

BOROUGH OF KINNELON

COUNTY OF MORRIS

REPORT OF AUDIT

2017

*NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

BOROUGH OF KINNELON

COUNTY OF MORRIS

REPORT OF AUDIT

2017

BOROUGH OF KINNELON
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2017

| <u>Part I – Financial Statements and Supplementary Data</u> | <u>Page</u> |
|---|----------------|
| Independent Auditors' Report | 1-3 |
| | |
| <u>Financial Statements</u> | <u>Exhibit</u> |
| <u>Current Fund</u> | |
| Comparative Balance Sheet – Regulatory Basis | A |
| Comparative Statement of Operations and Change in Fund Balance – Regulatory Basis | A-1 |
| Statement of Revenue – Regulatory Basis | A-2 |
| Statement of Expenditures – Regulatory Basis | A-3 |
| <u>Trust Funds</u> | |
| Comparative Balance Sheet – Regulatory Basis | B |
| Statement of Fund Balance - Assessment Trust Fund – Regulatory Basis (Not Applicable) | B-1 |
| Statement of Revenue - Assessment Trust Fund – Regulatory Basis (Not Applicable) | B-2 |
| Statement of Expenditures - Assessment Trust Fund – Regulatory Basis (Not Applicable) | B-3 |
| <u>General Capital Fund</u> | |
| Comparative Balance Sheet – Regulatory Basis | C |
| Statement of Fund Balance – Regulatory Basis | C-1 |
| <u>Water Utility Fund</u> | |
| Comparative Balance Sheet – Regulatory Basis | D |
| Comparative Statement of Operations and Change in Fund Balance - Water Utility Operating Fund – Regulatory Basis | D-1 |
| Statement of Revenue - Water Utility Operating Fund – Regulatory Basis | D-2 |
| Statement of Expenditures - Water Utility Operating Fund – Regulatory Basis | D-3 |
| <u>Sewer Utility Fund</u> | |
| Comparative Balance Sheet | E |
| Comparative Statement of Operations and Change in Fund Balance - Sewer Utility Operating Fund – Regulatory Basis | E-1 |
| Statement of Revenue - Sewer Utility Operating Fund – Regulatory Basis | E-2 |
| Statement of Expenditures - Sewer Utility Operating Fund – Regulatory Basis | E-3 |
| <u>Bond and Interest Fund (Not Applicable)</u> | |
| <u>Public Assistance Fund</u> | |
| Competitive Balance Sheet – Regulatory Basis | F |
| <u>General Fixed Assets Account Group</u> | |
| Comparative Balance Sheet – Regulatory Basis | G |
| | |
| <u>Notes to Financial Statements</u> | <u>Page</u> |
| | 1-23 |
| | |
| <u>Supplementary Data</u> | |
| Officials in Office and Surety Bonds | 1 |

BOROUGH OF KINNELON
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

| <u>Part I – Financial Statements and Supplementary Data (Cont’d)</u> | <u>Schedule</u> |
|--|-----------------|
| <u>Current Fund</u> | |
| Schedule of Cash - Treasurer | A-4 |
| Schedule of Cash - Collector | A-5 |
| Schedule of Cash - Grant Funds (Not Applicable) | A-6 |
| Schedule of Taxes Receivable and Analysis of Property Tax Levy | A-7 |
| Schedule of Tax Title Liens | A-8 |
| Schedule of Revenue Accounts Receivable | A-9 |
| Schedule of Consumer Accounts Receivable (Not Applicable) | A-10 |
| Schedule of 2016 Appropriation Reserves | A-11 |
| Schedule of Local School District Taxes Payable | A-12 |
| Schedule of Grants Receivable – Federal and State Grant Fund | A-13 |
| Schedule of Appropriated Grant Reserves – Federal and State Grant Fund | A-14 |
| Schedule of Unappropriated Reserves – Federal and State Grant Fund | A-15 |
| <u>Trust Funds</u> | |
| Schedule of Cash - Treasurer | B-4 |
| Schedule of Reserve for Animal Control Fund Expenditures | B-5 |
| <u>General Capital Fund</u> | |
| Schedule of Cash - Treasurer | C-2 |
| Analysis of General Capital Cash | C-3 |
| Schedule of Deferred Charges to Future Taxation - Unfunded | C-4 |
| Schedule of Improvement Authorizations | C-5 |
| Schedule of Capital Improvement Fund | C-6 |
| Schedule of Bond Anticipation Notes | C-7 |
| Schedule of General Serial Bonds | C-8 |
| Schedule of Bonds and Notes Authorized but not Issued | C-9 |
| <u>Water Utility Fund</u> | |
| Schedule of Cash - Treasurer - Water Utility Fund | D-4 |
| Schedule of Cash - Collector - Water Utility Operating Fund | D-4A |
| Analysis of Water Capital Cash - Water Utility Capital Fund | D-5 |
| Schedule of Consumer Accounts Receivable - Water Utility Operating Fund | D-6 |
| Schedule of Fixed Capital - Water Utility Capital Fund | D-7 |
| Schedule of Fixed Capital Authorized and Uncompleted - Water Utility Capital Fund | D-8 |
| Schedule of 2016 Appropriation Reserves - Water Utility Operating Fund | D-9 |
| Schedule of Improvement Authorizations - Water Utility Capital Fund | D-10 |
| Schedule of Capital Improvement Fund - Water Utility Capital Fund | D-11 |
| Schedule of Deferred Reserve for Amortization - Water Utility Capital Fund | D-12 |
| Schedule of Reserve for Amortization - Water Utility Capital Fund | D-12A |
| Schedule of Bond Anticipation Notes - Water Utility Capital Fund (Not Applicable) | D-13 |
| Schedule of Water Capital Serial Bonds - Water Utility Capital Fund | D-14 |
| Schedule of Bonds and Notes Authorized but not Issued - Water Utility Capital Fund | D-15 |

BOROUGH OF KINNELON
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

| | |
|--|-----------------|
| <u>Part I – Financial Statements and Supplementary Data (Cont'd)</u> | <u>Schedule</u> |
| <u>Supplementary Data (Cont'd)</u> | |
| <u>Sewer Utility Fund</u> | |
| Schedule of Cash - Treasurer - Sewer Utility Fund | E-4 |
| Schedule of Cash - Collector - Sewer Utility Operating Fund | E-4A |
| Schedule of Consumer Accounts Receivable - Sewer Utility Operating Fund | E-5 |
| Schedule of 2016 Appropriation Reserves - Sewer Utility Operating Fund | E-6 |
| <u>Public Assistance Fund</u> | |
| Schedule of Cash | F-1 |
| | |
| <u>Part II – Single Audit</u> | <u>Page</u> |
| Schedule of Expenditures of Federal Awards | 1 |
| Schedule of Expenditures of State Awards | 2 |
| Notes to Schedules of Expenditures of Federal and State Awards | 3 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards | 4-5 |
| Schedule of Findings and Responses | 6-7 |
| Summary Schedule of Prior Audit Findings | 8 |
| | |
| <u>Part III – Comments and Recommendations</u> | <u>Page</u> |
| Comments and Recommendations | 9-13 |
| Summary of Recommendations | 14 |

BOROUGH OF KINNELON

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2017



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

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

Independent Auditors' 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 financial statements-*regulatory basis* of the various funds of the Borough of Kinnelon in the County of Morris (the "Borough") as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

The Honorable Mayor and Members
of the Borough Council
Borough of Kinnelon
Page 2

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund and account group of the Borough as of December 31, 2017 and 2016, or the changes in financial position or where applicable, cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds and account group of the Borough of Kinnelon as of December 31, 2017 and 2016, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Other Matters

Supplementary Information

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

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

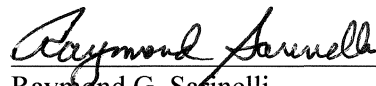
The Honorable Mayor and Members
of the Borough Council
Borough of Kinnelon
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2018 on our consideration of the Borough of Kinnelon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Kinnelon's internal control over financial reporting and compliance.

June 1, 2018
Mount Arlington, New Jersey

NISIVOCCIA LLP



Raymond G. Sarinelli
Certified Public Accountant
Registered Municipal Accountant No. 383

BOROUGH OF KINNELON
COUNTY OF MORRIS
2017
CURRENT FUND

BOROUGH OF KINNELON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

| | Ref. | December 31, | |
|--|------|-------------------------|------------------------|
| | | 2017 | 2016 |
| <u>ASSETS</u> | | | |
| Regular Fund: | | | |
| Cash and Cash Equivalents: | | | |
| Treasurer | A-4 | \$ 11,385,856.75 | \$ 5,268,041.13 |
| Change Funds | | 680.00 | 680.00 |
| | | <u>11,386,536.75</u> | <u>5,268,721.13</u> |
| Due From State of New Jersey | | | |
| Senior Citizen and Veterans Deductions | | <u>3,270.15</u> | <u>3,873.57</u> |
| Receivables and Other Assets With Full Reserves: | | | |
| Delinquent Property Taxes Receivable | A-7 | 342,173.24 | 483,276.09 |
| Tax Title Liens Receivable | A-8 | 678,268.71 | 612,283.43 |
| Property Acquired for Taxes - Assessed Valuation | | 1,210,750.00 | 1,210,750.00 |
| Revenue Accounts Receivable | A-9 | 6,115.80 | 3,713.45 |
| Due from Borough of Butler | | 161.30 | 672.05 |
| Due from General Capital Fund | C | <u>110,000.00</u> | <u> </u> |
| Total Receivables and Other Assets | | <u>2,347,469.05</u> | <u>2,310,695.02</u> |
| Deferred Charges: | | | |
| Overexpenditure of Appropriation Reserves | | | 3,000.00 |
| Overexpenditure of Appropriation | | | 3,393.02 |
| Special Emergency Authorizations | | 156,000.00 | 208,000.00 |
| Emergency Authorizations (40A: 4-53) | | | <u>848.00</u> |
| Total Deferred Charges | | <u>156,000.00</u> | <u>215,241.02</u> |
| Total Regular Fund | | <u>13,893,275.95</u> | <u>7,798,530.74</u> |
| Federal and State Grant Fund: | | | |
| Federal and State Grants Receivable | A-13 | 51,898.00 | 51,898.00 |
| Due from Current Fund | A | <u>232,208.37</u> | <u>251,851.07</u> |
| Total Federal and State Grant Fund | | <u>284,106.37</u> | <u>303,749.07</u> |
| <u>TOTAL ASSETS</u> | | <u>\$ 14,177,382.32</u> | <u>\$ 8,102,279.81</u> |

BOROUGH OF KINNELON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

| | Ref. | December 31 | |
|---|----------|-------------------------|------------------------|
| | | 2017 | 2016 |
| <u>LIABILITIES, RESERVES AND FUND BALANCE</u> | | | |
| Regular Fund: | | | |
| Appropriation Reserves: | | | |
| Unencumbered | A-3;A-11 | \$ 614,379.40 | \$ 785,563.35 |
| Encumbered | A-3;A-11 | 143,424.91 | 216,106.91 |
| Total Appropriation Reserves | | <u>757,804.31</u> | <u>1,001,670.26</u> |
| Accounts Payable - Vendors | | 66,124.42 | 59,591.19 |
| Tax Overpayments | | 78,077.02 | 55,797.55 |
| Prepaid Taxes | | 6,553,863.89 | 314,651.73 |
| Due State of New Jersey | | | |
| Construction Code Fees | | 11,374.00 | 10,888.00 |
| Marriage License / Domestic Partnership | | 2,070.00 | 1,970.00 |
| Due to Other Trust Funds | B | 673,848.46 | 464,100.46 |
| Due to Federal and State Grant Fund | A | 232,208.37 | 251,851.07 |
| Due to Water Utility Operating Fund | D | 24,337.30 | 24,337.30 |
| Due to Sewer Utility Operating Fund | E | 156,975.00 | 156,975.00 |
| Reserve for Pending Tax Appeals | | 288,152.00 | 238,152.00 |
| Reserve for Revaluation of Real Property | | 8,900.05 | 57,792.78 |
| Reserve for Sale of Municipal Assets | | 560,881.00 | 705,881.00 |
| Reserve for Assault Weapons Fees | | 40.00 | 40.00 |
| Reserve for Third-Party Lien | | 13,622.85 | 50,490.72 |
| Unappropriated Reserves | | 2,839.00 | 2,839.00 |
| | | <u>9,431,117.67</u> | <u>3,397,028.06</u> |
| Reserve for Receivables and Other Assets | A | 2,347,469.05 | 2,310,695.02 |
| Fund Balance | A-1 | 2,114,689.23 | 2,090,807.66 |
| Total Regular Fund | | <u>13,893,275.95</u> | <u>7,798,530.74</u> |
| Federal and State Grant Fund: | | | |
| Appropriated Reserves | A-14 | 258,164.80 | 290,446.89 |
| Unappropriated Reserves | A-15 | 23,941.57 | 13,302.18 |
| Encumbrances Payable | A-14 | 2,000.00 | |
| Total Federal and State Grant Fund | | <u>284,106.37</u> | <u>303,749.07</u> |
| <u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u> | | <u>\$ 14,177,382.32</u> | <u>\$ 8,102,279.81</u> |

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

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

| | <u>Ref.</u> | <u>Year Ended December 31,</u> | |
|---|-------------|--------------------------------|------------------------|
| | | <u>2017</u> | <u>2016</u> |
| <u>Revenue and Other Income Realized</u> | | | |
| Fund Balance Utilized | \$ | 1,300,000.00 | \$ 1,340,000.00 |
| Miscellaneous Revenue Anticipated | | 1,748,679.21 | 1,563,429.60 |
| Receipts from Delinquent Taxes | | 465,543.26 | 418,184.38 |
| Receipts from Current Taxes | | 52,702,872.38 | 51,307,141.47 |
| Nonbudget Revenue | | 61,617.90 | 66,785.88 |
| Other Credits to Income: | | | |
| Unexpended Balance of Appropriation Reserves | | 492,883.27 | 97,320.25 |
| Interfunds Returned | | 672.05 | 128,526.00 |
| Total Income | | <u>56,772,268.07</u> | <u>54,921,387.58</u> |
| <u>Expenditures</u> | | | |
| Budget and Emergency Appropriations: | | | |
| Municipal Purposes | | 12,196,910.87 | 11,938,363.62 |
| County Taxes | | 5,542,421.15 | 5,389,395.84 |
| Local District School Tax | | 37,014,983.00 | 36,013,882.00 |
| Municipal Open Space Tax | | 106,948.00 | 79,818.00 |
| Prior Year Veteran and Senior Citizen Deductions Disallowed | | 2,391.30 | 988.43 |
| Prior Year Accounts Payable | | 24,570.88 | |
| Due to Other Trust - Accumulated Absences | | 200,000.00 | |
| Due to Other Trust - Storm Recovery | | 200,000.00 | |
| Increase in Reserve for Pending Tax Appeals | | 50,000.00 | 180,000.00 |
| Interfunds Advanced | | 110,161.30 | 672.05 |
| Total Expenditures | | <u>55,448,386.50</u> | <u>53,603,119.94</u> |
| Excess in Revenue | | 1,323,881.57 | 1,318,267.64 |
| Adjustment to Excess in Revenue Before Fund Balance: | | | |
| Expenditures included above which are by Statute | | | |
| Deferred Charges to Budget of Succeeding Year | | | 3,393.02 |
| Statutory Excess to Fund Balance | | 1,323,881.57 | 1,321,660.66 |
| <u>Fund Balance</u> | | | |
| Balance January 1 | | <u>2,090,807.66</u> | <u>2,109,147.00</u> |
| | | 3,414,689.23 | 3,430,807.66 |
| Decreased by: | | | |
| Utilization as Anticipated Revenue | | <u>1,300,000.00</u> | <u>1,340,000.00</u> |
| Balance December 31 | A | <u>\$ 2,114,689.23</u> | <u>\$ 2,090,807.66</u> |

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

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

| | <u>Anticipated</u> | | <u>Realized</u> | <u>Excess or Deficit *</u> |
|--|-------------------------|--------------------------------------|-------------------------|--------------------------------|
| | <u>Budget</u> | <u>Added by N.J.S.A 40A:4-87</u> | | |
| Fund Balance Anticipated | \$ 1,300,000.00 | | \$ 1,300,000.00 | |
| Miscellaneous Revenue: | | | | |
| Licenses: | | | | |
| Alcoholic Beverage | 700.00 | | 14,322.00 | \$ 13,622.00 |
| Other | 10,500.00 | | 36,730.00 | 26,230.00 |
| Fees and Permits | 30,000.00 | | 30,868.98 | 868.98 |
| Municipal Court Fines and Costs | 68,000.00 | | 68,400.86 | 400.86 |
| Interest and Costs on Taxes | 110,000.00 | | 131,159.59 | 21,159.59 |
| Recreation Fees | 20,000.00 | | | 20,000.00 * |
| Interest on Investments & Deposits | 3,500.00 | | 45,860.69 | 42,360.69 |
| Cablevision Franchise Fees | 44,000.00 | | 46,770.00 | 2,770.00 |
| Watershed Moratorium Offset Aid | 45,261.00 | | 45,261.00 | |
| Energy Receipts Taxes | 557,994.00 | | 557,994.00 | |
| Garden State Preservation Trust Fund | 173,696.00 | | 173,696.00 | |
| Uniform Construction Code Official | 200,000.00 | | 206,304.00 | 6,304.00 |
| Recycling Tonnage Grant | 11,564.00 | | 11,564.00 | |
| Reserve for Body Armor Fund | 1,783.18 | | 1,783.18 | |
| Reserve for Sale of Municipal Assets | 145,000.00 | | 145,000.00 | |
| Reserve to Pay Debt Service | 110,000.00 | | 110,000.00 | |
| Distracted Driving Statewide Crackdown Grant | | \$ 5,500.00 | 5,500.00 | |
| Click It or Ticket Grant | | 5,500.00 | 5,500.00 | |
| Clean Communities Grant | | 21,916.91 | 21,916.91 | |
| Sustainable Jersey Grant | | 90,048.00 | 90,048.00 | |
| Total Miscellaneous Revenue | <u>1,531,998.18</u> | <u>122,964.91</u> | <u>1,748,679.21</u> | <u>93,716.12</u> |
| Receipts from Delinquent Taxes | <u>350,000.00</u> | | <u>465,543.26</u> | <u>115,543.26</u> |
| Amount to be Raised by Taxes for Support of Municipal Budget: | | | | |
| Minimum Library Tax | 709,591.00 | | 709,591.00 | |
| Local Tax for Municipal Purposes | 9,895,827.92 | | 11,004,934.54 | 1,109,106.62 |
| Total Amount to be Raised by Taxes for Support of Municipal Budget | <u>10,605,418.92</u> | | <u>11,714,525.54</u> | <u>1,109,106.62</u> |
| Budget Totals | <u>13,787,417.10</u> | <u>122,964.91</u> | <u>15,228,748.01</u> | <u>1,318,366.00</u> |
| Nonbudget Revenue | | | <u>61,617.90</u> | <u>61,617.90</u> |
| Totals | <u>\$ 13,787,417.10</u> | <u>\$ 122,964.91</u> | <u>\$ 15,290,365.91</u> | <u>\$ 1,379,983.90</u> |

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Allocation of Current Tax Collections:

| | |
|--|------------------|
| Revenue from Collections | \$ 52,702,872.38 |
| Allocated to School, County and Open Space Taxes | 42,664,352.15 |
| Balance for Support of Municipal Budget | 10,038,520.23 |

| | |
|--|--------------|
| Add: Appropriation "Reserve for Uncollected Taxes" | 1,676,005.31 |
|--|--------------|

| | |
|--|------------------|
| Realized for Support of Municipal Budget | \$ 11,714,525.54 |
|--|------------------|

Receipts from Delinquent Taxes:

| | |
|----------------------------|---------------|
| Delinquent Tax Collections | \$ 465,543.26 |
|----------------------------|---------------|

Analysis of Nonbudget Revenue:

Miscellaneous Revenue Not Anticipated:

| | | |
|------------------------------------|-------------|--------------|
| Sale of Assets | \$ 2,325.00 | |
| Motor Vehicle Inspections | 3,209.00 | |
| Police Miscellaneous | 6,218.62 | |
| Joint Insurance Fund Reimbursement | 19,044.91 | |
| Boonton Basin | 3,200.00 | |
| Other | 28,220.37 | |
| | | \$ 62,217.90 |

| | |
|----------------|----------|
| Less: Refunded | (600.00) |
|----------------|----------|

| | |
|--|--------------|
| | \$ 61,617.90 |
|--|--------------|

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

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

| | Appropriations | | Expended By | | Unexpended Balance Cancelled |
|---------------------------------|----------------|------------------------------|--------------------|-----------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| Operations Within "CAPS": | | | | | |
| GENERAL GOVERNMENT: | | | | | |
| Department of Administration: | | | | | |
| Salaries and Wages | \$ 3,000.00 | \$ 3,010.00 | \$ 3,009.12 | \$ 0.88 | |
| Other Expenses | 70,515.87 | 25,015.87 | 25,015.25 | 0.62 | |
| Office of the Mayor: | | | | | |
| Salaries and Wages | 19,500.00 | 19,500.00 | 19,406.62 | 93.38 | |
| Other Expenses | 900.00 | 900.00 | 797.41 | 102.59 | |
| Municipal Clerk | | | | | |
| Salaries and Wages | 118,500.00 | 118,500.00 | 118,096.40 | 403.60 | |
| Other Expenses | 85,350.00 | 92,850.00 | 82,121.33 | 10,728.67 | |
| Financial Administration: | | | | | |
| Salaries and Wages | 221,249.02 | 211,249.02 | 203,373.87 | 7,875.15 | |
| Other Expenses | 25,000.00 | 25,000.00 | 20,873.74 | 4,126.26 | |
| Webmaster - Other Expenses | 14,000.00 | 3,000.00 | 2,005.00 | 995.00 | |
| Audit Services: | | | | | |
| Other Expenses | 30,600.00 | 30,600.00 | 6,325.00 | 24,275.00 | |
| Collection of Taxes: | | | | | |
| Salaries and Wages | 79,066.40 | 79,066.40 | 75,502.22 | 3,564.18 | |
| Other Expenses | 11,000.00 | 7,000.00 | 5,181.82 | 1,818.18 | |
| Assessment of Taxes: | | | | | |
| Salaries and Wages | 65,000.00 | 65,000.00 | 63,385.61 | 1,614.39 | |
| Other Expenses | 17,775.00 | 10,775.00 | 10,176.04 | 598.96 | |
| Legal Services and Costs: | | | | | |
| Other Expenses | 120,000.00 | 131,200.00 | 131,149.82 | 50.18 | |
| Engineering Services and Costs: | | | | | |
| Other Expenses | 10,000.00 | 5,000.00 | 4,750.00 | 250.00 | |

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

| | Appropriations | | Expended By | | Unexpended Balance Cancelled |
|---|----------------|------------------------------|--------------------|-------------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| Operations Within "CAPS": | | | | | |
| GENERAL GOVERNMENT: | | | | | |
| Municipal Land Use Law (N.J.S.A. 40:55D-1): | | | | | |
| Historical Preservation Commission | | | | | |
| Salaries and Wages | \$ 5,430.00 | \$ 5,430.00 | \$ 4,375.60 | \$ 1,054.40 | |
| Other Expenses | 9,615.00 | 9,615.00 | 8,425.82 | 1,189.18 | |
| Planning Board: | | | | | |
| Salaries and Wages | 14,605.00 | 14,605.00 | 14,605.00 | | |
| Other Expenses | 22,175.00 | 10,175.00 | 7,380.14 | 2,794.86 | |
| Zoning Board of Adjustment: | | | | | |
| Salaries and Wages | 1,150.00 | 1,150.00 | 1,000.00 | 150.00 | |
| Other Expenses | 15,825.00 | 9,825.00 | 9,823.71 | 1.29 | |
| PUBLIC SAFETY: | | | | | |
| Municipal Court: | | | | | |
| Salaries and Wages | 86,000.00 | 86,750.00 | 86,739.36 | 10.64 | |
| Other Expenses | 11,750.00 | 10,739.00 | 6,808.82 | 3,930.18 | |
| Police Department: | | | | | |
| Salaries and Wages | 2,171,765.20 | 2,171,765.20 | 2,037,957.25 | 133,807.95 | |
| Other Expenses | 172,554.00 | 172,554.00 | 136,160.29 | 36,393.71 | |
| Police Dispatch/911: | | | | | |
| Salaries and Wages | 106,000.00 | 120,000.00 | 118,154.81 | 1,845.19 | |
| Office of Emergency Management: | | | | | |
| Salaries and Wages | 1,400.00 | 2,600.00 | 2,525.90 | 74.10 | |
| Other Expenses | 675.00 | 675.00 | 172.91 | 502.09 | |
| Aid to Volunteer Fire Companies: | | | | | |
| Other Expenses | 85,000.00 | 85,000.00 | 75,882.16 | 9,117.84 | |

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

| | Appropriations | | Expended By | | Unexpended Balance Cancelled |
|-------------------------------------|----------------|------------------------------|--------------------|--------------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| Operations Within "CAPS": | | | | | |
| PUBLIC SAFETY: | | | | | |
| Aid to Tri-Borough Ambulance Squad: | | | | | |
| Other Expenses | \$ 36,000.00 | \$ 36,000.00 | \$ 25,000.00 | \$ 11,000.00 | |
| Fire Hydrants | 50,500.00 | 52,500.00 | 52,413.44 | 86.56 | |
| Fire Prevention Bureau: | | | | | |
| Salaries and Wages | 12,000.00 | 14,000.00 | 13,535.15 | 464.85 | |
| Other Expenses | 5,450.00 | 3,450.00 | 2,457.71 | 992.29 | |
| Municipal Prosecutor's Office: | | | | | |
| Other Expenses | 16,000.00 | 16,000.00 | 16,000.00 | | |
| PUBLIC WORKS: | | | | | |
| Streets and Roads Maintenance: | | | | | |
| Salaries and Wages | 1,187,052.29 | 1,187,052.29 | 1,104,554.03 | 82,498.26 | |
| Other Expenses | 197,100.00 | 197,100.00 | 173,909.14 | 23,190.86 | |
| Solid Waste Collections: | | | | | |
| Salaries and Wages | 20,000.00 | 15,000.00 | 14,000.00 | 1,000.00 | |
| Other Expenses | 678,300.00 | 676,300.00 | 672,390.88 | 3,909.12 | |
| Building and Grounds: | | | | | |
| Salaries and Wages | 3,300.00 | 3,300.00 | 3,300.00 | | |
| Other Expenses | 56,800.00 | 54,800.00 | 51,234.94 | 3,565.06 | |
| Vehicles and Maintenance | | | | | |
| Other Expenses | 46,290.00 | 41,290.00 | 34,824.04 | 6,465.96 | |

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

| | Appropriations | | Expended By | | Unexpended Balance Cancelled |
|-----------------------------------|----------------|------------------------------|--------------------|-----------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| Operations Within "CAPS": | | | | | |
| HEALTH AND HUMAN SERVICES: | | | | | |
| Board of Health: | | | | | |
| Salaries and Wages | \$ 47,600.00 | \$ 49,600.00 | \$ 49,098.71 | \$ 501.29 | |
| Other Expenses | 3,000.00 | 2,000.00 | 750.01 | 1,249.99 | |
| Animal Control Services: | | | | | |
| Other Expenses | 1,200.00 | 1,200.00 | 1,200.00 | | |
| Senior Citizen Programs: | | | | | |
| Other Expenses | 2,000.00 | 2,000.00 | 2,000.00 | | |
| Environmental Commission: | | | | | |
| Salaries and Wages | 3,000.00 | 4,400.00 | 4,331.77 | 68.23 | |
| Other Expenses | 1,750.00 | 1,750.00 | 891.89 | 858.11 | |
| PARKS AND RECREATION FUNCTIONS: | | | | | |
| Recreation Services: | | | | | |
| Salaries and Wages | 77,500.00 | 72,500.00 | 71,029.93 | 1,470.07 | |
| Other Expenses | 65,300.00 | 65,300.00 | 51,258.40 | 14,041.60 | |
| Smoke Rise - Condo Costs: | | | | | |
| Other Expenses | 150,000.00 | 118,550.00 | 82,235.99 | 36,314.01 | |
| OTHER COMMON OPERATING FUNCTIONS: | | | | | |
| Accumulated Leave Compensation: | | | | | |
| Other Expenses | 15,000.00 | 15,000.00 | 15,000.00 | | |
| Celebration of Public Events: | | | | | |
| Other Expenses | 15,000.00 | 15,000.00 | 14,448.17 | 551.83 | |

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

| | Appropriations | | Expended By | | Unexpended Balance Cancelled |
|---|----------------|------------------------------|--------------------|-------------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| Operations Within "CAPS": | | | | | |
| UTILITY EXPENSE AND BULK PURCHASES: | | | | | |
| Electricity | \$ 60,300.00 | \$ 60,300.00 | \$ 53,880.78 | \$ 6,419.22 | |
| Street Lighting | 15,000.00 | 15,000.00 | 8,976.60 | 6,023.40 | |
| Telephone | 35,000.00 | 42,000.00 | 41,985.89 | 14.11 | |
| Water | 20,000.00 | 20,000.00 | 18,511.86 | 1,488.14 | |
| Natural Gas | 10,000.00 | 14,000.00 | 12,799.70 | 1,200.30 | |
| Gasoline | 75,000.00 | 57,400.00 | 53,546.94 | 3,853.06 | |
| Landfill Tipping Fees | 382,000.00 | 382,000.00 | 315,129.68 | 66,870.32 | |
| STATE UNIFORM CONSTRUCTION CODE: | | | | | |
| Construction Official: | | | | | |
| Salaries and Wages | 15,300.00 | 18,800.00 | 18,713.08 | 86.92 | |
| Other Expenses | 500.00 | 500.00 | | 500.00 | |
| INSURANCE: | | | | | |
| General Liability | 190,120.00 | 226,120.00 | 206,150.41 | 19,969.59 | |
| Workers Compensation | 150,540.00 | 150,540.00 | 150,536.63 | 3.37 | |
| Employee Group Health | 875,000.00 | 906,000.00 | 905,599.58 | 400.42 | |
| Employee Group Health Waiver | 18,800.00 | 20,800.00 | 20,570.43 | 229.57 | |
| Flexible Spending Advance | 3,000.00 | 3,000.00 | | 3,000.00 | |
| Total Operations Within "CAPS" | 8,136,102.78 | 8,089,101.78 | 7,543,446.80 | 545,654.98 | |
| Contingent | 1,000.00 | 1,000.00 | | 1,000.00 | |
| Total Operations Including Contingent Within "CAPS" | 8,137,102.78 | 8,090,101.78 | 7,543,446.80 | 546,654.98 | |
| Detail: | | | | | |
| Salaries and Wages | 4,258,417.91 | 4,284,447.91 | 4,048,987.06 | 235,460.85 | |
| Other Expenses | 3,878,684.87 | 3,805,653.87 | 3,494,459.74 | 311,194.13 | |

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

| | Appropriations | | Expended By | | Unexpended Balance Cancelled |
|--|----------------|------------------------------|--------------------|------------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| Deferred Charges and Statutory Expenditures - Municipal within "CAPS": | | | | | |
| Deferred Charges: | | | | | |
| Overexpenditure of Appropriation | \$ 6,393.02 | \$ 6,393.02 | \$ 6,393.02 | | |
| Statutory Expenditures: | | | | | |
| Contributions to: | | | | | |
| Police & Firemen's Retirement System | 435,880.00 | 435,880.00 | 435,880.00 | | |
| Public Employees' Retirement System | 254,242.00 | 254,242.00 | 254,242.00 | | |
| Public Employees' DCRP System | 3,600.00 | 6,600.00 | 6,322.40 | \$ 277.60 | |
| Social Security System (O.A.S.I.) | 295,000.00 | 315,000.00 | 312,527.59 | 2,472.41 | |
| Unemployment Insurance | 5,500.00 | 16,500.00 | 15,789.22 | 710.78 | |
| Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS" | 1,000,615.02 | 1,034,615.02 | 1,031,154.23 | 3,460.79 | |
| Total General Appropriations for Municipal Purposes Within "CAPS" | 9,137,717.80 | 9,124,716.80 | 8,574,601.03 | 550,115.77 | |
| Operations Excluded from "CAPS": | | | | | |
| Aid to Library (N.J.S.A. 40:54-35): | | | | | |
| Other Expenses | 709,591.00 | 709,591.00 | 667,099.09 | 42,491.91 | |
| Storm Water Management (N.J.S.A. 40A:4-45.3) | | | | | |
| Salaries and Wages | 40,000.00 | 40,000.00 | 40,000.00 | | |
| Other Expenses | 5,000.00 | 5,000.00 | 3,378.40 | 1,621.60 | |
| Reserve for Tax Appeals | 30,000.00 | 30,000.00 | 16,698.60 | 13,301.40 | |
| LOSAP | 18,100.00 | 18,100.00 | 14,546.00 | 3,554.00 | |
| Public & Private Programs Offset by Revenue: | | | | | |
| Click It or Ticket Grant (N.J.S.A. 40A:4-87, +\$5,550.00) | | 5,500.00 | 5,500.00 | | |
| Clean Communities Grant (N.J.S.A. 40A:4-87, +\$21,916.91) | | 21,916.91 | 21,916.91 | | |
| Distracted Driving Statewide | | | | | |
| Crackdown Grant (N.J.S.A. 40A:4-87, +\$5,550.00) | | 5,500.00 | 5,500.00 | | |
| Historical Commission Grant (N.J.S.A. 40A:4-87, +\$90,048.00) | | 90,048.00 | 90,048.00 | | |
| Reserve for Recycling Tonnage Grant | 11,564.00 | 11,564.00 | 11,564.00 | | |
| Body Armor | 1,783.18 | 1,783.18 | 1,783.18 | | |
| Total Operations - Excluded from "CAPS" | 816,038.18 | 939,003.09 | 878,034.18 | 60,968.91 | |

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

| | Appropriations | | Expended By | | Unexpended Balance Cancelled |
|---|----------------|------------------------------|--------------------|----------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| Operations Excluded from "CAPS": (Cont'd) | | | | | |
| Detail: | | | | | |
| Salaries & Wages | \$ 40,000.00 | \$ 40,000.00 | \$ 40,000.00 | | |
| Other Expenses | 776,038.18 | 776,038.18 | 776,038.18 | | |
| Shared Service Agreements: | | | | | |
| Interlocal Health Services Agreement - Pequannock | 123,941.00 | 123,942.00 | 123,941.28 | \$ 0.72 | |
| Construction Code - Bloomingdale | 227,000.00 | 240,000.00 | 237,306.00 | 2,694.00 | |
| Dial-A-Ride - Pequannock | 88,949.00 | 88,949.00 | 88,949.00 | | |
| Interlocal ACO Services - Bloomingdale | 25,106.00 | 25,106.00 | 25,106.00 | | |
| Interlocal Dispatch - Butler | 32,300.00 | 32,300.00 | 31,700.00 | 600.00 | |
| Interlocal Mechanic Services - Bloomingdale | 15,000.00 | 15,000.00 | 15,000.00 | | |
| Total Shared Service Agreement | 512,296.00 | 525,297.00 | 522,002.28 | 3,294.72 | |
| Capital Improvements - Excluded from "CAPS": | | | | | |
| Capital Improvement Fund | 175,000.00 | 175,000.00 | 175,000.00 | | |
| Total Capital Improvements - Excluded from "CAPS" | 175,000.00 | 175,000.00 | 175,000.00 | | |

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

| | Appropriations | | Expended By | | Unexpended Balance Cancelled |
|--|-------------------------|------------------------------|-------------------------|----------------------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| Municipal Debt Service - Excluded from "CAPS": | | | | | |
| Payment of Bond Principal | \$ 880,000.00 | \$ 880,000.00 | \$ 880,000.00 | | |
| Payment of Bond Anticipation Notes | 129,000.00 | 129,000.00 | 129,000.00 | | |
| Interest on Bonds | 346,068.75 | 346,068.75 | 346,068.75 | | |
| Interest on Notes | 62,443.06 | 62,443.06 | 24,977.23 | | \$ 37,465.83 |
| Total Municipal Debt Service - Excluded from "CAPS" | 1,417,511.81 | 1,417,511.81 | 1,380,045.98 | | 37,465.83 |
| Deferred Charges - Excluded from "CAPS": | | | | | |
| Emergency Authorizations | 848.00 | 848.00 | 848.00 | | |
| Special Emergency Authorizations - 5 years | 52,000.00 | 52,000.00 | 52,000.00 | | |
| Total Deferred Charges - Excluded from "CAPS" | 52,848.00 | 52,848.00 | 52,848.00 | | |
| Total General Appropriations - Excluded from "CAPS" | 2,973,693.99 | 3,109,659.90 | 3,007,930.44 | \$ 64,263.63 | 37,465.83 |
| Subtotal General Appropriations | 12,111,411.79 | 12,234,376.70 | 11,582,531.47 | 614,379.40 | 37,465.83 |
| Reserve for Uncollected Taxes | 1,676,005.31 | 1,676,005.31 | 1,676,005.31 | | |
| Total General Appropriations | \$ 13,787,417.10 | \$ 13,910,382.01 | \$ 13,258,536.78 | \$ 614,379.40 | \$ 37,465.83 |

Ref.

A

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

| | <u>Ref.</u> | <u>Analysis of</u> | |
|--|-------------|--------------------------------------|----------------------------|
| | | <u>Budget After Modification</u> | <u>Paid or Charged</u> |
| Adopted Budget | | \$ 13,787,417.10 | |
| Added by N.J.S.A. 40A:4-87 | | <u>122,964.91</u> | |
| | | <u>\$ 13,910,382.01</u> | |
| | | | |
| Cash Disbursed | | | \$ 11,515,108.88 |
| Encumbrances | A | | 143,424.91 |
| Deferred Charges: | | | |
| Emergency Authorizations | | | 848.00 |
| Special Emergency Authorizations | | | 52,000.00 |
| Overexpenditure of Appropriation Reserve | | | 3,000.00 |
| Overexpenditure of Appropriation | | | 3,393.02 |
| Transfer to Appropriated Grant Reserves: | | | |
| Federal and State Grants | | | 136,312.09 |
| Reserve for Uncollected Taxes | | | <u>1,676,005.31</u> |
| | | | 13,530,092.21 |
| | | | |
| Less: Appropriation Refunds | | | <u>271,555.43</u> |
| | | | <u>\$ 13,258,536.78</u> |

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

BOROUGH OF KINNELON
COUNTY OF MORRIS
2017
TRUST FUNDS

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

| | | December 31 | |
|---|-------------|------------------------|------------------------|
| <u>ASSETS</u> | <u>Ref.</u> | 2017 | 2016 |
| Animal Control Fund: | | | |
| Cash and Cash Equivalents: | | | |
| Treasurer | B-4 | \$ 37,322.95 | \$ 15,560.61 |
| | | 37,322.95 | 15,560.61 |
| Other Trust Funds: | | | |
| Cash and Cash Equivalents | B-4 | 2,320,174.50 | 2,320,702.98 |
| Due From Current Fund | A | 673,848.46 | 464,100.46 |
| | | 2,994,022.96 | 2,784,803.44 |
| <u>TOTAL ASSETS</u> | | <u>\$ 3,031,345.91</u> | <u>\$ 2,800,364.05</u> |
| <u>LIABILITIES, RESERVES AND FUND BALANCE</u> | | | |
| Animal Control Fund: | | | |
| Reserve for Animal Control Expenditures | B-6 | 30,458.25 | 8,423.51 |
| Due To State of New Jersey | | 249.10 | 210.70 |
| Prepaid licenses | | 6,615.60 | 6,926.40 |
| | | 37,322.95 | 15,560.61 |

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

| | Ref. | December 31 | |
|---|------|------------------------|------------------------|
| | | 2017 | 2016 |
| <u>LIABILITIES, RESERVES AND FUND BALANCE</u> | | | |
| Other Trust Funds: | | | |
| Due to General Capital Fund | C | \$ 502,000.00 | \$ 352,000.00 |
| Reserve for: | | | |
| Special Deposits | | 524,993.41 | 549,302.68 |
| Developers Deposits - Escrow | | 122,502.02 | 119,803.58 |
| Special Recreation | | 36,214.36 | 30,191.73 |
| Historical Commission | | 10,850.07 | 10,087.09 |
| Community Policing Donation | | 816.98 | 812.88 |
| Open Space | | 475,020.36 | 909,630.90 |
| Storm Recovery | | 335,424.73 | 122,475.00 |
| Accumulated Absences | | 437,534.30 | 222,534.30 |
| Parking Offenses Adjudication Act | | 367.54 | 333.74 |
| Recycling | | 24,885.48 | 28,661.67 |
| Forfeited Assets | | 14,290.66 | 11,598.38 |
| Uniform Fire Safety Act | | 5,283.08 | 5,256.61 |
| Municipal Alliance | | 1,367.38 | 4,770.44 |
| Tax Sale Premium | | 425,540.52 | 348,221.73 |
| Clerk Special | | 22,555.88 | 22,555.88 |
| K-Fest | | 955.67 | 1,315.76 |
| Public Defender | | 6,831.85 | 7,979.72 |
| Flexible Spending | | 5,732.12 | 6,067.37 |
| Police Outside Services | | 35,084.92 | 25,461.28 |
| Planning Board Inspection | | 5,771.63 | 5,742.70 |
| | | <u>2,994,022.96</u> | <u>2,784,803.44</u> |
| <u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u> | | <u>\$ 3,031,345.91</u> | <u>\$ 2,800,364.05</u> |

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

BOROUGH OF KINNELON
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

BOROUGH OF KINNELON
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF KINNELON
ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

BOROUGH OF KINNELON
COUNTY OF MORRIS
2017
GENERAL CAPITAL FUND

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

| | Ref. | December 31, | |
|---|------|-------------------------|-------------------------|
| | | 2017 | 2016 |
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | C-2 | \$ 2,766,914.73 | \$ 2,871,117.37 |
| Grants Receivable: | | | |
| New Jersey Department of Transportation | | 197,644.06 | 342,250.00 |
| Morris County Open Space | | 1,700,000.00 | |
| Morris County Municipal Utility Authority | | 150,000.00 | |
| Morris County Park Commission | | 300,000.00 | |
| New Jersey Highlands Council | | 300,000.00 | |
| Other Sources | | 100,000.00 | |
| Due from Sewer Utility Operating Fund | E | 45,000.00 | 45,000.00 |
| Due from Open Space Trust Fund | B | 502,000.00 | 352,000.00 |
| Deferred Charges to Future Taxation: | | | |
| Funded | | 11,595,000.00 | 12,475,000.00 |
| Unfunded | C-4 | 3,328,348.00 | 3,457,348.00 |
| <u>TOTAL ASSETS</u> | | <u>\$ 20,984,906.79</u> | <u>\$ 19,542,715.37</u> |
| <u>LIABILITIES, RESERVES AND FUND BALANCE</u> | | | |
| Serial Bonds Payable | C-8 | \$ 11,595,000.00 | \$ 12,475,000.00 |
| Bond Anticipation Notes Payable | C-7 | 3,001,850.00 | 3,130,850.00 |
| Due Current Fund | A | 110,000.00 | |
| Improvement Authorizations: | | | |
| Funded | C-5 | 4,058,140.28 | 1,682,648.96 |
| Unfunded | C-5 | 890,052.71 | 908,731.16 |
| Capital Improvement Fund | C-6 | 359,750.00 | 284,750.00 |
| Reserve: | | | |
| To Pay Debt Service | | 951,147.61 | 1,041,182.61 |
| For Cost of Issuance | | 2,701.00 | 2,701.00 |
| For Housing Rehabilitation | | 15,550.00 | 15,550.00 |
| Fund Balance | C-1 | 715.19 | 1,301.64 |
| <u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u> | | <u>\$ 20,984,906.79</u> | <u>\$ 19,542,715.37</u> |

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

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

| | <u>Ref.</u> | |
|---------------------------|-------------|-------------------------|
| Balance December 31, 2016 | C | \$ 1,301.64 |
| Decreased by: | | |
| Prior Year Adjustment | | <u>586.45</u> |
| Balance December 31, 2017 | C | <u><u>\$ 715.19</u></u> |

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

BOROUGH OF KINNELON
COUNTY OF MORRIS
2017
WATER UTILITY FUND

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

| | Ref. | December 31 | |
|--|------|------------------------|------------------------|
| | | 2017 | 2016 |
| <u>ASSETS</u> | | | |
| Operating Fund: | | | |
| Cash and Cash Equivalents: | | | |
| Treasurer | D-4 | \$ 428,075.30 | \$ 371,522.25 |
| Change Fund | | 100.00 | 100.00 |
| | | <u>428,175.30</u> | <u>371,622.25</u> |
| Other Receivables | | 92.24 | 92.24 |
| Due from Current Fund | A | 24,337.30 | 24,337.30 |
| Due from Sewer Utility Operating Fund | E | 10,872.04 | 8,074.95 |
| | | <u>463,476.88</u> | <u>404,126.74</u> |
| Receivables and Other Assets with Full Reserves: | | | |
| Consumer Accounts Receivable | D-6 | 21,706.86 | 35,093.13 |
| | | <u>21,706.86</u> | <u>35,093.13</u> |
| Total Operating Fund | | <u>485,183.74</u> | <u>439,219.87</u> |
| Capital Fund: | | | |
| Cash and Cash Equivalents | D-4 | 126,382.79 | 126,382.79 |
| Due from Water Utility Operating Fund | D | 0.21 | 0.21 |
| Fixed Capital | D-7 | 435,100.00 | 435,100.00 |
| Fixed Capital Authorized and Uncompleted | D-8 | 915,000.00 | 915,000.00 |
| Total Capital Fund | | <u>1,476,483.00</u> | <u>1,476,483.00</u> |
| <u>TOTAL ASSETS</u> | | <u>\$ 1,961,666.74</u> | <u>\$ 1,915,702.87</u> |

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

| | Ref. | December 31 | |
|---|----------|------------------------|------------------------|
| | | 2017 | 2016 |
| <u>LIABILITIES, RESERVES AND FUND BALANCE</u> | | | |
| Operating Fund: | | | |
| Appropriation Reserves: | | | |
| Unencumbered | D-3; D-9 | \$ 183,236.14 | \$ 185,804.06 |
| Encumbered | D-3; D-9 | 1,817.50 | 2,645.13 |
| | | <u>185,053.64</u> | <u>188,449.19</u> |
| Due to Water Utility Capital Fund | D | 0.21 | 0.21 |
| Accrued Interest on Bonds | | 4,074.49 | 4,178.66 |
| Water Rent Overpayments | | 4,163.21 | 3,087.40 |
| | | <u>193,291.55</u> | <u>195,715.46</u> |
| Reserve for Receivables and Inventory | D | 21,706.86 | 35,093.13 |
| Fund Balance | D-1 | 270,185.33 | 208,411.28 |
| | | <u>270,185.33</u> | <u>208,411.28</u> |
| Total Operating Fund | | <u>485,183.74</u> | <u>439,219.87</u> |
| Capital Fund: | | | |
| Serial Bonds Payable | D-14 | 423,000.00 | 443,000.00 |
| Improvement Authorizations: | | | |
| Funded | D-10 | 85,775.00 | 85,775.00 |
| Unfunded | D-10 | 9,740.00 | 9,740.00 |
| Capital Improvement Fund | D-11 | 84,868.00 | 84,868.00 |
| Deferred Reserve for Amortization | D-12 | 56,000.00 | 56,000.00 |
| Reserve for Amortization | D-12A | 817,100.00 | 797,100.00 |
| | | <u>817,100.00</u> | <u>797,100.00</u> |
| Total Capital Fund | | <u>1,476,483.00</u> | <u>1,476,483.00</u> |
| <u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u> | | <u>\$ 1,961,666.74</u> | <u>\$ 1,915,702.87</u> |

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

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

| | Ref. | <u>Year Ended December 31,</u> | |
|---|------|--------------------------------|----------------------|
| | | <u>2017</u> | <u>2016</u> |
| <u>Revenue and Other Income Realized</u> | | | |
| Fund Balance Utilized | | \$ 47,000.00 | \$ 42,000.00 |
| Water Rents | | 559,813.24 | 634,419.79 |
| Miscellaneous | | 20,094.84 | 8,552.22 |
| Nonbudget Revenue | | 832.09 | 578.71 |
| Other Credits to Income: | | | |
| Unexpended Balance of Appropriation Reserves | | 55,768.88 | 19,121.97 |
| | | <u>683,509.05</u> | <u>704,672.69</u> |
| <u>Expenditures</u> | | | |
| Budget Expenditures: | | | |
| Operating | | 509,695.67 | 494,800.00 |
| Debt Service | | 29,798.33 | 19,692.41 |
| Deferred Charges and Statutory Expenditures | | 35,241.00 | 34,550.00 |
| | | <u>574,735.00</u> | <u>549,042.41</u> |
| Excess Revenue/Statutory Excess to Fund Balance | | 108,774.05 | 155,630.28 |
| <u>Fund Balance</u> | | | |
| Balance January 1 | D | 208,411.28 | 94,781.00 |
| | | <u>317,185.33</u> | <u>250,411.28</u> |
| Decreased by: | | | |
| Utilized by Water Utility Operating Budget | | 47,000.00 | 42,000.00 |
| | | <u>47,000.00</u> | <u>42,000.00</u> |
| Balance December 31 | D | <u>\$ 270,185.33</u> | <u>\$ 208,411.28</u> |

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

BOROUGH OF KINNELON
WATER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

| | <u>Anticipated</u> | <u>Realized</u> | <u>Excess</u> |
|--|----------------------|----------------------|---------------------|
| Fund Balance Anticipated | \$ 47,000.00 | \$ 47,000.00 | |
| Rents | 527,735.00 | 559,813.24 | \$ 32,078.24 |
| Miscellaneous Revenue Anticipated | | 20,094.84 | 20,094.84 |
| | <u>574,735.00</u> | <u>626,908.08</u> | <u>52,173.08</u> |
| Nonbudget Revenue | | 832.09 | 832.09 |
| | <u>\$ 574,735.00</u> | <u>\$ 627,740.17</u> | <u>\$ 53,005.17</u> |
| <u>Analysis of Revenue - Rents</u> | | | |
| Collections | | \$ 556,725.84 | |
| Overpayments Applied | | 3,087.40 | |
| | | <u>\$ 559,813.24</u> | |
| <u>Nonbudget Revenue:</u> | | | |
| Treasurer: | | | |
| Interest on Investments | | \$ 842.15 | |
| Collector: | | | |
| Other Miscellaneous | | 90.99 | |
| Refunds | | <u>(101.05)</u> | |
| | | <u>\$ 832.09</u> | |

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

BOROUGH OF KINNELON
WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

| | Appropriation | | Expended by | | | Unexpended Balance Cancelled |
|-------------------------------------|----------------------|---------------------------------|----------------------|----------------------|---------------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | | |
| Operating: | | | | | | |
| Salaries and Wages | \$ 188,700.00 | \$ 188,700.00 | \$ 127,328.28 | \$ 61,371.72 | | |
| Other Expenses | 320,996.00 | 320,995.67 | 225,208.11 | 95,787.56 | | |
| Debt Service: | | | | | | |
| Payment of Bond Principal | 20,000.00 | 20,000.00 | 20,000.00 | | | |
| Interest on Bonds | 9,798.00 | 9,798.33 | 9,798.33 | | | |
| Statutory Expenditures: | | | | | | |
| Contribution to: | | | | | | |
| Public Employees' Retirement System | 20,207.00 | 20,207.00 | 760.00 | 19,447.00 | | |
| Unemployment Insurance | 550.00 | 550.00 | 316.95 | 233.05 | | |
| Social Security System (O.A.S.I.) | 14,484.00 | 14,484.00 | 8,087.19 | 6,396.81 | | |
| | <u>\$ 574,735.00</u> | <u>\$ 574,735.00</u> | <u>\$ 391,498.86</u> | <u>\$ 183,236.14</u> | <u>\$ -0-</u> | |

Ref.

D

BOROUGH OF KINNELON
WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

| | <u>Ref.</u> | <u>Analysis of Paid or Charged</u> |
|---------------------------|-------------|--|
| Cash Disbursed | | \$ 379,883.03 |
| Accrued Interest on Bonds | | 9,798.33 |
| Encumbrances Payable | D | <u>1,817.50</u> |
| | | <u><u>391,498.86</u></u> |

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

BOROUGH OF KINNELON
COUNTY OF MORRIS
2017
SEWER UTILITY FUND

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

| | Ref. | December 31, | |
|--|---------|----------------------|----------------------|
| | | 2017 | 2016 |
| <u>ASSETS</u> | | | |
| Operating Fund: | | | |
| Cash and Cash Equivalents: | | | |
| Treasurer | E-4 | \$ 87,614.39 | \$ 74,602.29 |
| Due from Current Fund | A | 156,975.00 | 156,975.00 |
| | | <u>244,589.39</u> | <u>231,577.29</u> |
| Receivables and Other Assets with Full Reserves: | | | |
| Consumer Accounts Receivable | E-6 | 9,696.15 | 8,949.65 |
| | | <u>9,696.15</u> | <u>8,949.65</u> |
| | | <u>\$ 254,285.54</u> | <u>\$ 240,526.94</u> |
| <u>LIABILITIES, RESERVES AND FUND BALANCE</u> | | | |
| Operating Fund: | | | |
| Appropriation Reserves: | | | |
| Unencumbered | E-3;E-6 | \$ 25,365.59 | \$ 55,209.39 |
| Encumbered | E-3;E-6 | 6,000.00 | 6,000.00 |
| Total Appropriation Reserves | | <u>31,365.59</u> | <u>61,209.39</u> |
| Accounts Payable - Vendors | | 1,634.00 | 1,634.00 |
| Due to General Capital Fund | C | 45,000.00 | 45,000.00 |
| Overpayments | | 1,266.74 | 1,365.05 |
| Due to Water Utility Operating Fund | D | 10,872.04 | 8,074.95 |
| | | <u>90,138.37</u> | <u>117,283.39</u> |
| Reserve for Receivables and Inventory | E | 9,696.15 | 8,949.65 |
| Fund Balance | E-1 | 154,451.02 | 114,293.90 |
| | | <u>154,451.02</u> | <u>114,293.90</u> |
| | | <u>\$ 254,285.54</u> | <u>\$ 240,526.94</u> |

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

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

| | Ref. | Year Ended December 31 | |
|--|------|------------------------|----------------------|
| | | 2017 | 2016 |
| <u>Revenue and Other Income Realized</u> | | | |
| Fund Balance Utilized | | \$ 47,515.00 | |
| Miscellaneous Revenues Not Anticipated | | 41,161.19 | \$ 195,179.09 |
| Sewer Service Charges - Fees | | 384,614.04 | 387,280.81 |
| Other Credits to Income: | | | |
| Unexpended Balance of Appropriation Reserves | | 49,896.89 | 3,430.00 |
| Total Income | | <u>523,187.12</u> | <u>585,889.90</u> |
| Budget Appropriations: | | | |
| Operating | | 435,315.00 | 482,800.00 |
| Deferred Charges and Statutory Expenditures | | 200.00 | 200.00 |
| Total Expenditures | | <u>435,515.00</u> | <u>483,000.00</u> |
| Excess Revenue to Fund Balance | | 87,672.12 | 102,889.90 |
| Balance January 1 | E | 114,293.90 | 11,404.00 |
| | | <u>201,966.02</u> | <u>114,293.90</u> |
| Decreased by: | | | |
| Utilized by Sewer Utility Operating Budget | | 47,515.00 | |
| Balance December 31 | E | <u>\$ 154,451.02</u> | <u>\$ 114,293.90</u> |

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

BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

| | <u>Anticipated</u> | <u>Realized</u> | <u>Excess or Deficit*</u> |
|--------------------------|----------------------|----------------------|-------------------------------|
| Fund Balance Anticipated | \$ 47,515.00 | \$ 47,515.00 | |
| Sewer Service Charges | 388,000.00 | 384,614.04 | \$ 3,385.96 * |
| | <u>435,515.00</u> | <u>432,129.04</u> | <u>(3,385.96)</u> |
| Nonbudget Revenue | | 41,161.19 | 41,161.19 |
| | <u>\$ 435,515.00</u> | <u>\$ 473,290.23</u> | <u>\$ 37,775.23</u> |

Analysis of Sewer Rents Revenue:

| | | |
|---|----------------------|--|
| Collected in Sewer Utility Operating Fund | \$ 383,248.99 | |
| Overpayments Applied | 1,365.05 | |
| | <u>\$ 384,614.04</u> | |

Nonbudget Revenue:

Treasurer:

| | | | |
|-------------------------------------|---------------|--------------|--|
| Interest on Investments | \$ 396.75 | | |
| Borough of Butler Sewer Collections | 40,018.44 | | |
| Other Miscellaneous | <u>373.00</u> | | |
| | | \$ 40,788.19 | |

Collector:

| | | | |
|-------------------------|--|---------------------|--|
| Interest on Sewer Rents | | 373.00 | |
| | | <u>\$ 41,161.19</u> | |

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

BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

| | Appropriation | | Expended by | | | Unexpended Balance Cancelled |
|-------------------------------------|---------------|---------------------------------|--------------------|--------------|----------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | Reserved | |
| Operating: | | | | | | |
| Salaries and Wages | \$ 14,500.00 | \$ 14,500.00 | \$ 10,000.00 | \$ 4,500.00 | | |
| Other Expenses | 420,815.00 | 420,815.00 | 400,149.41 | 20,665.59 | | |
| Statutory Expenditures: | | | | | | |
| Contribution to: | | | | | | |
| Unemployment Compensation Insurance | 100.00 | 100.00 | | 100.00 | | |
| Social Security System (O.A.S.I.) | 100.00 | 100.00 | | 100.00 | | |
| Total Sewer Utility Appropriations | \$ 435,515.00 | \$ 435,515.00 | \$ 410,149.41 | \$ 25,365.59 | \$ -0- | |

Ref.

E

BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

| | <u>Ref.</u> | <u>Analysis of Paid or Charged</u> |
|----------------------|-------------|--|
| Cash Disbursed | | \$ 404,149.41 |
| Encumbrances Payable | E | <u>6,000.00</u> |
| | | <u>\$ 410,149.41</u> |

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

BOROUGH OF KINNELON
COUNTY OF MORRIS
2017
PUBLIC ASSISTANCE FUND

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

| | December 31, | |
|--------------------------------------|--------------|--------------|
| | 2017 | 2016 |
| <u>ASSETS</u> | | |
| Cash and Cash Equivalents | \$ 9,547.90 | \$ 10,156.28 |
| TOTAL ASSETS | \$ 9,547.90 | \$ 10,156.28 |
| <u>LIABILITIES</u> | | |
| Reserve for Public Assistance Fund I | \$ 9,547.90 | \$ 10,156.28 |
| TOTAL LIABILITIES AND RESERVES | \$ 9,547.90 | \$ 10,156.28 |

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

BOROUGH OF KINNELON
COUNTY OF MORRIS
2017
GENERAL FIXED ASSETS ACCOUNT GROUP

(UNAUDITED)

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

| <u>ASSETS</u> | December 31, | |
|----------------------------|-------------------------|-------------------------|
| | 2017 | 2016 |
| Land | \$ 10,236,364.00 | \$ 10,236,364.00 |
| Buildings and Improvements | 2,961,025.00 | 2,961,025.00 |
| Equipment | 5,066,935.00 | 5,066,935.00 |
| <u>TOTAL ASSETS</u> | <u>\$ 18,264,324.00</u> | <u>\$ 18,264,324.00</u> |
| <u>RESERVES</u> | | |
| Reserve for Fixed Assets | \$ 18,264,324.00 | \$ 18,264,324.00 |
| <u>TOTAL RESERVES</u> | <u>\$ 18,264,324.00</u> | <u>\$ 18,264,324.00</u> |

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Description of Funds

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

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

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

B. Description of Funds (Cont'd)

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

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

Sewer Utility Operating- Account for the operations, resources and expenditures of the municipally owned sewer utility.

Public Assistance Fund - Receipt and disbursement of funds that provide assistance to certain residents of the municipality pursuant to Title 44 of New Jersey Statutes.

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

C. Basis of Accounting

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

The more significant accounting policies in New Jersey follow.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey. Federal and state grants are generally recognized on the cash basis, except for certain assistance which is not realized until anticipated in the Borough's budget in the Current Fund. Grant revenue is realized in the Capital Funds when improvements are authorized. The amounts recorded as property taxes receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

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

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

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

C. Basis of Accounting (Cont'd)

Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

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

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

D. Deferred Charges to Future Taxation

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

E. Other significant accounting policies include:

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

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

Investments – Investments are stated at cost.

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

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

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 2: Long-Term Debt

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

Summary of Municipal Debt

| | <u>December 31,</u> | | |
|--------------------------------------|----------------------|----------------------|----------------------|
| | <u>2017</u> | <u>2017</u> | <u>2016</u> |
| <u>Issued</u> | | | |
| General: | | | |
| Bonds and Notes | \$ 14,596,850 | \$ 15,605,850 | \$ 13,345,000 |
| Water Utility: | | | |
| Bonds and Notes | 423,000 | 443,000 | 458,000 |
| Total Issued | <u>15,019,850</u> | <u>16,048,850</u> | <u>13,803,000</u> |
| <u>Authorized but not Issued:</u> | | | |
| General: | | | |
| Bonds and Notes | 326,498 | 326,498 | 4,007,304 |
| Water Utility: | | | |
| Bonds and Notes | 54,000 | 54,000 | 54,000 |
| Total Authorized but not Issued | <u>380,498</u> | <u>380,498</u> | <u>4,061,304</u> |
| <u>Less:</u> | | | |
| General: | | | |
| Reserve to Pay Debt Service | \$ 951,148 | \$ 1,041,182 | \$ 821,496 |
| | <u>951,148</u> | <u>1,041,182</u> | <u>821,496</u> |
| Net Bonds and Notes | | | |
| Issued and Authorized but not Issued | <u>\$ 14,449,200</u> | <u>\$ 15,388,166</u> | <u>\$ 17,042,808</u> |

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement as of December 31, 2017 and indicates a statutory net debt of .65%.

| | <u>Gross Debt</u> | <u>Deductions</u> | <u>Net Debt</u> |
|----------------------|----------------------|----------------------|----------------------|
| School District Debt | \$ 16,950,000 | \$ 16,950,000 | |
| Water Utility Debt | 477,000 | 477,000 | |
| General Debt | <u>14,923,348</u> | <u>951,148</u> | <u>\$ 13,972,200</u> |
| | <u>\$ 32,350,348</u> | <u>\$ 18,378,148</u> | <u>\$ 13,972,200</u> |

Net Debt \$13,972,200 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$2,125,112,791= .65%.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

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

| | | |
|---|----|-------------------|
| 3-1/2% Average Equalized Valuation of Real Property | \$ | 74,378,983 |
| Net Debt | | <u>13,972,200</u> |
| Remaining Borrowing Power | \$ | <u>60,406,783</u> |

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

| | | |
|--|----|----------------|
| Cash Receipts from Fees, Rents or Other Charges for Year | \$ | 626,908 |
| Deductions: | | |
| Operating and Maintenance Costs | \$ | 544,937 |
| Debt Service | | <u>29,798</u> |
| | | <u>574,735</u> |
| Excess in Revenue | \$ | <u>52,173</u> |

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

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

BOROUGH OF KINNELON
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2017
 (Continued)

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

Summary of Municipal Debt Issued and Outstanding - Prior Year

| Fund | Balance 12/31/2015 | Additions | Retirements | Balance 12/31/2016 |
|----------------------------|-----------------------|---------------------|-------------------|-----------------------|
| Serial Bonds: | | | | |
| General Capital Fund | \$ 13,345,000 | | \$ 870,000 | \$ 12,475,000 |
| Water Utility Capital Fund | 458,000 | | 15,000 | 443,000 |
| Bond Anticipation Notes: | | | | |
| General Capital Fund | | \$ 3,130,850 | | 3,130,850 |
| | <u>\$ 13,803,000</u> | <u>\$ 3,130,850</u> | <u>\$ 885,000</u> | <u>\$ 16,048,850</u> |

Summary of Municipal Debt Issued and Outstanding - Current Year

| Fund | Balance 12/31/2016 | Additions | Retirements | Balance 12/31/2017 |
|----------------------------|-----------------------|---------------------|---------------------|-----------------------|
| Serial Bonds: | | | | |
| General Capital Fund | \$ 12,475,000 | | \$ 880,000 | \$ 11,595,000 |
| Water Utility Capital Fund | 443,000 | | 20,000 | 423,000 |
| Bond Anticipation Notes: | | | | |
| General Capital Fund | 3,130,850 | \$ 3,001,850 | 3,130,850 | 3,001,850 |
| | <u>\$ 16,048,850</u> | <u>\$ 3,001,850</u> | <u>\$ 4,030,850</u> | <u>\$ 15,019,850</u> |

At December 31, 2017, the Borough had capital debt issued and outstanding described as follows:

General Capital Bond Anticipation Notes

| Purpose | Final Maturity | Rate | |
|----------------------|----------------|-------|--------------|
| Various Improvements | 03/09/18 | 2.00% | \$ 3,001,850 |

General Capital Serial Bonds

| Purpose | Final Maturity | Rate | |
|----------------------|----------------|---------------|-----------|
| General Refunding | 03/01/24 | 4.00% - 4.75% | 3,345,000 |
| General Improvements | 02/01/32 | 1.50% - 3.00% | 8,250,000 |

Water Utility Capital Serial Bonds

| Purpose | Final Maturity | Rate | |
|--------------------|----------------|---------------|---------|
| Water Improvements | 02/01/32 | 1.50% - 3.00% | 423,000 |

| | |
|-----------------------------------|----------------------|
| Total Debt Issued and Outstanding | <u>\$ 15,019,850</u> |
|-----------------------------------|----------------------|

BOROUGH OF KINNELON
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2017
 (Continued)

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

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

| Calendar Year | General | | Water | | Total |
|---------------|----------------------|---------------------|-------------------|------------------|----------------------|
| | Principal | Interest | Principal | Interest | |
| 2018 | \$ 910,000 | \$ 321,163 | \$ 25,000 | \$ 9,434 | \$ 1,265,597 |
| 2019 | 915,000 | 294,756 | 25,000 | 9,059 | 1,243,815 |
| 2020 | 950,000 | 267,250 | 25,000 | 8,626 | 1,250,876 |
| 2021 | 950,000 | 238,750 | 25,000 | 8,132 | 1,221,882 |
| 2022 | 985,000 | 207,981 | 25,000 | 7,632 | 1,225,613 |
| 2023-2027 | 3,760,000 | 640,269 | 150,000 | 28,918 | 4,579,187 |
| 2028-2032 | 3,125,000 | 236,625 | 148,000 | 9,124 | 3,518,749 |
| | <u>\$ 11,595,000</u> | <u>\$ 2,206,794</u> | <u>\$ 423,000</u> | <u>\$ 80,925</u> | <u>\$ 14,305,719</u> |

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$6,786,970 at June 30, 2017. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$8,146,297 at June 30, 2017. See Note 6 for further information on the PERS and PFRS.

Note 3: Fund Balances Appropriated

Fund balances at December 31, 2017, which were included in the adopted budget as anticipated revenue for the year ending December 31, 2018 budget, were as follows:

| | |
|------------------------------|--------------|
| Current Fund | \$ 1,333,000 |
| Water Utility Operating Fund | 47,000 |
| Sewer Utility Operating Fund | 77,515 |

Note 4: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of the succeeding years. At December 31, 2017, there were deferred charges to be raised in succeeding years budgets in the Current Fund.

| | Balance at Dec. 31, 2017 | To be Raised in 2018 Budget | Balance to Succeeding Years Budgets |
|---------------------------------|-----------------------------|-----------------------------------|---|
| Current Fund: | | | |
| Special Emergency Authorization | \$ 156,000.00 | \$ 52,000.00 | \$ 104,000.00 |

The appropriation in the 2018 budget is not less than that required by statute.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 5: School District Taxes

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

Note 6: Pension Plans

Borough employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee's Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law.

This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$254,242 for 2017.

The employee contribution rate was 7.20% effective July 1, 2016 and increased to 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2017, the Borough's liability was \$6,786,970 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the Borough's proportion was 0.0292%, which was an increase of 0.0005% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Borough recognized actual pension expense in the amount of \$254,242.

Actuarial Assumptions

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

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

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

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the following table:

BOROUGH OF KINNELON
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2017
 (Continued)

Note 6: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------------|--------------------------|---|
| Absolute Return/Risk Mitigation | 5.00% | 5.51% |
| Cash Equivalents | 5.50% | 1.00% |
| U.S. Treasuries | 3.00% | 1.87% |
| Investment Grade Credit | 10.00% | 3.78% |
| Public High Yield | 2.50% | 6.82% |
| Global Diversified Credit | 5.00% | 7.10% |
| Credit Oriented Hedge Funds | 1.00% | 6.60% |
| Debt Related Private Equity | 2.00% | 10.63% |
| Debt Related Real Estate | 1.00% | 6.61% |
| Private Real Asset | 2.50% | 11.83% |
| Equity Related Real Estate | 6.25% | 9.23% |
| U.S. Equity | 30.00% | 8.19% |
| Non-U.S. Developed Market Equit | 11.50% | 9.00% |
| Emerging Markets Equity | 6.50% | 11.64% |
| Buyouts/Venture Capital | 8.25% | 13.08% |

Discount Rate

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

BOROUGH OF KINNELON
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2017
 (Continued)

Note 6: Pension Plans (Cont'd)

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

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

The following presents the Borough's proportionate share of the collective net pension liability as of June 30, 2017 calculated using the discount rate as disclosed below, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | June 30, 2017 | | |
|---|---------------------------|-------------------------------------|---------------------------|
| | 1% Decrease (4.00%) | Current Discount Rate (5.00%) | 1% Increase (6.00%) |
| Borough's proportionate share of the Net Pension Liability | \$ 8,419,697 | \$ 6,786,970 | \$ 5,426,706 |

Pension Plan Fiduciary Net Position

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

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

Plan Description

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

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

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

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

Plan Description (Cont'd)

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

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual amounts over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. The June 30, 2017 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense for the fiscal year ended June 30, 2017 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2017. The pension expense is deemed to be a State administrative expense due to the special funding situation.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

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

Special Funding Situation (Cont'd)

Borough contributions to PFRS amounted to \$435,880 for the year ended December 31, 2017. During the fiscal year ended June 30, 2017, the State of New Jersey contributed \$45,267 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$111,614.

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

Pension Liabilities and Pension Expense

At June 30, 2017, the Borough's liability for its proportionate share of the net pension liability was \$8,146,297. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the Borough's proportion was 0.0527%, which was a decrease of 0.0007% from its proportion measured as of June 30, 2016.

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$912,454 as of June 30, 2017. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The State's proportionate share of the net pension liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the State's proportion was 0.0527%, which was a decrease of 0.0007% from its proportion measured as of June 30, 2016 which is the same proportion as the Borough's.

| | |
|---|---------------------|
| Borough's Proportionate Share of the Net Pension Liability | \$ 8,146,297 |
| State's Proportionate Share of the Net Pension Liability Associated with the Borough | <u>912,454</u> |
| Total Net Pension Liability | <u>\$ 9,058,751</u> |

For the year ended December 31, 2017, the Borough recognized total pension expense of \$435,880.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

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

Actuarial Assumptions

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

| | |
|---------------------------|----------------------------|
| Inflation Rate | 2.25% |
| Salary Increases: | |
| Through 2026 | 2.10% - 8.98% based on age |
| Thereafter | 3.10% - 9.98% based on age |
| Investment Rate of Return | 7.00% |

Pre-retirement mortality rates were based on the RP-2000 Pre-retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and three years using the plan actuary's modified 2014 projection scales and further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then three years using the plan actuary's modified 2014 projection scales and further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability retirement rates were based on the special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2017 are summarized in the following table:

BOROUGH OF KINNELON
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2017
 (Continued)

Note 6: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------------|--------------------------|---|
| Absolute Return/Risk Mitigation | 5.00% | 5.51% |
| Cash Equivalents | 5.50% | 1.00% |
| U.S. Treasuries | 3.00% | 1.87% |
| Investment Grade Credit | 10.00% | 3.78% |
| Public High Yield | 2.50% | 6.82% |
| Global Diversified Credit | 5.00% | 7.10% |
| Credit Oriented Hedge Funds | 1.00% | 6.60% |
| Debt Related Private Equity | 2.00% | 10.63% |
| Debt Related Real Estate | 1.00% | 6.61% |
| Private Real Asset | 2.50% | 11.83% |
| Equity Related Real Estate | 6.25% | 9.23% |
| U.S. Equity | 30.00% | 8.19% |
| Non-U.S. Developed Market Equit | 11.50% | 9.00% |
| Emerging Markets Equity | 6.50% | 11.64% |
| Buyouts/Venture Capital | 8.25% | 13.08% |

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

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

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Borough) as of June 30, 2017 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | June 30, 2017 | | |
|---|------------------------------|--|------------------------------|
| | At 1% Decrease (5.14%) | At Current Discount Rate (6.14%) | At 1% Increase (7.14%) |
| Borough's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Borough | \$ 11,935,651 | \$ 9,058,751 | \$ 6,695,051 |

Pension Plan Fiduciary Net Position - PFRS

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the Borough recognized pension expense of \$6,322 for the year ended December 31, 2017. Employee contributions to DCRP amounted to \$11,608 for the year ended December 31, 2017.

BOROUGH OF KINNELON
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2017
 (Continued)

Note 7: Selected Tax Rate Information

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

| | <u>2017*</u> | <u>2016</u> | <u>2015</u> |
|----------------------------------|------------------|------------------|------------------|
| <u>Tax Rate</u> | \$ 2.490 | \$ 3.251 | \$ 3.120 |
| <u>Apportionment of Tax Rate</u> | | | |
| Municipal | 0.467 | 0.625 | 0.546 |
| County | 0.259 | 0.326 | 0.332 |
| Local School | 1.731 | 2.256 | 2.200 |
| Library | 0.033 | 0.044 | 0.042 |
| <u>Assessed Valuations</u> | | | |
| 2017 | \$ 2,138,950,200 | | |
| 2016 | | \$ 1,596,368,200 | |
| 2015 | | | \$ 1,595,070,200 |

*-Revaluation year

Comparison of Tax Levies and Collections Currently

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

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

| <u>Year</u> | <u>Tax Levy</u> | <u>Currently</u> | |
|-------------|-----------------|-------------------------|---------------------------------|
| | | <u>Cash Collections</u> | <u>Percentage of Collection</u> |
| 2017 | \$ 53,359,741 | \$ 52,702,872 | 98.77% |
| 2016 | 51,937,545 | 51,307,141 | 98.79% |
| 2015 | 49,899,633 | 49,319,003 | 98.84% |

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 8: Cash and Cash Equivalents

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

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

GASB requires disclosure of the level of custodial credit risk assumed by the Borough in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

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

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

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

Deposits:

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

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

The market value of the collateral must equal 5% of the average daily balance of public funds; and in addition

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

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

Investments:

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

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

Investments (Cont'd)

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

As of December 31, 2017, cash and cash equivalents of the Borough of Kinnelon consisted of the following:

| <u>Fund</u> | <u>Checking Accounts</u> | <u>Cash on Hand</u> | <u>Totals</u> |
|-------------------------|------------------------------|-------------------------|-------------------------|
| Current | \$ 11,385,856.75 | \$ 680.00 | \$ 11,386,536.75 |
| Animal Control | 37,322.95 | | 37,322.95 |
| Other Trust | 2,320,174.50 | | 2,320,174.50 |
| General Capital | 2,766,914.73 | | 2,766,914.73 |
| Water Utility Operating | 428,075.30 | 100.00 | 428,175.30 |
| Water Utility Capital | 126,382.79 | | 126,382.79 |
| Sewer Utility Operating | 87,614.39 | | 87,614.39 |
| Public Assistance | 9,547.90 | | 9,547.90 |
| | <u>\$ 17,161,889.31</u> | <u>\$ 780.00</u> | <u>\$ 17,162,669.31</u> |

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

Investments (Cont'd)

The carrying amount of the Borough of Kinnelon's cash and cash equivalents at cost at December 31, 2017, was \$17,162,669.31 and the bank balance was \$14,566,369.68.

Note 9: Accrued Sick and Vacation Benefits

The Borough has permitted employees to accrue unused sick pay, which may be taken as time off or paid upon retirement or separation at the employee's current rate upon such termination. It is estimated that the current cost of such unpaid compensation would approximate \$863,378. This amount is not reported either as an expenditure or liability. However, it is expected that the cost of such unpaid compensation would be included in the Borough's budget operating expenditures in the year in which it is used. This amount is partially funded in the Reserve for Accrued Sick and Vacation of \$437,534 on the Trust Funds balance sheet at December 31, 2017.

Note 10: Risk Management

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

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

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

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

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

This Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Auditing Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The Fund's financial statements for the year ended December 31, 2017 were unavailable at the time of this audit. Selected financial information for the Fund as of December 31, 2016 is as follows:

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 10: Risk Management (Cont'd)

| | |
|------------------------|----------------------|
| Total Assets | <u>\$ 27,753,863</u> |
| Net Position | <u>\$ 12,178,035</u> |
| Total Revenue | <u>\$ 19,261,910</u> |
| Total Expenses | <u>\$ 15,715,706</u> |
| Change in Net Position | <u>\$ 3,546,204</u> |
| Members Dividends | <u>\$ -0-</u> |

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

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

New Jersey Unemployment Compensation Insurance

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

Note 11: Contingencies

The Borough is periodically involved in lawsuits arising in the normal course of business, including claims for disputes over contract awards. In the opinion of management, the ultimate outcome of these lawsuits will not have a material adverse effect on the Borough's financial position as of December 31, 2017.

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

Various tax appeals on assessed valuations have been filed against the Borough and are awaiting tax court decisions. The ultimate outcome and effect of such appeals have not been determined; however, the Borough Tax Assessor will aggressively defend the Borough's assessments. The Borough has established a reserve for this contingency in the amount of \$288,152, which the Borough believes is adequate to cover any potential liability.

Note 12: Open Space Trust Fund

The Borough of Kinnelon created an Open Space Trust Fund in a prior year. The funds collected are used to acquire and maintain open space property in the Borough. The balances of the Open Space Trust Fund at December 31, 2017 and 2016 were \$475,020 and \$909,631, respectively.

BOROUGH OF KINNELON
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2017
 (Continued)

Note 13: Economic Dependency

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

Note 14: Deferred Compensation Plan

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

Note 15: 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. There were no payments made under the plan in 2017.

Note 16: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2017:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|------------------------------|---------------------------------|------------------------------|
| Current | \$ 110,000.00 | \$ 1,087,369.13 |
| General Capital | 547,000.00 | 110,000.00 |
| Water Utility Operating | 35,209.34 | 0.21 |
| Water Utility Capital | 0.21 | |
| Sewer Utility Operating | 156,975.00 | 55,872.04 |
| Federal and State Grant Fund | 232,208.37 | |
| Other Trust | 673,848.46 | 502,000.00 |
| | <u>\$ 1,755,241.38</u> | <u>\$ 1,755,241.38</u> |

The Current Fund interfund payable represents cash transactions made on behalf of the Federal and State Grant fund that have not been received in cash, as well as a portion of the Reserve for Sale of Assets that has been allocated to the Sewer Utility Operating Fund that has not yet been transferred. The interfund between the Other Trust Funds and the Current Fund represents reserve for accumulated absences and storm recovery that have not yet been transferred in cash, as well as tax sale premiums received in Current Fund that are due to the Other Trust Fund. The interfund between General Capital Fund and Current Fund represents debt service reserve anticipated in Current Fund and not yet transferred. The interfund between General Capital Fund and Trust Funds represents funds appropriated for improvement authorizations not yet transferred. The interfund between General Capital Fund and Sewer Operating represents funds appropriated for improvement authorizations not yet transferred. The interfund between Water Utility Operating Fund and Sewer Utility Operating Fund for cash collected in the Sewer Utility Operating fund that has not yet been transferred to the Water Utility Operating Fund.

SUPPLEMENTARY DATA

BOROUGH OF KINNELON
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2017

| Name | Title | Amount of Bond |
|--------------------|--|-----------------|
| Robert W. Collins | Mayor | |
| James Freda | Councilmember | |
| Clifford Giantonio | Councilmember | |
| Vincent Russo | Councilmember | |
| Glenn Sisco | Councilmember | |
| Carol Sventy | Councilmember | |
| William Yago | Councilmember | |
| Kelly Lombardi | Chief Financial Officer (until 10/20/2016) | |
| Karen Iuele | Acting Borough Clerk | |
| Jennifer Stillman | Treasurer | \$ 1,000,000.00 |
| Judith O'Brien | Tax Collector; Tax Search Officer, Water and Sewer Collector | 1,000,000.00 |
| 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 | |
| Ed Buzak | Borough Attorney | |

All bonds were examined and were properly executed.

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

BOROUGH OF KINNELON
COUNTY OF MORRIS
2017
CURRENT FUND

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF CASH - TREASURER

| | <u>Ref.</u> | |
|---|------------------|-----------------|
| Balance December 31, 2016 | A | \$ 5,268,041.13 |
| Increased by Receipts: | | |
| Tax Collector | \$ 59,747,241.98 | |
| Miscellaneous Revenue Not Anticipated | 62,217.90 | |
| Revenue Accounts Receivable | 1,226,207.53 | |
| State of New Jersey - | | |
| Senior Citizens' and Veterans' Deductions | 57,108.70 | |
| Appropriation Refunds | 271,555.43 | |
| Appropriation Reserve Refunds | 9,600.66 | |
| Due State of New Jersey | | |
| Building Surcharge Fees | 14,479.00 | |
| Marriage Licenses | 875.00 | |
| Due to Borough of Butler | 1,475.69 | |
| Due to Federal and State Grant Fund: | | |
| Unappropriated Grant Reserves | 23,986.57 | |
| Grants Receivable | 122,964.91 | |
| | | 61,537,713.37 |
| | | 66,805,754.50 |

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF CASH - TREASURER
(Continued)

| | <u>Ref.</u> | |
|--|-------------|------------------|
| Decreased by Disbursements: | | |
| 2017 Appropriations | \$ | 11,515,108.88 |
| 2016 Appropriation Reserves | | 511,854.42 |
| Refund of Tax Overpayments | | 27,681.03 |
| County Taxes | | 5,542,421.15 |
| Local School District Taxes | | 37,014,983.00 |
| Due to Borough of Butler | | 964.94 |
| Due State of NJ: | | |
| Building Surcharge Fees | | 13,993.00 |
| Marriage License Fees | | 775.00 |
| Accounts Payable | | 24,570.88 |
| Due to Other Trust Funds: | | |
| Prior Year Interfund | | 243,100.00 |
| Tax Premiums on Behalf of Trust | | 54,100.00 |
| Third-Party Lien Redemptions | | 254,258.54 |
| Appropriated Grant Reserve Expenditure | | 166,594.18 |
| Reserve for Revaluation of Real Property | | 48,892.73 |
| Refund of Miscellaneous Revenue | | 600.00 |
| | | \$ 55,419,897.75 |
| Balance December 31, 2017 | A | \$ 11,385,856.75 |

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2017

Increased by Receipts:

| | |
|------------------------------|---------------------|
| Interest and Costs on Taxes | \$ 131,159.59 |
| Taxes Receivable | 52,793,871.41 |
| 2018 Prepaid Taxes | 6,553,863.89 |
| Tax Overpayments | 50,956.42 |
| Third-Party Lien Redemptions | 217,390.67 |
| | <hr/> 59,747,241.98 |

Decreased by:

| | |
|---------------------------------|--------------------------------|
| Amount Turned Over to Treasurer | <u><u>\$ 59,747,241.98</u></u> |
|---------------------------------|--------------------------------|

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

| Year | Balance | | Collections | | Tax Overpayments Applied | Senior Citizen & Veteran Deductions | Taxes Cancelled | Transferred to Tax Title Liens | Balance Dec. 31, 2017 |
|-------|---------------|------------------|---------------|------------------|--------------------------|-------------------------------------|-----------------|--------------------------------|-----------------------|
| | Dec. 31, 2016 | 2017 Levy | 2016 | 2017 | | | | | |
| 2015 | \$ 9,924.08 | | \$ | 9,924.08 | | | | | |
| 2016 | 473,352.01 | | | 455,619.18 | | \$ (2,391.30) | \$ 1,055.50 | \$ 1,944.85 | \$ 17,123.78 |
| | 483,276.09 | | | 465,543.26 | | (2,391.30) | 1,055.50 | 1,944.85 | 17,123.78 |
| 2017 | | \$ 53,359,741.35 | \$ 314,651.73 | 52,328,328.15 | \$ 995.92 | 58,896.58 | 267,779.08 | 64,040.43 | 325,049.46 |
| Total | \$ 483,276.09 | \$ 53,359,741.35 | \$ 314,651.73 | \$ 52,793,871.41 | \$ 995.92 | \$ 56,505.28 | \$ 268,834.58 | \$ 65,985.28 | \$ 342,173.24 |

Ref. A

Analysis of 2017 Property Tax Levy

| | |
|-----------------------------------|-------------------------|
| Tax Yield: | |
| General Purpose Tax | \$ 53,259,859.98 |
| Added, Omitted and Rollback Taxes | 99,881.37 |
| | <u>\$ 53,359,741.35</u> |

Tax Levy:

| | | |
|--|-----------------|-------------------------|
| Local School District Taxes | | 37,014,983.00 |
| County Taxes | \$ 5,344,576.83 | |
| County Open Space Taxes | 187,456.05 | |
| County Added & Omitted Taxes | 10,388.27 | |
| Local Taxes for Open Space - Due Other Trust Funds | | 5,542,421.15 |
| | | <u>106,948.00</u> |
| | | 42,664,352.15 |
| Local Tax for Municipal Purposes | 9,895,827.92 | |
| Minimum Library Tax | 709,591.00 | |
| Add: Additional Tax Levied | 89,970.28 | |
| | | <u>10,695,389.20</u> |
| | | <u>\$ 53,359,741.35</u> |

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

| | <u>Ref.</u> | |
|--------------------------------|-------------|----------------------|
| Balance December 31, 2016 | A | \$ 612,283.43 |
| Increased by: | | |
| Transfer from Taxes Receivable | | <u>65,985.28</u> |
| Balance December 31, 2017 | A | <u>\$ 678,268.71</u> |

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Balance | Accrued In | Collected by | | Balance |
|--------------------------------------|---------------|------------|--------------|--------------|---------------|
| | Dec. 31, 2016 | 2017 | Collector | Treasurer | Dec. 31, 2017 |
| Clerk: | | | | | |
| Licenses: | | | | | |
| Alcoholic Beverage | \$ | 14,322.00 | \$ | 14,322.00 | |
| Other | | 36,730.00 | | 36,730.00 | |
| Fees and Permits | | 30,868.98 | | 30,868.98 | |
| Municipal Court: | | | | | |
| Fines and Costs | \$ | 70,803.21 | | 68,400.86 | \$ |
| Interest and Costs on Taxes | | 131,159.59 | \$ | 131,159.59 | 6,115.80 |
| Interest on Investments and Deposits | | 45,860.69 | | 45,860.69 | |
| Cable Franchise Fees | | 46,770.00 | | 46,770.00 | |
| Uniform Construction Code Official | | 206,304.00 | | 206,304.00 | |
| Energy Receipts Taxes | | 557,994.00 | | 557,994.00 | |
| Watershed Moratorium Aid | | 45,261.00 | | 45,261.00 | |
| Garden State Trust Fund | | 173,696.00 | | 173,696.00 | |
| | \$ | 3,713.45 | \$ | 1,359,769.47 | \$ |
| | | | | 131,159.59 | 6,115.80 |
| | | | | 1,226,207.53 | |

A

A

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2017

Not Applicable

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

| | Balance Dec. 31, 2016 | Balance After Modification | Paid or Charged | Balance Lapsed |
|---|--------------------------|----------------------------------|--------------------|-------------------|
| GENERAL GOVERNMENT: | | | | |
| General Administration: | | | | |
| Salaries and Wages | \$ 4,506.04 | \$ 4,506.04 | | \$ 4,506.04 |
| Other Expenses | 39,332.20 | 39,332.20 | \$ 8,002.99 | 31,329.21 |
| Office of the Mayor: | | | | |
| Salaries and Wages | 83.81 | 83.81 | | 83.81 |
| Other Expenses | 14.50 | 14.50 | | 14.50 |
| Clerk's Office: | | | | |
| Salaries and Wages | 24,457.07 | 24,457.07 | | 24,457.07 |
| Other Expenses | 2,283.26 | 2,283.26 | 1,103.46 | 1,179.80 |
| Financial Administration: | | | | |
| Salaries and Wages | 6,444.04 | 4,444.04 | 1,426.50 | 3,017.54 |
| Other Expenses | 394.89 | 2,394.89 | 2,200.22 | 194.67 |
| Webmaster - Other Expenses | 11,995.00 | 11,995.00 | | 11,995.00 |
| Audit Services: | | | | |
| Other Expenses | 30,000.00 | 30,000.00 | 30,000.00 | |
| Collection of Taxes: | | | | |
| Salaries and Wages | 5,719.18 | 5,719.18 | 1,512.00 | 4,207.18 |
| Other Expenses | 4,151.63 | 4,151.63 | 588.00 | 3,563.63 |
| Assessment of Taxes: | | | | |
| Salaries and Wages | 2,697.73 | 2,697.73 | | 2,697.73 |
| Other Expenses | 12,799.81 | 12,799.81 | 9,769.11 | 3,030.70 |
| Legal Services and Costs: | | | | |
| Miscellaneous Other Expenses | 568.13 | 24,568.13 | 24,404.43 | 163.70 |
| Engineering Services and Costs: | | | | |
| Other Expenses | 14.00 | 14.00 | | 14.00 |
| Historical Preservation Commission: | | | | |
| Salaries and Wages | 88.20 | 88.20 | | 88.20 |
| Other Expenses | 1,943.99 | 1,943.99 | 1,447.54 | 496.45 |
| Municipal Land Use Law (N.J.S.A. 40:55D-1): | | | | |
| Planning Board: | | | | |
| Salaries and Wages | 11,605.00 | 11,605.00 | | 11,605.00 |
| Other Expenses | 8,445.75 | 8,445.75 | 1,497.19 | 6,948.56 |
| Zoning Board of Adjustment: | | | | |
| Salaries and Wages | (3.86) | 0.14 | | 0.14 |
| Other Expenses | 12,512.48 | 12,508.48 | 809.12 | 11,699.36 |
| PUBLIC SAFETY: | | | | |
| Municipal Court: | | | | |
| Salaries and Wages | 14,131.68 | 14,131.68 | 1,262.50 | 12,869.18 |
| Other Expenses | 6,485.45 | 6,485.45 | 881.88 | 5,603.57 |

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

| | Balance Dec. 31, 2016 | Balance After Modification | Paid or Charged | Balance Lapsed |
|-------------------------------------|--------------------------|----------------------------------|--------------------|-------------------|
| PUBLIC SAFETY: | | | | |
| Police Department: | | | | |
| Salaries and Wages | \$ 51,116.45 | \$ 51,116.45 | \$ 5,600.95 | \$ 45,515.50 |
| Other Expenses | 42,411.07 | 42,411.07 | 14,304.56 | 28,106.51 |
| Police Dispatch/911: | | | | |
| Salaries and Wages | 9,625.79 | 9,625.79 | 3,446.72 | 6,179.07 |
| Office of Emergency Management: | | | | |
| Other Expenses | 459.90 | 459.90 | | 459.90 |
| Aid to Volunteer Fire Companies: | | | | |
| Other Expenses | 3,883.15 | 3,883.15 | 3,883.15 | |
| Aid to Tri-Borough Ambulance Squad: | | | | |
| Other Expenses | 11,000.00 | 11,000.00 | 10,169.07 | 830.93 |
| Fire Prevention Bureau: | | | | |
| Salaries and Wages | 881.70 | 881.70 | 750.00 | 131.70 |
| Other Expenses | 1,467.31 | 1,467.31 | | 1,467.31 |
| PUBLIC WORKS: | | | | |
| Streets and Roads Maintenance: | | | | |
| Salaries and Wages | 23,688.00 | 23,688.00 | 3,462.55 | 20,225.45 |
| Other Expenses | 38,520.47 | 26,520.47 | 6,729.93 | 19,790.54 |
| Garbage and Trash Removal: | | | | |
| Salaries and Wages | 6,000.00 | 6,000.00 | 560.00 | 5,440.00 |
| Other Expenses | 99,518.76 | 97,518.76 | 98,766.66 | (1,247.90) |
| Vehicle Maintenance | | | | |
| Other Expenses | 26,074.28 | 26,074.28 | 15,646.37 | 10,427.91 |
| Building and Grounds: | | | | |
| Other Expenses | 11,463.62 | 11,463.62 | 4,962.42 | 6,501.20 |
| HEALTH AND HUMAN SERVICES: | | | | |
| Board of Health: | | | | |
| Salaries and Wages | 13.66 | 13.66 | | 13.66 |
| Other Expenses | 346.62 | 346.62 | | 346.62 |
| Animal Control Services: | | | | |
| Other Expenses | 1,000.00 | 1,000.00 | | 1,000.00 |
| Environmental Commission: | | | | |
| Salaries and Wages | 577.02 | 557.02 | | 557.02 |
| Other Expenses | 682.87 | 702.87 | 700.00 | 2.87 |
| PARKS AND RECREATION FUNCTIONS: | | | | |
| Recreation Services: | | | | |
| Salaries and Wages | 1,129.96 | 1,129.96 | | 1,129.96 |
| Other Expenses | 19,955.05 | 19,955.05 | 7,794.49 | 12,160.56 |

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

| | Balance Dec. 31, 2016 | Balance After Modification | Paid or Charged | Balance Lapsed |
|--|--------------------------|----------------------------------|--------------------|-------------------|
| OTHER COMMON OPERATING FUNCTIONS: | | | | |
| Accumulated Absence: | | | | |
| Salaries and Wages | \$ 6,815.00 | \$ 6,815.00 | | \$ 6,815.00 |
| Celebration of Public Events: | | | | |
| Other Expenses | 1,768.06 | 1,768.06 | | 1,768.06 |
| Smoke Rise - Condo Costs | | | | |
| Other Expenses | 150,000.00 | 150,000.00 | \$ 103,932.30 | 46,067.70 |
| UTILITY EXPENSE AND BULK PURCHASES: | | | | |
| Electricity | 4.57 | 4,904.57 | 4,816.66 | 87.91 |
| Street Lighting | 877.97 | 877.97 | 455.87 | 422.10 |
| Water | 1,950.75 | 1,950.75 | 1,634.66 | 316.09 |
| Natural Gas | | 2,800.00 | 2,786.83 | 13.17 |
| Gasoline | 42,342.36 | 39,582.36 | 13,108.38 | 26,473.98 |
| Landfill/Solid Waste Disposal Costs | 78,822.16 | 60,522.16 | 55,481.89 | 5,040.27 |
| STATE UNIFORM CONSTRUCTION CODE: | | | | |
| Construction Official: | | | | |
| Salaries and Wages | 4,303.03 | 1,803.03 | | 1,803.03 |
| Other Expenses | 500.00 | 500.00 | | 500.00 |
| Insurance: | | | | |
| Employee Group Health | 38,091.98 | 38,091.98 | 208.00 | 37,883.98 |
| Flexible Spending Advance | 3,000.00 | 3,000.00 | | 3,000.00 |
| Unemployment Insurance | | 360.00 | 357.56 | 2.44 |
| Contingent | 1,000.00 | 1,000.00 | | 1,000.00 |
| STATUTORY EXPENDITURES | | | | |
| Contribution to: | | | | |
| Social Security System (O.A.S.I.) | | 3,500.00 | 3,500.00 | |
| Volunteer Fire - VSAP | 4,460.77 | 4,460.77 | | 4,460.77 |
| OPERATIONS EXCLUDED FROM "CAPS" | | | | |
| Maintenance of Free Public Library (PL 1988, Ch.82): | | | | |
| Other Expenses | 12,829.48 | 12,829.48 | 12,829.48 | |
| Storm Water Management: | | | | |
| Salaries and Wages | 1,293.19 | 1,293.19 | | 1,293.19 |
| Other Expenses | 27,826.34 | 27,826.34 | | 27,826.34 |

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

| | <u>Balance</u> <u>Dec. 31, 2016</u> | <u>Balance</u> <u>After</u> <u>Modification</u> | <u>Paid or</u> <u>Charged</u> | <u>Balance</u> <u>Lapsed</u> |
|---|--|---|----------------------------------|---------------------------------|
| <u>Shared Service Agreements:</u> | | | | |
| Health Services Agreement - Pequannock | \$ 0.04 | \$ 0.04 | | \$ 0.04 |
| Construction Code Services - Bloomingdale | 27,859.00 | 27,859.00 | \$ 26,191.80 | 1,667.20 |
| Dial-a-ride - Pequannock | 20,094.75 | 22,094.75 | 21,801.75 | 293.00 |
| ACO Services - Bloomingdale | 20,400.00 | 20,400.00 | | 20,400.00 |
| Dispatch Butler | 2,000.00 | 2,000.00 | | 2,000.00 |
| Mechanic Services - Bloomingdale | 4,945.15 | 4,945.15 | | 4,945.15 |
| | <u>\$ 1,001,670.26</u> | <u>\$ 1,001,670.26</u> | <u>\$ 508,786.99</u> | <u>\$ 492,883.27</u> |

| <u>Analysis of Balance December 31, 2016:</u> | <u>Ref.</u> |
|---|------------------------|
| Unencumbered | A \$ 785,563.35 |
| Encumbered | A <u>216,106.91</u> |
| | <u>\$ 1,001,670.26</u> |

| <u>Analysis of Paid or Charged:</u> | |
|-------------------------------------|----------------------|
| Cash Disbursed | \$ 511,854.42 |
| Accounts Payable | <u>6,533.23</u> |
| | 518,387.65 |
| Less: Refunds | <u>9,600.66</u> |
| | <u>\$ 508,786.99</u> |

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

Increased by:

Levy - Calendar Year 2017

\$ 37,014,983.00

Decreased by:

Payments to School District

\$ 37,014,983.00

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

| | Balance Dec. 31, 2016 | Accrued in 2017 | Received | Transfer from Unappropriated Reserves | Balance Dec. 31, 2017 |
|---|--------------------------|----------------------|----------------------|--|--------------------------|
| Charlotteburg Dam & Reservoir | \$ 2,125.00 | | | | \$ 2,125.00 |
| Highlands Water Protection: Initial Plan Assessment | 2,394.00 | | | | 2,394.00 |
| Morris County Historic Preservation | 27,399.00 | | | | 27,399.00 |
| New Jersey Body Armor Fund | 30.00 | \$ 1,783.18 | | \$ 1,783.18 | 30.00 |
| Recycling Tonnage | | 11,564.00 | | 11,564.00 | |
| Clean Communities Programs | | 21,916.91 | \$ 21,916.91 | | |
| Historical Commission | 3,000.00 | 90,048.00 | 90,048.00 | | 3,000.00 |
| SHARE Grant | 342.00 | | | | 342.00 |
| Click or Ticket | 600.00 | 5,500.00 | 5,500.00 | | 600.00 |
| Drive Sober or Get Pulled Over | 3,837.00 | | | | 3,837.00 |
| Bicycle Unit Grant | 7,695.00 | | | | 7,695.00 |
| Gypsy Moth Spraying | 4,476.00 | | | | 4,476.00 |
| Distracted Driver | | 5,500.00 | 5,500.00 | | |
| | <u>\$ 51,898.00</u> | <u>\$ 136,312.09</u> | <u>\$ 122,964.91</u> | <u>\$ 13,347.18</u> | <u>\$ 51,898.00</u> |

Ref.

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A

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

| | Balance | | Transferred from | | Balance |
|--|---------------|---------------|------------------|-------------|---------------|
| | Dec. 31, 2016 | 2017 | Current Fund | 2017 | |
| | | Budget | Expended | Encumbered | |
| Drunk Driving Enforcement Fund | \$ 2,893.00 | | | | \$ 2,893.00 |
| Municipal Alcohol Education Rehabilitation Act | 498.00 | | | | 498.00 |
| Municipal Alcohol Education | | | | | |
| Rehabilitation Act- Local Match | 2,700.00 | | \$ 695.00 | | 2,005.00 |
| Domestic Violence | 300.00 | | | | 300.00 |
| Storm Water | 10,465.00 | | | | 10,465.00 |
| Recycling Tonnage Grant | 59,162.00 | \$ 11,564.00 | 8,186.00 | \$ 2,000.00 | 60,540.00 |
| Bicycle Unit | 4,576.00 | | | | 4,576.00 |
| Community Policing Donations | 65.00 | | | | 65.00 |
| Historical Commission | 25,848.00 | 90,048.00 | 90,048.00 | | 25,848.00 |
| Historical Commission - (Open Space Match) | 73,331.00 | | 30,382.00 | | 42,949.00 |
| Alcohol Education Rehabilitation Fund | 958.31 | | | | 958.31 |
| PSE&G | 2,883.00 | | | | 2,883.00 |
| Clean Communities Grant | 34,940.77 | 21,916.91 | 24,094.58 | | 32,763.10 |
| Body Armor Replacement Fund | 756.48 | 1,783.18 | 2,188.60 | | 351.06 |
| Click It or Ticket | | 5,500.00 | 5,500.00 | | |
| Drive Sober or Get Pulled Over | 3,837.00 | | | | 3,837.00 |
| Keep Kids Alive | 34,517.00 | | | | 34,517.00 |
| Sustainable New Jersey | 6,851.13 | | | | 6,851.13 |
| Homeland Security Buffer | 11,425.00 | | | | 11,425.00 |
| Gypsy Moth Spraying | 4,476.00 | | | | 4,476.00 |
| Gypsy Moth Spraying - Local Match | 9,964.20 | | | | 9,964.20 |
| Distracted Driver | | 5,500.00 | 5,500.00 | | |
| | \$ 290,446.89 | \$ 136,312.09 | \$ 166,594.18 | \$ 2,000.00 | \$ 258,164.80 |
| | A | | A | A | A |

Ref.

Original Budget \$ 13,347.18
 Added by NJSA 40A:4-87 122,964.91
\$ 136,312.09

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

| | <u>Balance</u> <u>Dec. 31, 2016</u> | <u>Cash</u> <u>Received</u> | <u>Revenue</u> <u>Realized</u> | <u>Balance</u> <u>Dec. 31, 2017</u> |
|-----------------------------|--|--------------------------------|-----------------------------------|--|
| Recycling Tonnage Grant | \$ 11,564.00 | \$ 22,201.05 | \$ 11,564.00 | \$ 22,201.05 |
| Body Armor Replacement Fund | 1,738.18 | 1,785.52 | 1,783.18 | 1,740.52 |
| | <u>\$ 13,302.18</u> | <u>\$ 23,986.57</u> | <u>\$ 13,347.18</u> | <u>\$ 23,941.57</u> |
| <u>Ref.</u> | A | | | A |

BOROUGH OF KINNELON
COUNTY OF MORRIS
2017
TRUST FUNDS

BOROUGH OF KINNELON
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

| <u>Ref.</u> | <u>Animal Control Fund</u> | <u>Other Trust Funds</u> |
|-----------------------------------|----------------------------|--------------------------|
| Balance December 31, 2016 | \$ 15,560.61 | \$ 2,320,702.98 |
| Increased by Receipts: | | |
| Animal Control Fees Collected | \$ 13,482.80 | |
| State Registration Fees | 1,935.60 | |
| Miscellaneous Fees | 5,082.00 | |
| Prepaid Licenses | 6,615.60 | |
| Due Current Fund: | | |
| Budget Appropriation | 25,106.00 | |
| Interest Earned | 83.83 | |
| Interfund Returned | | \$ 243,100.00 |
| Open Space Trust Fund: | | |
| Interest Earned | | 5,088.37 |
| Green Trust Grant | | 7,375.00 |
| Special Deposits | | 7,291.97 |
| Developers Deposits - Escrow | | 146,670.74 |
| Special Recreation | | 234,462.48 |
| Historical Commission | | 762.98 |
| Community Policing Donation | | 4.10 |
| Storm Recovery | | 43,454.73 |
| Accumulated Absences | | 15,000.00 |
| Parking Offenses Adjudication Act | | 33.80 |
| Recycling | | 10,998.76 |
| Forfeited Assets | | 2,763.04 |
| Uniform Fire Safety Act | | 26.47 |
| Municipal Alliance | | 6,501.93 |
| Tax Sale Premium | | 235,418.79 |
| K-Fest | | 8,388.16 |
| Public Defender | | 3,802.13 |
| Flexible Spending | | 16,585.09 |
| Police Outside Services | | 160,449.39 |
| Planning Board Inspection | | 28.93 |
| | \$ 52,305.83 | \$ 1,148,206.86 |
| | 67,866.44 | 3,468,909.84 |

BOROUGH OF KINNELON
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

| <u>Ref.</u> | <u>Animal Control Fund</u> | <u>Other Trust Funds</u> |
|------------------------------------|----------------------------|--------------------------|
| Decreased by Disbursements: | | |
| Animal Control Expenditures | \$ 28,562.46 | |
| State Registration Fees | 1,897.20 | |
| Due Current Fund: | | |
| Interest Earned | 83.83 | |
| Open Space Trust Fund Expenditures | | \$ 328,621.91 |
| Special Deposits | | 31,601.24 |
| Developers Deposits - Escrow | | 143,972.30 |
| Special Recreation | | 228,439.85 |
| Storm Recovery | | 30,505.00 |
| Recycling | | 14,774.95 |
| Forfeited Assets | | 70.76 |
| Municipal Alliance | | 9,904.99 |
| Tax Sale Premium | | 179,400.00 |
| K-Fest | | 8,748.25 |
| Public Defender | | 4,950.00 |
| Flexible Spending | | 16,920.34 |
| Police Outside Services | | 150,825.75 |
| | <u>\$ 30,543.49</u> | <u>\$ 1,148,735.34</u> |
| Balance December 31, 2017 | <u>\$ 37,322.95</u> | <u>\$ 2,320,174.50</u> |

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

| | <u>Ref.</u> | |
|------------------------------------|-------------|--------------|
| Balance December 31, 2016 | B | \$8,423.51 |
| Increased by: | | |
| Dog License Fees Collected | | \$ 13,482.80 |
| Recovery, Late and Other Fees | | 5,082.00 |
| Budget Appropriation | | 25,106.00 |
| 2017 Prepaid Licenses realized | | 6,926.40 |
| | | 50,597.20 |
| | | 59,020.71 |
| Decreased by: | | |
| Expenditures Under R.S. 4:19-15.11 | | 28,562.46 |
| | | 28,562.46 |
| Balance December 31, 2017 | B | \$ 30,458.25 |

License Fees Collected

| <u>Year</u> | <u>Amount</u> |
|---------------------------|---------------|
| 2015 | \$ 29,955.00 |
| 2016 | 27,911.00 |
| | 57,866.00 |
| Maximum Allowable Reserve | \$ 57,866.00 |

BOROUGH OF KINNELON
COUNTY OF MORRIS
2017
GENERAL CAPITAL FUND

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

| | <u>Ref.</u> | |
|---|-------------|-----------------|
| Balance December 31, 2016 | C | \$ 2,871,117.37 |
| Increased by: | | |
| Budget Appropriation: | | |
| Capital Improvement Fund | | \$ 175,000.00 |
| Payment of Bond Anticipation Notes | | 129,000.00 |
| Bond Anticipation Notes | | 3,001,850.00 |
| New Jersey Department of Transportation Grant | | 144,605.94 |
| Reserve to Pay Debt Service | | 19,965.00 |
| | | 3,470,420.94 |
| | | 6,341,538.31 |
| Decreased by: | | |
| Improvement Authorizations | | 443,187.13 |
| Bond Anticipation Notes | | 3,130,850.00 |
| Due Current Fund: | | |
| Interest on Investments | | 586.45 |
| | | 3,574,623.58 |
| Balance December 31, 2017 | C | \$ 2,766,914.73 |

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
ANALYSIS OF CASH

| Fund Balance Capital Improvement Fund State of New Jersey Grants Receivable: Department of Transportation Morris County Open Space Morris County Municipal Utility Authority New Jersey Highlands Council Other Receivables Morris County Park Commission Due Current Fund Due Sewer Utility Operating Fund Due from Open Space Trust Fund Reserve for: Pay Debt Service Housing Rehabilitation Debt Issuance Costs | Receipts | | | Disbursements | | | Transfers | | Balance (Deficit) Dec. 31, 2017 | |
|--|--|-------------------------------|-------------------------|---------------|-------------------------------|-------------------------------|---------------|-----------------|---------------------------------------|-----------------|
| | Balance/ (Deficit) Dec. 31, 2016 | Bond Anticipation Notes | Budget Appropriation | Miscellaneous | Bond Anticipation Notes | Improvement Authorizations | Miscellaneous | From | | To |
| | | | | | | | | | | |
| \$ 1,301.64 | | | | | | | | \$ 586.45 | | \$ 715.19 |
| 284,750.00 | | | \$ 175,000.00 | | | | | 100,000.00 | | 359,750.00 |
| (342,250.00) | | | 144,605.94 | | | | | 1,700,000.00 | | (197,644.06) |
| | | | | | | | | 150,000.00 | | (150,000.00) |
| | | | | | | | | 300,000.00 | | (300,000.00) |
| | | | | | | | | 100,000.00 | | (100,000.00) |
| | | | | | | | | 300,000.00 | | (300,000.00) |
| | | | | | | | | | \$ 110,586.45 | 110,000.00 |
| (45,000.00) | | | | | | | | | | (45,000.00) |
| (352,000.00) | | | | | | | | 150,000.00 | | (502,000.00) |
| 1,041,182.61 | | | 19,965.00 | | | | | 110,000.00 | | 951,147.61 |
| 15,550.00 | | | | | | | | | | 15,550.00 |
| 2,701.00 | | | | | | | | | | 2,701.00 |
| Ord. No. | Improvement Description | | | | | | | | | |
| 06-06 | Rehab of Lake Reekabear Dam | | | | | | | | | |
| 02-11 | Improvement of Cutliss Rd and Woodland Ct | | | | | | | | | |
| 13-11 | Various Road Improvements | | | | | | | | | |
| 15-12 | Reconditioning of Fire Truck | | | | | | | | | |
| 17-12 | Various Improvements | | | | | | | | | |
| 02-14 | Various Improvements | | | | | | | | | |
| 01-13 | Various Improvements | | | | | | | | | |
| 10-15 | Lecole Boiler | | | | | | | | | |
| 05-16 | Various Improvements | | | | | | | | | |
| 06-16 | Improvement of Fayson Lakes Road | | | | | | | | | |
| 07-16 | Improvements to Kakeout Road | | | | | | | | | |
| 04-17 | Acquisition of Real Property | | | | | | | | | |
| 06-17 | Acquisition of Real Property | | | | | | | | | |
| 09-17 | DPW Equipment, Door Replacement and Seal Coating | | | | | | | | | |
| | | \$ 3,001,850.00 | \$ 129,000.00 | \$ 339,570.94 | \$ 3,130,850.00 | \$ 443,187.13 | \$ 586.45 | \$ 2,910,586.45 | 100,000.00 | \$ 2,766,914.73 |

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

| Ord. No. | Improvement Description | Notes Paid By | | Balance Dec. 31, 2017 | Bond Anticipation Notes | | Analysis of Balance December 31, 2017 | |
|-------------|--|----------------------|-----------------------|-----------------------|-------------------------|---------------------------------------|---------------------------------------|----------|
| | | Budget Appropriation | Balance Dec. 31, 2017 | | Expenditures | Unexpended Improvement Authorizations | | |
| 06-06 | Rehab Lake Rickabear | | \$ 250,000.00 | | | \$ 250,000.00 | | |
| 02-11 | Improvement Cutlass Road | | 126.00 | | \$ 126.00 | | | |
| 13-11 | Various Road Improvements | | 69,062.00 | | 69,062.00 | | | |
| 02-14 | Various Improvements | \$ 64,500.00 | 1,672,500.00 | \$ 1,672,500.00 | | | | |
| 01-13 | Various Improvements | 64,500.00 | 1,329,350.00 | 1,329,350.00 | | | | |
| 05-16 | Various Improvements | | 7,310.00 | 7,310.00 | | | | 7,310.00 |
| | | \$ 129,000.00 | \$ 3,328,348.00 | \$ 3,001,850.00 | \$ 69,188.00 | \$ 257,310.00 | | |
| <u>Ref.</u> | | | C | | | | | |
| | Improvement Authorizations - Unfunded | | | | | \$ 890,052.71 | | |
| | Less: Unexpended Proceeds of Bond Anticipation Notes Issued: | | | | | | | |
| | Ordinance #02-14 Various Improvements | | | | | (493,140.76) | | |
| | Ordinance #01-13 Various Capital Improvements | | | | | (139,601.95) | | |
| | | | | | | \$ 257,310.00 | | |

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

| Ord. No. | Improvement Description | Ordinance Amount | Balance December 31, 2016 | | 2017 Authorizations | Capital Improvement Fund | Paid or Charged | Balance December 31, 2017 | |
|----------|--|------------------|---|---------------|---------------------|--------------------------|-----------------|---------------------------|---------------|
| | | | Funded | Unfunded | | | | Funded | Unfunded |
| 06-06 | Rehab of Lake Reckabear Dam | 262,500.00 | \$ 12,345.00 | \$ 250,000.00 | | | | \$ 12,345.00 | \$ 250,000.00 |
| 15-12 | Reconditioning of Fire Truck | 74,668.00 | 74,667.74 | | | | | 74,667.74 | |
| 17-12 | Various Improvements | 1,835,000.00 | 455,877.84 | | | \$ | \$ 119,965.87 | 335,911.97 | |
| 02-14 | Various Improvements | 1,955,000.00 | | 503,939.66 | | | 10,798.90 | | 493,140.76 |
| 01-13 | Various Improvements | 1,467,850.00 | | 147,481.50 | | | 7,879.55 | | 139,601.95 |
| 10-15 | Lecole Boiler | 15,000.00 | 575.00 | | | | | 575.00 | |
| 05-16 | Various Improvements | 658,600.00 | 559,183.38 | 7,310.00 | | | 88,759.71 | 470,423.67 | 7,310.00 |
| 06-16 | Improvement of Fayson Lakes Road | 230,000.00 | 230,000.00 | | | | 18,563.54 | 211,436.46 | |
| 07-16 | Improvements to Kakeout Road | 350,000.00 | 350,000.00 | | | | 197,219.56 | 152,780.44 | |
| 04-17 | Acquisition of Real Property | 1,600,000.00 | | | \$ 1,600,000.00 | | | 1,600,000.00 | |
| 06-17 | Acquisition of Real Property | 1,100,000.00 | | | 1,100,000.00 | | | 1,100,000.00 | |
| 09-17 | DPW Equipment, Door Replacement and Seal Coating | 100,000.00 | | | | \$ 100,000.00 | | 100,000.00 | |
| | | | \$ 1,682,648.96 | \$ 908,731.16 | \$ 2,700,000.00 | \$ 100,000.00 | \$ 443,187.13 | \$ 4,058,140.28 | \$ 890,052.71 |
| | | | C | C | C | | | C | C |
| | | | New Jersey Highlands Council | | \$ 300,000.00 | | | | |
| | | | Morris County Open Space | | 1,700,000.00 | | | | |
| | | | Morris County Municipal Utilities Authority | | 150,000.00 | | | | |
| | | | Morris County Park Commission | | 300,000.00 | | | | |
| | | | Other Sources | | 100,000.00 | | | | |
| | | | Open Space Trust | | 150,000.00 | | | | |
| | | | | | \$ 2,700,000.00 | | | | |

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

| | <u>Ref.</u> | |
|---|-------------|-----------------------------|
| Balance December 31, 2016 | C | \$ 284,750.00 |
| Increased by: | | |
| Budget Appropriation | | <u>175,000.00</u> |
| | | 459,750.00 |
| Decreased by: | | |
| Appropriation to Finance Improvement Authorizations | | <u>100,000.00</u> |
| Balance December 31, 2017 | C | <u><u>\$ 359,750.00</u></u> |

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES
YEAR ENDED DECEMBER 31, 2017

| Ord. No. | Improvement Description | Date of | | Maturity | Interest Rate | Balance Dec. 31, 2016 | Issued | Matured | Balance Dec. 31, 2017 |
|----------|------------------------------|----------|---------------|----------|---------------|------------------------|------------------------|------------------------|------------------------|
| | | Issue | Original Note | | | | | | |
| 02-14 | Various Improvements | 03/11/16 | 03/11/16 | 03/10/17 | 0.80% | \$ 1,737,000.00 | \$ 1,672,500.00 | \$ 1,737,000.00 | \$ 1,672,500.00 |
| | | 03/11/16 | 03/09/17 | 03/09/18 | 2.00% | | | | |
| 01-13 | Various Improvements | 03/11/16 | 03/11/16 | 03/10/17 | 0.80% | 1,393,850.00 | 1,329,350.00 | 1,393,850.00 | 1,329,350.00 |
| | | 03/11/16 | 03/09/17 | 03/09/18 | 2.00% | | | | |
| | | | | | | <u>\$ 3,130,850.00</u> | <u>\$ 3,001,850.00</u> | <u>\$ 3,130,850.00</u> | <u>\$ 3,001,850.00</u> |
| | | | | | Ref. | C | | | C |
| | Renewed | | | | | | \$ 3,001,850.00 | \$ 3,001,850.00 | |
| | Paid by Budget Appropriation | | | | | | 129,000.00 | 129,000.00 | |
| | | | | | | | <u>\$ 3,001,850.00</u> | <u>\$ 3,130,850.00</u> | |

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS

| Purpose | Date of Issue | Amount of Original Issue | Maturities of Bonds | | Interest Rate | Balance Dec. 31, 2016 | Balance Dec. 31, 2017 |
|---------------------|---------------|--------------------------|---------------------|------------|---------------|-----------------------|-----------------------|
| | | | Outstanding Date | Amount | | | |
| General Refunding | 12/16/09 | \$ 6,070,000.00 | 03/01/18 | 460,000.00 | 4.25% | | |
| | | | 03/01/19 | 465,000.00 | 4.25% | | |
| | | | 03/01/20 | 475,000.00 | 4.25% | | |
| | | | 03/01/21 | 475,000.00 | 4.00% | | |
| | | | 03/01/22 | 485,000.00 | 4.75% | | |
| | | | 03/01/23 | 490,000.00 | 4.00% | | |
| | | | 03/01/24 | 495,000.00 | 4.00% | \$ 3,800,000.00 | \$ 3,345,000.00 |
| | | | | | | | |
| General Improvement | 5/11/15 | \$ 9,100,000.00 | 02/01/18 | 450,000.00 | 1.50% | | |
| | | | 02/01/19 | 450,000.00 | 1.50% | | |
| | | | 02/01/20 | 475,000.00 | 1.75% | | |
| | | | 02/01/21 | 475,000.00 | 2.00% | | |
| | | | 02/01/22 | 500,000.00 | 2.00% | | |
| | | | 02/01/23 | 525,000.00 | 2.00% | | |
| | | | 02/01/24 | 550,000.00 | 2.00% | | |
| | | | 02/01/25 | 550,000.00 | 2.00% | | |
| | | | 02/01/26 | 575,000.00 | 2.25% | | |
| | | | 02/01/27 | 575,000.00 | 2.50% | | |
| | | | 02/01/28 | 600,000.00 | 2.75% | | |
| | | | 02/01/29 | 625,000.00 | 3.00% | | |
| | | 02/01/30 | 625,000.00 | 3.00% | | | |
| | | 02/01/31 | 625,000.00 | 3.00% | | | |
| | | 02/01/32 | 650,000.00 | 3.00% | 8,675,000.00 | 8,250,000.00 | |
| | | | | | | | |
| | | | | | \$ 880,000.00 | \$ 11,595,000.00 | |

Ref.

C

C

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2017

| <u>Ord.</u> <u>No.</u> | <u>Improvement Description</u> | <u>Balance</u> <u>Dec. 31, 2016</u> | <u>Balance</u> <u>Dec. 31, 2017</u> |
|---------------------------|--------------------------------|--|--|
| 06-06 | Rehab Lake Rickabear Dam | \$ 250,000.00 | \$ 250,000.00 |
| 02-11 | Improvements to Cutlass Rd | 126.00 | 126.00 |
| 13-11 | Various Road Improvements | 69,062.00 | 69,062.00 |
| 05-16 | Various Improvements | 7,310.00 | 7,310.00 |
| | | <u>\$ 326,498.00</u> | <u>\$ 326,498.00</u> |

BOROUGH OF KINNELON
COUNTY OF MORRIS
2017
WATER UTILITY FUND

BOROUGH OF KINNELON
WATER UTILITY FUNDS
SCHEDULE OF CASH - TREASURER

| | <u>Ref.</u> | <u>Operating</u> | <u>Capital</u> |
|---------------------------------------|-------------|----------------------|----------------------|
| Balance December 31, 2016 | D | \$ 371,522.25 | \$ 126,382.79 |
| Increased by Receipts: | | | |
| Water Utility Collector | | \$ 570,476.64 | |
| Miscellaneous Revenue Not Anticipated | | 90.99 | |
| Interest on Investments | | 842.15 | |
| Due Sewer Utility Capital Fund | | 8,044.70 | |
| Due Water Utility Operating Fund: | | | |
| Interest on Investments | | 579,454.48 | 643.17 |
| | | <u>950,976.73</u> | <u>127,025.96</u> |
| Decreased by Disbursements: | | | |
| 2017 Budget Appropriations | | 379,883.03 | |
| 2016 Appropriation Reserves | | 132,680.31 | |
| Refund of Miscellaneous Revenue | | 101.05 | |
| Accrued Interest on Bonds | | 9,902.50 | |
| Water Overpayments | | 334.54 | |
| Due General Account | | | 643.17 |
| | | <u>522,901.43</u> | <u>643.17</u> |
| Balance December 31, 2017 | D | <u>\$ 428,075.30</u> | <u>\$ 126,382.79</u> |

BOROUGH OF KINNELON
WATER UTILITY OPERATING FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2017

Increased by Receipts:

| | | |
|------------------------------------|-------------------|----------------------|
| Water Rents | \$ 556,725.84 | |
| Other Water Fees | 6,371.01 | |
| Water Overpayments | 4,497.75 | |
| Interest on Delinquent Accounts | 2,882.04 | |
| Total Consumer Accounts Receivable | <u>570,476.64</u> | <u>\$ 570,476.64</u> |

Decreased by Disbursements:

| | | |
|-------------------|--|-----------------------------|
| Paid to Treasurer | | <u><u>\$ 570,476.64</u></u> |
|-------------------|--|-----------------------------|

BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
ANALYSIS OF WATER CAPITAL CASH

| | | <u>Balance</u> | <u>Receipts</u> | <u>Disbursements</u> | <u>Balance</u> |
|----------------------------------|------------|--------------------------------|------------------|----------------------|----------------------|
| | | Dec. 31, 2016 | Miscellaneous | Miscellaneous | Dec. 31, 2017 |
| Capital Improvement Fund | | \$ 84,868.00 | | | \$ 84,868.00 |
| Due Water Utility Operating Fund | | (0.21) | \$ 643.17 | \$ 643.17 | (0.21) |
| | | | | | |
| Ord. | <u>No.</u> | <u>Improvement Description</u> | | | |
| 09-02 | | 4,883.00 | | | 4,883.00 |
| 15-04 | | 68,131.00 | | | 68,131.00 |
| 11-07 | | 5,873.00 | | | 5,873.00 |
| 10-08 | | 6,888.00 | | | 6,888.00 |
| 12-09 | | (44,260.00) | | | (44,260.00) |
| | | | | | |
| | | <u>\$ 126,382.79</u> | <u>\$ 643.17</u> | <u>\$ 643.17</u> | <u>\$ 126,382.79</u> |

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

| | <u>Balance</u> Dec. 31, 2016 | <u>2017</u> Charges | <u>Collections</u> | <u>Overpayments</u> Applied | <u>Balance</u> Dec. 31, 2017 |
|---------------|---------------------------------|------------------------|----------------------|--------------------------------|---------------------------------|
| Water Rents | \$ 35,093.13 | \$ 546,426.97 | \$ 556,725.84 | \$ 3,087.40 | \$ 21,706.86 |
| Miscellaneous | | 20,094.84 | 20,094.84 | | |
| | <u>\$ 35,093.13</u> | <u>\$ 566,521.81</u> | <u>\$ 576,820.68</u> | <u>\$ 3,087.40</u> | <u>\$ 21,706.86</u> |

Ref. D

D

Miscellaneous:

| | |
|---|---------------------|
| Sprinkler Systems, Fire Hydrant Service and Other Water Fees | \$ 6,371.01 |
| Due from Sewer Operating | 10,841.79 |
| Interest on Delinquent Rents | 2,882.04 |
| | <u>\$ 20,094.84</u> |

BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

| | <u>Balance</u> <u>Dec. 31, 2016</u> | <u>Balance</u> <u>Dec. 31, 2017</u> |
|--|--|--|
| Steel Water Tank | \$ 109,773.00 | \$ 109,773.00 |
| Meters and Meter Boxes | 10,784.00 | 10,784.00 |
| General Equipment | 37,475.00 | 37,475.00 |
| Pump House and Pumps | 61,032.00 | 61,032.00 |
| Improvement of Water Supply and Distribution | 216,036.00 | 216,036.00 |
| | <u>\$ 435,100.00</u> | <u>\$ 435,100.00</u> |
| | D | D |

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

| Ord. No. | Improvement Description | Balance Dec. 31, 2016 | Balance Dec. 31, 2017 |
|-------------|------------------------------------|--------------------------|--------------------------|
| 09-02 | Improvement of Water Supply System | \$ 110,000.00 | \$ 110,000.00 |
| 15-04 | Improvement of Water Supply System | 250,000.00 | 250,000.00 |
| 11-07 | Improvement of Water Supply System | 440,000.00 | 440,000.00 |
| 10-08 | Acquisition of Vehicular Equipment | 55,000.00 | 55,000.00 |
| 12-09 | Acquisition of Generator | 60,000.00 | 60,000.00 |
| | | <u>\$ 915,000.00</u> | <u>\$ 915,000.00</u> |
| | | D | D |

BOROUGH OF KINNELON
WATER UTILITY OPERATING FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

| | <u>Balance</u> <u>Dec. 31, 2016</u> | <u>Balance</u> <u>After</u> <u>Modification</u> | <u>Paid or</u> <u>Charged</u> | <u>Balance</u> <u>Lapsed</u> |
|-------------------------------------|--|---|----------------------------------|---------------------------------|
| Operating: | | | | |
| Salaries and Wages | \$ 69,457.75 | \$ 69,457.75 | \$ 44,186.19 | \$ 25,271.56 |
| Other Expenses | 110,524.27 | 110,524.27 | 88,494.12 | 22,030.15 |
| Statutory Expenditures: | | | | |
| Contribution to: | | | | |
| Public Employees' Retirement System | 811.00 | 811.00 | | 811.00 |
| Social Security Insurance | 7,399.88 | 7,399.88 | | 7,399.88 |
| Unemployment Insurance | 256.29 | 256.29 | | 256.29 |
| | <u>\$ 188,449.19</u> | <u>\$ 188,449.19</u> | <u>\$ 132,680.31</u> | <u>\$ 55,768.88</u> |
| | | | | |
| | | <u>Ref.</u> | | |
| <u>Balance December 31, 2016</u> | | | | |
| Unencumbered | | D | \$ 185,804.06 | |
| Encumbered | | D | 2,645.13 | |
| | | | <u>\$ 188,449.19</u> | |

BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

| Ord. No. | Improvement Description | Ordinance Date | Ordinance Amount | Balance Dec. 31, 2016 | | Balance Dec. 31, 2017 | |
|----------|------------------------------------|----------------|------------------|-----------------------|-------------|-----------------------|-------------|
| | | | | Funded | Unfunded | Funded | Unfunded |
| 09-02 | Improvement of Water Supply System | 05/16/2002 | \$ 110,000.00 | \$ 4,883.00 | | \$ 4,883.00 | |
| 15-04 | Improvement of Water Supply System | 06/17/2004 | 250,000.00 | 68,131.00 | | 68,131.00 | |
| 11-07 | Improvement of Water Supply System | 03/23/2007 | 440,000.00 | 5,873.00 | | 5,873.00 | |
| 10-08 | Acquisition of Vehicular Equipment | 06/19/2008 | 55,000.00 | 6,888.00 | | 6,888.00 | |
| 12-09 | Acquisition of Generator | 08/20/2009 | 60,000.00 | | \$ 9,740.00 | | \$ 9,740.00 |
| | | | | \$ 85,775.00 | \$ 9,740.00 | \$ 85,775.00 | \$ 9,740.00 |
| | | | | D | D | D | D |

Ref.

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

| | <u>Ref.</u> | |
|---------------------------|-------------|----------------------------|
| Balance December 31, 2016 | D | <u>\$ 84,868.00</u> |
| Balance December 31, 2017 | D | <u><u>\$ 84,868.00</u></u> |

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

| Ord. No. | Improvement Description | Balance Dec. 31, 2016 | Balance Dec. 31, 2017 |
|-------------|------------------------------------|--------------------------|--------------------------|
| 11-07 | Improvement of Water Supply System | \$ 50,000.00 | \$ 50,000.00 |
| 12-09 | Acquisition of Generator | 6,000.00 | 6,000.00 |
| | | <u>\$ 56,000.00</u> | <u>\$ 56,000.00</u> |
| | <u>Ref.</u> | D | D |

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

| | <u>Ref.</u> | |
|---------------------------|-------------|-----------------------------|
| Balance December 31, 2016 | D | \$ 797,100.00 |
| Increased by: | | |
| Serial Bonds Paid | | <u>\$ 20,000.00</u> |
| | | <u>20,000.00</u> |
| Balance December 31, 2017 | D | <u><u>\$ 817,100.00</u></u> |

BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

| Purpose | Date of Issue | Amount of Original Issue | Maturities of Bonds Outstanding Dec. 31, 2017 | | Interest Rate | Balance Dec. 31, 2016 | Matured | Balance Dec. 31, 2017 |
|---------------------------|---------------|--------------------------|---|-----------|---------------|-----------------------|--------------|-----------------------|
| | | | Date | Amount | | | | |
| Water Improvement Bonds : | 05/11/15 | \$ 458,000.00 | 02/01/18 | 25,000.00 | 1.50% | | | |
| | | | 02/01/19 | 25,000.00 | 1.50% | | | |
| | | | 02/01/20 | 25,000.00 | 1.75% | | | |
| | | | 02/01/21 | 25,000.00 | 2.00% | | | |
| | | | 02/01/22 | 25,000.00 | 2.00% | | | |
| | | | 02/01/23 | 30,000.00 | 2.00% | | | |
| | | | 02/01/24 | 30,000.00 | 2.00% | | | |
| | | | 02/01/25 | 30,000.00 | 2.00% | | | |
| | | | 02/01/26 | 30,000.00 | 2.25% | | | |
| | | | 02/01/27 | 30,000.00 | 2.50% | | | |
| | | | 02/01/28 | 30,000.00 | 2.75% | | | |
| | | | 02/01/29 | 30,000.00 | 3.00% | | | |
| | | | 02/01/30 | 30,000.00 | 3.00% | | | |
| | | | 02/01/31 | 30,000.00 | 3.00% | | | |
| | | | 02/01/32 | 28,000.00 | 3.00% | | | |
| | | | | | | \$ 443,000.00 | \$ 20,000.00 | \$ 423,000.00 |
| | | | | | | \$ 443,000.00 | \$ 20,000.00 | \$ 423,000.00 |

Ref. C C

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

| <u>Ord. No.</u> | <u>Improvement Description</u> | <u>Balance Dec. 31, 2016</u> | <u>Balance Dec. 31, 2017</u> |
|---------------------|--------------------------------|----------------------------------|----------------------------------|
| 12-09 | Acquisition of Generator | \$ 54,000.00 | \$ 54,000.00 |
| | | <u>\$ 54,000.00</u> | <u>\$ 54,000.00</u> |

BOROUGH OF KINNELON
COUNTY OF MORRIS
2017
SEWER UTILITY FUND

BOROUGH OF KINNELON
SEWER UTILITY FUNDS
SCHEDULE OF CASH - TREASURER

| | <u>Ref.</u> | <u>Operating</u> |
|-------------------------------------|-------------|---------------------|
| Balance December 31, 2016 | E | \$ 74,602.29 |
| Increased by Receipts: | | |
| Sewer Utility Collector | \$ | 384,888.73 |
| Interest on Investments | | 396.75 |
| Miscellaneous | | 373.00 |
| Borough of Butler Sewer Collections | | 40,018.44 |
| Due Water Operating Fund: | | |
| Interfund Returned | | 10,841.79 |
| | | <u>436,518.71</u> |
| | | 511,121.00 |
| Decreased by Disbursements: | | |
| 2017 Budget Appropriations | | 404,149.41 |
| 2016 Appropriation Reserves | | 11,312.50 |
| Due Water Operating Fund: | | |
| Water Operating Online Collections | | 8,044.70 |
| | | <u>423,506.61</u> |
| Balance December 31, 2017 | E | <u>\$ 87,614.39</u> |

BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2017

Increased by Receipts:

| | |
|------------------------------------|----------------------|
| Sewer Rents | \$ 383,248.99 |
| Overpayment | 1,266.74 |
| Interest on Delinquent Accounts | 373.00 |
| Total Consumer Accounts Receivable | <u>\$ 384,888.73</u> |

Decreased by Disbursements:

| | |
|-------------------|----------------------|
| Paid to Treasurer | <u>\$ 384,888.73</u> |
|-------------------|----------------------|

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

| | Balance Dec. 31, 2016 | Sewer Billings Levied | Collections | Over- payments Applied | Balance Dec. 31, 2017 |
|---------------|--------------------------|--------------------------|----------------------|------------------------------|--------------------------|
| Rents | \$ 8,949.65 | \$ 385,360.54 | \$ 383,248.99 | \$ 1,365.05 | \$ 9,696.15 |
| Miscellaneous | | 373.00 | 373.00 | | |
| | <u>\$ 8,949.65</u> | <u>\$ 385,733.54</u> | <u>\$ 383,621.99</u> | <u>\$ 1,365.05</u> | <u>\$ 9,696.15</u> |

Ref. E

E

Miscellaneous Revenue Anticipated:

Interest on Sewer Rents

| | |
|----|----------------------|
| \$ | <u>373.00</u> |
| \$ | <u><u>373.00</u></u> |

BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Balance Dec. 31, 2016 | Balance After Modification | Paid or Charged | Balance Lapsed |
|-------------------------------|--------------------------|----------------------------------|---------------------|---------------------|
| Operating: | | | | |
| Salaries and Wages | \$ 14,500.00 | \$ 14,500.00 | | \$ 14,500.00 |
| Other Expenses | 46,509.39 | 46,509.39 | \$ 11,312.50 | 35,196.89 |
| Statutory Expenditures: | | | | |
| Contribution to: | | | | |
| Unemployment Insurance | 100.00 | 100.00 | | 100.00 |
| Social Security System (OASI) | 100.00 | 100.00 | | 100.00 |
| | <u>\$ 61,209.39</u> | <u>\$ 61,209.39</u> | <u>\$ 11,312.50</u> | <u>\$ 49,896.89</u> |

Ref.Balance December 31, 2016

| | |
|--------------|---------------------|
| Unencumbered | E \$ 55,209.39 |
| Encumbered | E <u>6,000.00</u> |
| | <u>\$ 61,209.39</u> |

BOROUGH OF KINNELON
COUNTY OF MORRIS
2017
PUBLIC ASSISTANCE FUND

BOROUGH OF KINNELON
PUBLIC ASSISTANCE FUND
SCHEDULE OF CASH

| | <u>Ref.</u> | <u>P.A.T.F. I</u> |
|---------------------------|-------------|---------------------------|
| Balance December 31, 2016 | F | \$ 10,156.28 |
| Increased by Receipts: | | |
| Donations | | 621.00 |
| Interest Earned | | 45.99 |
| | | <hr/> |
| Total Receipts | | 10,823.27 |
| Total Disbursements | | <hr/> |
| | | 1,275.37 |
| Balance December 31, 2017 | F | <u><u>\$ 9,547.90</u></u> |

BOROUGH OF KINNELON

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2017

BOROUGH OF KINNELON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

| Federal Funding Department/ Pass Through Grantor | Federal Program | CFDA # | Pass Through Entity ID | Grant Period | | Grant Award Amount | Grant Receipts | Amount of Expenditures | Cumulative Expenditures | Amounts Provided to Subrecipients |
|---|---|--------|-------------------------------|--------------|----------|--------------------------|-------------------|---------------------------|----------------------------|--------------------------------------|
| | | | | From | To | | | | | |
| US Department of Homeland Security: (Pass Through N.J Dept of Law and Public Safety) | Disaster Grants - Public Assistance - FEMA | 97.036 | N/A | 10/30/12 | 10/30/12 | \$ 43,454.73 | \$ 43,454.73 | * \$ 43,454.73 | \$ 43,454.73 | |
| Total U.S. Department of Homeland Security | | | | | | 43,454.73 | 43,454.73 | 43,454.73 | 43,454.73 | |
| U.S. Department of Transportation (Passed through New Jersey Department of Law and Public Safety) | Click It or Ticket | 20.610 | 100-066-1160 142-YHTS-6010 | 01/01/17 | 12/31/17 | 5,500.00 | 5,500.00 | 5,500.00 | 5,500.00 | |
| | Distracted Driving Crackdown | 20.616 | 100-066-116 158-031030 | 01/01/17 | 12/31/17 | 5,500.00 | 5,500.00 | 5,500.00 | 5,500.00 | |
| Total U.S Department of Transportation | | | | | | 11,000.00 | 11,000.00 | 11,000.00 | 11,000.00 | |
| TOTAL FEDERAL AWARDS | | | | | | \$ 54,454.73 | \$ 54,454.73 | \$ 54,454.73 | \$ 54,454.73 | \$ -0- |

N/A - Not Available/Applicable
 * - Expended in prior year

BOROUGH OF KINNELON
 SCHEDULES OF EXPENDITURES OF STATE AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

| State Funding Department | State Program | State Grant Account Number | Grant Period | | Grant Award Amount | Grant Receipts | Grant Expenditures | Cumulative Expenditures |
|--|-----------------------------|----------------------------|--------------|----------|--------------------|----------------|--------------------|-------------------------|
| | | | From | To | | | | |
| Department of Environmental Protection | Clean Communities Program | 765-042-4900 | 01/01/15 | 12/31/17 | \$ 22,560.67 | | \$ 2,742.90 | \$ 22,560.67 |
| | | -004-178910 | 01/01/16 | 12/31/18 | 25,797.87 | | 21,351.68 | 21,351.68 |
| | | | 01/01/17 | 12/31/18 | 21,916.91 | \$ 21,916.91 | | |
| | Green Acres Grant | 533-042-4800 | 01/01/17 | 12/31/17 | 7,375.00 | 7,375.00 | 7,375.00 | 7,375.00 |
| | Recycling Tonnage Grant | 452-042-4900 | | | | | | |
| | | 001-V42Y | 01/01/18 | 12/31/18 | 10,893.96 | 10,893.96 | | |
| | | | 01/01/17 | 12/31/18 | 11,307.09 | 11,307.09 | | |
| | | | 01/01/12 | 12/31/18 | 20,246.00 | | 8,186.00 | 11,316.71 |
| | | | | | 51,492.96 | 39,655.58 | | 62,604.06 |
| Total Department of Environmental Protection | | | | | | | | |
| Department of Law and Public Safety | Body Armor Replacement Fund | 1020-718-066- | 01/01/16 | 12/31/17 | 1,738.18 | | 1,738.18 | 1,738.18 |
| | | 1020-001-6120 | 01/01/17 | 12/31/18 | 1,785.52 | 1,785.52 | 450.42 | 450.42 |
| Total Department of Law & Public Safety | | | | | 1,785.52 | 2,188.60 | | 2,188.60 |
| TOTAL STATE AWARDS | | | | | \$ 53,278.48 | \$ 41,844.18 | \$ | \$ 66,882.66 |

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF KINNELON
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2017

Note 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Borough of Kinnelon under programs of the federal and state governments for the year ended December 31, 2017. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Borough, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Borough.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Note 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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



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

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

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - *regulatory basis* - of the various funds of the Borough of Kinnelon, in the County of Morris (the "Borough") as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 1, 2018. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Borough's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2017-01 that we consider to be a significant deficiency.

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

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 or other matters that are required to be reported under *Government Auditing Standards*.

The Borough's Response to the Finding

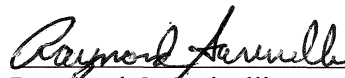
The Borough's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

June 1, 2018
Mount Arlington, New Jersey

NISIVOCCIA LLP



Raymond G. Sarinelli
Certified Public Accountant
Registered Municipal Accountant No. 383

BOROUGH OF KINNELON
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the Borough's financial statements, prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey.
- A significant deficiency was disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Borough which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Borough was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08 for 2017 as grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and New Jersey's OMB Circular 15-08.

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

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

Finding 2017-01

Segregation of Duties

Criteria

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

Condition

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

Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time. The various departments/offices of the Borough are responsible for the issuance of permits and licenses; collection of taxes, permit and license fees; and recording of collections. The Treasurer is responsible for recording transactions, authorizing disbursements, reconciling cash and receivables, and reconciling the general ledger.

Cause

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

BOROUGH OF KINNELON
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017

Finding 2017-01 (Cont'd)

Effect or Potential Effect

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

Management's Response

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

Findings and Responses for Federal Awards:

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

Findings and Responses for State Awards:

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

BOROUGH OF KINNELON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

The prior year finding 2016-01 regarding segregation of duties has not been resolved and is included in the current year's report.

BOROUGH OF KINNELON

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

BOROUGH OF KINNELON
COMMENTS AND RECOMMENDATIONS

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

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

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

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

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

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

Effective July 1, 2015 and thereafter the bid threshold in accordance with N.J.S.A. 40A:11-3 is \$17,500, and with a qualified purchasing agent the threshold may be up to \$40,000.

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

BOROUGH OF KINNELON
COMMENTS AND RECOMMENDATIONS
(Continued)

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

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

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

Collection of Interest on Delinquent Taxes 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.

On January 1, 2017, the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 27, 2017, and included all items which were eligible for sale.

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

| <u>Year</u> | <u>Number of Liens</u> |
|-------------|------------------------|
| 2017 | 44 |
| 2016 | 43 |
| 2015 | 41 |

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

BOROUGH OF KINNELON
COMMENTS AND RECOMMENDATIONS
(Continued)

Verification of Delinquent Taxes and Other Charges

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

| <u>Type</u> | <u>Number Mailed</u> |
|---------------------------------|----------------------|
| Payments of 2017 and 2018 Taxes | 20 |
| Payments of Utility Charges | 20 |
| Delinquent Taxes | 15 |
| Delinquent Utility Charges | 15 |
| Tax Title Liens | 5 |

New Jersey Administrative Code Accounting Requirements

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

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

The Borough is in compliance with these requirements.

Municipal Court

The report of the Municipal Court has been forwarded to the Division of Local Government Services and the Borough Magistrate under separate cover. Reflected below is a compilation of Receipts and Disbursements for the year ended December 31, 2017.

| | <u>Balance</u> <u>Dec. 31, 2016</u> | <u>Receipts</u> | <u>Disbursements</u> | <u>Balance</u> <u>Dec. 31, 2017</u> |
|-----------------------|--|----------------------|----------------------|--|
| State of New Jersey | \$ 5,806.05 | \$ 62,820.17 | \$ 65,258.02 | \$ 3,368.20 |
| County of Morris | 1,895.50 | 28,210.88 | 27,653.38 | 2,453.00 |
| Municipality | 3,713.45 | 70,803.21 | 68,400.86 | 6,115.80 |
| POAA-FTA | 2.00 | 32.00 | 32.00 | 2.00 |
| Conditional Discharge | 30.00 | 950.00 | 975.00 | 5.00 |
| Weights and Measures | 3,900.00 | 38,150.00 | 39,800.00 | 2,250.00 |
| Conditional Dismissal | | 75.00 | 75.00 | |
| Public Defender | 400.00 | 4,163.00 | 3,763.00 | 800.00 |
| Restitution | | 150.00 | 150.00 | |
| Local Park Commission | | 275.00 | 275.00 | |
| | <u>\$ 15,747.00</u> | <u>\$ 205,629.26</u> | <u>\$ 206,382.26</u> | <u>\$ 14,994.00</u> |

BOROUGH OF KINNELON
COMMENTS AND RECOMMENDATIONS
(Continued)

Financial Records

During our review of the Borough's financial records it was noted that certain entries were not correctly posted to the general ledger.

It is recommended that the CFO continue to reconcile the general ledger on a monthly basis to ensure all entries are properly posted.

Management's Response

Financial administration has already taken steps to ensure all activity is being properly recorded and will continue to reconcile the general ledger on a monthly basis.

Tax Collector

1. During our review of third party liens and municipal liens, it was noted that accurate records of liens are not being maintained. It is recommended that the tax collector maintain a more accurate records of third party liens and municipal liens.

Management's Response

The tax collector will ensure that accurate records of third party liens and municipal liens are maintained.

2. During our review of the CFO records and the tax collector records, it was noted that they are not in agreement. It is recommended that the CFO and tax collector reconcile monthly to ensure that all records are in agreement.

Management's Response

The CFO and tax collector reconcile monthly to ensure all records are in agreement.

Surety Bonds

During our review of surety bond coverage, it was noted that surety bond coverage for the tax collector had not been updated to reflect the current tax collector. As the coverage was corrected, a formal recommendation is not warranted.

Interfunds

Our review of the balance sheet of the various funds of the Borough revealed a number of interfunds at year end.

It is recommended that all interfunds be liquidated at year end.

BOROUGH OF KINNELON
COMMENTS AND RECOMMENDATIONS
(Continued)

Management's Suggestions

Governmental Accounting Standards Board Statements

The next Governmental Accounting Standards Board ("GASB") statement which will have a significant impact on the Borough will be GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, will be effective for the year ending December 31, 2018. This standard replaces GASB No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. It is similar to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in that successful implementation of this standard will require the provision of certain key financial and non-financial information from the State of New Jersey.

Federal and State Grant Receivables

It is suggested that a review of federal and state grant receivables be performed to identify which will be collected and which grants should be cancelled.

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2016 audit report. However, the recommendations regarding segregation of duties and the general ledger, subsidiary ledgers, purchase orders, bank reconciliations, and the police contract have not been resolved and are included in the current year's report.

BOROUGH OF KINNELON
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An adequate segregation of duties be maintained with respect to the recording and treasury functions.
2. The CFO continue to reconcile the general ledger on a monthly basis to ensure all entries are properly posted.
3. The tax collector maintain a more accurate record of third party liens and municipal liens.
4. The CFO and tax collector reconcile monthly to ensure that all records are in agreement.
5. All interfunds be liquidated at year end.

* * * * *