

BOROUGH OF KINNELON

COUNTY OF MORRIS

REPORT OF AUDIT

2019

NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS

BOROUGH OF KINNELON

COUNTY OF MORRIS

REPORT OF AUDIT

2019

BOROUGH OF KINNELON
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BOROUGH OF KINNELON

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2019



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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, 2019 and 2018, 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
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the 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, 2019 and 2018, 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, 2019 and 2018, 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
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2020 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 the effectiveness of the Borough's 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.

July 15, 2020
Mount Arlington, New Jersey

NISIVOCCIA LLP

Raymond Sarinelli

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

BOROUGH OF KINNELON
COUNTY OF MORRIS
2019
CURRENT FUND

BOROUGH OF KINNELON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2019	2018
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 4,870,398.55	\$ 4,531,144.19
Change Funds		680.00	680.00
		<u>4,871,078.55</u>	<u>4,531,824.19</u>
Due From State of New Jersey			
Senior Citizen and Veterans Deductions		934.88	511.76
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	407,311.45	395,556.00
Tax Title Liens Receivable	A-8	855,935.90	792,161.06
Property Acquired for Taxes - Assessed Valuation		1,210,750.00	1,210,750.00
Revenue Accounts Receivable	A-9	3,184.50	2,478.04
Due from Animal Control Trust Fund	B	28,931.53	
Due from General Capital Fund	C	50,000.00	160,963.00
		<u>2,556,113.38</u>	<u>2,561,908.10</u>
Total Receivables and Other Assets			
Deferred Charges:			
Special Emergency Authorizations		52,000.00	104,000.00
		<u>52,000.00</u>	<u>104,000.00</u>
Total Deferred Charges			
		<u>7,480,126.81</u>	<u>7,198,244.05</u>
Total Regular Fund			
Federal and State Grant Fund:			
Federal and State Grants Receivable	A-13	172,530.54	102,530.54
Due from Current Fund	A	168,890.32	166,026.16
		<u>341,420.86</u>	<u>268,556.70</u>
Total Federal and State Grant Fund			
		<u>\$ 7,821,547.67</u>	<u>\$ 7,466,800.75</u>
<u>TOTAL ASSETS</u>			

BOROUGH OF KINNELON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31	
		2019	2018
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-11	\$ 880,164.24	\$ 794,588.39
Encumbered	A-3;A-11	147,794.58	237,862.14
Total Appropriation Reserves		1,027,958.82	1,032,450.53
Accounts Payable - Vendors		64,710.42	66,124.42
Tax Overpayments		53,711.22	15,669.64
Prepaid Taxes		306,489.42	240,992.03
Due to Borough of Butler - Electric Payments		212.80	560.09
Due State of New Jersey			
Building Surcharge Fees		10,476.00	9,997.00
Marriage License / Domestic Partnership		2,079.00	2,373.00
Due to Other Trust Funds	B	221,128.65	74,238.00
Due to Federal and State Grant Fund	A	168,890.32	166,026.16
Due to Water Utility Operating Fund	D		24,337.30
Due to Sewer Utility Operating Fund	E		156,975.00
Reserve for Pending Tax Appeals		409,974.02	288,152.00
Reserve for Revaluation of Real Property			8,900.05
Reserve for Sale of Municipal Assets		290,881.00	415,881.00
Reserve for Assault Weapons Fees			40.00
Reserve for Third-Party Lien			19,077.13
Unappropriated Reserves		2,839.00	2,839.00
		<u>2,559,350.67</u>	<u>2,524,632.35</u>
Reserve for Receivables and Other Assets	A	2,556,113.38	2,561,908.10
Fund Balance	A-1	2,364,662.76	2,111,703.60
Total Regular Fund		<u>7,480,126.81</u>	<u>7,198,244.05</u>
Federal and State Grant Fund:			
Appropriated Reserves	A-14	338,693.25	255,599.09
Unappropriated Reserves	A-15	2,067.61	12,957.61
Encumbrances Payable	A-14	660.00	
Total Federal and State Grant Fund		<u>341,420.86</u>	<u>268,556.70</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 7,821,547.67</u>	<u>\$ 7,466,800.75</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

	Ref.	Year Ended December 31,	
		2019	2018
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 1,315,000.00	\$ 1,333,000.00
Miscellaneous Revenue Anticipated		2,103,828.89	1,949,586.66
Receipts from Delinquent Taxes		393,520.27	316,224.02
Receipts from Current Taxes		54,179,836.41	53,292,024.60
Nonbudget Revenue		141,779.50	103,448.88
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		325,826.80	231,523.16
Interfunds Returned		160,963.00	110,161.30
Cancellation of Tax Overpayments			30,275.32
Cancellation of Reserve for Revaluation of Real Property		8,900.05	
Cancellation of Reserve for Assault Weapons Fees		40.00	
Total Income		<u>58,629,694.92</u>	<u>57,366,243.94</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes		13,022,049.09	12,633,253.23
County Taxes		5,607,323.95	5,515,910.66
Local District School Tax		38,077,302.54	37,617,825.00
Municipal Open Space Tax		106,128.65	106,527.68
Reserve for Pending Tax Appeals		170,000.00	
Prior Year Veteran and Senior Citizen Deductions Disallowed			1,750.00
Interfunds Advanced		78,931.53	160,963.00
Total Expenditures		<u>57,061,735.76</u>	<u>56,036,229.57</u>
Excess in Revenue		1,567,959.16	1,330,014.37
<u>Fund Balance</u>			
Balance January 1		<u>2,111,703.60</u>	<u>2,114,689.23</u>
		3,679,662.76	3,444,703.60
Decreased by:			
Utilization as Anticipated Revenue		<u>1,315,000.00</u>	<u>1,333,000.00</u>
Balance December 31	A	<u>\$ 2,364,662.76</u>	<u>\$ 2,111,703.60</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, 2019

	Anticipated		Realized	Excess or Deficit *
	Budget	Added by N.J.S.A 40A:4-87		
Fund Balance Anticipated	\$ 1,315,000.00		\$ 1,315,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverage	3,000.00		4,831.00	\$ 1,831.00
Other	13,000.00		10,802.00	2,198.00 *
Fees and Permits	50,000.00		46,111.00	3,889.00 *
Municipal Court Fines and Costs	68,000.00		53,414.84	14,585.16 *
Interest and Costs on Taxes	110,000.00		112,751.86	2,751.86
Interest on Investments & Deposits	75,000.00		163,406.98	88,406.98
Cablevision Franchise Fees	44,000.00		46,683.00	2,683.00
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	141,000.00		156,347.00	15,347.00
Reserve for Sale of Municipal Assets	125,000.00		125,000.00	
Reserve to Pay Debt Service	180,000.00		180,000.00	
Body Armor Replacement Fund	1,955.98		1,955.98	
Clean Communities Grant		\$ 23,421.73	23,421.73	
Highlands Water Management Grant		70,000.00	70,000.00	
Recycling Tonnage Grant	10,890.00		21,780.00	
Green Acres Grant		310,372.50	310,372.50	
Total Miscellaneous Revenue	1,598,796.98	414,684.23	2,103,828.89	90,347.68
Receipts from Delinquent Taxes	310,000.00		393,520.27	83,520.27
Amount to be Raised by Taxes for Support of Municipal Budget:				
Minimum Library Tax	719,961.00		719,961.00	
Local Tax for Municipal Purposes	10,339,612.20		11,345,125.58	1,005,513.38
Total Amount to be Raised by Taxes for Support of Municipal Budget	11,059,573.20		12,065,086.58	1,005,513.38
Budget Totals	14,283,370.18	414,684.23	15,877,435.74	1,179,381.33
Nonbudget Revenue			141,779.50	141,779.50
Totals	\$ 14,283,370.18	\$ 414,684.23	\$ 16,019,215.24	\$ 1,321,160.83

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Allocation of Current Tax Collections:

Revenue from Collections	\$ 54,179,836.41
Allocated to School, County and Open Space Taxes	43,790,755.14
Balance for Support of Municipal Budget	10,389,081.27
Add: Appropriation "Reserve for Uncollected Taxes"	1,676,005.31

Realized for Support of Municipal Budget	\$ 12,065,086.58
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Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$ 393,520.27
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Interest on Investments & Deposits:

Collections in Current Fund	\$ 149,720.60
Due from Other Trust Funds	12,417.51
Due from Animal Control Trust Fund	1,268.87
	\$ 163,406.98

Analysis of Nonbudget Revenue:

Miscellaneous Revenue Not Anticipated:	
Prior Year Refund	\$ 18,346.02
Uniform Fire Safety	24,278.83
Police Outside Duty Administration Fees	13,721.87
Sale of Municipal Assets	6,892.00
Other Miscellaneous Revenue Not Anticipated:	49,609.25
	\$ 112,847.97

Statutory Excess in Animal Control Fund- Due from Animal Control Fund	28,931.53
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	\$ 141,779.50
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BOROUGH OF KINNELON

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

	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	\$ 3,060.00	\$ 3,060.00	\$ 2,999.88	\$ 60.12	
Other Expenses	75,080.00	59,930.00	40,861.03	19,068.97	
Office of the Mayor:					
Salaries and Wages	19,500.00	19,500.00	19,499.52	0.48	
Other Expenses	2,000.00	2,010.00	2,001.16	8.84	
Municipal Clerk					
Salaries and Wages	111,375.00	111,605.00	111,605.00		
Other Expenses	81,300.00	81,300.00	54,230.36	27,069.64	
Financial Administration:					
Salaries and Wages	239,265.00	231,765.00	206,591.30	25,173.70	
Other Expenses	34,400.00	22,070.00	6,763.88	15,306.12	
Webmaster - Other Expenses	2,250.00	2,250.00	2,000.00	250.00	
Audit Services:					
Other Expenses	31,850.00	31,850.00	5,641.00	26,209.00	
Collection of Taxes:					
Salaries and Wages	80,180.00	71,395.00	64,891.16	6,503.84	
Other Expenses	15,700.00	15,700.00	4,525.49	11,174.51	
Assessment of Taxes:					
Salaries and Wages	67,630.00	67,630.00	65,362.18	2,267.82	
Other Expenses	17,200.00	17,200.00	10,981.97	6,218.03	
Legal Services and Costs:					
Other Expenses	126,500.00	126,500.00	123,515.23	2,984.77	
Engineering Services and Costs:					
Other Expenses	10,800.00	11,300.00	11,275.00	25.00	

BOROUGH OF KINNELON

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

(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	\$ 5,825.00	\$ 5,825.00	\$ 3,756.20	\$ 2,068.80	
Other Expenses	15,665.00	15,665.00	15,665.00		
Planning Board:					
Salaries and Wages	15,200.00	15,200.00	14,899.94	300.06	
Other Expenses	19,625.00	14,625.00	3,469.19	11,155.81	
Zoning Board of Adjustment:					
Salaries and Wages	1,200.00	1,200.00	1,175.02	24.98	
Other Expenses	13,950.00	13,950.00	5,310.11	8,639.89	
PUBLIC SAFETY:					
Municipal Court:					
Salaries and Wages	89,480.00	89,480.00	79,467.67	10,012.33	
Other Expenses	11,750.00	11,750.00	7,289.36	4,460.64	
Police Department:					
Salaries and Wages	2,269,405.00	2,269,405.00	2,158,972.01	110,432.99	
Other Expenses	191,100.00	191,100.00	172,949.03	18,150.97	
Police Dispatch/911:					
Salaries and Wages	83,620.00	83,620.00	83,554.09	65.91	
Office of Emergency Management:					
Salaries and Wages	2,550.00	2,550.00	2,525.90	24.10	
Other Expenses	470.00	470.00	75.00	395.00	
Aid to Volunteer Fire Companies:					
Other Expenses	95,000.00	95,000.00	88,908.97	6,091.03	

BOROUGH OF KINNELON

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

(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	54,000.00	62,050.00	62,047.24	2.76	
Fire Prevention Bureau:					
Salaries and Wages	14,565.00	14,565.00	13,782.06	782.94	
Other Expenses	7,180.00	7,180.00	3,143.50	4,036.50	
Municipal Prosecutor's Office:					
Other Expenses	16,000.00	16,000.00	16,000.00		
PUBLIC WORKS:					
Streets and Roads Maintenance:					
Salaries and Wages	1,155,540.00	1,155,540.00	1,068,723.14	86,816.86	
Other Expenses	237,300.00	237,300.00	187,674.73	49,625.27	
Solid Waste Collections:					
Salaries and Wages	14,995.00	14,995.00	14,291.20	703.80	
Other Expenses	699,000.00	699,000.00	680,830.34	18,169.66	
Building and Grounds:					
Salaries and Wages	35,000.00	35,000.00	10,850.00	24,150.00	
Other Expenses	59,400.00	59,400.00	46,118.38	13,281.62	
Vehicles and Maintenance					
Other Expenses	57,000.00	62,000.00	61,835.68	164.32	

BOROUGH OF KINNELON

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

(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	\$ 51,350.00	\$ 41,350.00	\$ 41,149.81	\$ 200.19	
Other Expenses	2,100.00	3,100.00	2,182.42	917.58	
Animal Control Services:					
Other Expenses	1,000.00	1,000.00	301.01	698.99	
Senior Citizen Programs:					
Other Expenses	2,100.00	2,100.00	2,100.00		
Environmental Commission:					
Salaries and Wages	7,550.00	7,550.00	5,017.22	2,532.78	
Other Expenses	1,850.00	1,850.00	1,780.32	69.68	
PARKS AND RECREATION FUNCTIONS:					
Recreation Services:					
Salaries and Wages	86,245.00	86,245.00	81,500.07	4,744.93	
Other Expenses	57,600.00	78,100.00	77,985.73	114.27	
Smoke Rise - Condo Costs:					
Other Expenses	150,000.00	150,000.00	107,098.63	42,901.37	
OTHER COMMON OPERATING FUNCTIONS:					
Accumulated Leave Compensation:					
Other Expenses	15,000.00	15,000.00	15,000.00		
Celebration of Public Events:					
Other Expenses	20,000.00	20,000.00	6,792.26	13,207.74	

BOROUGH OF KINNELON

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
UTILITY EXPENSE AND BULK PURCHASES:					
Electricity	\$ 61,500.00	\$ 61,500.00	\$ 57,457.74	\$ 4,042.26	
Street Lighting	13,750.00	13,750.00	9,537.37	4,212.63	
Telephone	54,000.00	54,000.00	50,606.17	3,393.83	
Water	19,000.00	19,000.00	15,428.69	3,571.31	
Natural Gas	20,000.00	20,000.00	15,553.36	4,446.64	
Gasoline	80,000.00	80,000.00	50,071.57	29,928.43	
Landfill Tipping Fees	360,000.00	360,000.00	330,196.00	29,804.00	
STATE UNIFORM CONSTRUCTION CODE:					
Construction Official:					
Salaries and Wages	13,485.00	13,485.00	13,244.48	240.52	
Other Expenses	350.00	350.00		350.00	
INSURANCE:					
General Liability	194,545.00	212,320.00	212,299.68	20.32	
Workers Compensation	155,894.00	155,894.00	155,894.00		
Employee Group Health	915,000.00	915,000.00	805,477.07	109,522.93	
Employee Group Health Waiver	22,250.00	27,250.00	27,164.39	85.61	
Flexible Spending Advance	2,000.00	2,000.00		2,000.00	
Total Operations Within "CAPS"	8,425,479.00	8,424,779.00	7,644,895.91	779,883.09	
Detail:					
Salaries and Wages	4,367,020.00	4,358,590.00	4,086,084.43	272,505.57	
Other Expenses	4,058,459.00	4,066,189.00	3,558,811.48	507,377.52	

BOROUGH OF KINNELON

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

	Appropriations		Budget After Modification	Expended By		Unexpended Balance Cancelled
	Budget			Paid or Charged	Reserved	
Deferred Charges and Statutory Expenditures - Municipal within "CAPS":						
Statutory Expenditures:						
Contributions to:						
Police & Firemens' Retirement System	\$ 524,431.00	\$	524,431.00	\$ 524,431.00		
Public Employees' Retirement System	281,003.00		281,003.00	281,003.00		
Public Employees' DCRP System	8,000.00		8,200.00	8,114.49	\$ 85.51	
Social Security System (O.A.S.I.)	340,000.00		340,000.00	316,066.63	23,933.37	
Unemployment Insurance	17,000.00		17,000.00	14,759.23	2,240.77	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	1,170,434.00		1,170,634.00	1,144,374.35	26,259.65	
Total General Appropriations for Municipal Purposes Within "CAPS"	9,595,913.00		9,595,413.00	8,789,270.26	806,142.74	
Operations Excluded from "CAPS":						
Aid to Library (N.J.S.A 40:54-35):						
Other Expenses	719,961.00		719,961.00	664,015.83	55,945.17	
Storm Water Management (N.J.S.A. 40A:4-45.3):						
Salaries and Wages	30,240.00		30,740.00	30,740.00		
Other Expenses	5,000.00		5,000.00	4,016.19	983.81	
Reserve for Tax Appeals	40,000.00		40,000.00	40,000.00		
Length of Service Awards Program	17,600.00		17,600.00	15,008.00	2,592.00	
Public & Private Programs Offset by Revenue:						
Body Armor Replacement Grant	1,955.98		1,955.98	1,955.98		
Clean Communities Grant (N.J.S.A 40A:4-87, +\$23,421.73)			23,421.73	23,421.73		
Highlands Water Management Grant (N.J.S.A 40A:4-87, +\$70,000.00)			70,000.00	70,000.00		
Recycling Tonnage Grant (N.J.S.A 40A:4-87, +\$10,890.00)	10,890.00		21,780.00	21,780.00		
Green Acres Grant (N.J.S.A 40A:4-87, +\$310,372.50)			310,372.50	310,372.50		
Total Operations - Excluded from "CAPS"	825,646.98		1,240,831.21	1,181,310.23	59,520.98	

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS": (Cont'd)					
Detail:					
Salaries & Wages	\$ 30,240.00	\$ 30,240.00	\$ 30,240.00		
Other Expenses	795,406.98	795,406.98	795,406.98		
Shared Service Agreements:					
Interlocal Health Services Agreement - Pequannock	128,961.00	128,961.00	128,961.00		
Construction Code - Bloomingdale	244,500.00	244,500.00	231,441.00	\$ 13,059.00	
Dial-A-Ride - Pequannock	90,368.00	90,368.00	90,368.00		
Interlocal ACO Services - Bloomingdale	27,866.26	27,866.26	27,842.24	24.02	
Interlocal Dispatch - Butler	33,075.00	33,075.00	33,075.00		
Interlocal Mechanic Services - Bloomingdale	15,000.00	15,000.00	13,582.50	1,417.50	
Total Shared Service Agreement	539,770.26	539,770.26	525,269.74	14,500.52	
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, 2019
(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	\$ 915,000.00	\$ 915,000.00	\$ 915,000.00		
Payment of Bond Anticipation Notes	130,000.00	130,000.00	130,000.00		
Interest on Bonds	294,756.25	294,756.25	294,756.25		
Interest on Notes	79,278.38	79,278.38	79,278.37		\$ 0.01
Total Municipal Debt Service - Excluded from "CAPS"	1,419,034.63	1,419,034.63	1,419,034.62		0.01
Deferred Charges - Excluded from "CAPS":					
Special Emergency Authorizations - 5 years	52,000.00	52,000.00	52,000.00		
Total Deferred Charges - Excluded from "CAPS"	52,000.00	52,000.00	52,000.00		
Total General Appropriations - Excluded from "CAPS"	3,011,451.87	3,426,636.10	3,352,614.59	74,021.50	0.01
Subtotal General Appropriations	12,607,364.87	13,022,049.10	12,141,884.85	880,164.24	0.01
Reserve for Uncollected Taxes	1,676,005.31	1,676,005.31	1,676,005.31		
Total General Appropriations	\$ 14,283,370.18	\$ 14,698,054.41	\$ 13,817,890.16	\$ 880,164.24	\$ 0.01

Ref.

A

BOROUGH OF KINNELON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 14,283,370.18	
Added by N.J.S.A. 40A:4-87		<u>414,684.23</u>	
		<u>\$ 14,698,054.41</u>	
Cash Disbursed			\$ 11,788,514.98
Encumbrances	A		147,794.58
Due to General Capital Fund			130,000.00
Deferred Charges:			
Special Emergency Authorizations			52,000.00
Transfer to Appropriated Grant Reserves:			
Federal and State Grants			427,530.21
Reserve for Uncollected Taxes			<u>1,676,005.31</u>
			14,221,845.08
Less: Appropriation Refunds			<u>403,954.92</u>
			<u>\$ 13,817,890.16</u>

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

BOROUGH OF KINNELON
COUNTY OF MORRIS
2019
TRUST FUNDS

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

		December 31	
<u>ASSETS</u>	<u>Ref.</u>	2019	2018
Animal Control Fund:			
Cash and Cash Equivalents:			
Treasurer	B-4	\$ 81,204.43	\$ 58,223.20
		81,204.43	58,223.20
Other Trust Funds:			
Cash and Cash Equivalents	B-4	2,263,957.23	2,063,184.80
Due From Current Fund	A	221,128.65	74,238.00
		2,485,085.88	2,137,422.80
<u>TOTAL ASSETS</u>		\$ 2,566,290.31	\$ 2,195,646.00

LIABILITIES, RESERVES AND FUND BALANCE

Animal Control Fund:			
Reserve for Animal Control Expenditures	B-6	44,053.20	50,598.90
Due To State of New Jersey		1,352.50	1,319.50
Due to Current Fund	A	28,931.53	
Prepaid licenses		6,867.20	6,304.80
		81,204.43	58,223.20

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

	Ref.	December 31	
		2019	2018
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Other Trust Funds:			
Due to General Capital Fund	C	\$ 150,000.00	\$ 150,000.00
Reserve for:			
Special Deposits		470,445.39	464,868.31
Developers Deposits - Escrow		154,447.45	141,710.30
Special Recreation		82,224.84	55,250.58
Historical Commission		11,199.52	11,000.92
Community Policing Donation		843.30	828.34
Open Space		221,526.67	150,140.31
Storm Recovery		360,723.54	361,376.06
Accumulated Absences		525,248.69	460,248.69
Parking Offenses Adjudication Act		466.99	423.09
Recycling		26,379.47	30,170.44
Forfeited Assets		12,568.09	11,698.30
Uniform Fire Safety Act		5,453.22	5,356.53
Municipal Alliance		3,289.80	4,420.94
Tax Sale Premium		378,725.76	212,633.03
Clerk Special		23,805.88	23,055.88
K-Fest		293.32	2,133.61
Public Defender		1,968.29	3,962.36
Flexible Spending		8,542.97	8,399.25
Police Outside Services		40,975.20	33,894.00
Planning Board Inspection		5,957.49	5,851.86
		<u>2,485,085.88</u>	<u>2,137,422.80</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 2,566,290.31</u>	<u>\$ 2,195,646.00</u>

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, 2019

NOT APPLICABLE

BOROUGH OF KINNELON
ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

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

BOROUGH OF KINNELON
COUNTY OF MORRIS
2019
GENERAL CAPITAL FUND

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

	Ref.	December 31,	
		2019	2018
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 2,823,297.63	\$ 2,549,494.49
Grants Receivable:			
New Jersey Department of Transportation		617,644.06	179,394.06
Morris County Open Space		1,700,000.00	1,700,000.00
Morris County Municipal Utility Authority		150,000.00	150,000.00
Morris County Park Commission		300,000.00	300,000.00
New Jersey Highlands Council		300,000.00	300,000.00
Other Sources		100,000.00	100,000.00
Due from Sewer Utility Operating Fund	E	45,000.00	45,000.00
Due from Open Space Trust Fund	B	150,000.00	150,000.00
Deferred Charges to Future Taxation:			
Funded		9,770,000.00	10,685,000.00
Unfunded	C-4	3,987,348.00	3,209,348.00
<u>TOTAL ASSETS</u>		<u>\$ 19,943,289.69</u>	<u>\$ 19,368,236.55</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 9,770,000.00	\$ 10,685,000.00
Bond Anticipation Notes Payable	C-7	3,660,850.00	2,882,850.00
Due Current Fund	A	50,000.00	160,963.00
Improvement Authorizations:			
Funded	C-5	3,492,744.55	3,571,816.02
Unfunded	C-5	1,789,091.52	883,035.73
Capital Improvement Fund	C-6	564,735.00	414,735.00
Reserve:			
To Pay Debt Service		596,902.43	750,870.61
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	715.19
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 19,943,289.69</u>	<u>\$ 19,368,236.55</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, 2018	C	<u>\$ 715.19</u>
Balance December 31, 2019	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
2019
WATER UTILITY FUND

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

	<u>Ref.</u>	<u>December 31</u>	
		<u>2019</u>	<u>2018</u>
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents:			
Treasurer	D-4	\$ 473,244.55	\$ 391,727.54
Change Fund		100.00	100.00
		<u>473,344.55</u>	<u>391,827.54</u>
Other Receivables		92.24	92.24
Due from Current Fund	A		24,337.30
Due from Sewer Utility Operating Fund	E	30.25	30.25
		<u>473,467.04</u>	<u>416,287.33</u>
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	D-6	12,937.68	5,116.56
Total Operating Fund		<u>486,404.72</u>	<u>421,403.89</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>\$ 1,962,887.72</u>	<u>\$ 1,897,886.89</u>

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

	Ref.	December 31	
		2019	2018
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	D-3; D-9	\$ 100,154.60	\$ 58,695.99
Encumbered	D-3; D-9	5,105.05	266.89
		<u>105,259.65</u>	<u>58,962.88</u>
Due to Water Utility Capital Fund	D	0.21	0.21
Accrued Interest on Bonds		3,761.46	3,917.71
Water Rent Overpayments		1,731.19	812.49
		<u>110,752.51</u>	<u>63,693.29</u>
Reserve for Receivables	D	12,937.68	5,116.56
Fund Balance	D-1	362,714.53	352,594.04
		<u>486,404.72</u>	<u>421,403.89</u>
Total Operating Fund			
Capital Fund:			
Serial Bonds Payable	D-14	373,000.00	398,000.00
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	867,100.00	842,100.00
		<u>1,476,483.00</u>	<u>1,476,483.00</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>\$ 1,962,887.72</u>	<u>\$ 1,897,886.89</u>

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

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

	Ref.	Year Ended December 31,	
		2019	2018
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 47,000.00	\$ 47,000.00
Water Rents		581,870.08	589,924.25
Nonbudget Revenue		8,627.78	7,552.13
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		5,641.38	80,574.55
		<u>643,139.24</u>	<u>725,050.93</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operating		512,760.00	524,955.00
Debt Service		34,058.75	34,433.22
Deferred Charges and Statutory Expenditures		39,200.00	36,254.00
		<u>586,018.75</u>	<u>595,642.22</u>
Excess Revenue/Statutory Excess to Fund Balance		57,120.49	129,408.71
<u>Fund Balance</u>			
Balance January 1	D	352,594.04	270,185.33
		<u>409,714.53</u>	<u>399,594.04</u>
Decreased by:			
Utilized by Water Utility Operating Budget		47,000.00	47,000.00
		<u>47,000.00</u>	<u>47,000.00</u>
Balance December 31	D	<u>\$ 362,714.53</u>	<u>\$ 352,594.04</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, 2019

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess</u>
Fund Balance Anticipated	\$ 47,000.00	\$ 47,000.00	
Rents	539,018.75	581,870.08	\$ 42,851.33
	<u>586,018.75</u>	<u>628,870.08</u>	<u>42,851.33</u>
Nonbudget Revenue		8,627.78	8,627.78
	<u>\$ 586,018.75</u>	<u>\$ 637,497.86</u>	<u>\$ 51,479.11</u>

Analysis of Revenue - Rents

Collections	\$ 581,045.89
Overpayments Applied	824.19
	<u>\$ 581,870.08</u>

Nonbudget Revenue:

Treasurer:	
Interest on Investments	\$ 8,583.47
Collector:	
Other Miscellaneous	44.31
	<u>\$ 8,627.78</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, 2019

	Appropriation		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	\$ 158,315.00	\$ 158,315.00	\$ 152,208.45	\$ 6,106.55	
Other Expenses	354,445.00	354,445.00	265,061.40	89,383.60	
Debt Service:					
Payment of Bond Principal	25,000.00	25,000.00	25,000.00		
Interest on Bonds	9,058.75	9,058.75	9,058.75		
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	22,400.00	22,400.00	22,400.00		
Unemployment Insurance	800.00	800.00	638.52	161.48	
Social Security System (O.A.S.I.)	16,000.00	16,000.00	11,497.03	4,502.97	
	<u>\$ 586,018.75</u>	<u>\$ 586,018.75</u>	<u>\$ 485,864.15</u>	<u>\$ 100,154.60</u>	<u>\$ -0-</u>

Ref.

D

Analysis of Paid or Charged	
Cash Disbursed	\$ 471,700.35
Accrued Interest on Bonds	9,058.75
Encumbrances Payable	5,105.05
	<u>\$ 485,864.15</u>

D

BOROUGH OF KINNELON
COUNTY OF MORRIS
2019
SEWER UTILITY FUND

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

	Ref.	December 31,	
		2019	2018
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents:			
Treasurer	E-4	\$ 350,035.20	\$ 125,409.60
Due from Current Fund	A		156,975.00
		<u>350,035.20</u>	<u>282,384.60</u>
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	E-5	11,634.84	8,920.70
		<u>11,634.84</u>	<u>8,920.70</u>
<u>TOTAL ASSETS</u>		<u>\$ 361,670.04</u>	<u>\$ 291,305.30</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	E-3;E-6	\$ 71,062.14	\$ 30,582.98
Encumbered	E-3;E-6	6,000.00	12,000.00
Total Appropriation Reserves		<u>77,062.14</u>	<u>42,582.98</u>
Accounts Payable - Vendors		1,634.00	1,634.00
Due to General Capital Fund	C	45,000.00	45,000.00
Overpayments		2,315.93	776.18
Due to Water Utility Operating Fund	D	30.25	30.25
		<u>126,042.32</u>	<u>90,023.41</u>
Reserve for Receivables	E	11,634.84	8,920.70
Fund Balance	E-1	223,992.88	192,361.19
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 361,670.04</u>	<u>\$ 291,305.30</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	
		2019	2018
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 77,515.00	\$ 77,515.00
Miscellaneous Revenues Not Anticipated		4,324.91	41,414.42
Sewer Service Charges - Fees		479,466.50	436,164.31
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		22,954.28	22,234.44
		<u>584,260.69</u>	<u>577,328.17</u>
Budget Appropriations:			
Operating		471,054.00	460,453.00
Deferred Charges and Statutory Expenditures		4,060.00	1,450.00
		<u>475,114.00</u>	<u>461,903.00</u>
Excess Revenue to Fund Balance		109,146.69	115,425.17
Balance January 1	E	192,361.19	154,451.02
		<u>301,507.88</u>	<u>269,876.19</u>
Decreased by:			
Utilized by Sewer Utility Operating Budget		77,515.00	77,515.00
		<u>77,515.00</u>	<u>77,515.00</u>
Balance December 31	E	<u>\$ 223,992.88</u>	<u>\$ 192,361.19</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, 2019

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit*</u>
Fund Balance Anticipated	\$ 77,515.00	\$ 77,515.00	
Sewer Service Charges	397,499.00	479,466.50	\$ 81,967.50
	<u>475,014.00</u>	<u>556,981.50</u>	<u>81,967.50</u>
Nonbudget Revenue		4,324.91	4,324.91
	<u>\$ 475,014.00</u>	<u>\$ 561,306.41</u>	<u>\$ 86,292.41</u>

Analysis of Sewer Rents Revenue:

Collected in Sewer Utility Operating Fund	\$ 478,690.32
Overpayments Applied	<u>776.18</u>
	<u>\$ 479,466.50</u>

Nonbudget Revenue:

Treasurer:		
Interest on Investments	\$ 3,842.17	
Other Miscellaneous	<u>482.74</u>	
		<u>\$ 4,324.91</u>
		<u>\$ 4,324.91</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, 2019

	Appropriation		Expended by			Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved		
Operating:						
Salaries and Wages	\$ 19,775.00	\$ 19,945.00	\$ 19,942.53	\$ 2.47		
Other Expenses	451,299.00	451,109.00	380,261.59	70,847.41		
Statutory Expenditures:						
Contribution to:						
Public Employee Retirement System	2,240.00	2,240.00	2,240.00			
Unemployment Compensation Insurance	1,500.00	1,520.00	1,518.10	1.90		
Social Security System (O.A.S.I.)	200.00	300.00	89.64	210.36		
Total Sewer Utility Appropriations	\$ 475,014.00	\$ 475,114.00	\$ 404,051.86	\$ 71,062.14	\$ -0-	

Ref.

E

Analysis of Paid or Charged:

Cash Disbursed	\$ 398,051.86
Encumbrances	<u>6,000.00</u>
	<u>\$ 404,051.86</u>

E

BOROUGH OF KINNELON
COUNTY OF MORRIS
2019
BOND AND INTEREST FUND

NOT APPLICABLE

BOROUGH OF KINNELON
COUNTY OF MORRIS
2019
PUBLIC ASSISTANCE FUND

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

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2019</u>	<u>2018</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	F-1	\$ 56,211.94	\$ 57,812.74
TOTAL ASSETS		<u>\$ 56,211.94</u>	<u>\$ 57,812.74</u>
 <u>LIABILITIES</u>			
Reserve for Public Assistance Fund I		\$ 56,211.94	\$ 57,812.74
TOTAL LIABILITIES AND RESERVES		<u>\$ 56,211.94</u>	<u>\$ 57,812.74</u>

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

BOROUGH OF KINNELON
COUNTY OF MORRIS
2019
GENERAL FIXED ASSETS ACCOUNT GROUP

(UNAUDITED)

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

	December 31,	
	2019	2018
<u>ASSETS</u>		
Land	\$ 10,236,364.00	\$ 10,236,364.00
Buildings and Improvements	2,978,541.20	2,961,025.00
Equipment	5,686,808.73	5,066,935.00
<u>TOTAL ASSETS</u>	\$ 18,901,713.93	\$ 18,264,324.00
<u>RESERVES</u>		
Reserve for Fixed Assets	\$ 18,901,713.93	\$ 18,264,324.00
<u>TOTAL RESERVES</u>	\$ 18,901,713.93	\$ 18,264,324.00

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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, 2019
 (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 of the municipally owned sewer utility.

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

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

C. Basis of Accounting

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

The more significant accounting policies in New Jersey follow.

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

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

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

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
 (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, 2019
(Continued)

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

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

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

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

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

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

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

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

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

F. Budgets/Budgetary Controls

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(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

	December 31,		
	2019	2018	2017
<u>Issued</u>			
General:			
Bonds and Notes	\$ 13,430,850	\$ 13,567,850	\$ 14,596,850
Water Utility:			
Bonds and Notes	373,000	398,000	423,000
Total Issued	<u>13,803,850</u>	<u>13,965,850</u>	<u>15,019,850</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	326,498	326,498	326,498
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>380,498</u>
<u>Less:</u>			
General:			
Reserve to Pay Debt Service	\$ 596,902	\$ 750,871	\$ 951,148
	<u>596,902</u>	<u>750,871</u>	<u>951,148</u>
Net Bonds and Notes			
Issued and Authorized but not Issued	<u>\$ 13,587,446</u>	<u>\$ 13,595,477</u>	<u>\$ 14,449,200</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, 2019 and indicates a statutory net debt of .61%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School District Debt	\$ 15,020,000	\$ 15,020,000	
Water Utility Debt	427,000	427,000	
General Debt	13,757,348	596,902	\$ 13,160,446
	<u>\$ 29,204,348</u>	<u>\$ 16,043,902</u>	<u>\$ 13,160,446</u>

Net Debt \$13,160,446 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$2,149,571,245= .61%.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
 (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	\$ 75,234,994
Net Debt	13,160,446
Remaining Borrowing Power	\$ 62,074,548

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

Cash Receipts from Fees, Rents or Other Charges for Year		\$ 637,498
Deductions:		
Operating and Maintenance Costs	\$ 551,960	
Debt Service	34,059	
		586,019
Excess in Revenue		\$ 51,479

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

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

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

Summary of Municipal Debt Issued and Outstanding - Prior Year

Fund	Balance 12/31/2017	Additions	Retirements	Balance 12/31/2018
Serial Bonds:				
General Capital Fund	\$ 11,595,000		\$ 910,000	\$ 10,685,000
Water Utility Capital Fund	423,000		25,000	398,000
Bond Anticipation Notes:				
General Capital Fund	3,001,850	\$ 2,882,850	3,001,850	2,882,850
	<u>\$ 15,019,850</u>	<u>2,882,850</u>	<u>\$ 3,936,850</u>	<u>\$ 13,965,850</u>

Summary of Municipal Debt Issued and Outstanding - Current Year

Fund	Balance 12/31/2018	Additions	Retirements	Balance 12/31/2019
Serial Bonds:				
General Capital Fund	\$ 10,685,000		\$ 915,000	\$ 9,770,000
Water Utility Capital Fund	398,000		25,000	373,000
Bond Anticipation Notes:				
General Capital Fund	2,882,850	\$ 3,660,850	2,882,850	3,660,850
	<u>\$ 13,965,850</u>	<u>\$ 3,660,850</u>	<u>\$ 3,822,850</u>	<u>\$ 13,803,850</u>

At December 31, 2019, the Borough had capital debt issued and outstanding described as follows:

General Capital Bond Anticipation Notes

Purpose	Final Maturity	Rate	
Various Improvements	03/06/20	3.00%	\$ 3,660,850

General Capital Serial Bonds

Purpose	Final Maturity	Rate	
General Refunding	03/01/24	4.25% - 4.75%	2,420,000
General Improvements	02/01/32	1.75% - 3.00%	7,350,000

Water Utility Capital Serial Bonds

Purpose	Final Maturity	Rate	
Water Improvements	02/01/32	1.75% - 3.00%	373,000

	\$ 13,803,850
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BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(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	
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	1,015,000	176,413	30,000	7,040	1,228,453
2024	1,045,000	145,963	30,000	6,440	1,227,403
2025-2028	2,300,000	421,594	120,000	19,048	2,860,641
2029-2032	2,525,000	152,625	118,000	5,515	2,801,140
	<u>\$ 9,770,000</u>	<u>\$ 1,610,575</u>	<u>\$ 373,000</u>	<u>\$ 62,433</u>	<u>\$ 11,816,008</u>

Note 3: Fund Balances Appropriated

Fund balances at December 31, 2019, which were included in the adopted budget as anticipated revenue for the year ending December 31, 2020 budget, were as follows:

Current Fund	\$ 1,556,200
Water Utility Operating Fund	112,560
Sewer Utility Operating Fund	95,815

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, 2019, there were deferred charges to be raised in succeeding years budgets in the Current Fund.

	<u>Balance at Dec. 31, 2019</u>	<u>To be Raised in 2020 Budget</u>
Current Fund:		
Special Emergency Authorization	\$ 52,000.00	\$ 52,000.00

The appropriation in the 2020 budget is not less than that required by statute.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(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.state.nj.us/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. 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, 2019
(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 is will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets

Borough contributions to PERS amounted to \$305,643 for 2019.

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

Pension Liabilities and Pension Expense

At June 30, 2019, the Borough's liability was \$5,529,941 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. 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, 2019, the Borough's proportion was .0305%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Borough recognized actual pension expense in the amount of \$305,643.

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 6: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

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, 2019) 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, 2019 are summarized in the following table:

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(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>
Risk Management Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 2057. Therefore, the long-term expected rate of return on 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, 2019
(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, 2019 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, 2019		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(5.28%)	(6.28%)	(7.28%)
Borough's proportionate share of the Net Pension Liability	\$ 6,985,214	\$ 5,529,941	\$ 4,303,667

Pension Plan Fiduciary Net Position

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

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

Plan Description

The State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/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, 2019
(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, 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, 2019 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, 2019 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2019. 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, 2019
(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 \$524,431 for the year ended December 31, 2019. During the fiscal year ended June 30, 2019, the State of New Jersey contributed \$71,736 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$123,705.

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

Pension Liabilities and Pension Expense

At June 30, 2019, the Borough's liability for its proportionate share of the net pension liability was \$6,742,554. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. 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, 2019, the Borough's proportion was 0.0551%, which was an increase of 0.001% from its proportion measured as of June 30, 2018.

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$1,064,662 as of June 30, 2019. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. 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, 2019, the State's proportion was 0.0551%, which was an increase of 0.001% from its proportion measured as of June 30, 2018 which is the same proportion as the Borough's.

Borough's Proportionate Share of the Net Pension Liability	\$ 6,742,554
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>1,064,662</u>
Total Net Pension Liability	<u>\$ 7,807,216</u>

For the year ended December 31, 2019, the Borough recognized total pension expense of \$524,431.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(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, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

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

Pre-retirement mortality rates were based on the RP-2010 Safety Employee Mortality Table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted Retiree mortality table with a 96.7% adjustment for males and a 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2019.

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, 2019) 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, 2019 are summarized in the following table:

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(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>
Risk Management Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 6.85% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 70% of the actuarially contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2076. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2076, 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, 2019
(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, 2019 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, 2019		
	At 1% Decrease (5.85%)	At Current Discount Rate (6.85%)	At 1% Increase (7.85%)
Borough's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Borough	\$ 10,552,512	\$ 7,807,217	\$ 5,535,089

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 \$8,114 for the year ended December 31, 2019. Employee contributions to DCRP amounted to \$10,951 for the year ended December 31, 2019.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(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>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate</u>	\$ 2.586	\$ 2.533	\$ 2.490
<u>Apportionment of Tax Rate</u>			
Municipal	0.492	0.473	0.467
County	0.265	0.260	0.259
Local School	1.795	1.767	1.731
Library	0.034	0.033	0.033
<u>Assessed Valuations</u>			
2019	\$ 2,151,588,134		
2018		\$ 2,159,885,193	
2017			\$ 2,137,240,408

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>
2019	\$ 54,891,920	\$ 54,179,836	98.70%
2018	53,971,751	53,292,025	98.74%
2017	53,359,741	52,702,872	98.77%

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
 (Continued)

Note 7: Selected Tax Rate Information

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

Note 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 below and 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:

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

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

Investments (Cont'd)

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

As of December 31, 2019, cash and cash equivalents of the Borough of Kinnelon consisted of the following:

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

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

Investments (Cont'd)

<u>Fund</u>	<u>Checking Accounts</u>	<u>Cash on Hand</u>	<u>Totals</u>
Current	\$ 4,870,398.55	\$ 680.00	\$ 4,871,078.55
Animal Control	81,204.43		81,204.43
Other Trust	2,263,957.23		2,263,957.23
General Capital	2,823,297.63		2,823,297.63
Water Utility Operating	473,244.55	100.00	473,344.55
Water Utility Capital	126,382.79		126,382.79
Sewer Utility Operating	350,035.20		350,035.20
Public Assistance	56,211.94		56,211.94
	<u>\$ 11,044,732.32</u>	<u>\$ 780.00</u>	<u>\$ 11,045,512.32</u>

The carrying amount of the Borough of Kinnelon's cash and cash equivalents at cost at December 31, 2019, was \$11,045,512.32 and the bank balance was \$10,955,200.74.

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 \$980,660.99. 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 \$525,248.69 on the Trust Funds balance sheet at December 31, 2019.

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 10: Risk Management (Cont'd)

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

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

The Fund's financial statements for the year ended December 31, 2019 were unavailable at the time of this audit. Selected financial information for the Fund as of December 31, 2018 is as follows:

Total Assets	\$ 33,810,987
Net Position	\$ 13,583,877
Total Revenue	\$ 18,922,853
Total Expenses	\$ 20,499,425
Change in Net Position	\$ (1,576,572)
Members Dividends	\$ -0-

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

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

New Jersey Unemployment Compensation Insurance

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

Note 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, 2019.

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 11: Contingencies (Cont'd)

Various tax appeals on assessed valuations have been filed against the Borough and are awaiting tax court decisions. The ultimate outcome and effect of such appeals have not been determined; however, the Borough Tax Assessor will aggressively defend the Borough's assessments. The Borough has established a reserve for this contingency in the amount of \$409,974, 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 Borough has levied a tax equal to five (.05) cents per \$100 of total Borough equalized real property valuation. The funds collected are used to acquire and maintain open space property in the Borough. The balances of the Open Space Trust Fund at December 31, 2019 and 2018 were \$221,527 and \$150,140, respectively.

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: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2019:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 78,931.53	\$ 390,018.97
General Capital Fund	195,000.00	50,000.00
Water Utility Operating Fund	30.25	0.21
Water Utility Capital Fund	0.21	
Sewer Utility Operating Fund		45,030.25
Federal and State Grant Fund	168,890.32	
Animal Control Fund		28,931.53
Other Trust Fund	221,128.65	150,000.00
	<u>\$ 663,980.96</u>	<u>\$ 663,980.96</u>

The Current Fund interfund payable to the Federal and State Grant Fund represents cash received in the Current Fund for grants that have not been turned over. 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, offset by the Bond Anticipation Note appropriation not transferred in cash.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
 (Continued)

Note 15: Interfund Receivables and Payables (Cont'd)

The interfund between General Capital Fund and Other Trust Fund represents funds appropriated for improvement authorizations not yet transferred. The interfund between General Capital Fund and Sewer Utility Operating Fund represents funds appropriated for improvement authorizations not yet transferred. The interfund between Water Utility Operating Fund and Sewer Utility Operating Fund is for cash collected in the Sewer Utility Operating fund that has not yet been transferred to the Water Utility Operating Fund. The interfund between the Animal Control Fund and the Current Fund is for statutory excess accumulated in the Animal Control Fund not yet turned over to the Current Fund.

Note 16: Postemployment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost sharing multiple employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Benefits Provided

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

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
 (Continued)

Note 16: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

Benefits Provided (Cont'd)

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

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

Contributions

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

Special Funding Situation

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

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018. Employer and nonemployer allocation percentages were rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 16: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

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

OPEB Expense Related to OPEB

The total OPEB liability as of June 30, 2019 was not available from the State of New Jersey Division of Pensions and Benefits as of the date of this report.

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018.

The State's proportionate share of the net OPEB liability attributable to the Borough at June 30, 2018 was \$5,375,198. At June 30, 2018, the State's proportion related to the Borough was .102055%. This is the percentage of the total State Share of the net OPEB liability of the Plan.

During the year ended June 30, 2018 the State of New Jersey's OPEB expense related to the Borough was \$191,966.

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

Inflation Rate	2.50%
Salary Increases*:	
Through 2026	1.65% - 8.98%
Thereafter	2.65% to 9.98%

*- Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

Actuarial Assumptions and Other Inputs

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 – June 30, 2014, respectively.

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 16: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

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

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, this trend rate is initially is 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post 65 PPO medical benefits and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8% decreasing to a 5.0% long term rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Note 17: Subsequent Event

The COVID-19 outbreak in the United States and specifically in New Jersey has caused disruption of the Borough's normal financial operations with the municipal office closed to the public and minimal staff working on site. Though the impact on the Borough's operations cannot be reasonably estimated at this date, it is likely that there will be an impact on tax collections as well as other revenue in the Operating Funds.

SUPPLEMENTARY DATA

BOROUGH OF KINNELON
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2019

Name	Title	Amount of Bond
James Freda	Mayor	
Randall Charles	Councilmember	
Vincent Russo	Councilmember	
Glenn Sisco	Councilmember	
James Lorkowski	Councilmember through December 31, 2019	
William Yago	Councilmember	
Robert Roy	Councilmember through December 31, 2019	
Charles Daniel	Chief Financial Officer	
Karen Iuele	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	
Corinne Dapuzzo	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
2019
CURRENT FUND

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2018	A	\$ 4,531,144.19
Increased by Receipts:		
Tax Collector	\$ 55,178,215.93	
Miscellaneous Revenue Not Anticipated	112,847.97	
Revenue Accounts Receivable	1,244,860.44	
State of New Jersey -		
Senior Citizens' and Veterans' Deductions	51,599.45	
Appropriation Refunds	403,954.92	
Due from State of New Jersey:		
Building Surcharge Fees	9,422.00	
Marriage Licenses	656.00	
Due General Capital Fund	160,963.00	
Due Other Trust Funds:		
Interest Earned	12,417.51	
Interfund Returned	55,762.00	
Due Animal Control Trust Fund:		
Interest Earned	1,268.87	
Due to Federal and State Grant Fund:		
Grants Receivable	36,267.71	
	<hr/>	<hr/>
		57,268,235.80
		61,799,379.99
Decreased by Disbursements:		
2019 Appropriations	\$ 11,788,514.98	
2018 Appropriation Reserves	591,447.73	
Accounts Payable	1,590.00	
Refund of Tax Overpayments	27,706.51	
County Taxes	5,607,323.95	
Local School District Taxes	38,077,302.54	
Due State of NJ:		
Building Surcharge Fees	8,943.00	
Marriage License Fees	950.00	
Due to Borough of Butler - Electric Payments	347.29	
Due to Sewer Utility Operating Fund	156,975.00	
Due to Water Utility Operating Fund	24,337.30	
Due to Other Trust Funds:		
Prior Year Interfund	130,000.00	
Tax Sale Premium Refunds on Behalf of Trust	255,000.00	
Third-Party Lien Redemptions	176,961.61	
Due from Federal and State Grant Fund:		
Appropriated Grant Reserve Expenditure	33,403.55	
Reserve for Pending Tax Appeals	48,177.98	
	<hr/>	<hr/>
		\$ 56,928,981.44
Balance December 31, 2019	A	<u>\$ 4,870,398.55</u>

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2019

Increased by Receipts:	
Interest and Costs on Taxes	\$ 112,751.86
Taxes Receivable	54,280,342.08
2020 Prepaid Taxes	306,489.42
Tax Overpayments	65,748.09
Tax Sale Premiums	255,000.00
Third-Party Lien Redemptions	157,884.48
	<hr/>
	55,178,215.93
Decreased by:	
Amount Turned Over to Treasurer	<u><u>\$ 55,178,215.93</u></u>

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

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

Year	Balance Dec. 31, 2018	2017 Levy	2018	2019	Senior Citizen & Veteran Deductions	Taxes Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2019
2016	\$ 130.93							\$ 130.93
2017	495.51							495.51
2018	394,929.56			\$ 393,520.27			\$ 493.78	915.51
	395,556.00			393,520.27			493.78	1,541.95
2018		\$ 54,891,920.18	\$ 240,992.03	53,886,821.81	\$ 52,022.57	\$ 226,572.86	79,741.41	405,769.50
Total	\$ 395,556.00	\$ 54,891,920.18	\$ 240,992.03	\$ 54,280,342.08	\$ 52,022.57	\$ 226,572.86	\$ 80,235.19	\$ 407,311.45

Ref. A

Analysis of 2019 Property Tax Levy

Tax Yield:

General Purpose Tax
 Added, Omitted and Rollback Taxes

\$ 54,861,108.19
 30,811.99
\$ 54,891,920.18

Tax Levy:

Local School District Taxes
 County Taxes
 County Open Space Taxes
 County Added & Omitted Taxes

\$ 5,442,377.83
 161,786.77
3,159.35
 38,077,302.54

Municipal Open Space
 Local Taxes for Open Space - Due Other Trust Funds

5,607,323.95
 106,073.00
55.65
43,790,755.14

Local Tax for Municipal Purposes
 Local Taxes for Municipal Library
 Library Added and Omitted Taxes
 Add: Additional Tax Levied

10,339,612.20
 719,961.00
 403.76
41,188.08
11,101,165.04
\$ 54,891,920.18

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2018	A	\$ 792,161.06
Increased by:		
Transfer from Taxes Receivable	\$ 80,235.19	
Interest and Costs on Tax Sale	<u>6,401.76</u>	
		<u>86,636.95</u>
		878,798.01
Decreased by:		
Cancelled		<u>22,862.11</u>
Balance December 31, 2019	A	<u><u>\$ 855,935.90</u></u>

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2019

	Balance	Accrued In	Collected by		Balance
	Dec. 31, 2018	2019	Collector	Treasurer	Dec. 31, 2019
Clerk:					
Licenses:					
Alcoholic Beverage		\$ 4,831.00	\$	4,831.00	
Other		10,802.00		10,802.00	
Fees and Permits		46,111.00		46,111.00	
Municipal Court:					
Fines and Costs	\$ 2,478.04	54,121.30		53,414.84	\$ 3,184.50
Interest and Costs on Taxes		112,751.86	\$ 112,751.86		
Interest on Investments and Deposits		149,720.60		149,720.60	
Cable Franchise Fees		46,683.00		46,683.00	
Uniform Construction Code Official		156,347.00		156,347.00	
Energy Receipts Taxes		557,994.00		557,994.00	
Watershed Moratorium Aid		45,261.00		45,261.00	
Garden State Trust Fund		173,696.00		173,696.00	
	<u>\$ 2,478.04</u>	<u>\$ 1,358,318.76</u>	<u>\$ 112,751.86</u>	<u>\$ 1,244,860.44</u>	<u>\$ 3,184.50</u>
	A				A

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2019

Not Applicable

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2019

	Balance Dec. 31, 2018	Balance After Modification	Paid or Charged	Balance Lapsed
GENERAL GOVERNMENT:				
General Administration:				
Salaries and Wages	\$ 78.35	\$ 78.35		\$ 78.35
Other Expenses	10,907.01	4,407.01	\$ 4,330.45	76.56
Office of the Mayor:				
Salaries and Wages	339.41	339.41		339.41
Other Expenses	1,185.41	185.41	95.00	90.41
Clerk's Office:				
Salaries and Wages	2,847.79	2,847.79	104.04	2,743.75
Other Expenses	17,106.43	15,506.43	12,233.86	3,272.57
Financial Administration:				
Salaries and Wages	23,729.23	4,664.23	1,234.01	3,430.22
Other Expenses	7,490.31	7,490.31	7,136.40	353.91
Webmaster - Other Expenses	500.00	500.00		500.00
Audit Services:				
Other Expenses	29,616.00	29,616.00	29,616.00	
Collection of Taxes:				
Salaries and Wages	15,152.95	15,152.95	1,296.57	13,856.38
Other Expenses	2,673.56	2,673.56	266.66	2,406.90
Assessment of Taxes:				
Salaries and Wages	2,198.51	2,198.51		2,198.51
Other Expenses	10,672.18	10,672.18	2,748.73	7,923.45
Legal Services and Costs:				
Miscellaneous Other Expenses	679.81	9,679.81	9,507.45	172.36
Engineering Services and Costs:				
Other Expenses	1,200.00	1,200.00	500.00	700.00
Historical Preservation Commission:				
Salaries and Wages	1,598.60	1,598.60		1,598.60
Other Expenses	4,029.01	4,029.01	3,589.61	439.40
Planning Board:				
Salaries and Wages	1,400.00	1,400.00		1,400.00
Other Expenses	7,606.17	7,606.17	739.93	6,866.24
Zoning Board of Adjustment:				
Salaries and Wages	1,055.71	1,055.71		1,055.71
Other Expenses	5,865.69	5,865.69	1,651.08	4,214.61
PUBLIC SAFETY:				
Municipal Court:				
Salaries and Wages	3,392.28	3,392.28		3,392.28
Other Expenses	3,303.84	3,303.84	131.15	3,172.69
Police Department:				
Salaries and Wages	105,816.77	105,816.77	66,566.70	39,250.07
Other Expenses	48,213.91	48,213.91	47,499.54	714.37
Police Dispatch/911:				
Salaries and Wages	1,761.97	3,178.97	3,178.02	0.95

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2019

	Balance Dec. 31, 2018	Balance After Modification	Paid or Charged	Balance Lapsed
PUBLIC SAFETY:				
Office of Emergency Management:				
Salaries and Wages	\$ 35.87	\$ 35.87		\$ 35.87
Other Expenses	450.00	450.00	\$ 95.00	355.00
Aid to Volunteer Fire Companies:				
Other Expenses	10,339.06	10,339.06	10,339.06	
Aid to Tri-Borough Ambulance Squad	11,000.00	11,000.00	8,525.90	2,474.10
Fire Prevention Bureau:				
Salaries and Wages	1,583.63	1,583.63		1,583.63
Other Expenses	3,053.36	3,053.36	40.15	3,013.21
Fire Hydrants	14,641.12	14,641.12		14,641.12
PUBLIC WORKS:				
Streets and Roads Maintenance:				
Salaries and Wages	198,865.83	198,715.83	135,053.02	63,662.81
Other Expenses	27,081.49	36,331.49	36,329.27	2.22
Garbage and Trash Removal:				
Salaries and Wages	2,660.00	2,660.00	560.00	2,100.00
Other Expenses	119,270.11	119,270.11	114,421.66	4,848.45
Vehicle Maintenance				
Other Expenses	9,551.44	9,551.44	7,765.27	1,786.17
Building and Grounds:				
Salaries and Wages	3,052.09	3,052.09		3,052.09
Other Expenses	2,555.54	2,555.54	2,503.19	52.35
HEALTH AND HUMAN SERVICES:				
Board of Health:				
Salaries and Wages	533.33	533.33		533.33
Other Expenses	1,457.56	1,457.56		1,457.56
Animal Control Services:				
Other Expenses	1,200.00	1,200.00		1,200.00
Environmental Commission:				
Salaries and Wages	246.21	246.21		246.21
Other Expenses	92.87	92.87		92.87
PARKS AND RECREATION FUNCTIONS:				
Recreation Services:				
Salaries and Wages	9,690.09	9,690.09		9,690.09
Other Expenses	8,777.55	8,777.55	5,780.53	2,997.02
OTHER COMMON OPERATING FUNCTIONS:				
Celebration of Public Events:				
Other Expenses	253.11	253.11		253.11
Smoke Rise - Condo Costs				
Other Expenses	29,061.94	29,061.94	24,338.11	4,723.83
UTILITY EXPENSE AND BULK PURCHASES:				
Electricity	5,082.72	5,195.72	5,195.35	0.37
Street Lighting	2,697.52	5,697.52	527.40	5,170.12
Telephone	3,875.01	3,875.01	194.72	3,680.29

BOROUGH OF KINNELON
CURRENT FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2019

	Balance Dec. 31, 2018	Balance After Modification	Paid or Charged	Balance Lapsed
UTILITY EXPENSE AND BULK PURCHASES:				
Water	\$ 4,243.99	\$ 4,243.99	\$ 347.81	\$ 3,896.18
Natural Gas	7.86	3,127.86	3,122.65	5.21
Gasoline	7,812.35	10,922.35	10,922.29	0.06
Landfill/Solid Waste Disposal Costs	57,532.16	59,837.16	59,834.53	2.63
STATE UNIFORM CONSTRUCTION CODE:				
Construction Official:				
Salaries and Wages	6,840.13	6,840.13		6,840.13
Other Expenses	140.60	140.60	83.60	57.00
Insurance:				
General Liability	3,575.88	3,575.88		3,575.88
Employee Group Health	33,049.39	33,049.39	295.00	32,754.39
Workman's Compensation	0.11	0.11		0.11
Flexible Spending Advance	2,500.00	2,500.00		2,500.00
Employee Group Health Waiver	69.69	69.69		69.69
STATUTORY EXPENDITURES				
Contribution to:				
Social Security System (O.A.S.I.)	26,215.99	26,215.99	7,864.92	18,351.07
Unemployment Insurance	2,045.21	2,045.21	727.90	1,317.31
OPERATIONS EXCLUDED FROM "CAPS"				
Maintenance of Free Public Library (PL 1988, Ch.82):				
Other Expenses	46,588.40	46,588.40	46,588.40	
Reserve for Pending Tax Appeal	29,410.03	29,410.03	29,410.03	
Storm Water Management:				
Salaries and Wages	11,154.59	8,154.59		8,154.59
Other Expenses	806.57	806.57		806.57
Length of Service Award Program	2,771.59	2,771.59		2,771.59
PUBLIC & PRIVATE PROGRAMS OFFSET BY REVENUE:				
Shared Service Agreements:				
Health Services Agreement - Pequannock	0.16	0.16		0.16
Construction Code Services - Bloomingdale	14,299.75	14,299.75	1,975.00	12,324.75
Interlocal Bloomingdale Vehicle Maintenance	5,857.71	5,857.71	1,357.77	4,499.94
ACO Services - Bloomingdale	0.02	0.02		0.02
	<u>\$ 1,032,450.53</u>	<u>\$ 1,032,450.53</u>	<u>\$ 706,623.73</u>	<u>\$ 325,826.80</u>

Ref.

Analysis of Balance December 31, 2018:

Unencumbered	A \$ 794,588.39
Encumbered	A <u>237,862.14</u>
	<u>\$ 1,032,450.53</u>

Analysis of Paid or Charged:

Cash Disbursed	\$ 591,447.73
Accounts Payable	176.00
Due Other Trust Funds:	
Reserve for Storm Recovery	65,000.00
Reserve for Accumulated Absences	<u>50,000.00</u>
	<u>\$ 706,623.73</u>

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

Increased by:

Levy - Calendar Year 2019	\$ 38,077,302.54
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Decreased by:

Payments to School District	<u>38,077,302.54</u>
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BOROUGH OF KINNELON
FEDERAL AND STATE GRANT FUNDS
SCHEDULE OF GRANTS RECEIVABLE

	Balance Dec. 31, 2018	Accrued in 2019	Received	Transfer from Unappropriated Reserves	Cancelled	Balance Dec. 31, 2019
Charlotteburg Dam & Reservoir	\$ 2,125.00					\$ 2,125.00
Highlands Water Management Grant	53,026.54	\$ 70,000.00				123,026.54
Morris County Historic Preservation	27,399.00					27,399.00
New Jersey Body Armor Fund	30.00	1,955.98	\$ 1,955.98			30.00
Recycling Tonnage		21,780.00	10,890.00	\$ 10,890.00		
Clean Communities Programs		23,421.73	23,421.73			
Green Acres Grant		310,372.50			\$ 310,372.50	
Historical Commission Grant	3,000.00					3,000.00
SHARE Grant	342.00					342.00
Click or Ticket	600.00					600.00
Drive Sober or Get Pulled Over	3,837.00					3,837.00
Bicycle Unit Grant	7,695.00					7,695.00
Gypsy Moth Spraying	4,476.00					4,476.00
	<u>\$ 102,530.54</u>	<u>\$ 427,530.21</u>	<u>\$ 36,267.71</u>	<u>\$ 10,890.00</u>	<u>\$ 310,372.50</u>	<u>\$ 172,530.54</u>

Ref.

A

A-2

A-15

A

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

	Balance Dec. 31, 2018	Transferred from Current Fund 2019 Budget	Expended	Cancelled	Balance Dec. 31, 2019
Drunk Driving Enforcement Fund	\$ 2,389.56				\$ 2,389.56
Municipal Alcohol Education Rehabilitation Act	498.00				498.00
Municipal Alcohol Education					
Rehabilitation Act- Local Match	4,005.00				4,005.00
Highlands Water Management Grant	50,555.04	\$ 70,000.00	\$ 10,887.70		109,667.34
Domestic Violence	300.00				300.00
Storm Water	10,465.00				10,465.00
Recycling Tonnage Grant	56,333.79	21,780.00	3,114.62		74,999.17
Bicycle Unit	4,576.00				4,576.00
Community Policing Donations	65.00				65.00
Historical Commission	12,409.00		12,409.00		
Alcohol Education Rehabilitation Fund	1,617.40				1,617.40
PSE&G	2,883.00				2,883.00
Clean Communities Grant	42,988.04	23,421.73	7,652.23		58,757.54
Body Armor Replacement Fund	351.06	1,955.98			2,307.04
Green Acres Grant		310,372.50		\$ 310,372.50	
Drive Sober or Get Pulled Over	3,837.00				3,837.00
Keep Kids Alive	34,517.00				34,517.00
Sustainable New Jersey	1,944.00				1,944.00
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
	\$ 255,599.09	\$ 427,530.21	\$ 34,063.55	\$ 310,372.50	\$ 338,693.25
	A				A

Ref.

Original Budget
 Added by NJS A 40A:4-87

\$ 12,845.98
414,684.23
<u>\$ 427,530.21</u>

Cash Disbursed	\$ 33,403.55
Encumbrances	660.00
Total	<u>\$ 34,063.55</u>

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

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Revenue</u> <u>Realized</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
Recycling Tonnage Grant	\$ 11,217.09	\$ 10,890.00	\$ 327.09
Body Armor Replacement Fund	<u>1,740.52</u>		<u>1,740.52</u>
	<u>\$ 12,957.61</u>	<u>\$ 10,890.00</u>	<u>\$ 2,067.61</u>
<u>Ref.</u>	A	A-13	A

BOROUGH OF KINNELON
COUNTY OF MORRIS
2019
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, 2018	\$ 58,223.20	\$ 2,063,184.80
Increased by Receipts:		
Animal Control Fees Collected	\$ 13,246.00	
State Registration Fees	1,918.80	
Miscellaneous Fees	4,636.27	
Prepaid Licenses	6,867.20	
Due Current Fund:		
Interest Earned	1,268.87	\$ 12,417.51
Prior Year Interfund Received		130,000.00
Open Space Trust Fund:		
Interest Earned		4,888.81
Green Trust Grant		10,372.50
Special Deposits		5,937.15
Developers Deposits - Escrow		41,150.00
Special Recreation		236,100.82
Historical Commission		198.60
Community Policing Donation		14.96
Accumulated Absences		15,000.00
Parking Offenses Adjudication Act		43.90
Recycling		15,358.05
Forfeited Assets		2,817.50
Uniform Fire Safety Act		96.69
Municipal Alliance		5,804.13
Tax Sale Premium		259,192.73
Clerk Special		850.00
K-Fest		4,132.43
Public Defender		255.93
Flexible Spending		11,300.99
Police Outside Services		116,849.40
Planning Board Inspection		105.63
	27,937.14	872,887.73
	86,160.34	2,936,072.53

BOROUGH OF KINNELON
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Decreased by Disbursements:			
Animal Control Expenditures		\$ 1,801.24	
State Registration Fees		1,885.80	
Due Current Fund:			
Interest Earned		1,268.87	\$ 12,417.51
Interfund Returned			55,762.00
Open Space Trust Fund Expenditures			50,003.60
Special Deposits			360.07
Developers Deposits - Escrow			28,412.85
Special Recreation			209,126.56
Storm Recovery			65,652.52
Recycling			19,149.02
Forfeited Assets			1,947.71
Municipal Alliance			6,935.27
Tax Sale Premium			93,100.00
Clerk Special			100.00
K-Fest			5,972.72
Public Defender			2,250.00
Flexible Spending			11,157.27
Police Outside Services			109,768.20
		<u>\$ 4,955.91</u>	<u>\$ 672,115.30</u>
Balance December 31, 2019	B	<u>\$ 81,204.43</u>	<u>\$ 2,263,957.23</u>

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

	<u>Ref.</u>	
Balance December 31, 2018	B	\$50,598.90
Increased by:		
Dog License Fees Collected		\$ 13,246.00
Recovery, Late and Other Fees		4,636.27
2020 Prepaid Licenses realized		6,304.80
		24,187.07
		74,785.97
Decreased by:		
Expenditures Under R.S. 4:19-15.11		1,801.24
Statutory Excess		28,931.53
		30,732.77
Balance December 31, 2019	B	\$ 44,053.20

License Fees Collected

<u>Year</u>	<u>Amount</u>
2017	\$ 20,409.20
2018	23,644.00
	44,053.20
Maximum Allowable Reserve	\$ 44,053.20

BOROUGH OF KINNELON
COUNTY OF MORRIS
2019
GENERAL CAPITAL FUND

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2018	C	\$ 2,549,494.49
Increased by:		
Budget Appropriation:		
Capital Improvement Fund		\$ 175,000.00
Bond Anticipation Notes		3,660,850.00
New Jersey Department of Transportation Grant		78,750.00
Reserve to Pay Debt Service:		
Bond Anticipation Note Premiums Received		26,031.82
		3,940,631.82
		6,490,126.31
Decreased by:		
Improvement Authorizations		623,015.68
Bond Anticipation Notes		2,882,850.00
Due Current Fund:		
Prior Year Interfund Returned		160,963.00
		3,666,828.68
Balance December 31, 2019	C	\$ 2,823,297.63

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2018	Receipts		Disbursements		Transfers		Balance (Deficit) Dec. 31, 2019
		Bond Anticipation Notes	Miscellaneous	Bond Anticipation Notes	Improvement Authorizations	Miscellaneous	From	
Fund Balance	\$ 715.19							\$ 715.19
Capital Improvement Fund	414,735.00		\$ 175,000.00			\$ 25,000.00		564,735.00
State of New Jersey Grants Receivable:								
Department of Transportation	(179,394.06)					517,000.00		(617,644.06)
Morris County Open Space	(1,700,000.00)		78,750.00					(1,700,000.00)
Morris County Municipal Utility Authority	(150,000.00)							(150,000.00)
New Jersey Highlands Council	(300,000.00)							(300,000.00)
Other Receivables	(100,000.00)							(100,000.00)
Morris County Park Commission	(300,000.00)							(300,000.00)
Due Current Fund	160,963.00					\$ 160,963.00	\$ 180,000.00	50,000.00
Due Sewer Utility Operating Fund	(45,000.00)							(45,000.00)
Due from Open Space Trust Fund	(150,000.00)							(150,000.00)
Reserve for:								
Pay Debt Service	750,870.61		26,031.82			180,000.00		596,902.43
Housing Rehabilitation	15,550.00							15,550.00
Debt Issuance Costs	2,701.00							2,701.00
Ord. No.								
Improvement Description								
06-06	Rehab of Lake Reckabear Dam							12,345.00
02-11	Improvement of Cutlas Rd and Woodland Ct							(126.00)
13-11	Various Road Improvements							(69,062.00)
15-12	Reconditioning of Fire Truck					74,667.74		
17-12	Various Improvements				\$ 109,170.22	95,352.58		35,302.85
02-14	Various Improvements		\$ 1,542,500.00				70,000.00	487,771.27
01-13	Various Improvements		1,210,350.00				60,000.00	137,954.46
10-15	Lecole Boiler					575.00		
05-16	Various Improvements							(1,944.21)
06-16	Improvement of Fayson Lakes Road				13,454.80	74,141.20		64,650.40
07-16	Improvements to Kakeout Road				4,600.00			16.96
04-17	Acquisition of Real Property					152,263.48		1,600,000.00
06-17	Acquisition of Real Property							1,100,000.00
09-17	DPW Equipment, Door Replacement and Seal Coating							17,705.00
06-18	Improvement of Maple Lake Road				165,659.02			53,855.98
03-19	Acquisition of New Firefighting Vehicle		475,000.00					475,000.00
07-19	Improvement of Kiel Avenue		433,000.00				542,000.00	945,950.00
08-19	Various Improvements				301,081.64		397,000.00	95,918.36
			\$ 3,660,850.00		\$ 2,882,850.00	\$ 1,249,000.00	\$ 1,249,000.00	\$ 2,823,297.63
			\$ 279,781.82		\$ 160,963.00			

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Amount	Balance December 31, 2018		Other Sources	Capital Improvement Fund	Deferred Charges to Future Taxation - Unfunded	Paid or Charged	Reappropriated	Balance December 31, 2019	
			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								
17-12	Various Improvements	1,835,000.00	239,825.65								
02-14	Various Improvements	1,955,000.00		487,771.27			\$ 109,170.22			35,302.85	487,771.27
01-13	Various Improvements	1,467,850.00		137,954.46							137,954.46
10-15	Lecole Boiler	15,000.00	575.00								
05-16	Various Improvements	658,600.00	85,651.79	7,310.00							
06-16	Improvement of Fayson Lakes Road	230,000.00	69,250.40							64,650.40	
07-16	Improvements to Kakscout Road	350,000.00	152,280.44							16.96	
04-17	Acquisition of Real Property	1,600,000.00	1,600,000.00							1,600,000.00	
06-17	Acquisition of Real Property	1,100,000.00	1,100,000.00							1,100,000.00	
09-17	DPW Equipment, Door Replacement and Seal Coating	225,015.00	17,705.00							17,705.00	
06-18	Improvement of Maple Lake Road	500,000.00	219,515.00					165,659.02		53,855.98	
03-19	Acquisition of New Firefighting Vehicle	950,000.00						29,050.00		25,000.00	475,000.00
07-19	Improvement of Kiel Avenue	397,000.00			\$ 517,000.00			301,081.64		487,950.00	433,000.00
08-19	Various Improvements								397,000.00	95,918.36	5,365.79
			\$ 3,571,816.02	\$ 883,035.73	\$ 517,000.00	\$ 25,000.00	\$ 908,000.00	\$ 623,015.68	\$ -0-	\$ 3,492,744.55	\$ 1,789,091.52

Ref:

New Jersey Department of Transportation \$ 517,000.00

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2018	C	\$ 414,735.00
Increased by:		
Budget Appropriation		<u>175,000.00</u>
		589,735.00
Decreased by:		
Appropriation to Finance Improvement Authorizations		<u>25,000.00</u>
Balance December 31, 2019	C	<u><u>\$ 564,735.00</u></u>

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES
YEAR ENDED DECEMBER 31, 2019

Ord. No.	Improvement Description	Date of		Interest Rate	Maturity	Balance		Matured	Balance
		Issue	Original Note			Dec. 31, 2018	Dec. 31, 2019		
02-14	Various Improvements	03/08/18	03/11/16	2.75%	03/08/19	\$ 1,612,500.00		\$ 1,612,500.00	
		03/07/19		3.00%	03/06/20		\$ 1,542,500.00	\$ 1,542,500.00	\$ 1,542,500.00
01-13	Various Improvements	03/08/18	03/11/16	2.75%	03/08/19	1,270,350.00		1,270,350.00	
		03/07/19		3.00%	03/06/20		1,210,350.00	1,210,350.00	1,210,350.00
03-19	Acquisition of a New Firefighting Vehicle	08/09/19		2.00%	03/06/20		475,000.00		475,000.00
07-19	Improvement of Kiel Avenue	08/09/19		2.00%	03/06/20		433,000.00		433,000.00
						<u>\$ 2,882,850.00</u>		<u>\$ 2,882,850.00</u>	
						Ref.	C		
Renewed							\$ 2,752,850.00	\$ 2,752,850.00	
Issued for Cash							908,000.00		
Paid by Budget Appropriation							130,000.00		
						<u>\$ 3,660,850.00</u>		<u>\$ 3,660,850.00</u>	
								<u>\$ 2,882,850.00</u>	<u>\$ 2,882,850.00</u>
									C

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, 2018	Matured	Balance Dec. 31, 2019
			Outstanding Dec. 31, 2019	Amount				
General Refunding	12/16/09	\$ 6,070,000.00	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%	\$ 2,885,000.00	\$ 465,000.00	\$ 2,420,000.00
General Improvement	5/11/15	\$ 9,100,000.00	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%			7,800,000.00	450,000.00	7,350,000.00	
					\$ 10,685,000.00	\$ 915,000.00	\$ 9,770,000.00	

Ref. C C

BOROUGH OF KINNELON
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2019

Ord. No.	Improvement Description	Balance Dec. 31, 2018	2019 Improvement Authorizations	Bond Anticipation Notes Issued	Balance Dec. 31, 2019
06-06	Rehab Lake Rickabear Dam	\$ 250,000.00			\$ 250,000.00
02-11	Improvements to Cutlass Road	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
03-19	Acquisition of New Firefighting Vehicle		\$ 475,000.00	\$ 475,000.00	
07-19	Improvement of Kiel Avenue		433,000.00	433,000.00	
		<u>\$ 326,498.00</u>	<u>\$ 908,000.00</u>	<u>\$ 908,000.00</u>	<u>\$ 326,498.00</u>

BOROUGH OF KINNELON
COUNTY OF MORRIS
2019
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, 2018	D	\$ 391,727.54	\$ 126,382.79
Increased by Receipts:			
Water Utility Collector		\$ 583,353.33	
Interest on Investments		8,583.47	
Interfund Returned Current Fund		24,337.30	
		<u>616,274.10</u>	
		1,008,001.64	<u>126,382.79</u>
Decreased by Disbursements:			
2019 Budget Appropriations		471,700.35	
2018 Appropriation Reserves		53,321.50	
Accrued Interest on Bonds		9,215.00	
Water Overpayments		520.24	
		<u>534,757.09</u>	
Balance December 31, 2019	D	<u>\$ 473,244.55</u>	<u>\$ 126,382.79</u>

BOROUGH OF KINNELON
WATER UTILITY OPERATING FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2019

Increased by Receipts:

Water Rents	\$ 575,199.85	
Other Water Fees	5,050.00	
Interest on Delinquent Accounts	796.04	
Miscellaneous	44.31	
Water Overpayments	<u>2,263.13</u>	
Total Consumer Accounts Receivable		<u>\$ 583,353.33</u>

Decreased by Disbursements:

Paid to Treasurer		<u><u>\$ 583,353.33</u></u>
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BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
ANALYSIS OF WATER CAPITAL CASH

	Balance Dec. 31, 2018	Balance Dec. 31, 2019
Capital Improvement Fund	\$ 84,868.00	\$ 84,868.00
Due Water Utility Operating Fund	(0.21)	(0.21)
Ord. No.	<u>Improvement Description</u>	
09-02	Improvement of Water Supply System	4,883.00
15-04	Improvement of Water Supply System	68,131.00
11-07	Improvement of Water Supply System	5,873.00
10-08	Acquisition of Vehicular Equipment	6,888.00
12-09	Acquisition of Generator	(44,260.00)
		\$ 126,382.79
		\$ 126,382.79

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

	<u>Balance Dec. 31, 2018</u>	<u>2019 Charges</u>	<u>Collections</u>	<u>Overpayments Applied</u>	<u>Balance Dec. 31, 2019</u>
Water Rents	\$ 5,116.56	\$ 583,845.16	\$ 575,199.85	\$ 824.19	\$ 12,937.68
Miscellaneous		5,846.04	5,846.04		
	<u>\$ 5,116.56</u>	<u>\$ 589,691.20</u>	<u>\$ 581,045.89</u>	<u>\$ 824.19</u>	<u>\$ 12,937.68</u>

Ref. D

D

Miscellaneous:

Sprinkler Systems, Fire Hydrant Service and Other Water Fees	\$ 5,050.00
Interest on Delinquent Rents	796.04
	<u>\$ 5,846.04</u>

BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

	Balance Dec. 31, 2018	Balance Dec. 31, 2019
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, 2018	Balance Dec. 31, 2019
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 2018 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2019

	<u>Balance</u> <u>Dec. 31, 2018</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	\$ 2,716.43	\$ 2,716.43	\$ 2,080.82	\$ 635.61
Other Expenses	55,815.01	55,815.01	51,064.99	4,750.02
Statutory Expenditures:				
Contribution to:				
Social Security Insurance	67.56	67.56	16.56	51.00
Unemployment Insurance	363.88	363.88	159.13	204.75
	<u>\$ 58,962.88</u>	<u>\$ 58,962.88</u>	<u>\$ 53,321.50</u>	<u>\$ 5,641.38</u>

Ref.Balance December 31, 2018

Unencumbered	D	\$ 58,695.99
Encumbered	D	<u>266.89</u>
		<u>\$ 58,962.88</u>

BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2018		Balance Dec. 31, 2019	
		Date	Amount	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
			<u>Ref.</u>	D	D	D	D

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

	<u>Ref.</u>	
Balance December 31, 2018	D	<u>\$ 84,868.00</u>
Balance December 31, 2019	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, 2018	Balance Dec. 31, 2019
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, 2018	D	\$ 842,100.00
Increased by:		
Serial Bonds Paid		<u>\$ 25,000.00</u>
		<u>25,000.00</u>
Balance December 31, 2019	D	<u>\$ 867,100.00</u>

BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES
YEAR ENDED DECEMBER 31, 2019

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, 2019		Interest Rate	Balance	
			Date	Amount		Dec. 31, 2018	Dec. 31, 2019
Water Improvement Bonds	05/11/15	\$ 458,000.00	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%		
						\$ 398,000.00	\$ 25,000.00
						\$ 398,000.00	\$ 25,000.00

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, 2018</u>	<u>Balance Dec. 31, 2019</u>
12-09	Acquisition of Generator	<u>\$ 54,000.00</u>	<u>\$ 54,000.00</u>
		<u>\$ 54,000.00</u>	<u>\$ 54,000.00</u>

BOROUGH OF KINNELON
COUNTY OF MORRIS
2019
SEWER UTILITY FUND

BOROUGH OF KINNELON
SEWER UTILITY FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Operating</u>
Balance December 31, 2018	E	\$ 125,409.60
Increased by Receipts:		
Sewer Utility Collector		\$ 481,745.49
Interest on Investments		3,842.17
Due Current Fund		156,975.00
		<u>642,562.66</u>
		<u>767,972.26</u>
Decreased by Disbursements:		
2019 Budget Appropriations		398,051.86
2018 Appropriation Reserves		19,628.70
Overpayments Refunded		256.50
		<u>417,937.06</u>
Balance December 31, 2019	E	<u>\$ 350,035.20</u>

BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2019

Increased by Receipts:

Sewer Rents	\$ 459,872.55
Borough of Butler Sewer Rents Collected	21,872.94
Overpayment	2,572.43
Interest on Delinquent Accounts	482.74
Total Consumer Accounts Receivable	<u>\$ 484,800.66</u>

Decreased by Disbursements:

Paid to Treasurer	<u>\$ 484,800.66</u>
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BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Sewer Billings</u> <u>Levied</u>	<u>Collections</u>	<u>Over-</u> <u>payments</u> <u>Applied</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
Rents	\$ 8,920.70	\$482,180.64	\$478,690.32	\$ 776.18	\$ 11,634.84
Miscellaneous		482.74	482.74		
	<u>\$ 8,920.70</u>	<u>\$482,663.38</u>	<u>\$479,173.06</u>	<u>\$ 776.18</u>	<u>\$ 11,634.84</u>

Ref.

E

E

Miscellaneous Revenue Anticipated:

Interest on Sewer Rents	<u>\$ 482.74</u>
	<u>\$ 482.74</u>

BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Balance Dec. 31, 2018	Balance After Modification	Paid or Charged	Balance Lapsed
Operating:				
Salaries and Wages	\$ 1.96	\$ 1.96	\$ 1.03	\$ 0.93
Other Expenses	42,454.24	42,454.24	19,627.67	22,826.57
Statutory Expenditures:				
Contribution to:				
Unemployment Insurance	6.57	6.57		6.57
Social Security System (OASI)	120.21	120.21		120.21
	<u>\$ 42,582.98</u>	<u>\$ 42,582.98</u>	<u>\$ 19,628.70</u>	<u>\$ 22,954.28</u>

Ref.Balance December 31, 2018

Unencumbered	E \$ 30,582.98
Encumbered	E <u>12,000.00</u>
	<u>\$ 42,582.98</u>

BOROUGH OF KINNELON
COUNTY OF MORRIS
2019
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, 2018	F	\$ 57,812.74
Increased by Receipts:		
Donations		700.00
Interest Earned		1,021.57
		<hr/>
Total Receipts		59,534.31
Total Disbursements		3,322.37
		<hr/>
Balance December 31, 2019	F	<u>\$ 56,211.94</u>

BOROUGH OF KINNELON

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2019

BOROUGH OF KINNELON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2019

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						
U.S. Department of Transportation (Passed through New Jersey Department of Law and Public Safety)	Kiel Avenue	20.205	078-6320 480-AMF	01/01/19	12/31/20	\$ 517,000.00	\$	29,050.00	\$ 29,050.00		
	Kakeout Road	20.205	078-6320 480-AMF	01/01/16	12/31/18	160,000.00	\$ 51,000.00		160,000.00		
	Fayson Lakes Road	20.205	078-6320 480-AL5	01/01/16	12/31/18	111,000.00	27,750.00		111,000.00		
Total U.S Department of Transportation							78,750.00	29,050.00	271,000.00		
TOTAL FEDERAL AWARDS							\$ 78,750.00	\$ -0-	\$ 271,000.00	\$ -0-	

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF KINNELON
SCHEDULES OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

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	01/01/17	12/31/20	\$ 21,916.91	\$ 23,421.73	\$ 7,652.23	\$ 13,964.90
		-004-178910	01/01/19	12/31/20	23,421.73	23,421.73	7,652.23	13,964.90
	Recycling Tonnage Grant	452-042-4900	01/01/12	12/31/20	20,246.00		2,873.87	20,246.00
		001-V42Y	01/01/13	12/31/20	11,372.00		240.75	240.75
			01/01/19	12/31/20	10,890.00	10,890.00	3,114.62	24,304.92
						34,311.73	10,766.85	38,269.82
Total Department of Environmental Protection								
Department of Law and Public Safety	Body Armor Replacement Fund	1020-718-066-1020-001-6120	01/01/19	12/31/20	1,955.98	1,955.98		
Highlands Planning Council	Water Management Grant	N/A	01/01/18	12/31/20	66,000.00		10,887.70	26,332.66
TOTAL STATE AWARDS						\$ 36,267.71	\$ 21,654.55	\$ 65,181.92

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, 2019

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, 2019. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Borough, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Borough.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Note 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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



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

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - *regulatory basis* - of the various funds of the Borough of Kinnelon, in the County of Morris (the "Borough") as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated July 15, 2020. 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 2019-001 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.

July 15, 2020
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

BOROUGH OF KINNELON
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019

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 2019 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 2019-001

Segregation of Duties

Criteria

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

Condition

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

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 Chief Financial Officer is responsible for recording transactions, authorizing disbursements, reconciling cash and receivables, and reconciling the general ledger.

Cause

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

BOROUGH OF KINNELON
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019

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

Finding 2019-001 (Cont'd)

Effect or Potential Effect

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

Management's Response

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

Findings and Responses for Federal Awards:

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

Findings and Responses for State Awards:

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

BOROUGH OF KINNELON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

The prior year finding 2018-001 regarding segregation of duties has not been resolved due to budgetary constraints and is included in as finding 2019-001 on the Schedule of Findings and Responses.

BOROUGH OF KINNELON

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2019

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, Utility Rents, and Assessments

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

On January 1, 2019, the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes, and utility rents:

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

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 15, 2019, 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>
2019	57
2018	55
2017	44

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 2019 and 2020 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, 2019.

	<u>Balance</u>			<u>Balance</u>
	<u>Dec. 31, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Dec. 31, 2019</u>
State of New Jersey	\$ 2,716.96	\$ 54,952.62	\$ 53,831.79	\$ 3,837.79
County of Morris	947.00	20,289.26	20,071.76	1,164.50
Municipality	2,478.04	54,121.30	53,414.84	3,184.50
POAA-FTA		38.00	36.00	2.00
Conditional Discharge	63.00	1,355.00	1,418.00	
Weights and Measures	4,250.00	29,700.00	32,950.00	1,000.00
Conditional Dismissal	20.00	55.00	75.00	
Public Defender		200.00	200.00	
Local Park Commission	50.00	300.00	350.00	
	<u>\$ 10,525.00</u>	<u>\$ 161,011.18</u>	<u>\$ 162,347.39</u>	<u>\$ 9,188.79</u>

BOROUGH OF KINNELON
COMMENTS AND RECOMMENDATIONS
(Continued)

Management Suggestions:

Review of Balances

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

Improvement Authorizations

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

Tax Collector

During our review of the tax collector records and Chief Financial Officer records, it was noted that the records were not completely in agreement. We suggest that the Chief Financial Officer continue to review the records on a monthly basis to ensure that both the tax collector and Chief Financial Officer records are in agreement.

Corrective Action Plan

The Borough has initiated a corrective action plan to resolve comments and recommendations from the 2018 audit report. However, the recommendation regarding segregation of duties is still applicable.

BOROUGH OF KINNELON
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An adequate segregation of duties be maintained with respect to the recording and treasury functions.

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