	19,719	25,982
			<u>19,719</u>	<u>25,982</u>
Other Trust Funds:				
Cash	B-1		2,276,353	2,724,598
Due from Current Fund	B-5		152,991	69,722
			<u>2,429,344</u>	<u>2,794,320</u>
Payroll Account:				
Cash	B		3,816	—
			<u>3,816</u>	<u>—</u>
General Account:				
Cash	B		24,377	—
Due From Water Operating Fund	B		86	—
Due from Sewer Operating Fund	B		58	—
			<u>24,521</u>	<u>—</u>
		\$	<u>2,477,400</u>	<u>2,820,302</u>
Liabilities and Reserves				
Dog License Fund:				
Due to Current Fund	B-5	\$	—	138
Prepaid licenses	B-6		7,252	8,510
Due to State of New Jersey	B-3		291	348
Reserve for Dog License Fund expenditures	B-2		12,176	16,986
			<u>19,719</u>	<u>25,982</u>
Other Trust Funds:				
Reserve for special funds	B-4		2,429,344	2,794,320
			<u>2,429,344</u>	<u>2,794,320</u>
Payroll Account:				
Due to Current Fund	B		3,816	—
			<u>3,816</u>	<u>—</u>
General Account:				
Due to Current Fund	B		24,521	—
			<u>24,521</u>	<u>—</u>
		\$	<u>2,477,400</u>	<u>2,820,302</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Balance Sheet
Regulatory Basis
General Capital Fund

December 31, 2015 and 2014

Assets	Ref.	2015	2014
Cash	C-2,C-3	\$ 506,572	408,873
Deferred charges to future taxation unfunded	C-6	4,007,304	13,357,860
Deferred charges to future taxation funded	C-5	13,345,000	4,685,000
Due from Current Fund	C-4	35,161	—
Due from Water Capital Fund	C-14	2,153	—
Due from Sewer Operating Fund	C-19	—	88,637
Due from Water Operating Fund	C-16	444	—
Grants receivable	C-15	71,250	71,250
		<u>\$ 17,967,884</u>	<u>18,611,620</u>
Liabilities, Reserves and Fund Balance			
Encumbrances payable	C-9	\$ 614,013	407,290
Bond anticipation notes	C-11	—	8,070,556
Improvement authorizations:			
Funded	C-8	1,484,719	166,702
Unfunded	C-8	1,573,364	5,055,796
Due to Current Fund	C-4	—	33,878
Due to Water Operating Fund	C-16	—	1,030
Reserve for Payment of Debt	C-17	821,496	124,994
Reserve for cost of issuance	C-10	2,701	17,701
Reserve for housing rehabilitation	C-18	15,550	15,550
Serial bonds payable	C-12	13,345,000	4,685,000
Capital Improvement Fund	C-7	109,750	4,750
Fund balance	C-1	1,291	28,373
		<u>\$ 17,967,884</u>	<u>18,611,620</u>

There were bonds and notes authorized but not issued at December 31, 2015 and 2014 of \$4,007,304 and \$5,287,304 respectively (Exhibit C-13).

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Fund Balance
 Regulatory Basis
 General Capital Fund

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Balance, Beginning of year	\$ 28,373	30,992
Increased by:		
Premium on sale of notes	918	27,381
	<u>29,291</u>	<u>58,373</u>
Decreased by budget appropriation	<u>28,000</u>	<u>30,000</u>
Balance, End of year	<u>\$ 1,291</u>	<u>28,373</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Balance Sheets
Regulatory Basis
Water Utility Fund

December 31, 2015 and 2014

Assets	Ref.	2015	2014
Operating Fund:			
Cash	D-4	\$ 272,622	60,141
Change Fund		100	100
Due from Current Fund	D-16	—	37,400
Due from General Capital	D-6	—	1,030
Due from Sewer Operating Fund	D-9	1,199	—
		<u>273,921</u>	<u>98,671</u>
Receivables with full reserve:			
Water accounts receivable	D-8	<u>37,339</u>	<u>14,675</u>
Total Operating Fund		<u>311,260</u>	<u>113,346</u>
Capital Fund:			
Cash	D-4,D-5	128,536	128,536
Fixed capital	D-10	414,100	414,100
Fixed capital authorized and uncompleted	D-11	936,000	936,000
Total Capital Fund		<u>1,478,636</u>	<u>1,478,636</u>
		<u>\$ 1,789,896</u>	<u>1,591,982</u>

BOROUGH OF KINNELON

Balance Sheets
Regulatory Basis
Water Utility Fund

December 31, 2015 and 2014

Liabilities, Reserves and Fund Balance	Ref.	2015	2014
Operating Fund:			
Liabilities:			
Appropriation reserves	D-3,D-13	\$ 74,140	16,162
Encumbrances	D-3,D-13	7,505	36,045
Accrued interest on bonds/ notes payable	D-12	4,500	1,373
Water overpayments	D-20	5,182	—
Due to General Capital	D-6	444	—
Due to General Account	D-3,D-13	86	—
Due to Current Fund	D-16	87,283	—
		<u>179,140</u>	<u>53,580</u>
Reserve for receivables		37,339	14,675
Fund balance	D-1	94,781	45,091
		<u>311,260</u>	<u>113,346</u>
Capital Fund:			
Bond anticipation notes	D-7	—	468,444
Serial bonds	D-9	458,000	—
Reserve for amortization	D-14	761,100	750,656
Improvement authorizations:			
Funded	D-17	87,928	—
Unfunded	D-17	9,740	97,668
Deferred reserve for amortization	D-15	77,000	77,000
Capital Improvement Fund	D-19	84,868	84,868
		<u>1,478,636</u>	<u>1,478,636</u>
Total Capital Fund		<u>1,478,636</u>	<u>1,478,636</u>
		<u>\$ 1,789,896</u>	<u>1,591,982</u>

There were bonds and notes authorized but not issued at December 31, 2015 and 2014 of \$54,000 and \$54,000 respectively (Exhibit D-18).

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Operations and Changes in Fund Balance
Regulatory Basis
Water Utility Operating Fund

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue and other income realized:		
Fund balance utilized	\$ 25,000	—
Rents	532,802	492,293
Water connection fees	—	170
Miscellaneous revenue not anticipated	1,453	4,418
Other credits to income:		
Unexpended balances of appropriations	—	90
Unexpended balances of appropriation reserves	4,179	25,735
Total income	<u>563,434</u>	<u>522,706</u>
Expenditures:		
Budget Appropriations:		
Salaries and wages	180,000	172,600
Other expenses	281,400	281,400
Debt service	14,844	23,700
Deferred charges and statutory expenditures	12,500	10,500
Refund of prior year revenue	—	155
Total expenditures	<u>488,744</u>	<u>488,355</u>
Excess in revenue	74,690	34,351
Fund balance, January 1	<u>45,091</u>	<u>10,740</u>
	119,781	45,091
Decreased by utilized as anticipated revenue	<u>25,000</u>	<u>—</u>
Fund balance, December 31	<u>\$ 94,781</u>	<u>45,091</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Revenues
 Regulatory Basis
 Water Utility Operating Fund

Year Ended December 31, 2015

	<u>Budget</u>	<u>Realized</u>	<u>Excess</u>
Fund balance anticipated	\$ 25,000	25,000	—
Rents	<u>463,744</u>	<u>532,802</u>	<u>69,058</u>
	<u>\$ 488,744</u>	<u>557,802</u>	<u>69,058</u>
Miscellaneous revenue not anticipated		<u>1,453</u>	
		<u>\$ 559,255</u>	

Analysis of Miscellaneous Revenue Not Anticipated

Interest	\$ 220
Interest on water rents	<u>1,233</u>
Cash received	<u>\$ 1,453</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Expenditures
Regulatory Basis
Water Utility Operating Fund

Year Ended December 31, 2015

	<u>Budget</u>	<u>Budget after modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operating:				
Salaries and wages	\$ 180,000	180,000	179,231	769
Other expenses	281,400	281,400	208,985	72,415
Debt service:				
Payment of Bond Anticipation Notes and Capital Notes	10,444	10,444	10,444	—
Interest on notes	4,400	4,400	4,400	—
Statutory expenditures - contribution to:				
Social Security System (O.A.S.I.)	12,000	12,000	11,044	956
Unemployment compensation insurance	500	500	500	—
	<u>\$ 488,744</u>	<u>488,744</u>	<u>414,604</u>	<u>74,140</u>
Encumbrances			\$ 7,505	
Due to General Account			86	
Due to Current Fund			25,063	
Accrued interest on notes			4,400	
Due to General Capital			444	
Cash disbursed			<u>377,106</u>	
			<u>\$ 414,604</u>	

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Balance Sheets
Regulatory Basis
Sewer Utility Fund

December 31, 2015 and 2014

Assets	Ref.	2015	2014
Operating Fund:			
Cash	E-4	\$ 42,009	169,347
Emergency appropriation	E-3	—	14,000
Operating Deficit	E-9	—	1,745
Overexpenditure of Appropriations	E-9	—	2,316
		<u>42,009</u>	<u>187,408</u>
Receivables with full reserves:			
Sewer rents	E-5	<u>64,722</u>	<u>101,167</u>
Total receivables		<u>64,722</u>	<u>101,167</u>
		\$ <u>106,731</u>	<u>288,575</u>
Liabilities, Reserves and Fund Balance			
Operating Fund:			
Appropriation reserves	E-3,E-6	\$ 7,930	51,647
Reserve for encumbrances	E-3,E-6	6,000	16,054
Accounts payable	E-10	1,634	1,784
Due to Current Fund	E-11	12,906	26,662
Due to General Fund	E-3,E-6	58	—
Overpayments	E-8	878	878
Due to General Capital Fund	E-7	—	88,637
Due to Water Operating Fund	E-7	1,199	—
		<u>30,605</u>	<u>185,662</u>
Reserve for receivables		64,722	101,167
Fund balance	E-1	<u>11,404</u>	<u>1,746</u>
		\$ <u>106,731</u>	<u>288,575</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Operations and Changes in Fund Balance
 Regulatory Basis
 Sewer Utility Operating Fund

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue and other income realized:		
Rents	\$ 487,875	450,129
Miscellaneous revenues not anticipated	1,119	865
Deficit General Budget	—	35,811
Other credits to income:		
Unexpended balances of appropriation reserves	10,866	1,638
Cancelled overpayments	—	866
Total income	<u>499,860</u>	<u>489,309</u>
Expenditures:		
Budget appropriations:		
Operating	471,939	494,800
Deferred charges and statutory expenditures	18,061	8,509
Refund prior year revenue	202	—
Total expenditures	<u>490,202</u>	<u>503,309</u>
Excess (Deficit) in revenue	9,658	(14,000)
Adjustments to income before fund balance:		
Expenditures included above which by statute are deferred charges to budget of succeeding year	—	<u>14,000</u>
Statutory excess to fund balance	9,658	—
Fund balance, January 1	<u>1,746</u>	<u>1,746</u>
Fund balance, December 31	<u>\$ 11,404</u>	<u>1,746</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Revenues
 Regulatory Basis
 Sewer Utility Operating Fund

Year ended December 31, 2015

	<u>Budget</u>	<u>Realized</u>	<u>Excess</u>
Sewer rents	\$ 450,000	487,875	37,875
Sewer rent increase	40,000	—	(40,000)
	<u>\$ 490,000</u>	<u>487,875</u>	<u>(2,125)</u>
Miscellaneous revenues not anticipated		<u>1,119</u>	
		<u>\$ 488,994</u>	

Analysis of Miscellaneous Revenues Not Anticipated

Interest on investments	\$ 156
Interest on rents	<u>963</u>
Cash	<u>\$ 1,119</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Expenditures
Regulatory Basis
Sewer Utility Operating Fund

Year ended December 31, 2015

	<u>Budget</u>	<u>Budget after Modification</u>	<u>Paid or charged</u>	<u>Reserved</u>
Operating:				
Salaries and wages	\$ 14,000	14,000	12,723	1,277
Other expenses	457,739	457,739	451,103	6,636
Deferred Charges:				
Emergency	14,000	14,000	14,000	—
Over expenditure of appropriations	2,316	2,316	2,316	—
Statutory expenditures - contribution to:				
Social Security System	100	100	90	10
Unemployment Compensation Insurance	100	100	93	7
Deficit in operations in prior years	<u>1,745</u>	<u>1,745</u>	<u>1,745</u>	<u>—</u>
	<u>\$ 490,000</u>	<u>490,000</u>	<u>482,070</u>	<u>7,930</u>
Adopted budget	\$ 490,000	<u>490,000</u>		
		<u>490,000</u>		
			Cash disbursed \$ 445,045	
			Due to Current Fund 12,906	
			Deferred charges 18,061	
			Due to General Account 58	
			Encumbrances <u>6,000</u>	
			<u>\$ 482,070</u>	

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Balance Sheets
Regulatory Basis

Public Assistance Fund

December 31, 2014 and 2013

Assets	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Cash:			
Public Assistance I		\$ <u>12,575</u>	<u>20,170</u>
	F-3	<u>12,575</u>	<u>20,170</u>
Liability and Reserve			
Reserve for expenditures	F-4	\$ <u>12,575</u>	<u>18,064</u>
		<u>12,575</u>	<u>20,170</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON
Statement of Public Assistance Revenues
Regulatory Basis

Public Assistance Fund

Year ended December 31, 2015

	<u>P.A.T.F</u> <u>Account #1</u>
Donations	\$ 161
Interest and other	<u>11</u>
Total revenues	<u><u>\$ 172</u></u>

See accompanying notes to financial statements.

Statement of Public Assistance Expenditures

Public Assistance Fund
Regulatory Basis

Year ended December 31, 2015

	<u>P.A.T.F</u> <u>Account #1</u>
Disbursements:	
Local assistance	\$ <u>5,668</u>
Total expenditures	<u><u>\$ 5,668</u></u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of General Fixed Assets
Regulatory Basis

General Fixed Asset Account Group

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Land	\$ 4,442,060	4,442,060
Buildings	13,870,261	13,870,261
Vehicular equipment	957,615	957,615
General equipment and machinery	<u>3,451,770</u>	<u>3,451,770</u>
Total fixed assets	<u>\$ 22,721,706</u>	<u>22,721,706</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2015

(1) Summary of Significant Accounting Policies

The accounting policies of the Borough of Kinnelon, State of New Jersey (the Borough) conform to the regulatory basis accounting principles applicable to municipalities prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles. The following is a summary of the significant policies.

Reporting Entity

The financial statements of the Borough include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough do not include the operations of the Board of Education, Volunteer Fire Department and First Aid Squad or Free Public Library.

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Borough, the accounts of the Borough are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. The operation of each fund is accounted for with a separate set of self balancing accounts that comprise its assets, liabilities reserves, fund balance, revenues and expenditures, as appropriate.

Fund Types

Current Fund – is used to account for all revenues and expenditures applicable to the general operations of Borough departments and agencies. Federal and state grants are included in the Current Fund.

Trust Funds – are used to account for assets held by the Borough in a trustee capacity or as an agent for individuals or other governmental agencies. Funds held by the Borough which have restrictions placed on the use of such funds are recorded in the Trust Funds.

General Capital Fund – is used to account for financial resources to be used for the acquisition of general capital facilities. The major resources are derived from the sale of serial bonds and bond anticipation notes.

Water Utility Operating Fund – is used to account for all revenues and expenditures applicable to water utility operations. Water is purchased in bulk from the Borough of Butler.

Water Utility Capital Fund – is used to account for financial resources to be used for the acquisition, installation, and improvement of water utility facilities.

Sewer Utility Operating Fund – is used to account for all revenues and expenditures applicable to sewer utility operations. The Borough operates the collection system for part of the Borough. Treatment is the responsibility of the Pequannock River Basin Sewer Authority of which the Borough is a member.

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2015

Sewer Utility Capital Fund – is used to account for financial resources to be used for the acquisition, installation, and improvement of sewer utility facilities.

Public Assistance Fund – is used to account for the local assistance provided to certain residents of the Borough. Pursuant to Title 44 of the New Jersey Statutes the Borough separates remaining state funding from Borough contributions. The Borough transferred the State funded functions to the County of Morris and only maintains a local assistance fund.

Account Groups – The General Fixed Asset group is used to account for all fixed assets purchased by the current and general capital funds. The Payroll and General Accounts are used to record disbursements for all funds and reimbursements for those disbursements.

Budgets and Budgetary Accounting

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

Basis of Accounting

The Borough follows the following accounting policies:

Revenues

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

Expenditures

Current Fund, General Capital Fund and Utility Fund expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the Borough's 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 canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on a cash basis; interest on general capital indebtedness is on the cash basis. Trust Fund expenditures are accounted for on the cash basis.

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2015

Disbursements for Current Fund and General Capital Fund inventory type items are considered expenditures at the time of purchase. Prepaid expenses are not recorded. The Borough's share of contributions for fringe benefits, such as retirement plans, accrued vacation leave, litigation settlements and certain professional fees are accounted for on the cash basis.

Had the Borough's financial statements been prepared under generally accepted accounting principles, appropriation reserves would not be recorded; revenues susceptible of accrual would have been reflected without offsetting reserves; Federal grants and assistance would be recognized when earned, not when awarded; inventories would not be reflected as expenditures at the time of purchase; and encumbrances would not be considered as expenditures. Depreciation would have been recognized in the Utility Funds. Taxes collected on behalf of the county and school district and the related payment to those entities would not be reflected in operations. Deferred charges and improvement authorizations would not be recorded as assets and liabilities in the General Capital Fund. The Division of Local Government Services, Department of Community Affairs, State of New Jersey (the DLGS) does not require the management's discussion and analysis, required supplemental information or government wide financial statements required by generally accepted accounting principles to be presented. The DLGS also requires that the financial statements listed in the table of contents be referenced to schedules in the additional financial information.

Foreclosed Property

Real property acquired for taxes is recorded in the Current Fund at assessed valuation when such property is acquired and is fully reserved. Under GAAP property acquired for taxes would be recorded in the general fixed assets at net realizable value

Interfund Receivables

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

Deferred Charges to Future Taxation Funded and Unfunded

Upon the authorization of capital projects, the Borough establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to the N.J.S.A. 40A:2-4, the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced. Under GAAP deferred charges to future taxation would not be recorded and proceeds of debt issued would be recognized as revenue.

Fixed Assets

Current Fund and General Capital Fund

Property and equipment purchased by the Current Fund and the General Capital Fund are recorded as expenditures at the time of purchase. Fixed assets are capitalized at cost in the General Fixed Assets Account Group.

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2015

Property and equipment purchased by the Utility Funds are also recorded as expenditures at the time of purchase and are capitalized at cost in the Utility Capital Funds as fixed capital.

Use of Estimates

The preparation of financial statements requires management to make estimates that affect the recorded amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(2) *Retirement Systems*

Substantially all of the Borough's employees participate in one of the following contributory defined benefit public employee retirement systems (retirement systems) which have been established by State statute: the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS). These systems are sponsored and administered by the State of New Jersey.

Police and Firemen's Retirement System

Police and Firemen's Retirement Systems (PFRS)--is a cost-sharing multiple-employer contributory defined benefit plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

Public Employees' Retirement System

Public Employees' Retirement System (PERS)--is a cost-sharing multiple-employer contributory defined benefit plan which was established as of January 1, 1955, under the provision N.J.S.A. 43:15A to provide retirement, death and disability benefits, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Defined Contribution Retirement Program

The Defined Contribution Retirement Program, herein referred to as 'DCRP', was established July 1, 2007 under the provisions of Chapters 92 and 103, P.L. 2007. Individuals eligible for membership in the DCRP include local officials who are elected or appointed on or after July 1, 2007; and employees enrolled in the PERS on or after July 1, 2007 who earn salary in excess of established "maximum compensation" limits.

A local elected official is any individual who holds elected public office. Officials elected on or after July 1, 2007 will only be enrolled in DCRP. Elected officials already enrolled in PERS prior to July 1, 2007 based on elected office will remain a PERS member while serving in that same elected office. Any break in service or election to a different elected office will automatically enroll the elected official in DCRP. If a retired member of another State-administered retirement system is elected to office, that

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2015

elected official can choose to either continue receiving retirement benefits from the former employment or suspend such benefits and participate in DCRP.

A local appointed official is any individual appointed by the governor, including those requiring advice and consent of the Senate, or an individual appointed in a similar manner by the governing body of a local public entity. On or after July 1, 2007, a newly appointed official who does not have an existing PERS account will only be enrolled in the DCRP. Appointed officials already enrolled in PERS prior to July 1, 2007 will remain a PERS member while serving in that same appointed office.

An appointed official is permitted to join or remain in PERS if that appointed official holds a professional license or certificate to perform and is serving in any of the following capacities: Certified Health Officer, Tax Collector, Chief Financial Officer, Construction Code Official, Qualified Purchasing Agent, Tax Assessor, Municipal Planner, Registered Municipal Clerk, Licensed Uniform Subcode Inspector, or Principal/Certified Public Works Manager.

Additional minimum DCRP eligible criteria for a newly elected or appointed official are the same as for a PERS position. However, in the case of DCRP, eligible officials can elect an irrevocable waiver of their participation when earning less than \$5,000 annually.

Eligible PERS members are enrolled in the DCRP when annual salary exceeds the maximum compensation limit. This may occur upon enrollment into the PERS when an annual base salary is reported on the enrollment application that will exceed the maximum compensation; or when PERS member's annual salary is increased to where it will exceed the maximum compensation and it is reported by the employer to the Division of Pensions and benefits.

Enrolled members contribute 5.5% of the base salary to a tax-deferred investment account established with Prudential Financial, which administers the DCRP for the Division of Pensions and Benefits. Members enrolled due to income levels in excess of maximum compensation limits only contribute based on that amount in excess. Member contributions are matched by a 3% employer contribution.

Newly eligible and enrolled members that have existing DCRP accounts or are active or vested members of another State-administered retirement system are immediately vested in DCRP. Conversely, those officials not qualifying for immediate vesting in DCRP will become fully vested upon commencement of their second year of membership. In such case that there is no eligible second year of membership, all employee and employer contributions will be refunded to the appropriate contributing parties.

DCRP members may elect to receive all or a portion of the account in a lump-sum distribution, or as a fixed term or life annuity. There is no minimum retirement age under the DCRP. Any distributions of mandatory contributions will automatically render the member retired. Lump-sum cash distributions to members under the age of 55 are limited to the member's contributions and earnings. Employer matching contributions and earnings are only available after the age of 55. A member may begin collecting an annuity or take a cash distribution at any time after termination of employment, but will no longer be eligible to participate in any State-administered retirement system upon a return to public employment in New Jersey.

DCRP members are covered by employer-paid life insurance, payable to their designated beneficiaries, in the amount of 1 ½ times the annual base salary on which DCRP contributions were based. This benefit continues for up to two years if on an approved leave of absence without pay for personal

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2015

illness. Life insurance may also be available to members upon retirement at an amount reduced to 3/16 of the annual base salary on which DCRP contributions were based who qualify by being 60 or older with 10 years of participation in DCRP or any age with 25 years of participation. In the case of members enrolled due to income levels in excess of maximum compensation limits, years of participation in either scenario would also include participation in PERS.

DCRP members are eligible employer-paid long term disability coverage after one year of participation. Eligibility occurs after six consecutive months of total disability. Members would receive a regular monthly income benefit up to 60% of the base salary on which DCRP contributions were based during 12 months preceding the onset of the disability, offset by any other periodic benefit the member may be receiving. Benefits will be paid so long the member remains disabled or until the age of 70. Benefits terminate should the member begin receiving retirement annuity payments.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of several State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The State also administers the Pension Adjustment Fund (PAF) which provides cost of living increases, equal to 60 percent of the change in the average consumer price index, to eligible retirees in all State-sponsored pension systems except SACT. The cost of living increases for PFRS and PERS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for that system.

According to State statutes, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

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

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2015

- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an addition 1% phased-in over 7 years; PFRS active member rates increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates will increase in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be a least 1.5% of salary.
- In addition, this legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Funding Policy

Contribution Requirements:

The contribution policy for PFRS and PERS is set by New Jersey State statutes and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members of PFRS contribute at a uniform rate of 10.0% of base salary, as defined. Members of PERS contribute at a uniform rate of 6.50% of base salary, as defined. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PFRS and PERS. In the PERS the employer contribution includes funding for post-retirement medical premiums.

Borough Contributions:

The Borough's required contributions were as follows:

		<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
PERS	\$	245,610	243,496	255,043	247,480	236,674
PFRS	\$	424,543	360,556	364,175	353,956	436,909
DCRP	\$	1,244	2,037	1,679	259	—

GASB 68 Disclosure in accordance with Division of Local Government Services Local Finance Notice 2015-24

The amount of the Borough's contribution is certified each year by PERS and PFRS on the recommendation of the actuary, who makes an annual actuarial valuation. The valuation is based on a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest. In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2015

and Division of Pensions and Benefits, the board of trustees and the actuaries. Specific information on actuarial assumptions and rates of return can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS the employer contribution includes funding for post-retirement medical premiums.

PERS			
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Covered Employee Payroll	\$1,966,070	\$2,017,074	\$1,899,972
Total Payroll	4,088,460	4,110,890	4,067,982
Actuarial Contribution Requirements	245,610	243,496	255,043
Total Contributions	382,985	381,635	382,329
Employer's Share	245,610	243,496	255,043
% of Covered Payroll	12.49%	12.07%	13.42%
Employee's Share	137,375	138,139	127,286
% of Covered Payroll	6.99%	6.85%	6.70%
PFRS			
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Covered Employee Payroll	\$1,709,298	\$1,624,496	\$1,621,371
Total Payroll	4,088,460	4,110,890	4,067,982
Actuarial Contribution Requirements	424,543	360,556	364,175
Total Contributions	595,472	523,006	526,312
Employer's Share	424,543	360,556	364,175
% of Covered Payroll	24.84%	22.19%	22.46%
Employee's Share	170,929	162,450	162,137
% of Covered Payroll	10.00%	10.00%	10.00%

Assumptions

The total PERS and PFRS pension liability for June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 using an actuarial experience study for the period July 1, 2008 to June 30, 2011. The pension liability was rolled forward to June 30, 2015. The actuarial valuation used an inflation rate of 3.04%, projected salary increases from 2012 to 2021 of 2.15% to 4.40% for PERS and 2.60% to 9.48% for PFRS based on age and thereafter 3.15% to 5.40% for PERS and 3.60% to 10.48% for PFRS based on age and an investment rate of return of 7.90%.

The discount rate used to measure the total pension liability was 4.90% and 5.39% for PERS and 5.79 and 6.32% for PFRS as of June 30, 2015 and 2014 respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2015

projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability. More information on mortality rates and other assumptions, and investment policies, can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The following presents the Borough's proportionate share of the PERS net pension liability calculated using the discount rate of 4.90% and 5.39% as of June 30, 2015 and 2014, respectively, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the assumed rate.

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

	At 1% decrease (3.90%)	At current discount rate (4.90%)	At 1% increase (5.90%)
2015	<u>\$7,970,563</u>	<u>\$6,412,991</u>	<u>\$5,107,134</u>
	At 1% decrease (4.39%)	At current discount rate (5.39%)	At 1% increase (6.39%)
2014	<u>\$7,769,957</u>	<u>\$6,176,269</u>	<u>\$4,837,977</u>

The following presents the Borough's proportionate share of the PFRS net pension liability calculated using the discount rate of 6.32% and 6.45% as of June 30, 2014 and 2013, respectively, as well as what the PFRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the assumed rate.

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

	At 1% decrease (4.79%)	At current discount rate (5.79%)	At 1% increase (6.79%)
2015	<u>\$11,468,720</u>	<u>\$8,699,513</u>	<u>\$6,441,472</u>
	At 1% decrease (5.32%)	At current discount rate (6.32%)	At 1% increase (7.32%)
2014	<u>\$8,853,620</u>	<u>\$6,569,919</u>	<u>\$4,682,238</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups.

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2015

To facilitate the separate (sub) actuarial valuations, The Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amount by employer. The allocation percentages for each group as of June 30, 2015 and 2014 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2015 and 2014, respectively.

Following is the total of the Borough's portion of the PERS and PFRS net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and the pension expense and expenditures for the fiscal year ended June 30, 2015.

	PERS	PFRS
Net Pension Liabilities	\$6,412,991	\$8,699,513
Deferred Outflow of Resources	988,446	1,863,177
Deferred Inflow of Resources	718,702	226,443
Pension Expense	245,610	814,947
Contributions Made After Measurement Date	0	0

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collected deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the PERS schedule of employer allocations and applied to amounts presented in the PERS schedule of pension amounts by employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the years ended June 30, 2015 and 2014. The Borough's proportionate share of the collective net pension liability as of June 30, 2015 and 2014 was .0919% and .0950% for PERS and .1986% and .2073% for PFRS respectively.

At June 30, 2015, the amount determined as the Borough's proportionate share of the PERS net pension liability was \$6,412,991. For the year ended June 30, 2015 the Borough recognized PERS pension expense of \$245,610. At June 30, 2015, deferred outflows of resources and deferred inflows of resources related to the PERS pension are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	688,704	\$—
Net Difference Between Projected and Actual Investment Earnings	152,991	—
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	—	103,109
Net Change in Proportions	146,751	615,593
	<u>\$988,446</u>	<u>718,702</u>

At June 30, 2015, the amount determined as the Borough's proportionate share of the PFRS net pension liability was \$8,699,513. For the year ended June 30, 2015 the Borough recognized PERS pension

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2015

expense of \$424,543. At June 30, 2015, deferred outflows of resources and deferred inflows of resources related to the PERS pension are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	\$1,606,143	\$—
Net Difference Between Projected and Actual Investment Earnings	—	75,036
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	—	151,407
Net Change in Proportions	257,031	—
	<u>\$1,863,177</u>	<u>\$226,443</u>

Long-Term Expected Rate of Return

The arithmetic mean return on the portfolio 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 rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table.

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

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2015

(3) Long-term Debt

**Summary of Municipal Debt
(Excluding Current and Utility Operating Debt and Type I School Debt)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Issued:			
General – bonds and notes	\$ 13,345,000	12,755,556	13,754,573
Water Utility – notes	458,000	468,444	487,954
Sewer Utility – notes	—	—	—
Total issued	<u>13,803,000</u>	<u>13,224,000</u>	<u>14,242,527</u>
Authorized but not issued:			
General - bonds and notes	4,007,304	5,287,304	3,550,304
Water Utility – bonds and notes	54,000	54,000	54,000
Sewer Utility – bonds and notes	—	—	—
Total authorized but not issued	<u>4,061,304</u>	<u>5,341,304</u>	<u>3,604,304</u>
Total bonds and notes issued and authorized but not issued	\$ <u>17,864,304</u>	<u>18,565,304</u>	<u>17,439,216</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the annual debt statement and indicates a statutory net debt of .857%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local school district debt	\$ 19,765,000	19,765,000	—
Water Utility debt	512,000	512,000	—
Sewer Utility debt	—	—	—
General debt	17,352,304	893,496	16,458,808
	\$ <u>37,629,304</u>	<u>21,170,496</u>	<u>16,458,808</u>

Net debt of \$16,458,808 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended of \$2,088,520,528 equals .788%.

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

3-1/2% of equalized valuation basis (municipal)	\$73,098,218
Net debt	<u>16,458,808</u>
Remaining borrowing power	\$ <u>56,639,410</u>

On December 16, 2009 the Borough sold \$6,070,000 of General Improvement Refunding Bonds at interest rates from 2.00% to 4.75% payable each March 1, and September 1 until maturity. The bonds mature on March 1, 2010 through 2024. There are \$4,245,000 and \$4,685,000 of bonds outstanding at December 31, 2015 and 2014, respectively.

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2015

On May 1, 2015 the Borough sold \$9,100,000 of General Improvement Bonds at interest rates from 1.00% to 3.00% payable each February 1, and August 1 until maturity. The bonds mature on February 1, 2016 through 2032. There are \$9,100,000 of bonds outstanding at December 31, 2015.

Bond debt service requirements at December 31, 2015 were as follows;

Year Ended <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 870,000	419,584
2017	880,000	346,069
2018	910,000	321,163
2019	915,000	294,756
2020	950,000	267,250
2021-2025	4,545,000	894,169
2025-2030	3,000,000	410,531
2031-2032	<u>1,275,000</u>	<u>38,625</u>
	<u>\$ 13,345,000</u>	<u>2,992,147</u>

On May 1, 2015 the Borough sold \$458,000 of Water General Improvement Bonds at interest rates from 1.00% to 3.00% payable each February 1, and August 1 until maturity. The bonds mature on February 1, 2016 through 2032. There are \$458,000 of bonds outstanding at December 31, 2015.

Bond debt service requirements at December 31, 2015 were as follows;

Year Ended <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 15,000	10,040
2017	20,000	9,798
2018	25,000	9,434
2019	25,000	9,059
2020	25,000	8,626
2021-2025	140,000	35,083
2025-2030	150,000	17,738
2031-2032	<u>58,000</u>	<u>985</u>
	<u>\$ 458,000</u>	<u>100,763</u>

(4) Bond Anticipation Notes

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally such notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2015

the original note a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid or retired. Legal installments must continue to be paid if the notes are to be renewed beyond the third anniversary date of the original issuance.

At December 31, 2015 and 2014, the Borough had outstanding bond anticipation notes as follows:

	<u>2015</u>	<u>2014</u>
Water Utility Capital Fund	\$ —	468,444
General Capital Fund	—	8,070,556

(5) Fund Balances Appropriated

Fund balances appropriated and included as anticipated revenue in the 2016 and 2015 budgets are as follows:

	<u>2016</u>	<u>2015</u>
Current Fund	\$ 1,340,000	1,343,781
Water Utility Operating Fund	42,000	25,000
Sewer Utility Operating Fund	—	—

(6) Deferred Charges to be Raised in Succeeding Budgets

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2015, the Borough Current Fund had the following deferred charges to be raised in the 2016 or subsequent budgets.

	<u>Balance, Dec. 31, 2015</u>	<u>2016 Budget Appropriation</u>
Current Fund:		
Emergency	55,000	47,152
Special emergencies	\$300,000	99,000
Overexpenditure of Appropriation	67,644	67,644
Overexpenditure of Appropriation Reserve	3,000	—

(7) Accrued Sick and Vacation Benefits

The Borough permits employees to accrue unused vacation pay, which may be taken as time off or paid at a later date upon absence. It is estimated that the current cost of such unpaid compensation approximates \$851,937 and \$605,072 for the years ended December 31, 2015 and 2014 respectively.. This amount, in accordance with state accounting requirements, is not reported either as an expenditure or liability.

(8) Contingencies

Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2015. The Borough is vigorously defending its assessments in each case. Under the accounting principles

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2015

prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. Funding of any ultimate liability would be provided for in succeeding years' budgets or through a refunding bond ordinance which would allow the Borough to fund these liabilities over a number of years.

The Borough is also involved in suits in the normal course of business. These cases, if decided against the Borough, would be paid by its insurance carrier. The Borough expects such amounts, if any, to be immaterial.

The Borough participates in numerous Federal and State of New Jersey grant programs which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the Borough has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at December 31, 2015 may be impaired. In the opinion of the Borough, there are no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

(9) Risk Retention Program

The Borough participates in a joint insurance fund that provides coverage for its automobile, general liability and workers' compensation exposures property, fire, water, utility, boiler and machinery, and employee fidelity. Various deductibles, limits, and coinsurance provisions apply to these policies.

The Borough provides certain employees with health benefits through a commercial carrier.

(10) Fixed Assets

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at assessed value. The Borough capitalizes assets with an acquisition cost of at least \$5,000 and a useful life of five years.

Fixed assets used in governmental operation (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("Infrastructure") general fixed assets consisting of certain improvement other than building, such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems are not capitalized.

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2015

The Borough's fixed assets are summarized as follows:

	Balance			Balance
	Dec 31, 2014	Additions	Dispositions	Dec. 31, 2015
General Fixed Assets:				
Land	\$ 4,442,060	—	—	4,442,060
Buildings	12,661,261	—	—	13,870,261
Vehicular equipment	957,615	—	—	957,615
General equipment	3,451,770	—	—	3,451,770
	<u>22,721,706</u>	<u>—</u>	<u>—</u>	<u>22,721,706</u>
Water Utility:				
Steel water tank	109,773	—	—	109,773
Pumping station	61,032	—	—	61,032
Distribution mains	212,036	—	—	212,036
Meters	10,784	—	—	10,784
General equipment	20,475	—	—	20,475
	<u>414,100</u>	<u>—</u>	<u>—</u>	<u>414,100</u>
	Balance			Balance
	Dec 31, 2013	Additions	Dispositions	Dec. 31, 2014
General Fixed Assets:				
Land	\$ 4,442,060	—	—	4,442,060
Buildings	13,870,261	—	—	13,870,261
Vehicular equipment	957,615	—	—	957,615
General equipment	3,451,770	—	—	3,451,770
	<u>22,721,706</u>	<u>—</u>	<u>—</u>	<u>22,721,706</u>
Water Utility:				
Steel water tank	109,773	—	—	109,773
Pumping station	61,032	—	—	61,032
Distribution mains	212,036	—	—	212,036
Meters	10,784	—	—	10,784
General equipment	20,475	—	—	20,475
	<u>414,100</u>	<u>—</u>	<u>—</u>	<u>414,100</u>

(11) Interfund Balances

The Borough has interfund balances at December 31, 2015 and 2014 as follows:

	2015		2014	
	Due From	Due To	Due From	Due To
Current Fund:				
Other Trust Fund	\$	75,400	\$	1,000
Public Assistance			2,106	
Federal and State Grant Fund		194,159		221,205
General Capital Fund		35,161	33,878	
Water Operating Fund	87,283			37,400
Dog Fund			138	

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2015

(11) Interfund Balances (continued)

	2015		2014	
	<u>Due From</u>	<u>Due To</u>	<u>Due From</u>	<u>Due To</u>
Current Fund: (continued)				
Payroll Account	3,816			
General Account	24,521			
Sewer Operating Fund	12,906		26,662	
Open Space Trust		77,591		78
Accumulated Absence Fund				70,644
Federal and State Grant Fund:				
Current Fund	194,159		221,205	
Other Trust Fund:				
Current Fund	75,400			1,000
Other Trust Fund Open Space:				
Current Fund	77,591			
Dog Fund:				
Current Fund				138
Open Space Trust				
Current Fund			78	
Accumulated Absence Fund				
Current Fund			70,644	
General Capital Fund:				
Current Fund	35,161			33,878
Water Operating Fund	444			1,030
Sewer Operating Fund			88,637	
Water Utility Operating Fund:				
Current Fund		87,283	37,400	
Sewer Utility Operating Fund	1,199			
General Capital Fund		444	1,030	
General Account		86		
Sewer Utility Operating Fund:				
Current Fund		12,906		26,662
Water Utility Operating Fund		1,199		
General Account		58		
General Capital Fund				88,637
Public Assistance Fund:				
Current Fund				2,106
Payroll Account:				
Current Fund		3,816		
General Account:				
Current Fund		24,521		
Water Operating Fund	86			
Sewer Operating Fund	58			

(12) Cash

Cash and cash equivalents includes amounts on deposit, and short term investments with original maturities of three months or less from the date of acquisition.

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2015

Deposits

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

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

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

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

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

GASB Statement No. 40, Deposit and Investment Risk Disclosures, requires disclosure of bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, the Borough will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party. As of December 31, 2014 the Borough's bank deposits are insured or covered by the State's Government Unit Deposit Protection Act.

(13) Taxes Receivable, Tax Title Liens

In accordance with the accounting principles prescribed by the State of New Jersey, taxes receivable and tax title liens are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible.

Taxes for the Borough are levied annually in June and are payable February 1, May 1, August 1, and November 1. The taxes are liens on the property as of the billing date.

(14) Post Employment Healthcare Plan

The members of AFSCME who have been employed by the Borough for at least 25 years and are at least 55 years old are entitled to receive \$3,000 per year towards the employee's health benefits until the employee becomes eligible for Medicare benefits.

(15) Subsequent Events

On March 11, 2016 the Borough issued bond anticipation notes in the amount of \$3,130,850 with a stated interest rate of 0.80% for a one year term payable on March 10, 2017.

ADDITIONAL FINANCIAL INFORMATION

BOROUGH OF KINNELON

Schedule of Cash - Treasurer

Current Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$ <u>3,449,900</u>
Increased by receipts:	
Collector of taxes	49,555,588
Revenue accounts receivable	1,311,030
Miscellaneous revenue not anticipated	70,346
Due from State of New Jersey	63,500
Due to Grant Fund - appropriated grants received	85,671
Due to Grant Fund - unappropriated grants received	11,564
Unappropriated reserves	2,839
Various reserves	1,888,564
Due from General Capital Fund	123,878
Due from Other Trust Fund	76,400
Electric liens redeemed	2,110
Due from Dog Fund	138
Due from Public Assistance Fund	2,106
Due from Sewer Operating	26,662
Due from Grant Fund	<u>67,880</u>
	<u>53,288,276</u>
	<u>56,738,176</u>
Decreased by disbursements:	
Budget appropriations	9,629,597
Appropriation reserves	424,859
Local district school taxes	35,093,289
County taxes	5,295,398
Municipal open space tax	78
Due County for added taxes	7,973
Various reserves	925,010
Due to Sewer Operating Fund	12,906
Due to Water Operating Fund	62,463
Interfund erroneous deposit	62,220
Due from General Account	24,521
Due from payroll	3,816
Accumulated absences fund	70,644
Grant expenditures	192,161
Electric liens returned	422
Accounts payable	1,546
Due to Library	1,436
Tax overpayment refunds	33,689
Refund of prior year revenue	<u>858</u>
	<u>51,842,886</u>
Balance, December 31, 2015	\$ <u><u>4,895,290</u></u>

BOROUGH OF KINNELON

Schedule of Cash - Tax Collector

Current Fund

Year ended December 31, 2015

Receipts:		
Taxes receivable	\$	49,252,791
Tax overpayments		55,986
Prepaid taxes		<u>246,811</u>
Total receipts		<u>49,555,588</u>
Decreased by deposit in Treasurer's account	\$	<u><u>49,555,588</u></u>

BOROUGH OF KINNELON

Schedule of Due from State of New Jersey -
Senior Citizens' and Veterans' Deductions

Current Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$ <u>5,342</u>
Increased by:	
Senior Citizens' deductions per duplicate	7,750
Veterans' deductions per duplicate	55,750
Senior Citizens' deductions allowed by tax collector	250
Veterans' deductions allowed by tax collector	<u>500</u>
	<u>64,250</u>
	<u>69,592</u>
Decreased by:	
Cash received	63,500
Senior Citizens' and Veterans' deductions disallowed	<u>500</u>
	<u>64,000</u>
Balance, December 31, 2015	\$ <u><u>5,592</u></u>

BOROUGH OF KINNELON

Schedule of Taxes Receivable

Current Fund

Year ended December 31, 2015

Year	Balance, Dec. 31, 2014	2015 levy	Added Taxes	Cash collections		Transferred to tax title liens	Cancelled	Balance, Dec. 31, 2015
				2014	2015			
2011	\$ 431	—	—	—	—	—	—	431
2012	205	—	—	—	—	—	205	—
2013	23	—	—	—	—	—	23	—
2014	407,850	—	—	—	339,340	6,973	61,534	3
	<u>408,509</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>339,340</u>	<u>6,973</u>	<u>61,762</u>	<u>434</u>
2014	—	49,797,481	102,152	279,582	49,039,421	56,492	92,176	431,962
	<u>\$ 408,509</u>	<u>49,797,481</u>	<u>102,152</u>	<u>279,582</u>	<u>49,378,761</u>	<u>63,465</u>	<u>153,938</u>	<u>432,396</u>
					\$ 63,750			
					62,220			
					<u>49,252,791</u>			
					<u>\$ 49,316,541</u>			

Senior Citizens' and Veterans' deductions
Due from Water Operating Fund
Cash

Analysis of Property Tax Levy

Tax yield:	
General purpose tax	\$ 49,797,481
Added and omitted taxes	<u>102,152</u>
	<u>\$ 49,899,633</u>
Tax levy:	
County taxes	\$ 5,083,278
County Open Space	212,120
Local district school taxes	35,086,558
Due County for added taxes	7,973
Library Tax	705,606
Library added taxes	1,052
Local tax for municipal purposes	8,632,419
Municipal open space	77,500
Municipal open space added	98
Additional taxes levied	<u>93,029</u>
	<u>\$ 49,899,633</u>

BOROUGH OF KINNELON

Schedule of Tax Title Liens

Current Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$ <u>375,223</u>
Increased by:	
Interest and cost of tax sale	1,730
Transferred from prior year taxes	6,973
Transferred from current taxes receivable	56,492
Adjustment to detail	<u>102,101</u>
	<u>167,296</u>
Balance, December 31, 2015	\$ <u><u>542,519</u></u>

BOROUGH OF KINNELON

Schedule of Revenue Accounts Receivable

Current Fund

Year ended December 31, 2015

	Balance, Dec. 31, 2014	Accrued in 2015	Collected by Treasurer	Balance, Dec. 31, 2015
Clerk:				
Alcoholic beverage license	\$ —	2,345	2,345	—
Licenses - other	—	11,558	11,558	—
Fees and permits	—	24,464	24,464	—
Fines and costs - municipal court	9,626	94,768	98,630	5,764
Interest and costs on taxes	—	101,244	101,244	—
Interest on investments and deposits	—	5,802	5,802	—
Energy Receipts Tax (P.L. 1999, Ch 162 & 167)	—	552,682	552,682	—
Garden State Trust Fund	—	173,696	173,696	—
Uniform construction code official	—	219,820	219,820	—
Watershed Moratorium Offset Aid	—	45,261	45,261	—
General Capital Surplus	—	28,000	28,000	—
Reserve for payment of Debt Service	—	72,000	72,000	—
Cable television franchise fee	—	47,528	47,528	—
	<u>\$ 9,626</u>	<u>1,379,168</u>	<u>1,383,030</u>	<u>5,764</u>
Cash			\$ 1,311,030	
Reserve for Payment of Debt			<u>72,000</u>	
			<u>\$ 1,383,030</u>	

BOROUGH OF KINNELON

Statement of Appropriation Reserves
Regulatory Basis
Current Fund

Year ended December 31, 2015

	Appropriations			Expended		
	Budget	Transfers	Budget after modification	Paid or charged	Lapsed	Overexpended
General appropriations:						
Operations within "CAPS":						
General Government:						
Mayor and Council:						
Salaries and wages	\$ 6	—	6	—	6	
Other expenses	415	—	415	16	399	
Municipal Clerk:						
Salaries and wages	1	1,500	1,501	—	1,501	
Other expenses	6,365	—	6,365	3,436	2,929	
General Administration:						
Other expenses	3,795	—	3,795	2,558	1,237	
Financial Administration:						
Salaries and wages	—	2,000	2,000	—	2,000	
Other expenses	4,600	(2,000)	2,600	1,633	967	
Webmaster - Other Expenses	50		50		50	
Auditor:						
Other expenses	30,000	—	30,000	30,000	—	
Collection of Taxes:						
Salaries and wages	—	400	400	—	400	
Other expenses	676	—	676	181	495	
Assessment of Taxes						
Salaries and wages	—	500	500	—	500	
Other expenses	3,381	—	3,381	2,687	694	
Legal Services and Costs:						
Other expenses	7,662	—	7,662	7,251	411	
Engineering Services and Costs:						
Other expenses	4,240	—	4,240	120	4,120	

(continued)

BOROUGH OF KINNELON

Statement of Appropriation Reserves
Regulatory Basis
Current Fund

Year ended December 31, 2015

	Appropriations			Expended		
	Budget	Transfers	Budget after modification	Paid or charged	Lapsed	Overexpended
Historical preservation Commission:						
Salaries and wages	\$ 188	—	188	—	188	
Other expenses	3,002	—	3,002	479	2,523	
Municipal Land Use Law (N.J.S.A. 40:55):						
Planning Board:						
Other expenses	9,671	—	9,671	7,025	2,646	
Zoning Board:						
Other expenses	14,780	—	14,780	10,457	4,323	
Insurance:						
General Liability:						
Other expenses	8,116	—	8,116	1,780	6,336	
Employee Group Health:						
Other expenses	33,781	(17,800)	15,981	698	15,283	
Health Insurance Waiver:						
Other expenses	22,500	—	22,500	—	22,500	
Public Safety:						
Police:						
Salaries and wages	1,414	—	1,414	—	1,414	
Other expenses	17,040	—	17,040	15,394	1,646	
Police Dispatching/ 911:						
Salaries and wages	942	—	942	—	942	
Other expenses	—	2,400	2,400	—	2,400	
Emergency Management Services:						
Salaries and wages	365	—	365	—	365	
Other expenses	175	—	175	—	175	
Aid to Volunteer Fire Companies:						
Other expenses	3,249	—	3,249	3,249	—	

(continued)

Aid to Tri-Borough Ambulance Squad:

BOROUGH OF KINNELON

Statement of Appropriation Reserves
Regulatory Basis
Current Fund

Year ended December 31, 2015

	<u>Appropriations</u>			<u>Expended</u>		
	<u>Budget</u>	<u>Transfers</u>	<u>Budget after modification</u>	<u>Paid or charged</u>	<u>Lapsed</u>	<u>Overexpended</u>
Other expenses	\$ 11,000	—	11,000	8,359	2,641	
Fire Hydrants	620		620		620	
Fire Prevention Bureau:						
Salaries and wages	1,240	—	1,240	1,225	15	
Other expenses	4,713	—	4,713	1,255	3,458	
Municipal Prosecutor:						
Salaries and wages	4,000	—	4,000	4,000	—	
Streets and Roads:						
Road Repair and Maintenance:						
Salaries and wages	—	1,000	1,000	4,000	—	3,000
Other expenses	57,495	—	57,495	45,404	12,091	
Garbage and Trash Removal:						
Salaries and wages	638	—	638	—	638	
Other expenses	48,553	—	48,553	44,297	4,256	
Public Buildings and Grounds:						
Other expenses	12,030	—	12,030	6,073	5,957	
Vehicle Maintenance:						
Other expenses	7,780	—	7,780	1,676	6,104	
Health and Human Services Programs:						
Board of Health:						
Salaries and wages	28	1,000	1,028	—	1,028	
Other expenses	2,546	—	2,546	2,275	271	
Environmental Commission:						
Other expenses	42	—	42	—	42	
Animal Control Regulations:						
Other expenses	748	—	748	—	748	

(continued)

BOROUGH OF KINNELON

Statement of Appropriation Reserves
Regulatory Basis
Current Fund

Year ended December 31, 2015

	Appropriations			Expended		
	Budget	Transfers	Budget after modification	Paid or charged	Lapsed	Overexpended
Recreation Services and Programs:						
Recreation:						
Other expenses	\$ 5,891	—	5,891	4,701	1,190	
Celebration of Public Events						
Other expenses	716		716	240	476	
Municipal Court:						
Salaries and wages	56	—	56	—	56	
Other expenses	4,340	—	4,340	589	3,751	
Smoke Rise Condo Costs:						
Other expenses	1,465	9,000	10,465	10,451	14	
Uniform Construction Code-Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17):						
Uniform Construction Code:						
Other expenses	350	—	350	—	350	
Unclassified:						
Gasoline	11,455	—	11,455	7,808	3,647	
Fuel oil - Diesel	3,101	—	3,101	2,439	662	
Electricity	20,204	—	20,204	7,672	12,532	
Street lighting	2,675	—	2,675	696	1,979	
Telephone	2,202	—	2,202	716	1,486	
Natural gas	5	2,000	2,005	1,925	80	
Landfill/ Solid waste Disposal Costs	98,706	—	98,706	97,062	1,644	
Total operations within "CAPS"	479,013	—	479,013	339,827	142,186	3,000
Contingent	688	—	688	242	446	
Total operations including contingent-within "CAPS"	479,701	—	479,701	340,069	142,632	3,000

(continued)

BOROUGH OF KINNELON

Statement of Appropriation Reserves
Regulatory Basis
Current Fund

Year ended December 31, 2015

	Appropriations			Expended		
	Budget	Transfers	Budget after modification	Paid or charged	Lapsed	Overexpended
Detail:						
Salaries and wages	\$ 8,878	6,400	15,278	9,225	9,053	3,000
Other expenses (including contingent)	470,823	(6,400)	464,423	330,844	133,579	—
	479,701	—	479,701	340,069	142,632	3,000
Deferred charges and statutory expenditures - municipal within "CAPS":						
Statutory expenditures - contributions to:						
Social Security System (O.A.S.I.)	5,278	—	5,278	1,438	3,840	
Unemployment Insurance	706	—	706		706	
Defined Contribution Retirement Program (DCRP)	368	—	368	—	368	
Volunteer Fire - VSAP	60	—	60		60	
Total deferred charges and statutory expenditures - municipal within "CAPS"	6,412	—	6,412	1,438	4,974	—
Total general appropriations for municipal purposes within "CAPS"	486,113	—	486,113	341,507	147,606	3,000
Operations excluded from "CAPS" - mandated expenditures per N.J.S.A. 40A:4-45.3g:						
Maintenance - Free Public Library (Chapter 82, PL 1985):						
Other expenses	91,488	—	91,488	91,488	—	
Reserve for Pending Tax Appeals	23,154	—	23,154	23,154	—	
Storm Water Management:						
Other expenses	640	—	640	75	565	
Shared Service Agreements:						
QPA - Pequannock Township	2,000		2,000		2,000	
Mechanic Services - Bloomingdale	13,700		13,700	2,189	11,511	
Total operations-excluded from "CAPS"	130,982	—	130,982	116,906	14,076	—

(continued)

BOROUGH OF KINNELON

Statement of Appropriation Reserves
Regulatory Basis
Current Fund

Year ended December 31, 2015

	<u>Appropriations</u>			<u>Expended</u>		
	<u>Budget</u>	<u>Transfers</u>	<u>Budget after modification</u>	<u>Paid or charged</u>	<u>Lapsed</u>	<u>Overexpended</u>
Detail: Other expenses	130,982	—	130,982	116,906	14,076	—
Total general appropriations excluded from "CAPS"	130,982	—	130,982	116,906	14,076	—
Total general appropriations	\$ 617,095	—	617,095	458,413	161,682	3,000
Appropriation Reserves	\$ 387,359					
Encumbrances	229,736					
	\$ 617,095					
	<u>Analysis of paid or charged</u>					
Cash disbursed				\$ 424,859		
Reserve for tax appeals				16,626		
Transfer to accounts payable				16,928		
				\$ 458,413		

BOROUGH OF KINNELON

Schedule of Unappropriated Reserves

Current Fund

Year ended December 31, 2015

	Balance Dec. 31, 2014	Increased by cash received	Decreased	Balance Dec. 31, 2015
Morris County.	\$ —	2,839	—	2,839
	\$ —	2,839	—	2,839

BOROUGH OF KINNELON

Schedule of Local District School
Taxes Payable

Current Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$ 6,731
Increased by tax levy	<u>35,086,558</u>
	<u>35,093,289</u>
Decreased by payments	
Payments	<u>35,093,289</u>
Balance, December 31, 2015	<u><u>\$ —</u></u>

BOROUGH OF KINNELON

Schedule of County Taxes Payable

Current Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$ <u> —</u>
Increased by:	
Increased by County tax levy	5,083,278
County Open Space Preservation	<u> 212,120</u>
	<u>5,295,398</u>
	5,295,398
Decreased by:	
Payments	<u>5,295,398</u>
Balance, December 31, 2015	\$ <u><u> —</u></u>

BOROUGH OF KINNELON

Schedule of Due County for Added
and Omitted Taxes

Current Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$	—
Increased by added taxes		<u>7,973</u>
		7,973
Decreased by payments		<u>7,973</u>
Balance, December 31, 2015	\$	<u><u>—</u></u>

BOROUGH OF KINNELON

Schedule of Encumbrances Payable

Current Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$	229,736
Increased by budget encumbrances		<u>308,822</u>
		538,558
Decreased by:		
Transfer to Appropriation Reserves		<u>229,736</u>
Balance, December 31, 2015	\$	<u><u>308,822</u></u>

BOROUGH OF KINNELON

Schedule of Tax Overpayments

Current Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$ 54,789
Increased by cash receipts	<u>55,986</u>
	<u>110,775</u>
Decreased by:	
Cash disbursed	33,689
Cancelled	<u>16,123</u>
	<u>49,812</u>
Balance, December 31, 2015	<u><u>\$ 60,963</u></u>

BOROUGH OF KINNELON

Schedule of Prepaid Taxes

Current Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$	279,582
Increased by cash receipts		<u>246,811</u>
		526,393
Decreased by transfer to taxes receivable		<u>279,582</u>
Balance, December 31, 2015	\$	<u><u>246,811</u></u>

BOROUGH OF KINNELON

Schedule of Electric Liens Redeemed

Current Fund

Year ended December 31, 2015

Balance, December 31, 2014 (Due from)	\$	(138)
Increased by cash receipts		<u>2,110</u>
		1,972
Disbursed		<u>422</u>
Balance, December 31, 2015	\$	<u><u>1,550</u></u>

BOROUGH OF KINNELON

Schedule of Reserve for Tax Appeals

Current Fund

Year ended December 31, 2014

Balance, December 31, 2014	\$	41,526
Increased by:		
Transfer from appropriation Reserves.		<u>16,626</u>
Balance, December 31, 2015	\$	<u><u>58,152</u></u>

BOROUGH OF KINNELON

Schedule of Various Reserves

Current Fund

Year ended December 31, 2015

	<u>Construction Code Fees</u>	<u>Reserve for Sale of Assets</u>	<u>Assault Weapons Fees</u>	<u>Revaluation</u>	<u>Outside Liens</u>	<u>Marriage Lic Domestic Partnership</u>	<u>Totals</u>
Balance, December 31, 2014	\$ 12,064	—	40	—	—	1,420	13,524
Increased by:							
Cash receipts	15,688	1,046,500	—		825,476	900	1,888,564
Transfer from appropriations	—	—		260,000	—	—	260,000
	<u>15,688</u>	<u>1,046,500</u>	<u>—</u>	<u>260,000</u>	<u>825,476</u>	<u>900</u>	<u>2,148,564</u>
Decreased by:							
Cash disbursed	<u>27,752</u>	<u>1,046,500</u>	<u>40</u>	<u>260,000</u>	<u>825,476</u>	<u>2,320</u>	<u>2,162,088</u>
Balance, December 31, 2015	\$ <u>15,236</u>	<u>1,046,500</u>	<u>40</u>	<u>127,291</u>	<u>46,466</u>	<u>1,545</u>	<u>1,237,078</u>

BOROUGH OF KINNELON

Schedule of Interfunds

Current Fund

Year ended December 31, 2015

	<u>Other Trust</u>	<u>General Capital</u>	<u>Water Utility Operating</u>	<u>Federal and State Grant</u>	<u>Public Assistance</u>	<u>Dog Fund</u>	<u>Sewer Operating</u>	<u>Accumulated Absences</u>
Balance, December 31, 2014, due from (to)	\$ 1,000	33,878	(37,400)	(221,205)	2,106	138	26,662	(70,644)
Increased by:								
Cash disbursed	—	—	62,463	—	—	—	12,906	70,644
Receipts deposited in Water Utility Fund	—	—	62,220	—	—	—	—	—
Debt service reserve anticipated	—	72,000	—	—	—	—	—	—
Grant expenditures paid by Current Fund	—	—	—	192,161	—	—	—	—
	<u>—</u>	<u>72,000</u>	<u>124,683</u>	<u>192,161</u>	<u>—</u>	<u>—</u>	<u>12,906</u>	<u>70,644</u>
	<u>1,000</u>	<u>105,878</u>	<u>87,283</u>	<u>(29,044)</u>	<u>2,106</u>	<u>138</u>	<u>39,568</u>	<u>—</u>
Decreased by:								
Cash receipts	76,400	123,878	—	67,880	2,106	138	26,662	—
Unappropriated grants received deposited in Current Fund	—	—	—	11,564	—	—	—	—
Grant receipts deposited in Current Fund	—	—	—	85,671	—	—	—	—
Appropriations paid by another fund	—	17,161	—	—	—	—	—	—
	<u>76,400</u>	<u>141,039</u>	<u>—</u>	<u>165,115</u>	<u>2,106</u>	<u>138</u>	<u>26,662</u>	<u>—</u>
Balance, December 31, 2015, due from (to)	\$ <u>(75,400)</u>	<u>(35,161)</u>	<u>87,283</u>	<u>(194,159)</u>	<u>—</u>	<u>—</u>	<u>12,906</u>	<u>—</u>

BOROUGH OF KINNELON

Schedule of Grants Receivable

Federal and State Grant Fund

Year ended December 31, 2015

	Balance, Dec. 31, 2014	Awarded in 2015	Received	Balance, Dec. 31, 2015
Charlotteburg Dam & Reservoir	\$ 2,125	—	—	2,125
Highlands Water Protection: Initial Plan Assessment	2,394	—	—	2,394
Morris County Historic Preservation	116,941	—	57,071	59,870
NJ Body Armor Fund	30	1,847	1,847	30
Recycling Tonnage	—	11,471	11,471	—
Clean Communities Programs	—	22,561	22,561	—
Alcohol Education and Rehabilitation Act	—	354	354	—
Historical Commission	3,000	—	—	3,000
SHARE Grant	342	—	—	342
United States Department of Transportation (NJ Division of Highway Safety) Pass through - Click It or Ticket	600	3,838	3,838	600
Drive Sober Get pulled Over	3,837	—	—	3,837
Bicycle Unit Grant	7,695	—	—	7,695
	<u>\$ 222,970</u>	<u>40,071</u>	<u>97,142</u>	<u>79,893</u>
			\$ 85,671	
Due from Current Fund			11,471	
Transferred from unappropriated reserves			<u>97,142</u>	

BOROUGH OF KINNELON

Schedule of Appropriated Reserves

Federal and State Grant Fund

Year ended December 31, 2015

	<u>Balance, Dec. 31, 2014</u>	<u>Transferred from Encumbrances</u>	<u>Transferred from budget</u>	<u>Appropriation by 40A:4-87</u>	<u>Expended</u>	<u>Reimbursed</u>	<u>Balance, Dec. 31, 2015</u>
Drunk Driving Enforcement Fund	\$ 2,959	240	—	—	240	—	2,959
Municipal Alcohol Education Rehabilitation Act	1,798	—	—	—	—	—	1,798
Domestic Violence	300	—	—	—	—	—	300
Storm water	10,465	—	—	—	—	—	10,465
Recycling Tonnage Grant	47,691	—	11,471	—	—	—	59,162
Bicycle Unit	4,576	—	—	—	—	—	4,576
Community policing Donations	65	—	—	—	—	—	65
Historical Commission	55,280	77,406	—	—	106,838	—	25,848
Historical Commission (Open Space match)	5,615	5,885	—	—	3,549	67,880	75,831
Alcohol Education Rehabilitation Fund	—	—	—	354	—	—	354
PSE&G	56,209	—	—	—	53,326	—	2,883
NJ Clean Communities Grant	23,636	—	—	22,561	23,550	—	22,647
NJ Dept. L&PS:							
Body Armor Fund	2,030	820	—	1,847	820	—	3,877
United States Department of Transportation (NJ Division of Highway							
Safety) Pass Through - Click It Or Ticket	—	—	—	3,838	3,838	—	—
Drive Sober Get Pulled Over	3,837	—	—	—	—	—	3,837
Keep Kids Alive	34,517	—	—	—	—	—	34,517
Sustainable NJ	1,944	—	—	—	—	—	1,944
Homelend Security Buffer	11,425	—	—	—	—	—	11,425
	<u>\$ 390,601</u>	<u>84,351</u>	<u>11,471</u>	<u>28,600</u>	<u>192,161</u>	<u>67,880</u>	<u>262,488</u>
Due to Current Fund					<u>\$ 192,161</u>		
					<u>\$ 192,161</u>		

BOROUGH OF KINNELON

Schedule of Unappropriated Reserves

Federal and State Grant Fund

Year ended December 31, 2015

	Balance, Dec. 31, 2014	Transferred to budget	Received	Balance, Dec. 31, 2015
State:				
Recycling tonnage grant	\$ 11,471	11,471	11,564	11,564
	<u>\$ 11,471</u>	<u>11,471</u>	<u>11,564</u>	<u>11,564</u>

BOROUGH OF KINNELON
Schedule of Foreclosed Property
Current Fund
Year ended December 31, 2015

Balance, December 31, 2014	\$	1,410,350
Decreased by Cert. 80.39 foreclosed in 2013		<u>199,600</u>
Balance, December 31, 2015	\$	<u><u>1,210,750</u></u>

BOROUGH OF KINNELON

Schedule of Encumbrances Payable

Federal and State Grant Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$	84,351
Decreased by:		
Cancelled		<u>84,351</u>
Balance, December 31, 2015	\$	<u><u>—</u></u>

BOROUGH OF KINNELON

Schedule of Deferred Charges

Current Fund

Year ended December 31, 2015

	<u>Date</u> <u>Authorized</u>	<u>Amount</u> <u>Authorized</u>	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
Emergency Authorization	6/18/15	\$ 55,000	—	55,000	—	55,000
Special Emergency:						
Hurricane Irene	9/1/2011	35,000	7,000	—	7,000	—
Hurricane Sandy	11/15/2012	80,000	32,000	—	16,000	16,000
Preparation of Tax Map	8/16/2012	120,000	48,000	—	24,000	24,000
Revaluation		260,000	—	260,000	—	260,000
Overexpenditure of Appropriation Reserves			—	3,000	—	3,000
Overexpenditure of Appropriation			<u>67,644</u>	<u>—</u>	<u>—</u>	<u>67,644</u>
			<u>\$ 154,644</u>	<u>318,000</u>	<u>47,000</u>	<u>425,644</u>

BOROUGH OF KINNELON

Schedule of Accounts Payable

Current Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$	30,183
Increased by:		
Transfer from Appropriation Reserves		<u>16,928</u>
		47,111
Decreased by:		
Disbursement		<u>1,546</u>
Balance, December 31, 2015	\$	<u><u>45,565</u></u>

BOROUGH OF KINNELON

Schedule of Due to Open Space Fund

Current Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$	<u>78</u>
Increased by:		
Open Space Levy		77,500
Added		<u>91</u>
		<u>77,591</u>
		77,669
Decreased by:		
Disbursement		<u>78</u>
Balance, December 31, 2015	\$	<u><u>77,591</u></u>

BOROUGH OF KINNELON

Schedule of Cash - Treasurer

Trust Funds

Year ended December 31, 2015

	Dog License Fund	Other Trust Funds
	<u> </u>	<u> </u>
Balance, December 31, 2014	\$ 25,983	2,724,598
Increased by receipts:		
Dog license fees	19,401	—
Due to State of New Jersey	2,026	—
Prepaid License fees	7,252	—
Due to Current Fund	—	70,722
Special deposits	—	1,000,674
Interest	—	933
	<u>28,679</u>	<u>1,072,329</u>
	<u>54,662</u>	<u>3,796,927</u>
Decreased by disbursements:		
Payments to State of New Jersey	2,083	—
Dog license expenditures	32,722	—
Due from Payroll	—	—
Due to Current Fund	138	75,400
Special deposit - disbursements	—	1,445,174
	<u>34,943</u>	<u>1,520,574</u>
Balance, December 31, 2015	<u>\$ 19,719</u>	<u>2,276,353</u>

BOROUGH OF KINNELON

Schedule of Reserve for Dog License
Fund Expenditures - Dog License Fund

Trust Funds

Year ended December 31, 2015

Balance, December 31, 2014	\$ <u>16,986</u>
Increased by:	
Licenses and fees	19,401
Prepaid licenses realized	<u>8,510</u>
	<u>27,911</u>
	<u>44,897</u>
Decreased by:	
Other disbursements	<u>32,721</u>
Balance, December 31, 2015	\$ <u><u>12,176</u></u>
2014 license revenue	\$ 29,955
2013 license revenue	<u>26,644</u>
	\$ <u><u>56,599</u></u>

BOROUGH OF KINNELON

Schedule of Due to State of New Jersey -
Dog License Fund

Trust Funds

Year ended December 31, 2015

Balance, December 31, 2014	\$	348
Increased by cash collected		<u>2,026</u>
		2,374
Decreased by cash disbursed		<u>2,083</u>
Balance, December 31, 2015	\$	<u><u>291</u></u>

BOROUGH OF KINNELON

Schedule of Reserve for Special Deposits -
Other Trust Funds

Trust Funds

Year ended December 31, 2015

	Total	Special Recreation Expenditures	Historical Commission	Planning Board Inspection Fees	Special Deposits	Community Policing Donation	Open Space	Snow Trust	Accumulated Absences	Parking Offenses Adjudication Act
Balance, December 31, 2014	\$ 2,794,320	62,016	9,640	127,529	512,567	811	1,353,258	—	70,644	336
Increased by:										
Fees and Deposits	1,000,674	213,762	—	220,734	59,713	—	88,876	—	100,000	42
Open Space Tax	77,591	—	—	—	—	—	77,591	—	—	—
Interest Earned	933	—	9	6	650	1	—	—	—	—
Interfund cancelled	1,000	—	—	1,000	—	—	—	—	—	—
	<u>1,080,198</u>	<u>213,762</u>	<u>9</u>	<u>221,740</u>	<u>60,363</u>	<u>1</u>	<u>166,467</u>	<u>—</u>	<u>100,000</u>	<u>42</u>
	3,874,518	275,778	9,649	349,269	572,930	812	1,519,725	—	170,644	378
Decreased by:										
Payments by Current Fund	—	—	—	—	—	—	—	—	—	—
Cash disbursements	1,445,174	230,234	—	212,226	2,420	—	262,131	—	—	—
	<u>1,445,174</u>	<u>230,234</u>	<u>—</u>	<u>212,226</u>	<u>2,420</u>	<u>—</u>	<u>262,131</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance, December 31, 2015	\$ <u>2,429,344</u>	<u>45,544</u>	<u>9,649</u>	<u>137,043</u>	<u>570,510</u>	<u>812</u>	<u>1,257,594</u>	<u>—</u>	<u>170,644</u>	<u>378</u>

(Continued)

BOROUGH OF KINNELON

Schedule of Reserve for Special Deposits -
Other Trust Funds

Trust Funds

Year ended December 31, 2014

	Recycling	Special Law Enforcement	Uniform Fire Safety Act	Municipal Alliance	Tax Sale Premium	Clerk Special	K-Fest	Public Defender	Flexible Spending	Police Outside Detail
Balance, December 31, 2014	\$ 66,304	10,767	5,246	9,298	506,024	23,555	4,417	7,058	2,173	22,677
Increased by:										
Fees and Deposits	7,032	—	—	5,356	77,300	3,700	—	4,050	12,796	207,313
Added taxes	—	—	—	—	—	—	—	—	—	—
Interest Earned	—	—	5	—	253	—	—	7	2	—
Interfund cancelled	—	—	—	—	—	—	—	—	—	—
	<u>7,032</u>	<u>—</u>	<u>5</u>	<u>5,356</u>	<u>77,553</u>	<u>3,700</u>	<u>—</u>	<u>4,057</u>	<u>12,798</u>	<u>207,313</u>
	73,336	10,767	5,251	14,654	583,577	27,255	4,417	11,115	14,971	229,990
Decreased by:										
Payments by Current Fund	—	—	—	—	—	—	—	—	—	—
Cash disbursements	31,456	—	—	8,259	470,100	4,250	4,400	4,000	9,450	206,248
	<u>31,456</u>	<u>—</u>	<u>—</u>	<u>8,259</u>	<u>470,100</u>	<u>4,250</u>	<u>4,400</u>	<u>4,000</u>	<u>9,450</u>	<u>206,248</u>
Balance, December 31, 2015	\$ <u>41,880</u>	<u>10,767</u>	<u>5,251</u>	<u>6,395</u>	<u>113,477</u>	<u>23,005</u>	<u>17</u>	<u>7,115</u>	<u>5,521</u>	<u>23,742</u>

BOROUGH OF KINNELON

Schedule of Due from (to) Current

Trust Funds

Year ended December 31, 2015

	Trust Other Fund	Dog License Fund
	<u> </u>	<u> </u>
Balance, December 31, 2014, (Due to)	\$ 69,722	(138)
Increased by:		
Interfund advanced	1,000	—
Open Space Tax	77,591	—
Cash received in Current Fund	<u>75,400</u>	<u>138</u>
	<u>153,991</u>	<u>138</u>
	<u>223,713</u>	<u> </u>
Decreased by:		
Transfer from interfund payable	<u>70,722</u>	<u> </u>
	<u>70,722</u>	<u> </u>
Balance, December 31, 2015, (Due to)	<u>\$ 152,991</u>	<u> </u>
<u>Anaylsis of Balance</u>		
Open Space Trust	\$ 77,591	
Premium on Tax Sale	<u>75,400</u>	
	<u>\$ 152,991</u>	

BOROUGH OF KINNELON

Schedule of Prepaid Licenses
Dog License Fund

Trust Funds

Year ended December 31, 2015

Balance, December 31, 2014	\$	8,510
Increased by received		<u>7,252</u>
		15,762
Decreased by applied		<u>8,510</u>
Balance, December 31, 2015	\$	<u><u>7,252</u></u>

BOROUGH OF KINNELON

Schedule of Cash - Treasurer

General Capital Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$ <u>408,873</u>
Increased by receipts:	
Premium on sale of notes	918
Bonds issued	9,100,000
Capital improvement fund	120,000
Due from Water Capital Fund	458,000
Due from Sewer Fund	88,637
Reserve for debt	<u>678,502</u>
	<u>10,446,057</u>
	<u>10,854,930</u>
Decreased by disbursements:	
Payment of notes	7,820,000
Due to Current Fund	51,039
Due to Water Operating Fund	1,474
Due to Water Capital	460,153
Bond sale expense	15,000
Capital fund balance anticipated	28,000
Improvement authorizations	<u>1,972,692</u>
	<u>10,348,358</u>
Balance, December 31, 2015	\$ <u><u>506,572</u></u>

BOROUGH OF KINNELON

Schedule of Analysis of General Capital Cash

General Capital Fund

December 31, 2015

Encumbrances payable	\$ 614,013
Due from Current Fund	(35,161)
Due to Water Operating Fund	(444)
Due to Water Capital Fund	(2,153)
Grants receivable	(71,250)
Reserve for housing rehabilitation	15,550
Reserve for debt issuance costs	2,701
Reserve for payment of debt	821,496
Capital Improvement Fund	109,750
Fund balance	1,291
Improvement Authorizations:	

<u>Ordinance number</u>	<u>Improvement description</u>	
6-06	Rehab of Lake Rickabear Dam	12,345
19-05/3-06	Imp. Of Forestdale Rd. and eric Drive	25,286
4-07/11-09	Improvement of Kiel Ave,	48,884
9-08	Various Improvements of 2008	48,801
10-09	Various Improvements of 2009	50,944
6-10	Imp. of Brookvalley Road	121,586
9-10/15-11	Construction of New Firehouse	39,885
12-10	Various Improvements 2010	2,112
02-11	Imp. Cutlass Rd.	(126)
11-11	Var. Improvements	1,603
13-11	Various road improvements	(69,062)
16-11	Various road improvements	484,461
15-12	Reconditioning of fire truck	74,668
17-12	Various Improvements	560,644
01-13	Various Improvements	(1,126,138)
02-14	Various improvements	(1,238,614)
10-15	LeCole Boiler	13,500
		<u>506,572</u>
		\$ <u><u>506,572</u></u>

BOROUGH OF KINNELON

Schedule of Amount Due to/ (from) Current Fund

General Capital Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$ <u>33,878</u>
Increased by:	
Debt service reserve anticipated	<u>72,000</u>
	105,878
Decreased by:	
BAN interest paid	17,161
Grant funds collected	90,000
Transferred to Current Fund	<u>33,878</u>
	<u>141,039</u>
Balance, December 31, 2015 (Due From)	\$ <u><u>(35,161)</u></u>

BOROUGH OF KINNELON

Schedule of Deferred Charges to
Future Taxation Funded

General Capital Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$	4,685,000
Increased by bond sale		<u>9,100,000</u>
		13,785,000
Decreased By:		
Bonds paid		<u>440,000</u>
Balance, December 31, 2015	\$	<u><u>13,345,000</u></u>

BOROUGH OF KINNELON

Schedule of Deferred Charges to Future Taxation - Unfunded

General Capital Fund

Year ended December 31, 2015

Ordinance number	Description	Balance, Dec. 31, 2014	Notes paid	Bonds Issued	Balance, Dec. 31, 2015	Analysis of balance	
						Expended	Unexpended balance of improvement authori- zations
7-99/4-00	Improvement of Fayson Lake Road	\$ 17,409	556	16,853	—	—	—
1-01	Improvement of Kakeout Road	11,750	—	11,750	—	—	—
11-02	Improvement of Various Roads	52,117	823	51,294	—	—	—
1-03	Imp. Chilhowie Drive	21,932	1,764	20,168	—	—	—
6-03	Acqisition of Land	18,944	380	18,564	—	—	—
10-03	Construction of New Bike Path	8,813	869	7,944	—	—	—
20-03/13-04	Construction of Recreation Fields	933,236	—	933,236	—	—	—
9-04	Construction of Salt Storage Facility	166,128	9,524	156,604	—	—	—
13-04/18-05	Construction of Recreation Fields	246,046	58,945	187,101	—	—	—
4-05	Acq. Of Various equipment	100,031	54,323	45,708	—	—	—
19-05/3-06	Imp. Of Forestdale Rd. and eric Drive	192,161	15,027	177,134	—	—	—
1-06	Acq. Of Communication Equipment	60,124	—	60,124	—	—	—
6-06	Rehab of Lake Rickabear Dam	250,000	—	—	250,000	—	250,000
13-06	Various Improvements of 2006	146,754	13,082	133,672	—	—	—
14-06	Various Road Improvements	75,352	7,016	68,336	—	—	—
4-07/11-09	Improvement of Kiel Ave,	683,600	—	417,946	265,654	—	265,654
10-07A	Various Improvements of 2007	438,382	—	438,382	—	—	—
9-08	Various Improvements of 2008	716,698	18,274	698,424	—	—	—
10-09	Various Improvements of 2009	369,284	14,253	354,981	50	—	50
18-09	Acquistion of Fire Truck	348,245	24,053	324,192	—	—	—
19-09	Recondition of Fire Rescue Truck	224,314	31,667	192,647	—	—	—
6-10	Imp. of Brookvalley Road	294,222	—	225,472	68,750	—	68,750
9-10/15-11	Construction of New Firehouse	1,188,600	—	1,188,600	—	—	—
12-10	Various Improvements 2010	365,200	—	365,200	—	—	—
02-11	Imp. Cutlass Rd.	452,000	—	265,000	187,000	126	186,874
11-11	Var. Improvements	152,000	—	152,000	—	—	—
16-11	Reconstruct Forge Rd.	1,330,000	—	1,330,000	—	—	—

(continued)

BOROUGH OF KINNELON

Schedule of Deferred Charges to Future Taxation - Unfunded

General Capital Fund

Year ended December 31, 2015

Ordinance number	Description	Balance, Dec. 31, 2014	Notes paid	Bonds Issued	Balance, Dec. 31, 2015	Analysis of balance	
						Expended	Unexpended balance of improvement authori- zations
13-11	Various road improvements	\$ 161,000	—	56,000	105,000	69,062	35,938
15-12	Reconditioning of fire truck	74,668	—	74,668	—	—	—
17-12	Various improvements	1,128,000	—	1,128,000	—	—	—
02-14	Various improvements	1,737,000	—	—	1,737,000	—	498,386
01-13	Various Improvements	1,393,850	—	—	1,393,850	383,821	267,825
		<u>\$ 13,357,860</u>	<u>250,556</u>	<u>9,100,000</u>	<u>4,007,304</u>	<u>453,009</u>	<u>1,573,477</u>

BOROUGH OF KINNELON

Schedule of Capital Improvement Fund

General Capital Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$	4,750
Increased by:		.
Budget appropriation		<u>120,000</u>
		124,750
Decreased by appropriated to finance improvement authorizations		<u>15,000</u>
Balance, December 31, 2015	\$	<u><u>109,750</u></u>

BOROUGH OF KINNELON

Schedule of Improvement Authorizations

General Capital Fund

Year ended December 31, 2015

Ordinance number	Improvement description	Ordinance Original Amount	Balance, December 31, 2014		Authorizations	Expended	Prior Year Encumbrances	Balance, December 31, 2015	
			Funded	Unfunded				Funded	Unfunded
18-00	Improvement of Municipal Complex	\$ 2,000,000	—	—	—	14,282	14,282	—	—
13-04/18-05	Construction of Recreation Fields	1,500,000	—	1,438	—	1,438	—	—	—
19-05/3-06	Imp. Of Forestdale Rd. and Eric Drive	335,000	—	25,286	—	—	—	25,286	—
6-06	Rehab of Lake Rickabear Dam	262,500	12,345	250,000	—	—	—	12,345	250,000
4-07/11-09	Improvement of Kiel Ave,	1,420,000	—	350,298	—	35,760	—	48,884	265,654
9-08	Various Improvements of 2008	902,000	—	50,565	—	37,709	35,945	48,801	—
10-09	Various Improvements of 2009	443,000	—	72,147	—	23,468	2,315	50,944	50
6-10	Imp. of Brookvalley Road	540,000	—	190,336	—	—	—	121,586	68,750
9-10/15-11	Construction of New Firehouse	1,250,000	—	39,885	—	—	—	39,885	—
12-10	Various Improvements 2010	540,000	—	2,112	—	—	—	2,112	—
02-11	Imp. Cutlass Rd. and Woodland Ct,	465,000	—	186,874	—	—	—	—	186,874
11-11	Various Improvements	160,000	—	4,704	—	3,101	—	1,603	—
13-11	Various road improvements	175,000	—	35,938	—	—	—	—	35,938
16-11	Various road improvements	1,400,000	—	484,461	—	2,243	2,243	484,461	—
15-12	Reconditioning of Fire Truck	74,668	—	—	—	—	74,668	74,668	—
17-12	Various Improvements	1,385,000	—	614,723	—	167,545	113,466	560,644	—
02-14	Various Improvements	1,955,000	154,357	1,737,000	—	1,449,373	56,402	—	498,386
01-13	Various Improvements	1,467,850	—	1,010,029	—	850,287	107,970	—	267,712
10-15	LeCole Boiler	15,000	—	—	15,000	1,500	—	13,500	—
			<u>\$ 166,702</u>	<u>5,055,796</u>	<u>15,000</u>	<u>2,586,706</u>	<u>407,291</u>	<u>1,484,719</u>	<u>1,573,364</u>
Capital Improvement Fund					\$ 15,000				
					<u>\$ 15,000</u>				
Encumbrances					\$ 614,013				
Cash					<u>1,972,693</u>				
					<u>\$ 2,586,706</u>				

BOROUGH OF KINNELON

Schedule of Encumbrances Payable

General Capital Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$	407,290
Increased by improvement authorization encumbrances		<u>614,013</u>
		1,021,303
Decreased by:		
Encumbrances canceled		<u>407,290</u>
Balance, December 31, 2015	\$	<u><u>614,013</u></u>

BOROUGH OF KINNELON

Schedule of Reserve for Cost of Issuance

General Capital Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$	17,701
Decreased by:		
Bond sale expense		<u>15,000</u>
Balance, December 31, 2015	\$	<u><u>2,701</u></u>

BOROUGH OF KINNELON
Schedule of Bond Anticipation Notes

General Capital Fund

Year ended December 31, 2015

<u>Ordinance number</u>	<u>Purpose</u>	<u>Balance, Dec. 31, 2014</u>	<u>Increased</u>	<u>Notes paid</u>	<u>Notes Bonded</u>	<u>Balance, Dec. 31, 2015</u>
20-03/13-04	Construction of Recreation Fields	\$ 1,110,116	—	57,220	1,052,896	—
9-04	Construction of Salt Storage Facility	166,128	—	9,524	156,604	—
4-05	Acq. Of Various equipment	100,031	—	54,323	45,708	—
11-02	Improvement of Various Roads	5,615	—	823	4,792	—
1-03	Imp. Chilhowie Drive	18,022	—	1,764	16,258	—
6-03	Acqisition of Land	18,835	—	380	18,455	—
10-03	Construction of New Bike Path	8,393	—	869	7,524	—
18-05	Construction of Recreation Fields	28,825	—	1,725	27,100	—
19-05	Imp. Of Forestdale Rd. and eric Drive	167,922	—	15,027	152,895	—
13-06	Various Improvements of 2006	146,754	—	13,082	133,672	—
14-06	Various Road Improvements	75,352	—	7,016	68,336	—
3-06	Imp. Of Forestdale Rd. and Eric Drive	24,239	—	—	24,239	—
4-07	Improvement of Kiel Ave,	333,739	—	—	333,739	—
10-07A	Various Improvements of 2007	438,382	—	—	438,382	—
9-08	Various Improvements of 2008	406,046	—	18,274	387,772	—
18-05	Construction of Recreation Fields	40,341	—	—	40,341	—
1-06	Acq. Of Communication Equipment	60,124	—	—	60,124	—
10-09	Various Improvements of 2009	126,940	—	14,253	112,687	—
11-09	Improvement of Kiel Ave,	84,207	—	—	84,207	—
9-08	Various Improvements of 2008	310,652	—	—	310,652	—
10-09	Various Improvements of 2009	242,294	—	—	242,294	—
18-09	Acquistion of Fire Truck	408,894	—	24,053	384,841	—
19-09	Recondition of Fire Rescue Truck	238,333	—	31,667	206,666	—
6-10	Imp. of Brookvalley Road	225,472	—	—	225,472	—
12-10	Various Improvements 2010	363,800	—	—	363,800	—
13-11	Various road improvements	56,000	—	—	56,000	—
15-11	Construction of Firehouse	331,600	—	—	331,600	—
7-99/4-00	Improvement of Fayson Lake Road	17,409	—	556	16,853	—
11-02	Improvement of Various Roads	46,502	—	—	46,502	—
1-03	Imp. Chilhowie Drive	3,910	—	—	3,910	—
01-01	Imp. Kakeout Rd.	11,750	—	—	11,750	—
10-03	Construction of New Bike Path	420	—	—	420	—
06-03	Acq. Of Land	109	—	—	109	—
09-10/15-11	Const. New Firehouse	857,000	—	—	857,000	—
12-10	Var. Improvements 2010	1,400	—	—	1,400	—
02-11	Imp. Cutlass Rd.	265,000	—	—	265,000	—
16-11	Reconstruct Forge Rd.	1,330,000	—	—	1,330,000	—
		\$ 8,070,556	—	250,556	7,820,000	—

BOROUGH OF KINNELON

Schedule of Serial Bonds Payable

General Capital Fund

Year ended December 31, 2015

Date of Issue	Purpose	Original Issue	Maturity of Bonds			Balance, Dec. 31, 2014	Bonds Issued	Bonds paid	Balance, Dec. 31, 2015
			Date	Outstanding Amount	Interest Rate %				
5/11/15	General Bonds of 2015	\$ 9,100,000	2/1/16	\$ 425,000	1.000	\$ —	9,100,000	—	9,100,000
			2/1/17	425,000	1.250				
			2/1/18	450,000	1.500				
			2/1/19	450,000	1.500				
			2/1/20	475,000	1.750				
			2/1/21	475,000	2.000				
			2/1/22	500,000	2.000				
			2/1/23	525,000	2.000				
			2/1/24	550,000	2.000				
			2/1/25	550,000	2.000				
			2/1/26	575,000	2.250				
			2/1/27	575,000	2.500				
			2/1/28	600,000	2.750				
			2/1/29	625,000	3.000				
			2/1/30	625,000	3.000				
			2/1/31	625,000	3.000				
			2/1/32	650,000	3.000				
12/16/2009	General refunding Bonds of 2009	\$ 6,070,000	3/01/16	445,000	4.000	\$ 4,685,000	—	440,000	4,245,000
			3/01/17	455,000	4.000				
			3/01/18	460,000	4.250				
			3/01/19	465,000	4.250				
			3/01/20	475,000	4.250				
			3/01/21	475,000	4.000				
			3/01/22	485,000	4.750				
			3/01/23	490,000	4.000				
			3/01/24	495,000	4.000				
						\$ 4,685,000	9,100,000	440,000	13,345,000

BOROUGH OF KINNELON

Schedule of Bonds and Notes Authorized but not Issued

General Capital Fund

Year ended December 31, 2015

Ordinance number	Description	Balance, Dec. 31, 2014	Debt Issued	Balance, Dec. 31, 2015
06-06	Rehab Lake Rickabear dam	\$ 250,000	—	250,000
10-09	Var. Improvements 2009	50	—	50
11-09	Imp. Kiel Ave.	265,654	—	265,654
06-10	Imp. Brookvalley Rd.	68,750	—	68,750
02-11	Imp. Cutlass Rd.	187,000	—	187,000
11-11	Var. Improvements	152,000	152,000	—
13-11	Various road improvements	105,000	—	105,000
17-12	Various improvements	1,128,000	1,128,000	—
02-14	Various improvements	1,737,000	—	1,737,000
01-13	Various improvements	1,393,850	—	1,393,850
		<u>\$ 5,287,304</u>	<u>1,280,000</u>	<u>4,007,304</u>

BOROUGH OF KINNELON

Schedule of Due (from) to Water Capital Fund

General Capital Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$	—
Increased by:		
Bond proceeds		<u>458,000</u>
		458,000
Decreased by:		
Disbursed		<u>460,153</u>
Balance, December 31, 2015 Due From	\$	<u><u>(2,153)</u></u>

BOROUGH OF KINNELON

Schedule of Grants Receivable

General Capital Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$ <u>71,250</u>
Balance, December 31, 2015	\$ <u>71,250</u>

Analysis of Balance

<u>Year</u>	<u>Project</u>	<u>Amount</u>
2014	Ord. 02-14 Various improvements	\$ <u>71,250</u>

BOROUGH OF KINNELON

Schedule of Due to (from) Water Operating Fund

General Capital Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$ <u>1,030</u>
Decreased by:	
Refund returned	1,030
Expenses paid for Water Operating	<u>444</u>
	<u>1,474</u>
Balance, December 31, 2015 (Due from)	\$ <u><u>(444)</u></u>

BOROUGH OF KINNELON

Schedule of Reserve for Payment of Debt

General Capital Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$ <u>124,994</u>
Increased by:	
FEMA reimbursement	678,502
State grants collected in Current Fund	<u>90,000</u>
	<u>768,502</u>
	893,496
Decreased by:	
Anticipated as revenue	<u>72,000</u>
Balance, December 31, 2015	\$ <u><u>821,496</u></u>

BOROUGH OF KINNELON

Schedule of Reserve for Housing Rehabilitation

General Capital Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$ <u>15,550</u>
Balance, December 31, 2015	\$ <u>15,550</u>

BOROUGH OF KINNELON

Schedule of Due to (from) Sewer Operating Fund

General Capital Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$	(88,637)
Decreased by:		
Collections		<u>88,637</u>
Balance, December 31, 2015	\$	<u><u>—</u></u>

BOROUGH OF KINNELON

Schedule of Cash - Treasurer

Water Utility Fund

Year Ended December 31, 2015

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2014	\$ 60,141	128,536
Increased by receipts:		
Water rents	531,603	—
Miscellaneous revenue not anticipated	1,453	—
Advance from Current Fund	37,400	—
Due to Current Fund	62,220	—
Due from General Capital Fund	1,030	—
Water overpayments	5,182	—
	<u>638,888</u>	<u>—</u>
	<u>699,029</u>	<u>128,536</u>
Decreased by disbursements:		
Budget appropriations	377,106	—
Appropriation reserves	48,028	—
Accrued Interest on Notes	1,273	—
	<u>426,407</u>	<u>—</u>
Balance, December 31, 2015	<u>\$ 272,622</u>	<u>128,536</u>

BOROUGH OF KINNELON

Schedule of Analysis of Capital Fund Cash

Water Utility Capital Fund

December 31, 2015

Capital Improvement Fund		\$ 84,868
Improvement authorizations:		
Ordinance	Improvement description	
number		
9-02	Improvement of water supply system	4,883
15-04	Improvement of water supply system	70,284
11-07	Improvement of water supply system	5,873
10-08	Acquisition of vehicular equipment	6,888
12-09	Acquisition of generator	(44,260)
		<u>128,536</u>
		<u>\$ 128,536</u>

BOROUGH OF KINNELON

Schedule of Due from (to) General Capital

Water Utility Operating Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$	<u>1,030</u>
Decreased by:		
Cash received		1,030
Expenses paid by General Capital		<u>444</u>
		<u>1,474</u>
Balance, December 31, 2015 (Due to)	\$	<u><u>(444)</u></u>

BOROUGH OF KINNELON

Schedule of Bond Anticipation Notes Payable

Water Utility Capital Fund

Year ended December 31, 2015

Ordinance number	Purpose	Original date of issue	Date of issue	Date of maturity	Interest rate	Balance, Dec. 31, 2014	Decrease	Balance, Dec. 31, 2015
15-04	Imp. Water Supply System	08/12/04	2/20/14	2/20/15	1.00%	\$ 77,334	77,334	—
11-07	Imp. Water Supply System	12/13/07	12/5/14	5/12/15	1.00%	328,982	328,982	—
11-07	Imp. Water Supply System	12/12/08	12/5/14	5/12/15	1.00%	16,828	16,828	—
10-08	Acq.of vehicular Equipment	12/12/08	12/5/14	5/12/15	1.00%	45,300	45,300	—
						<u>\$ 468,444</u>	<u>468,444</u>	<u>—</u>
							\$ 458,000	
							<u>10,444</u>	
							<u>\$ 468,444</u>	

BOROUGH OF KINNELON

Schedule of Water Accounts Receivable

Water Utility Operating Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ 14,675
Increased by water rents levied	<u>555,466</u>
	<u>570,141</u>
Decreased by:	
Water rents collected	531,603
Online payments in Sewer Fund	<u>1,199</u>
	<u>532,802</u>
Balance, December 31, 2015	<u><u>\$ 37,339</u></u>

BOROUGH OF KINNELON

Schedule of Serial Bonds Payable

Water Capital Fund

Year ended December 31, 2015

<u>Date of Issue</u>	<u>Purpose</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding</u>		<u>Interest Rate %</u>	<u>Balance, Dec. 31, 2014</u>	<u>Bonds Issued</u>	<u>Balance, Dec. 31, 2015</u>
			<u>Date</u>	<u>Amount</u>				
5/11/15	Water Bonds of 2015	\$ 458,000	2/1/16	\$ 15,000	1.00			
			2/1/17	20,000	1.25			
			2/1/18	25,000	1.50			
			2/1/19	25,000	1.50			
			2/1/20	25,000	1.75			
			2/1/21	25,000	2.00			
			2/1/22	25,000	2.00			
			2/1/23	30,000	2.00			
			2/1/24	30,000	2.00			
			2/1/25	30,000	2.00			
			2/1/26	30,000	2.25			
			2/1/27	30,000	2.50			
			2/1/28	30,000	2.75			
			2/1/29	30,000	3.00			
			2/1/30	30,000	3.00			
			2/1/31	30,000	3.00			
			2/1/32	28,000	3.00	\$ —	458,000	458,000

BOROUGH OF KINNELON

Schedule of Fixed Capital

Water Utility Capital Fund

Year Ended December 31, 2015

	Balance, Dec. 31, 2014	Balance, Dec. 31, 2015
Steel water tank	\$ 109,773	109,773
Meters	10,784	10,784
General equipment	20,475	20,475
Pump house and pumps	61,032	61,032
Improvement of water supply and distribution system	<u>212,036</u>	<u>212,036</u>
	<u>\$ 414,100</u>	<u>414,100</u>

BOROUGH OF KINNELON

Schedule of Fixed Capital Authorized and Uncompleted

Water Utility Capital Fund

Year Ended December 31, 2015

<u>Improvement description</u>	<u>Balance, Dec. 31, 2014</u>	<u>Balance, Dec. 31, 2015</u>
Refurbishing of pressure reducing valves	\$ 4,000	4,000
Purchase of water utility equipment	17,000	17,000
Improvement of water supply system	360,000	360,000
Improvement of water supply system	440,000	440,000
Acquisition of vehicular equipment	55,000	55,000
Acquisition of generator	60,000	60,000
	<u>\$ 936,000</u>	<u>936,000</u>

BOROUGH OF KINNELON

Schedule of Accrued Interest
on Notes

Water Utility Operating Fund
Year Ended December 31, 2015

Balance, December 31, 2014	\$	1,373
Increased by:		
Budget appropriation		<u>4,400</u>
		5,773
Decreased by:		
Payments		<u>1,273</u>
Balance, December 31, 2015	\$	<u><u>4,500</u></u>

BOROUGH OF KINNELON

Schedule of Appropriation Reserves

Water Utility Operating Fund

Year Ended December 31, 2015

	Balance Dec. 31, 2014	Transfer of encum- brances	Balance after transfers	Paid or charged	Balance lapsed
Other expenses	\$ 15,771	36,045	51,816	48,028	3,788
Statutory expenditures - contribution to:					
Unemployment Compensation Insurance	391	—	391	—	391
	<u>\$ 16,162</u>	<u>36,045</u>	<u>52,207</u>	<u>48,028</u>	<u>4,179</u>

BOROUGH OF KINNELON

Schedule of Reserve for Amortization

Water Utility Capital Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$	750,656
Increased by:		
Bond anticipation notes paid		<u>10,444</u>
Balance, December 31, 2015	\$	<u><u>761,100</u></u>

BOROUGH OF KINNELON

Schedule of Deferred Reserve for
Amortization

Water Utility Capital Fund
Year Ended December 31, 2015

Balance, December 31, 2014	\$ <u>77,000</u>
----------------------------	------------------

Balance, December 31, 2015	\$ <u>77,000</u>
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Analysis of Balance

Ordinance #13-86	\$ 4,000
Ordinance #18-99	17,000
Ordinance #11-07	50,000
Ordinance #12-09	<u>6,000</u>
	\$ <u>77,000</u>

BOROUGH OF KINNELON

Schedule of Amount Due to (from) Current Fund

Water Utility Operating Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ <u>(37,400)</u>
Increased by:	
Expenditures paid by Current Fund	25,063
Returned from Current Fund	37,400
Deposit error	<u>62,220</u>
	<u>124,683</u>
Balance, December 31, 2015	\$ <u><u>87,283</u></u>

BOROUGH OF KINNELON

Schedule of Improvement Authorizations

Water Utility Capital Fund

Year Ended December 31, 2015

<u>Ordinance number</u>	<u>Improvement description</u>	<u>Ordinance</u>		<u>Balance, December 31, 2014</u>	<u>Balance, December 31, 2015</u>	
		<u>Date</u>	<u>Amount</u>	<u>Unfunded</u>	<u>Funded</u>	<u>Unfunded</u>
9-02	Improvement of water supply system	05/16/02	\$ 110,000	4,883	4,883	—
15-04	Improvement of water supply system	06/17/04	250,000	70,284	70,284	—
11-07	Improvement of water supply system	03/23/07	440,000	5,873	5,873	—
10-08	Acquisition of vehicular equipment	06/19/08	55,000	6,888	6,888	—
12-09	Acquisition of generator	08/20/09	60,000	9,740	—	9,740
				<u>\$ 97,668</u>	<u>87,928</u>	<u>9,740</u>

BOROUGH OF KINNELON

Schedule of Bonds and Notes Authorized but not Issued

Water Utility Capital Fund

Year Ended December 31, 2015

<u>Ordinance number</u>	<u>Description</u>	<u>Balance, Dec. 31, 2014</u>	<u>Balance, Dec. 31, 2015</u>
12-09	Acquisition of generator	\$ 54,000	54,000
		<u>\$ 54,000</u>	<u>54,000</u>

BOROUGH OF KINNELON

Schedule of Capital Improvement Fund

Water Utility Capital Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ <u>84,868</u>
Balance, December 31, 2015	\$ <u>84,868</u>

BOROUGH OF KINNELON

Schedule of Reserve for Water Overpayments

Water Utility Operating Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$	—
Increased by:		
Collections		<u>5,182</u>
Balance, December 31, 2015	\$	<u><u>5,182</u></u>

BOROUGH OF KINNELON

Schedule of Cash

Sewer Utility Fund

Year ended December 31, 2015

	<u>Operating</u>
Balance, December 31, 2014	\$ <u>169,347</u>
Increased by receipts:	
Sewer rents	487,875
Miscellaneous revenues not anticipated	1,119
Due to Water Operating Fund	<u>1,199</u>
	<u>490,193</u>
	<u>659,540</u>
Decreased by disbursements:	
Budget appropriations	445,045
Appropriation reserves	56,835
Accounts payable	150
Due to Current Fund	26,662
Due from General Capital Fund	88,637
Refund of prior year revenue	<u>202</u>
	<u>617,531</u>
Balance, December 31, 2015	\$ <u><u>42,009</u></u>

BOROUGH OF KINNELON

Schedule of Sewer Rents Receivable

Sewer Utility Operating Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$ <u>101,167</u>
Increased by;	
Adjustments	(963)
Rents levied	<u>452,393</u>
	<u>451,430</u>
	552,597
Decreased by sewer rents collected	
Rents collected	<u>487,875</u>
Balance, December 31, 2015	\$ <u><u>64,722</u></u>

BOROUGH OF KINNELON

Schedule of Appropriation Reserves

Sewer Utility Operating Fund

Year ended December 31, 2015

	<u>Balance Dec. 31, 2014</u>	<u>Transfer and encum- brances</u>	<u>Balance after transfers</u>	<u>Paid or charged</u>	<u>Balance lapsed</u>
Operating:					
Other expenses	\$ 51,547	16,054	67,601	56,835	10,766
Deferred charges:					
Statutory expenditures - contribution to:					
Unemployment Compensation Insurance	<u>100</u>	<u>—</u>	<u>100</u>	<u>—</u>	<u>100</u>
	<u>\$ 51,647</u>	<u>16,054</u>	<u>67,701</u>	<u>56,835</u>	<u>10,866</u>
			Cash	\$ 56,835	
			Accounts payable	<u>—</u>	
				<u>\$ 56,835</u>	

BOROUGH OF KINNELON

Schedule of Due to Water Operating Fund

Sewer Utility Operating Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$	—
Increased by:		
Collections		<u>1,199</u>
Balance, December 31, 2015	\$	<u><u>1,199</u></u>

BOROUGH OF KINNELON

Schedule of Overpayments

Sewer Operating Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$ <u>878</u>
Balance, December 31, 2015	\$ <u>878</u>

BOROUGH OF KINNELON

Schedule of Deferred Charges

Sewer Utility Operating Fund

Year ended December 31, 2015

	<u>Prior Year Deficit</u>	<u>Over- Expenditure</u>
Balance, December 31, 2014	\$ 1,745	2,316
Decreased by:		
Raised in budget	<u>1,745</u>	<u>2,316</u>
Balance, December 31, 2015	<u>\$ —</u>	<u>—</u>

BOROUGH OF KINNELON

Schedule of Accounts Payable

Sewer Utility Operating Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$	1,784
Decreased by:		
Disbursement		<u>150</u>
Balance, December 31, 2015	\$	<u><u>1,634</u></u>

BOROUGH OF KINNELON
Schedule of Due to Current Fund
Sewer Utility Operating Fund
Year ended December 31, 2015

Balance, December 31, 2014	\$	26,662
Increased by:		
Expenses paid by Current Fund		<u>12,906</u>
		<u>39,568</u>
Decreased by:		
Disbursement		<u>26,662</u>
Balance, December 31, 2015	\$	<u><u>12,906</u></u>

BOROUGH OF KINNELON

Schedule of Due from (to) General Capital Fund

Sewer Utility Operating Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$	(88,637)
Decreased by:		
Disbursements		<u>88,637</u>
Balance, December 31, 2015	\$	<u><u>—</u></u>

BOROUGH OF KINNELON

Schedule of Cash

Public Assistance Fund

Year ended December 31, 2015

Balance, December 31, 2014	\$ <u>20,170</u>
Increased by:	
Donations	161
Interest and other	<u>18</u>
	<u>179</u>
	20,349
Decreased by:	
Public assistance expenditures	5,668
Due to current fund	<u>2,106</u>
	<u>7,774</u>
Balance, December 31, 2015	\$ <u><u>12,575</u></u>

BOROUGH OF KINNELON

Schedule of Reserve for
Public Assistance Expenditures

Public Assistance Fund

Year ended December 31, 2014

Balance, December 31, 2014	\$ 18,064
Increased by:	
Revenue	<u>179</u>
	<u>18,243</u>
Decreased by:	
Expenditures	<u>5,668</u>
	<u>5,668</u>
Balance, December 31, 2015	\$ <u><u>12,575</u></u>

BOROUGH OF KINNELON

Schedule of Due to Current Fund

Public Assistance Fund

Year ended December 31, 2015

	<u>P.A.T.F</u> <u>Account #1</u>
Balance, December 31, 2014	\$ 2,106
Decreased by cash disbursement	<u>2,106</u>
Balance, December 31, 2015	\$ <u><u>—</u></u>

SUPPLEMENTARY DATA

BOROUGH OF KINNELON

Supplementary Data

December 31, 2015

Comparative Schedule of Tax Rate Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax rate	\$ 3.120	3.069	3.041
Apportionment of tax rate:			
Municipal	0.541	0.541	0.532
Municipal Open Space	0.005	0.005	0.006
County	0.332	0.325	0.330
Local school	2.200	2.156	2.129
Library	0.042	0.042	0.044
Assessed valuation:			
2015		\$ 1,595,070,200	
2014		1,599,680,100	
2013		1,603,187,600	

Comparison of Tax Levies and Collections Currently

<u>Year</u>	<u>Tax levy</u>	<u>Currently</u>	
		<u>Cash collections</u>	<u>Percentage of collection</u>
2015	\$ 49,899,633	49,319,003	98.84 %
2014	49,159,216	48,604,266	98.87
2013	48,791,810	48,121,963	98.63
2012	47,870,476	46,977,063	98.13
2011	46,933,141	45,817,897	97.64

Delinquent Taxes and Tax Title Liens

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

<u>Dec.31</u>	<u>Amount of tax title liens</u>	<u>Amount of delinquent taxes</u>	<u>Total delinquent</u>	<u>Percentage of tax levy</u>
2015	\$ 542,519	432,396	974,915	1.95 %
2014	375,223	408,509	783,732	1.59
2013	325,700	437,171	762,871	1.56
2012	882,709	510,807	1,393,516	2.91
2011	850,267	586,975	1,437,242	3.06

(Continued)

BOROUGH OF KINNELON

Supplementary Data

Property Acquired by Tax Title Lien Liquidation

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

<u>Year</u>	<u>Amount</u>
2015	\$ 1,210,750
2014	1,410,350
2013	1,410,350
2012	32,150
2011	32,150

Comparison of Water Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash collections</u>	<u>Percent collected</u>
2015	\$ 555,466	532,802	96%
2014	517,584	492,293	95%
2013	480,944	481,523	100%
2012	475,363	482,154	101%
2011	431,409	422,696	98%

Comparison of Sewer Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash collections</u>	<u>Percent collected</u>
2015	\$ 451,430	487,875	108%
2014	412,285	450,129	109%
2013	423,005	425,498	101%
2012	416,432	437,520	105%
2011	392,882	392,273	100%

(Continued)

BOROUGH OF KINNELON

Supplementary Data

Comparative Schedule of Fund Balances

<u>Fund</u>	<u>Year</u>	<u>Balance, Dec.31</u>	<u>Utilized in budget of succeeding year</u>	<u>Percent utilized</u>
Current	2015	\$ 2,109,147	1,340,000	64%
	2014	2,283,273	1,343,781	59%
	2013	1,641,017	750,000	46%
	2012	823,584	590,000	72%
	2011	869,851	750,000	86%
	2010	1,725,815	1,657,000	96%
Water Utility Operating	2015	\$ 94,781	42,000	44%
	2014	45,091	25,000	55%
	2013	10,740	—	0%
	2012	494	—	0%
	2011	494	—	0%
	2010	494	—	0%
Sewer Utility Operating	2015	\$ 11,404	—	0%
	2014	1,746	—	0%
	2013	1,746	—	0%
	2012	91,346	89,600	98%
	2011	138,477	124,980	90%
	2010	254,617	229,500	90%

(Continued)

BOROUGH OF KINNELON

Supplementary Data

Officials in Office and Surety Bonds

The following officials were in office on December 31, 2015

<u>Name</u>	<u>Title</u>	<u>Amount of bond</u>
Robert W. Collins	Mayor	
Stephen A. Cobell	Councilmember	
Adam Barish	Councilmember	
James Freda	Councilmember	
Clifford Giantonio	Councilmember	
Daniel O'Dougherty	Councilmember	
Carol Sventy	Councilmember	
Karen Iuele	Acting Borough Clerk	
Kelly Lombardi	Chief Financial Officer	
Jennifer Stillman	Treasurer	1,000,000
Judith O'Brien	Tax and Collector and Tax Search Officer	1,000,000
	Water and Sewer Collector	
Andrew Wubbenhorst	Magistrate	
Ashley Fritz	Court Administrator	
John Schwartz	Police Chief	
Melanie Schuckers	Recreation Commission Director	
John Whitehead	Public Works Manager	
Robert Edgar	Tax Assessor	
Paul P Darmofalski	Township Engineer	
Mark Madaio	Township Attorney	

The Borough purchased a \$1,000,000 blanket bond through the Morris County Joint Insurance Fund with excess coverage provided through Municipal Excess Liability Insurance Fund.

BOROUGH OF KINNELON

General Comments and Recommendations

Year ended December 31, 2015

BOROUGH OF KINNELON

General Comments and Recommendations

December 31, 2015

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

N.J.S.A. 40A:-11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only 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 the Borough has the responsibility of determining whether the expenditures in any category will exceed the statutory bid limit, within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements that exceeded the bid threshold, that may have been negotiated and awarded without public advertising for bids and bidding per N.J.S.A. 40A:11-5 except for Computer Equipment totaling \$61,000.

Inasmuch as the system of records did not provide for an accumulation of payments by categories for the performance of any work or the furnishing or hiring of any material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any possible violations existed.

Our audit of expenditures did not reveal any individual payments, contracts or agreements in excess of the statutory bid limit "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those for which bids had been previously sought by public advertisement or for which a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The governing body on January 5, 2015 adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED

"On all delinquents to and including December 31, 2014 and the rate or rates heretofore governing, and all delinquents on or after January 1, 2015, at the rate of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any account in excess of \$1,500.00

BE IT FURTHER RESOLVED

That the Collector of Taxes is hereby directed to collect interest on all taxes accordingly; provided however, that small items of interest may be waived during the first ten (10) days of the current quarterly tax period.

NOW, THEREFORE, BE IT FURTHER RESOLVED

"that the interest to be charged a delinquent taxpayer for the non-payment of real property taxes shall be an additional penalty of six percent (6%) of the amount of delinquency in excess of \$10,000 at the end of the calendar year;

BE IT FURTHER RESOLVED

That this delinquency now is to be calculated on the sum of all taxes from year to year and not on an individual yearly basis."

(Continued)

BOROUGH OF KINNELON

General Comments and Recommendations

December 31, 2015

It appears from an examination of the Tax Collector's records that interest was collected on taxes in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 17, 2015 and was complete.

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit.

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

<u>Year</u>	<u>Number of liens</u>
2015	41
2014	41
2013	40
2012	45
2011	45

Status of Prior Year Comments

Prior year recommendations not resolved are repeated this year and marked with an asterisk (*). All others have been cleared.

Other Comments

1. The general ledger is not reconciled to the subsidiary records on a monthly basis.*
2. Purchases were made prior to a purchase order being issued.
3. Errors were made in the calculation of dental insurance contributions.
4. Interfund transactions were not recorded for current, trust, water utility and sewer utility funds.
5. An over expenditure of appropriation reserves was created due to the adjustments of the appropriations in the 2014 audit that were not recorded.
6. Acquisitions and dispositions of fixed assets were not recorded in the fixed asset accounting records.*
7. State and Cooperative purchasing contract and item numbers are not always recorded on purchase orders or on contracts awarded by resolution.
8. Sewer Utility adopted budget was not properly recorded in the budget sub ledger.
9. Flexible spending and special deposit escrow account activity was not recorded in the general ledger.
10. Planning Board general ledger does not balance.
11. Bank reconciliations for Current, Trust accounts did not reconcile to the respective general ledger accounts.
12. A complete bank statement including all subsidiary accounts was not received for the police off duty account for December 31, 2015.

BOROUGH OF KINNELON

General Comments and Recommendations

December 31, 2015

13. Business entity disclosure forms were not obtained for all vendors paid more than \$17,500 without bid, state contract or coop purchasing.
14. Tax and dog licenses payments were not deposited within 48 hours of receipt.
15. Health insurance contribution was not billed or received for an employee who was on unpaid sick leave.
16. Required 1099's were not sent for court personnel and the athletic trainer.
17. State tax judgment not refunded within 60 days of date of judgment.
18. I-9's and voluntary deductions were not in all personnel files and W-4 information did not agree with payroll file.
19. Allowed veteran deductions by tax collector were not included on report to State
20. Uniform allowance for two DPW employees exceeded the threshold of \$350 and was not reimbursed to the Borough and the DPW supervisor, not covered under a contract, received uniforms in excess of \$1,800.
21. Police Department employees received reimbursement for uniforms, per the union contract all purchases are to be made through the Borough.
22. Computer equipment purchases were made from two vendors which total \$80k which exceeds the bid threshold of \$46,000
23. Chapter 159 resolutions approving anticipation of grants and offsetting appropriations were not filed with the Division of Local Government.*
24. The resolution adopted at reorganization establishing interest rates for taxes did not include other municipal charges.

RECOMMENDATIONS

1. The general ledger should be reconciled to the subsidiary records monthly.
2. Purchases should be made only after a purchase order has been issued.
3. The process and performance of payroll functions related insurance contributions be improved.
4. All interfund transactions should be recorded.
5. All audit adjustments should be reflected in the appropriate sub ledgers.
6. Fixed assets should be updated annually.
7. All State and cooperative purchasing contracts and item numbers should be recorded on purchase orders and contracts awarded by resolution.
8. Approved budgets should be properly recorded in budget sub ledgers.
9. All activity should be recorded in respective general ledger accounts.
10. All general ledger accounts should balance.

BOROUGH OF KINNELON

General Comments and Recommendations

December 31, 2015

11. Bank accounts should be reconciled to the respective general ledger account.
12. Complete bank statements should be requested from the financial institution.
13. Business entity disclosure statements should be obtained from all required vendors when purchases exceed \$17,500.
14. All payments received should be deposited within 48 hours of receipt.
15. Health insurance contributions should be billed and collected from required employees in a timely manner.
16. Required 1099's should be sent to all vendors whose payments exceed \$600.
17. All tax judgements should be refunded with 60 days of the date of judgement.
18. All personnel files should contain I-9's and voluntary deduction authorizations, in addition, W-4 information should agree with payroll files.
19. All tax collector allowed veteran deductions should be included on filed reports to the State.
20. Internal controls over the tracking of uniform allowance should be reviewed and strengthened, employees receiving excess allowance should reimburse the Borough.
21. All purchase of police uniforms and equipment be made through the Borough in accordance with the terms of the union contract.
22. All purchase for like items in aggregate of the bid threshold should be solicited for bid.
23. Chapter 159 resolutions approving anticipation of grants and offsetting appropriations not filed with the state should be cancelled.
24. The annual resolution establishing interest rates for delinquent taxes should also include utility and other charges.