

**TOWNSHIP OF KNOWLTON
COUNTY OF WARREN
STATE OF NEW JERSEY**

**REPORT OF AUDIT
DECEMBER 31, 2016**

TOWNSHIP OF KNOWLTON

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PART I

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2016

AUDITORS' REPORTS



ARDITO & Co., LLP

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192
908-996-4711 Fax: 908-996-4688
e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA
Douglas R. Williams, CPA, RMA, PSA

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Township Committee
Township of Knowlton
628 State Route 94
County of Warren, New Jersey
Delaware, New Jersey 07832

Report on the Financial Statements

We have audited the accompanying financial statements-regulatory basis, which comprise the comparative balance sheets-regulatory basis of the various funds of the Township of Knowlton, County of Warren, State of New Jersey (the "Township"), as of December 31, 2016 and 2015, and the related comparative statements of operations and changes in fund balance-regulatory basis for the years then ended, and the related statement of revenues-regulatory basis, and statement of expenditures-regulatory basis of the various funds, and the related notes to the financial statements for the year ended December 31, 2016, which collectively comprise the Township's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of

-Continued-

the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 to the financial statements, the Township prepares its financial statements in conformity with regulatory basis accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive 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 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 Township's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, or the results of its operations and changes in its fund balances for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements-regulatory basis referred to above present fairly, in all material respects, the financial position-regulatory basis of the various funds of the Township, as of December 31, 2016 and 2015, and the results of operations and changes in fund balance-regulatory basis of such funds for the years then ended and the statement of revenues-regulatory basis and statement of expenditures-regulatory basis of the various funds for the years then ended, in conformity with accounting principals and practices as described in Note 1 to the financial statements.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements-regulatory basis. The supplementary information listed in the table of contents is presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements-regulatory basis.

The supplementary information exhibits are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements-regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements-regulatory basis and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements-regulatory basis, or to the basic financial statements-regulatory basis themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

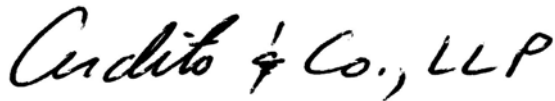
-Continued-

In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements-regulatory basis taken as a whole, on the basis of accounting described in Note 1 to the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* , we have also issued our report dated April 30, 2017, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

ARDITO & CO., LLP



Frenchtown, New Jersey
April 30, 2017



Certified Public Accountant
Registered Municipal Accountant No.524
ARDITO & CO., LLP
Frenchtown, New Jersey
April 30, 2017

FINANCIAL STATEMENTS

CURRENT FUND
COMPARATIVE BALANCE SHEET

A
Sheet 1

| ASSETS | <u>REF.</u> | <u>BALANCE</u> <u>12/31/16</u> | <u>BALANCE</u> <u>12/31/15</u> |
|--|-------------|-----------------------------------|-----------------------------------|
| Cash And Cash Equivalents: | | | |
| Cash - Treasurer | A-4 | \$ 1,726,178 | \$ 1,661,009 |
| Cash - State Cash Management Fund | A-4 | <u>27,423</u> | <u>27,423</u> |
| Subtotal | | <u>1,753,601</u> | <u>1,688,432</u> |
| Amount Due To State Of New Jersey For Senior Citizens and Veterans Deductions | A-18 | <u>1,538</u> | <u>713</u> |
| Receivables And Other Assets With Full Reserves: | | | |
| Delinquent Property Taxes Receivable | A-6 | 415,014 | 354,629 |
| Tax Title Liens Receivable | A-7 | 452,916 | 482,244 |
| Property Acquired For Taxes-Assessed Valuation | A-8 | 664,500 | 664,500 |
| Revenue Accounts Receivable | A-9 | 8,407 | 8,197 |
| Amount Due From Other Trust | B | - | 20,001 |
| Amount Due From Dog Fund | B | 4,170 | 4,554 |
| Amount Due From General Capital Fund | C | 171,774 | - |
| Amount Due From Public Assistance Fund | E | <u>-</u> | <u>6,000</u> |
| Subtotal | | <u>1,716,781</u> | <u>1,540,125</u> |
| Sub-Total Current Fund | | <u>3,471,920</u> | <u>3,229,270</u> |
| Federal And State Grant Fund: | | | |
| Cash | A-4 | 959 | 4,918 |
| Amount Due from Current Fund | A | 1,234 | 34,893 |
| Amount Due from General Capital Fund | C | - | 65,000 |
| Federal/State Grants Receivable | A-19 | <u>692,292</u> | <u>621,212</u> |
| Subtotal | | <u>694,485</u> | <u>726,023</u> |
| TOTAL ASSETS | | <u>\$ 4,166,405</u> | <u>\$ 3,955,293</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
COMPARATIVE BALANCE SHEET

A
Sheet 2

| | <u>REF.</u> | <u>BALANCE</u> <u>12/31/16</u> | <u>BALANCE</u> <u>12/31/15</u> |
|---|-------------|-----------------------------------|-----------------------------------|
| LIABILITIES, RESERVES AND FUND BALANCE | | | |
| Liabilities: | | | |
| Appropriation Reserves | A-3:10 | \$ 189,351 | \$ 95,662 |
| Encumbrances | A-11 | 5,500 | - |
| Amount Due To Grants Fund | A | 1,234 | 34,893 |
| Amount Due To Payroll Fund | H | - | 172,372 |
| Amount Due To Other Trust Fund | B | 15,659 | 2,122 |
| Taxes Collected In Advance | A-12 | 145,474 | 61,839 |
| Tax Overpayments | A-13 | 47,611 | - |
| County Tax Payable | A-14 | 9,474 | 5,066 |
| Local School Taxes | A-15 | 127,762 | 92,008 |
| Regional High School Taxes Payable | A-16 | 191,552 | 142,594 |
| Amount Due To Other Trust Fund - Municipal Open Space | A-17 | - | 112 |
| Subtotal | | <u>733,617</u> | <u>606,668</u> |
| Reserve For Receivables And Other Assets | A | 1,716,781 | 1,540,125 |
| Fund Balance | A-1 | <u>1,021,522</u> | <u>1,082,477</u> |
| Subtotal | | <u>3,471,920</u> | <u>3,229,270</u> |
| Federal And State Grant Fund: | | | |
| Reserve for Encumbrances | A | 965 | 56,540 |
| Amount Due Other Trust Funds | B | 72,111 | - |
| Amount Due Dog Fund | B | 10,000 | - |
| Amount Due To Sewer Utility Fund | D | - | 4,936 |
| Reserve For Small Cities | A-21 | 43,624 | 43,624 |
| Reserve For State Grants - Appropriated | A-20 | 559,506 | 618,895 |
| Reserve For State Grants - Unappropriated | A-22 | <u>8,279</u> | <u>2,028</u> |
| Subtotal | | <u>694,485</u> | <u>726,023</u> |
| TOTAL LIABILITIES, RESERVES AND FUND BALANCE | | <u>\$ 4,166,405</u> | <u>\$ 3,955,293</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE

| | | A-1 | |
|---|-------------|---------------------|---------------------|
| REVENUE AND OTHER INCOME REALIZED | <u>REF.</u> | <u>YEAR</u> 2016 | <u>YEAR</u> 2015 |
| Fund Balance Utilized | A-2 | \$ 341,801 | \$ 265,457 |
| Miscellaneous Revenue Anticipated | A-2 | 763,702 | 673,277 |
| Receipts From Delinquent Taxes | A-2 | 288,855 | 338,214 |
| Receipts From Current Taxes | A-2 | 8,298,936 | 8,227,715 |
| Non-Budget Revenues | A-2 | 46,672 | 77,683 |
| Other Credits To Income: | | | |
| Interfund Returns | A | 2 | - |
| Prepaid School Taxes Returned | A-15 | - | 164,388 |
| Unexpended Balance of Appropriation Reserves | A-10 | 70,799 | 101,286 |
| TOTAL INCOME | | <u>9,810,767</u> | <u>9,848,020</u> |
| EXPENDITURES | | | |
| Budget and Emergency Appropriations: | | | |
| Operations Within "Caps": | | | |
| Salaries and Wages | A-3 | 652,765 | 583,604 |
| Other Expenses | A-3 | 847,381 | 865,644 |
| Deferred Charges and Statutory Expenditures | A-3 | 106,500 | 129,413 |
| Operations Excluded from "CAPS": | | | |
| Salaries and Wages | A-3 | 1,790 | 1,738 |
| Other Expenses | A-3 | 98,490 | 24,354 |
| Capital Improvements | A-3 | 15,000 | 50,000 |
| Deferred Charges and Statutory Expenditures | A-3 | - | 35,000 |
| Municipal Debt Service | A-3 | - | 151,282 |
| County Taxes | A-14 | 2,326,245 | 2,330,925 |
| Amount Due County For Added and Omitted Taxes | A-14 | 9,474 | 5,066 |
| Local District School Taxes | A-15 | 2,793,225 | 2,739,594 |
| Regional School Tax | A-16 | 2,445,427 | 2,347,511 |
| Municipal Open Space Tax | A-17 | 52,037 | 51,939 |
| Refund Prior Year Revenues | A-4 | 9,766 | 10 |
| Interfund Advances | C | 171,821 | 1 |
| TOTAL EXPENDITURES | | <u>9,529,921</u> | <u>9,316,081</u> |
| Excess (Deficit) Revenue Over Expenditures | | 280,846 | 531,939 |
| Statutory Excess To Fund Balance | | 280,846 | 531,939 |
| Fund Balance January 1 | A | <u>1,082,477</u> | <u>815,995</u> |
| | | 1,363,323 | 1,347,934 |
| Decreased by: | | | |
| Utilization as Anticipated Revenue | A-1 | <u>341,801</u> | <u>265,457</u> |
| Fund Balance December 31 | A | <u>\$ 1,021,522</u> | <u>\$ 1,082,477</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 1

| | <u>REF.</u> | <u>ANTICIPATED</u> <u>BUDGET</u> | <u>N.J.S. 40A:4-87</u> | <u>REALIZED</u> | <u>EXCESS OR</u> <u>DEFICIT</u> |
|---|-------------|-------------------------------------|------------------------|-----------------|------------------------------------|
| Anticipated Surplus-Cash Surplus | A-1 | \$ 341,801 | | \$ 341,801 | |
| Miscellaneous Revenues | | | | | |
| LOCAL REVENUES: | | | | | |
| Liquor Licenses-Clerk | A-9 | 3,775 | | 3,840 | \$ 65 |
| Other Fees and Permits | A-9 | 8,800 | | - | (8,800) |
| Municipal Court Fines and Costs | A-9 | 180,000 | | 137,087 | (42,913) |
| Interest and Costs On Taxes | A-5 | 78,450 | | 62,742 | (15,708) |
| TOTAL LOCAL REVENUES | | <u>271,025</u> | | <u>203,669</u> | <u>(67,356)</u> |
| STATE AID REVENUES: | | | | | |
| Energy Receipts Tax | A-9 | 264,368 | | 264,368 | |
| Reserve for Garden State Trust Fund | A-9 | 23,118 | | 23,118 | |
| TOTAL STATE AID REVENUES | | <u>287,486</u> | | <u>287,486</u> | |

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 2

| | REF. | ANTICIPATED | | REALIZED | EXCESS OR DEFICIT |
|---|-------|---------------------|------------------|---------------------|----------------------|
| | | BUDGET | N.J.S. 40A:4-87 | | |
| FEDERAL AND STATE GRANT REVENUES: | | | | | |
| Clean Communities Grant | A-19 | | 14,797 | 14,797 | |
| Municipal Alliance | A-19 | | 4,113 | 4,113 | |
| Warren County Historical Preservation Grant | A-19 | | 70,580 | 70,580 | |
| Warren County Cultural Council Art Grant | A-19 | 1,500 | 500 | 2,000 | |
| Total Special Items Of Revenues | | 1,500 | 89,990 | 91,490 | |
| Special Items Of Revenue Anticipated With Prior Written Consent of Local Government Services- Other Special Items: | | | | | |
| Cell Tower Lease | A-9 | 88,100 | | 144,778 | 56,678 |
| General Capital Fund Balance | A-9 | 35,000 | | 35,000 | |
| NJ Hotel Tax | A-9 | 2,625 | | 1,279 | (1,346) |
| | | 125,725 | | 181,057 | 55,332 |
| TOTAL MISCELLANEOUS REVENUES | A-2 | 685,736 | 89,990 | 763,702 | (12,024) |
| RECEIPTS FROM DELINQUENT TAXES | A-6:7 | 340,000 | | 288,855 | (51,145) |
| Amount To be Raised by Taxes For Support Of Municipal Budget: | | | | | |
| Local Tax For Municipal Purposes | A-2 | 1,031,049 | | 1,224,777 | 193,728 |
| Total General Revenues | | 2,398,586 | 89,990 | 2,619,135 | 130,559 |
| Non-Budget Revenues: | | | | | |
| Other Non-Budget Revenues | A-2 | | | 46,672 | 46,672 |
| | | \$ 2,398,586 | \$ 89,990 | \$ 2,665,807 | \$ 177,231 |

A-3

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 3

REF.

ANALYSIS OF REALIZED REVENUES

Allocation Of Current Tax Collections:

| | | |
|--|-----|---------------|
| Revenue from Collections | | \$ 8,277,861 |
| State of New Jersey, Senior Citizens and Veterans Deductions | | <u>21,075</u> |
| | A-1 | 8,298,936 |

Allocated To:

| | | |
|--------------------------------------|-----|------------------|
| School, County, and Open Space Taxes | A-6 | <u>7,626,408</u> |
|--------------------------------------|-----|------------------|

| | | |
|--|--|---------|
| Deficiency Supported by Municipal Revenues | | 672,528 |
|--|--|---------|

| | | |
|---|-----|----------------|
| Add (Decreased) by: Appropriation "Reserve For Uncollected Taxes" | A-3 | <u>552,249</u> |
|---|-----|----------------|

| | | |
|--|-----|---------------------|
| Amount For Support Of Municipal Budget Appropriations | A-2 | <u>\$ 1,224,777</u> |
|--|-----|---------------------|

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 4

ANALYSIS OF NON-BUDGET REVENUES

REF.

Miscellaneous Revenue Not Anticipated:

Treasurer:

| | | | | |
|-------------------------|-----|----|--------|-----------|
| Sr Cit. Admin Fee | | \$ | 405 | |
| LEA Rebate | | | 3,976 | |
| In Lieu Taxes | | | 2,304 | |
| Zoning Fees | | | 1,565 | |
| Fire Safety | | | 1,907 | |
| Cable TV | | | | |
| Insurance Proceeds | | | 12,750 | |
| Miscellaneous | | | 7,498 | |
| Interest on Investments | A-4 | | 5,851 | \$ 36,256 |
| Collector | A-5 | | | 10,416 |
| | | | | \$ 46,672 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 1

| <u>OPERATIONS-Within "CAPS"</u> | <u>APPROPRIATION</u> | <u>EXPENDED</u> | <u>RESERVED</u> | <u>CANCELED</u> |
|--|----------------------|---------------------|-----------------|-----------------|
| | <u>BUDGET</u> | <u>BUDGET AFTER</u> | <u>PAID OR</u> | |
| | | <u>MODIFICATION</u> | <u>CHARGED</u> | |
| GENERAL GOVERNMENT FUNCTIONS: | | | | |
| Mayor and Council: | | | | |
| Salaries and Wages | \$ 9,840 | \$ 9,840 | \$ 9,782 | \$ 58 |
| Other Expenses | 7,500 | 3,000 | 1,537 | 1,463 |
| Municipal Clerk: | | | | |
| Salaries and Wages | 135,000 | 135,000 | 124,088 | 10,912 |
| Other Expenses | 25,000 | 27,000 | 26,756 | 244 |
| Financial Administration (Treasury): | | | | |
| Salaries and Wages | 24,000 | 35,500 | 35,334 | 166 |
| Other Expenses | 28,800 | 29,700 | 25,134 | 4,566 |
| Audit Services: | | | | |
| Other Expenses | 21,000 | 21,000 | 21,000 | - |
| Computerized Data Processing: | | | | |
| Other Expenses | 2,500 | 2,500 | 1,342 | 1,158 |
| Revenue Administration (Tax Collection): | | | | |
| Salaries and Wages | 25,195 | 25,195 | 25,026 | 169 |
| Other Expenses | 3,750 | 5,050 | 5,027 | 23 |
| Tax Assessment Administration: | | | | |
| Salaries and Wages | 21,525 | 21,525 | 21,368 | 157 |
| Other Expenses | 1,500 | 1,500 | 697 | 803 |
| Legal Services (Legal Dept.): | | | | |
| Other Expenses | 102,000 | 102,000 | 101,602 | 398 |
| Engineering Services: | | | | |
| Other Expenses | 30,000 | 30,000 | 23,134 | 6,866 |
| Historical Sites Office: | | | | |
| Other Expenses | 2,500 | 2,500 | 1,687 | 813 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 2

| <u>OPERATIONS-Within "CAPS"</u> | <u>APPROPRIATION</u> | | <u>EXPENDED</u> | |
|--|----------------------|---------------------|-----------------|---------------------------|
| | <u>BUDGET</u> | <u>BUDGET AFTER</u> | <u>PAID OR</u> | <u>RESERVED CANCELLED</u> |
| | | <u>MODIFICATION</u> | <u>CHARGED</u> | |
| LAND USE ADMINISTRATION: | | | | |
| Planning Board: | | | | |
| Salaries and Wages | 7,600 | 7,600 | 7,551 | 49 |
| Other Expenses | 5,000 | 5,000 | 1,467 | 3,533 |
| Zoning Board of Adjustment: | | | | |
| Salaries and Wages | 7,600 | 7,600 | 7,551 | 49 |
| Other Expenses | 3,100 | 3,100 | 1,046 | 2,054 |
| Zoning Officer: | | | | |
| Salaries and Wages | 10,000 | 10,150 | 10,150 | - |
| CODE ENFORCEMENT AND ADMINISTRATION: | | | | |
| Uniform Construction Code Enforcement Functions: | | | | |
| Fire Prevention Bureau: | | | | |
| Salaries and Wages | 6,200 | 6,200 | 6,103 | 97 |
| Other Expenses | 1,000 | 1,125 | 1,108 | 17 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 3

| <u>OPERATIONS-Within "CAPS"</u> | <u>BUDGET</u> | <u>APPROPRIATION BUDGET AFTER MODIFICATION</u> | <u>EXPENDED PAID OR CHARGED</u> | <u>RESERVED</u> | <u>CANCELED</u> |
|--|---------------|--|---|-----------------|-----------------|
| INSURANCE: | | | | | |
| Unemployment Insurance | 3,100 | 3,700 | 3,697 | 3 | |
| General Liability Insurance | 90,000 | 90,000 | 88,384 | 1,616 | |
| Employee Group Insurance | 145,000 | 145,000 | 114,081 | 30,919 | |
| PUBLIC SAFETY FUNCTIONS: | | | | | |
| Office of Emergency Management: | | | | | |
| Salaries and Wages | 7,650 | 7,650 | 5,317 | 2,333 | |
| Other Expenses | 3,000 | 3,000 | 1,820 | 1,180 | |
| Aid to Volunteer Fire Companies | 52,000 | 52,000 | 52,000 | - | |
| Contribution to First Aid Organizations | 10,000 | - | - | - | |
| Municipal Prosecutor's Office: | | | | | |
| Other Expenses | 13,000 | 13,000 | 11,650 | 1,350 | |
| PUBLIC WORKS FUNCTIONS: | | | | | |
| Streets and Road Maintenance: | | | | | |
| Salaries and Wages | 197,000 | 197,000 | 183,959 | 13,041 | |
| Other Expenses | 204,121 | 204,121 | 95,551 | 68,570 | \$ 40,000 |
| Salaries and Wages | 6,295 | 6,335 | 6,331 | 4 | |
| Other Expenses | 5,000 | 5,000 | 2,070 | 2,930 | |
| Buildings and Grounds: | | | | | |
| Salaries and Wages | 7,375 | 7,375 | 7,334 | 41 | |
| Other Expenses | 30,000 | 26,235 | 23,851 | 2,384 | |
| Vehicle Maintenance (Including Police Vehicles): | | | | | |
| Other Expenses | 20,000 | 20,000 | 14,925 | 5,075 | |

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 4

| <u>OPERATIONS-Within "CAPS"</u> | <u>BUDGET</u> | <u>APPROPRIATION BUDGET AFTER MODIFICATION</u> | <u>EXPENDED PAID OR CHARGED</u> | <u>RESERVED</u> | <u>CANCELED</u> |
|---|---------------|--|---|-----------------|-----------------|
| HEALTH AND HUMAN SERVICES FUNCTIONS: | | | | | |
| Environmental Health Services: | | | | | |
| Other Expenses | 500 | 500 | 236 | 264 | |
| Animal Control Services: | | | | | |
| Salaries and Wages | 7,295 | 7,295 | 7,275 | 20 | |
| Other Expenses | 400 | 400 | - | 400 | |
| Contribution to Social Services Agencies: | | | | | |
| Senior Citizens Centers | 9,000 | 9,000 | 9,000 | - | |
| PARK AND RECREATION FUNCTIONS: | | | | | |
| Recreation Services and Programs: | | | | | |
| Salaries and Wages | 16,000 | 16,000 | 12,101 | 3,899 | |
| Other Expenses | 15,400 | 15,400 | 13,740 | 1,660 | |
| OTHER COMMON OPERATING FUNCTIONS: | | | | | |
| (Unclassified): | | | | | |
| Celebration of Public Events | 1,000 | 1,000 | - | 1,000 | |
| UTILITY EXPENSES AND BULK PURCHASES: | | | | | |
| Electricity | 9,500 | 9,500 | 7,751 | 1,749 | |
| Street Lighting | 11,000 | 11,000 | 9,737 | 1,263 | |
| Telephone (excluding equipment acquisition) | 17,000 | 17,000 | 16,925 | 75 | |
| Gas (natural or propane) | 9,000 | 9,000 | 4,593 | 4,407 | |
| Fuel Oil | 5,000 | 5,000 | 1,780 | 3,220 | |

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 5

| | <u>APPROPRIATION</u> | | <u>EXPENDED</u> | | |
|--|----------------------|--------------------------------------|----------------------------|-----------------|-----------------|
| | <u>BUDGET</u> | <u>BUDGET AFTER MODIFICATION</u> | <u>PAID OR CHARGED</u> | <u>RESERVED</u> | <u>CANCELED</u> |
| MUNICIPAL COURT: | | | | | |
| Salaries and Wages | 150,900 | 152,500 | 152,500 | - | |
| Other Expenses | 14,000 | 14,050 | 14,048 | 2 | |
| Total Operations - Within "CAPS " | 1,540,146 | 1,540,146 | 1,319,146 | 181,000 | 40,000 |
| Detail: | | | | | |
| Salaries and Wages | 639,475 | 652,765 | 621,770 | 30,995 | - |
| Other Expenses | 900,671 | 887,381 | 697,376 | 150,005 | 40,000 |
| DEFERRED CHARGES AND STATUTORY EXPENDITURES Within "CAPS": | | | | | |
| Statutory Expenditures : | | | | | |
| Social Security System (O.A.S.I.) | 46,000 | 46,000 | 43,471 | 2,529 | |
| Contribution to PERS | 60,500 | 60,500 | 60,470 | 30 | |
| Total Deferred Charges and Statutory Expenditures-within "CAPS" | 106,500 | 106,500 | 103,941 | 2,559 | - |
| Total General Appropriations for Municipal Purposes Within "CAPS" | 1,646,646 | 1,646,646 | 1,423,087 | 183,559 | 40,000 |
| OPERATIONS-EXCLUDED from " CAPS" | | | | | |
| Employee Insurance | | | | - | |
| Police Dispatch/911: | | | | | |
| Salaries and Wages | 1,790 | 1,790 | 1,764 | 26 | |
| Total Other Operations-Excluded from "CAPS" | 1,790 | 1,790 | 1,764 | 26 | - |

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 6

| | <u>BUDGET</u> | <u>BUDGET AFTER MODIFICATION</u> | <u>EXPENDED PAID OR CHARGED</u> | <u>RESERVED</u> | <u>CANCELLED</u> |
|--|---------------|--------------------------------------|---|-----------------|------------------|
| Public and Private Programs Offset by Revenues- Excluded from "CAPS" | | | | | |
| Matching Share for Grants | 7,000 | 5,766 | - | 5,766 | |
| Clean Communities Program: | | | | | |
| Other Expenses | | 14,797 | 14,797 | | |
| Municipal Alliance: | | | | | |
| Other Expenses | | 4,113 | 4,113 | | |
| Local Share | | 1,234 | 1,234 | | |
| Warren County Historical Preservation Grant: | | | | | |
| Other Expenses | | 70,580 | 70,580 | | |
| Warren County Cultural & Heritage Council-Arts Grant: | | | | | |
| Other Expenses | 1,500 | 2,000 | 2,000 | | |
| Total Public and Private Programs Offset by Revenues-Excluded from "CAPS" | 8,500 | 98,490 | 92,724 | 5,766 | |
| Total Operations-Excluded from "CAPS" | 10,290 | 100,280 | 94,488 | 5,792 | |
| Detail: | | | | | |
| Salaries and Wages | 1,790 | 1,790 | 1,764 | | |
| Other Expenses | 8,500 | 98,490 | 92,724 | 5,766 | |
| Capital Improvements-Excluded from "CAPS": | | | | | |
| Capital Improvement Fund | 15,000 | 15,000 | 15,000 | | |
| Total Capital Improvements | 15,000 | 15,000 | 15,000 | | |
| Municipal Debt Service-Excluded from "CAPS": | | | | | |
| Payment of Notes | 174,400 | 174,400 | - | | \$ 174,400 |
| Payment of Interest on Notes | 1 | 1 | - | | 1 |
| Total Municipal Debt Service | 174,401 | 174,401 | - | - | 174,401 |

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 7

| | <u>APPROPRIATION</u> | <u>EXPENDED</u> | <u>RESERVED</u> | <u>CANCELED</u> |
|---|----------------------|--|----------------------------------|-------------------|
| | <u>BUDGET</u> | <u>BUDGET AFTER</u> <u>MODIFICATION</u> | <u>PAID OR</u> <u>CHARGED</u> | |
| Total General Appropriations for Municipal Purposes Excluded from "CAPS" | 199,691 | 289,681 | 109,488 | 5,792 |
| Subtotal General Appropriations | 1,846,337 | 1,936,327 | 1,532,575 | 189,351 |
| Reserve For Uncollected Taxes | 552,249 | 552,249 | 552,249 | 214,401 |
| TOTALS | \$ 2,398,586 | \$ 2,488,576 | \$ 2,084,824 | \$ 189,351 |
| | | | \$ 214,401 | |

A-2

A

A-1

Appropriation(40A:4-87)
Budget

\$ 89,990
2,398,586
\$ 2,488,576

REF.

| | | |
|-------------------------------|------|---------------------|
| Reserve for State Grants | A-20 | \$ 92,724 |
| Capital Improvement Fund | C | 15,000 |
| Reserve for Encumbrances | A-11 | 1,424,851 |
| Reserve for Uncollected Taxes | A-2 | <u>552,249</u> |
| | | <u>\$ 2,084,824</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

TRUST FUND
COMPARATIVE BALANCE SHEET

B

| ASSETS | <u>REF.</u> | <u>BALANCE</u> <u>12/31/16</u> | <u>BALANCE</u> <u>12/31/15</u> |
|--------------------------------------|-------------|-----------------------------------|-----------------------------------|
| Dog License Fund: | | | |
| Cash and Cash Equivalents | B-2 | \$ 326 | \$ 1,190 |
| Amount Due from Grants Fund | B-5 | 10,000 | |
| Amount Due from General Capital Fund | B-5 | <u>10,000</u> | <u>20,000</u> |
| Total Dog License Fund | | <u>20,326</u> | <u>21,190</u> |
| Other Trust Funds: | | | |
| Cash and Cash Equivalents | B-2 | 463,770 | 384,976 |
| Amount Due from Grants Fund | B-6 | 72,111 | - |
| Amount Due from General Capital Fund | B-6 | 293,984 | 293,984 |
| Amount Due from Current Fund | B-6 | <u>15,659</u> | <u>2,234</u> |
| Total Other Trust Funds | | <u>845,524</u> | <u>681,194</u> |
| TOTAL ASSETS | | <u>\$ 865,850</u> | <u>\$ 702,384</u> |

LIABILITIES, RESERVES AND FUND BALANCE

| | | | |
|---|------|--------------------------|--------------------------|
| Dog License Fund: | | | |
| Reserve for Dog Fund Expenditures | B-3 | \$ 15,144 | \$ 16,636 |
| Amount Due State of New Jersey | B-4 | 12 | - |
| Amount Due Sewer Utility Fund | B-5 | 1,000 | |
| Amount Due Current Fund | B-5 | <u>4,170</u> | <u>4,554</u> |
| Total Dog License Fund | | <u>20,326</u> | <u>21,190</u> |
| Other Trust Fund: | | | |
| Amount Due to Current Fund | B-6 | - | 20,001 |
| Reserve for Tax Lien and Premium Deposits | B-7 | 233,113 | 122,741 |
| Reserve for Driveway Bond Deposits | B-8 | 23,724 | 23,625 |
| Reserve for Escrow Trust Deposits | B-9 | 9,476 | 9,472 |
| Reserve for Public Defender Deposits | B-10 | 9,813 | 9,468 |
| Reserve for Open Space Tax Trust | B-11 | 339,861 | 294,677 |
| Reserve for Developers Escrow Trust Deposits | B-12 | 103,294 | 98,225 |
| Reserve for COAH Deposits | B-13 | 112,635 | 89,445 |
| Reserve for DUI Deposits | B-14 | 1,074 | 1,067 |
| Reserve for Housing Rehabilitation | B-15 | 12,502 | 12,453 |
| Reserve for POAA Fees | B-16 | <u>32</u> | <u>20</u> |
| Total Other Trust Fund | | <u>845,524</u> | <u>681,194</u> |
| TOTAL LIABILITIES, RESERVES AND FUND BALANCE | | <u>\$ 865,850</u> | <u>\$ 702,384</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

C

| ASSETS | <u>REF.</u> | <u>BALANCE</u> <u>12/31/16</u> | <u>BALANCE</u> <u>12/31/15</u> |
|--|-------------|-----------------------------------|-----------------------------------|
| Cash and Cash Equivalents | C-2 | \$ 9,872 | \$ 3,355 |
| NJ DOT Accounts Receivable | C-8 | 200,000 | - |
| Deferred Charges to Future Taxation: Unfunded | C-4 | <u>1,699,322</u> | <u>1,490,822</u> |
| TOTAL ASSETS | | <u>\$1,909,194</u> | <u>\$1,494,177</u> |

LIABILITIES, RESERVES AND FUND BALANCE

| | | | |
|---|-----|---------------------------|---------------------------|
| Amount Due Current Fund | C-3 | \$ 171,774 | - |
| Amount Due to Wastewater Fund | C-5 | 366,600 | \$ 65,000 |
| Amount Due to Municipal Open Space Fund | C-5 | 288,984 | 288,984 |
| Amount Due to Public Defender | C-5 | 5,000 | 150,000 |
| Amount Due to Animal Control Fund | C-5 | 10,000 | 20,000 |
| Amount Due to Payroll | C-5 | 60,000 | 5,000 |
| Capital Improvement Fund | C-6 | 178,323 | 184,823 |
| Reserve for: | | | |
| Debt Service | C-7 | 1,979 | 1,979 |
| Recreation Fund | C-7 | 1,400 | 1,400 |
| Fire Protection Fund | C-7 | 580 | 580 |
| Reserve for Encumbrances | C-8 | 159,526 | 231,950 |
| Improvement Authorizations: | | | |
| Funded | C-8 | 4,468 | 11,518 |
| Unfunded | C-8 | 437,282 | 274,665 |
| Fund Balance | C-1 | <u>223,278</u> | <u>258,278</u> |
| TOTAL LIABILITIES, RESERVES AND FUND BALANCE | | <u>\$1,909,194</u> | <u>\$1,494,177</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL CAPITAL FUND
SCHEDULE OF FUND BALANCE

C-1

| | <u>REF.</u> | |
|---|-------------|-------------------|
| Balance December 31, 2015 | C | \$ 258,278 |
| Decreased by: | | |
| Anticipated as Revenue in Current Fund Budget | C-3 | <u>35,000</u> |
| Balance December 31, 2016 | C | <u>\$ 223,278</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET

D

| ASSETS | <u>REF.</u> | <u>BALANCE</u> <u>12/31/16</u> | <u>BALANCE</u> <u>12/31/15</u> |
|---|-------------|-----------------------------------|-----------------------------------|
| Operating Fund: | | | |
| Cash and Cash Equivalents | D-4 | \$ 9,489 | \$ 2,132 |
| Amount Due Other Funds | D-7 | <u>367,600</u> | <u>354,936</u> |
| TOTAL ASSETS | | <u>\$ 377,089</u> | <u>\$ 357,068</u> |
| LIABILITIES, RESERVES AND FUND BALANCE | | | |
| Operating Fund: | | | |
| Liabilities: | | | |
| Appropriation Reserve | D-3:9 | 47,757 | 49,849 |
| Reserve for Repairs & Deficiencies | D-8 | <u>215,003</u> | <u>199,608</u> |
| | | 262,760 | 249,457 |
| Fund Balance | D-1 | <u>114,329</u> | <u>107,611</u> |
| TOTAL LIABILITIES, RESERVES AND FUND BALANCE | | <u>\$ 377,089</u> | <u>\$ 357,068</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

SEWER UTILITY FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN OPERATING FUND BALANCE

D-1

| REVENUE AND OTHER INCOME REALIZED | REF. | YEAR 12/31/16 | YEAR 12/31/15 |
|--|-------------|--------------------------|--------------------------|
| Surplus Anticipated | D-2 | \$ 23,000 | \$ 23,000 |
| Rents | D-2 | 207,341 | 207,341 |
| Operating Deficit - Current Fund | D-2:7 | - | - |
| Non-Budget Revenues | D-2 | 88 | 1,533 |
| Other Credits To Income: | | | |
| Unexpended Balance of Appropriation Reserves | D-10 | <u>44,289</u> | <u>56,953</u> |
| Total Income | | <u>274,718</u> | <u>288,827</u> |
| EXPENDITURES | | | |
| Operating | D-3 | <u>245,000</u> | <u>245,000</u> |
| Total Expenditures | | <u>245,000</u> | <u>245,000</u> |
| Excess (Deficit) Revenue Over Expenditures | | 29,718 | 43,827 |
| Balance January 1 | D | <u>107,611</u> | <u>86,784</u> |
| Decreased by: | | | |
| Utilization as Anticipated Revenue | D-1 | 23,000 | 23,000 |
| Balance December 31 | D | <u>\$ 114,329</u> | <u>\$ 107,611</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

SEWER UTILITY FUND
STATEMENT OF REVENUES

D-2

| | <u>REF.</u> | <u>ANTICIPATED BUDGET</u> | <u>REALIZED</u> | <u>EXCESS OR (DEFICIT)</u> |
|---|-------------|-------------------------------|-------------------|--------------------------------|
| Anticipated Surplus-Cash Surplus | D-1 | \$ 23,000 | \$ 23,000 | |
| Rents | D-5 | 222,000 | 207,341 | \$ (14,659) |
| Other Revenues: | | | | |
| Other Non-Budget Revenues | D-2 | | 88 | 88 |
| Total Sewer Utility Revenue | | <u>\$ 245,000</u> | <u>\$ 230,429</u> | <u>\$ (14,571)</u> |

REF.

D-3

D-1

ANALYSIS OF NON-BUDGET REVENUES

Miscellaneous Revenue Not Anticipated:

 Miscellaneous

 Interest on Investments

REF.

D-4

\$ 13

75

\$ 88

The accompanying Notes to the Financial Statements are an integral part of this statement.

SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES

D-3

| | <u>APPROPRIATIONS</u> | | <u>EXPENDED</u> | |
|---|-----------------------|---------------------|-------------------|------------------|
| | <u>BUDGET AFTER</u> | | <u>PAID OR</u> | |
| | <u>BUDGET</u> | <u>MODIFICATION</u> | <u>CHARGED</u> | <u>RESERVED</u> |
| Other Expenses: | | | | |
| Other Expenses | \$ 23,322 | \$ 23,322 | \$ 19,901 | \$ 3,421 |
| Other Expenses-Contractual | 221,678 | 221,678 | 177,342 | 44,336 |
| Total Sewer Utility Appropriations | \$ 245,000 | \$ 245,000 | \$ 197,243 | \$ 47,757 |

REF.

D-2

D

| | | |
|-----------|-----|-------------------|
| Cash | D-4 | \$ 192,742 |
| Interfund | D-7 | <u>4,501</u> |
| | | <u>\$ 197,243</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET

E

| | REF. | BALANCE | |
|---------------------------|------|----------|--------------------------|
| | | 12/31/16 | 12/31/15 |
| ASSETS | | | |
| Cash and Cash Equivalents | E-1 | | \$ 6,190 |
| TOTAL ASSETS | | | <u><u>- \$ 6,190</u></u> |

LIABILITIES AND RESERVES

| | | |
|---------------------------------------|--|--------------------------|
| Amount Due Current Fund | | \$ 6,000 |
| Reserve for Public Assistance | | 190 |
| TOTAL LIABILITIES AND RESERVES | | <u><u>- \$ 6,190</u></u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL FIXED ASSETS
STATEMENT OF GENERAL FIXED ASSETS
DECEMBER 31, 2016

F

| | <u>BALANCE</u> <u>12/31/16</u> | <u>BALANCE</u> <u>12/31/15</u> |
|------------------------------------|-----------------------------------|-----------------------------------|
| General Fixed Assets: | | |
| Land | \$ 2,971,338 | \$ 2,971,338 |
| Buildings | 1,058,694 | 1,058,694 |
| Improvements Other Than Buildings | 366,713 | 366,713 |
| Machinery and Equipment | 3,034,813 | 2,875,287 |
| Total General Fixed Assets | <u><u>\$ 7,431,558</u></u> | <u><u>\$ 7,272,032</u></u> |
| Investment In General Fixed Assets | <u><u>\$ 7,431,558</u></u> | <u><u>\$ 7,272,032</u></u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

PAYROLL AGENCY FUND
COMPARATIVE BALANCE SHEET

H

| ASSETS | <u>BALANCE</u> <u>12/31/16</u> | <u>BALANCE</u> <u>12/31/15</u> |
|---------------------------|-----------------------------------|-----------------------------------|
| Cash and Cash Equivalents | \$ 11,271 | \$ 23,032 |
| Due General Capital Fund | 60,000 | - |
| Due Current Fund | - | 172,372 |
| TOTAL ASSETS | <u>\$ 71,271</u> | <u>\$ 195,404</u> |

LIABILITIES AND RESERVES

| | | |
|---------------------------------------|-------------------------|--------------------------|
| Due Sewer Operating Fund | | \$ 200,000 |
| Imprest Balances | \$ 71,271 | (4,596) |
| TOTAL LIABILITIES AND RESERVES | <u>\$ 71,271</u> | <u>\$ 195,404</u> |

The accompanying Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

GASB Statement No.14 established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The Division requires the financial statements of the Township to be reported separately.

The financial statements of the Township of Knowlton include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township, as The financial statements of the Township do not include the operations of the Board of Education.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes seven fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America(GAAP).

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

Current Fund

Resources and expenditures for governmental operations of a general nature, including State grants for operations.

Trust Funds

Records the receipts, disbursement and custodianship of monies in accordance with the purpose for which each account was established.

General Capital Fund

The receipts and disbursement of funds for the acquisition of general infrastructure and other capital facilities, other than those acquired in the Current Fund. General bonds and notes payable are recorded in this fund offset by deferred charges to future taxation.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Description of Funds (Continued)

Sewer Operating and Capital Fund

Account for the operations and acquisition of capital facilities of the municipality-owned Sewer Utility.

Public Assistance Fund

Receipt and disbursements of funds that provide assistance to certain residents of the Township pursuant to the provisions of Title 44 of New Jersey statutes.

General Fixed Assets Account Group

To account for all fixed assets of the Township. The Township's infrastructure is not reported in the group.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local government units. The more significant policies in New Jersey follow.

A modified accrual basis of accounting is followed with minor exceptions.

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

Expenditures--are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements and constitute part of the Township's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Property Tax Revenue--Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, Open Space and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1.

The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally.

If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid to the County by the Township quarterly on February 15, April 30, August 15 and November 15. The Open Space Levy is paid quarterly to the Township's other trust funds on February 15, April 30, August 15 and November 15.

When unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears after the eleventh day of the eleventh month in the year in which they are due, the collector in the municipality shall, subject to provisions of the New Jersey Statutes, enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Township.

In accordance with the accounting Principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP required tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Deferred School Taxes--A portion of the school taxes collected at December 31 relating to the period January 1 to June 30 of the subsequent year have been included in fund balance. GAAP requires such revenue to be deferred and recognized in the accounting period when it becomes susceptible to accrual.

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

General Fixed Assets--In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the municipality develops a fixed asset accounting and reporting system.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value.

No depreciation is to be provided for in the financial statements. Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Budget and Budgetary Procedures--The foundation of the New Jersey local finance system is the annual cash basis budget required under the Local Budget Law (N.J.S.A.40A:4-1, et seq.). Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The normal budget calendar begins early in the fiscal year with introduction, public advertisement and after state approval, budget adoption. The cash basis for revenues and budgetary basis for expenditures is the budget basis of accounting.

The Township is not required to adopt budgets for the following funds:

**General Capital Fund
Public Assistance Fund
Trust Fund**

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption, must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board, may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted.

Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Government Body. Expenditures may not legally exceed budgeted appropriations at the line item level.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Expenditures--Are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations at December 31, are reported as expenditures through the establishment of appropriations reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Tax Appeals and Other Contingent Losses--Losses which arise from tax appeals and other contingent losses are recognized at the time an unfavorable decision is rendered by an administrative or judicial body.

Deferred Charges to Future Taxation Funded and Unfunded--Upon the authorization of capital projects, the Township establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to N.J.S.A.40A:2-4, the Township may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Township raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations in order to provide an understanding of changes in the municipality's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Use of Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Departures from Generally Accepted Accounting Principles--The accounting principles and practices followed by the Township differ generally accepted accounting principles applicable to local government units. The more significant differences are as follows:

- Taxes and other receivables are fully reserved.
- Interfund receivables in the Current Fund are fully reserved.
- Unexpended and uncommitted appropriations are reflected as expenditures.
- Overexpended appropriations and emergency appropriations are deferred to the succeeding years' operations.
- Undetermined contributions to state-administered pension plans applicable to the six months ended December 31 are not accrued.
- Estimated losses arising from tax appeals and other contingencies are not recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

It was not practicable to determine the effect of such difference.

Statutory-Basis Financial Statements--The GASB Codification also defines the financial statements of a governmental unit to be presented to be in accordance with GAAP. The Township presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

Note 2: CASH AND CASH EQUIVALENTS

Deposits:

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 2: CASH AND CASH EQUIVALENTS (Continued)

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

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

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

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the municipality's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2016, all of the municipality's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The municipality does not have a policy for custodial credit risk.

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

| | <u>Cash and Cash Equivalents</u> | <u>Total</u> |
|----------|--------------------------------------|---------------------|
| Checking | <u>\$ 2,221,865</u> | <u>\$ 2,221,865</u> |

The carrying amount of the municipality's cash and cash equivalents at December 31, 2016, was \$2,221,865 and the bank balance was \$2,015,395. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$325,709 was covered by federal depository insurances and \$1,689,686 was covered by collateral pool.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 2: CASH AND CASH EQUIVALENTS (Continued)

Investments

Pursuant to the Enabling Act, the funds of the municipality may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the municipality may approve.

In order to maximize liquidity, the municipality utilizes the New Jersey Cash Management Fund ("NJCMF") as its sole investments. The NJCMF is administered by the New Jersey Department of Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At December 31, 2016, the municipality's balance was \$ 27,423

Custodial Credit Risk: Pursuant to GASB 40, the NJCMF, which is a pooled investment, is exempt from custodial credit risk disclosure. The municipality does not have a policy for custodial credit risk.

Credit Risk: The municipality does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJCMF is not rated by a rating agency.

Interest Rate Risk: The municipality does not have a policy to limit interest rate risk. The average maturity of the municipality's investments is less than one year.

Note 3: LONG-TERM DEBT

The Local Bond Law governs the issuance of bonds and notes to finance general municipal expenditures. All bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Bond anticipation notes, which are issued by temporarily finance capital projects, must be paid off within ten years or retired by issuance of bonds.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: LONG-TERM DEBT (Continued)

The Township debt is summarized as follows:

| | Beginning Balance | Issued | Paid | Ending Balance |
|------------------------------|------------------------------|---------------|-------------|---------------------------|
| Long Term Debt: | | | | |
| Compensated absences payable | None | | | None |
| Total Long-Term Debt | | | | |

Summary of Municipal Debt

| | YEAR <u>2016</u> | YEAR <u>2015</u> | YEAR <u>2014</u> |
|---|---------------------|---------------------|---------------------|
| Issued | | | |
| General: | | | |
| Bonds and Notes | - | - | \$ 1,186,322 |
| Total Deductions | NONE | NONE | NONE |
| Net Debt Issued | - | - | 1,186,322 |
| <u>Authorized But Not Issued</u> | | | |
| Total Authorized But Not Issued | \$ 1,699,322 | 1,490,822 | 112,365 |
| Net Bonds and Notes Issued and Authorized But Not Issued | \$ 1,699,322 | \$ 1,490,822 | \$ 1,298,687 |

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.484%.

| | Gross Debt | Deductions | Net Debt |
|-------------------------------|-------------------|-------------------|-----------------|
| Local School District Debt | None | None | |
| Regional School District Debt | None | None | |
| General Debt | \$ 1,699,322 | - | \$ 1,699,322 |
| | \$ 1,699,322 | \$ - | \$ 1,699,322 |

Net Debt \$ 1,699,322 Divided by Equalized Valuation Basis per
N.J.S.A. 40A:2-2 as amended, \$ 303,871,294 equals 0.559%

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

| | |
|---|---------------|
| 3 1/2% of Equalized Valuation Basis (Municipal) | \$ 10,635,495 |
| Net Debt | 1,699,322 |
| Remaining Borrowing Power | \$ 8,936,173 |

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: GENERAL FIXED ASSETS

The following is a summary of changes in the general fixed assets:

| | Balance <u>1/1/16</u> | <u>Additions</u> | Adjustments/ <u>Deletions</u> | Balance <u>12/31/16</u> |
|----------------------------------|--------------------------|------------------|----------------------------------|----------------------------|
| Land | \$ 2,971,338 | - | | \$ 2,971,338 |
| Buildings | 1,058,694 | - | - | 1,058,694 |
| Improvements Other Than Building | 366,713 | - | - | 366,713 |
| Equipment | 2,875,287 | 159,526 | - | 3,034,813 |
| | <u>\$ 7,272,032</u> | <u>159,526</u> | <u>-</u> | <u>\$ 7,431,558</u> |

Note 5: FUND BALANCES APPROPRIATED

Fund Balances at December 31, 2016, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2017, were as follows:

| | |
|--------------------|-----------|
| Current Fund | \$385,000 |
| Sewer Utility Fund | \$23,000 |

Note 6: SCHOOL TAXES

Local District Tax has been raised and liabilities deferred by statute (under provisions of C.63, P.L.1991, as amended), resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

| | TOTAL DEFERRED TAX <u>12/31/16</u> | LOCAL DISTRICT SCHOOL TAX BALANCE <u>12/31/16</u> | BALANCE <u>12/31/15</u> | TOTAL DEFERRED TAX <u>12/31/15</u> | REGIONAL HIGH SCHOOL TAX BALANCE <u>12/31/16</u> | BALANCE <u>12/31/15</u> |
|----------------|---|--|------------------------------------|---|---|------------------------------------|
| Balance of Tax | | \$ 1,425,483 | \$ 1,389,729 | | \$ 1,222,693 | \$ 1,173,735 |
| Deferred | | <u>1,297,721</u> | <u>1,297,721</u> | | <u>1,031,141</u> | <u>1,031,141</u> |
| Tax Payable | | <u>\$ 127,762</u> | <u>\$ 92,008</u> | | <u>\$ 191,552</u> | <u>\$ 142,594</u> |
| Tax Deferred | <u>\$ 2,328,862</u> | | | <u>\$ 2,328,862</u> | | |

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 7: PENSION PLANS

Description of Plans - All required employees of the municipality are covered by either the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Plan (DCRP) which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school municipality, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

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

The following represents the membership tiers for PERS:

Tier Definition

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 7: PENSION PLANS - (Continued)

The PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in the PERS. The current PERS rate is 6.5% of covered payroll.

Summary of Significant Accounting Policies - New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability or related deferred outflows or inflows of resources on their balance sheets, or related plan pension expense. However, N.J.A.C. 5:30-6.1(c)(2) requires municipalities and counties to disclose GASB 68 information in the Notes to the Financial Statements. Accordingly, the municipality's portion of the net pension liability, related outflows and inflows of resources, and pension expense are for disclosure purposes only and do not effect the municipality's regulatory basis fund balance, statement of revenues and expenditures, or operations. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense as required by GASB No. 68, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS.

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

At June 30, 2016, the municipality disclosed a liability of \$1,263,916 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014. The municipality's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2016 and 2015. At June 30, 2016, the municipality's proportion was 0.00639% which was an increase of 0.00054% from its proportion measured as of June 30, 2015.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 7: PENSION PLANS (Continued)

For the year ended June 30, 2016, the municipality's portion of the plan's pension expense was \$208,829. At June 30, 2016, deferred outflows of resources and deferred inflows of resources for PERS relating to the municipality's proportionate share are from the following sources:

| | <u>Deferred</u> <u>Outflows of</u> <u>Resources</u> | <u>Deferred</u> <u>Inflows of</u> <u>Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 35,197 | |
| Changes of assumptions | 392,047 | |
| Net difference between projected and actual earnings on pension plan investments | 72,167 | |
| Changes in proportion and differences between municipality contributions and proportionate share of contributions | 118,795 | |
| Total | \$ 618,206 | \$ - |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense of the plan as follows:

| | <u>Year Ended June 30:</u> | |
|--|----------------------------|-------------------------|
| | 2017 | \$139,183 |
| | 2018 | 139,183 |
| | 2019 | 161,249 |
| | 2020 | 135,473 |
| | 2021 | <u>43,118</u> |
| | Total | <u>\$618,206</u> |

| | <u>6/30/2015</u> | <u>6/30/2016</u> |
|---|------------------|------------------|
| Collective deferred outflows of resources | \$3,578,755,666 | \$8,685,338,380 |
| Collective deferred inflows of resources | 993,410,455 | 870,133,595 |
| Collective net pension liability (Non State - Local Group) | \$22,447,996,119 | \$29,617,131,759 |
| municipality's proportionate share of net pension liability | \$1,312,704 | \$1,892,606 |
| municipality's proportion % | 0.00584776% | 0.00639024% |

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 7: PENSION PLANS (Continued)

Actuarial assumptions. The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

| | |
|----------------------------|--------------------------|
| Inflation: | 3.08% |
| Salary Increases: | |
| Through 2026 | 1.65%-4.15% based on age |
| Therafter | 2.65%-5.15% based on age |
| Investment Rate of Return: | 7.65% |

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2013 Based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------|--------------------------|---|
| Cash | 5.00% | 0.87% |
| U.S. Treasuries | 1.50% | 1.74% |
| Investment Grade Credit | 8.00% | 1.79% |
| Mortgages | 2.00% | 1.67% |
| High Yield Bonds | 2.00% | 4.56% |
| Inflation-Indexed Bonds | 1.50% | 3.44% |
| Broad US Equities | 26.00% | 8.53% |
| Developed Foreign Equities | 13.25% | 6.83% |
| Emerging Market Equities | 6.50% | 9.95% |
| Private Equity | 9.00% | 12.40% |
| Return | 12.50% | 4.68% |
| Real Estate (Property) | 2.00% | 6.91% |
| Commodities | 0.50% | 5.45% |
| Global Debt ex US | 5.00% | -0.25% |
| REIT | 5.25% | 5.63% |

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 7: PENSION PLANS (Continued)

Discount rate. The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on contribution rate in the most recent fiscal year.

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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate. The following presents the Municipality's proportionate share of the net pension liability measured as of June 30, 2016, calculated using the discount rate of 3.98%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|--------------------------------------|--------------------|
| | <u>(2.98%)</u> | <u>(3.98%)</u> | <u>(4.98%)</u> |
| Municipality's proportionate share of the net pension liability | \$ 2,319,168 | \$ 1,892,606 | \$ 1,540,442 |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

Defined Contribution Retirement Plan (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 7: PENSION PLANS (Continued)

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

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

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

□ New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

□ The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. □ New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. □ In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Three-Year Trend Information for PERS

| Year <u>Funding</u> | Annual Pension Cost (APC) | Percentage of APC <u>Contributed</u> | Net Pension <u>Obligation</u> |
|------------------------|---------------------------------|--|-------------------------------------|
| 2016 | \$60,470 | 100% | -0- |
| 2015 | \$76,113 | 100% | -0- |
| 2014 | \$44,657 | 100% | -0- |

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 8: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The Municipality does not provide post-employment benefits other than pension. Healthcare provided to eligible PERS retirees through the NJ State Health Benefits Program are paid by the the State of New Jersey and as such, no municipal OPEB liability exists.

Note 9: ACCRUED SICK AND VACATION BENEFITS

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the liability related to unused sick pay.

The Township has permitted employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon amount as determined by the Township Committee. At the time of audit the cost of such unpaid compensation totaled \$30,000. Such compensation would be included in the Township's budget operating expenditures in the year it is used.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 10: CONTINGENT LIABILITIES

GRANT PROGRAMS

The Township participated in a number of state assisted grant programs administered at the state level. These programs, exclusive of the single audit concept, can be subject to program compliance audits by the grantors or their representatives. Accordingly, the Township's compliance with certain applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Township expects such amounts, if any, to be immaterial.

LITIGATION

We are advised by Township Counsel, that the Township is not involved in any suits that would have a material impact on the Financial Statements.

Note 11: OTHER REQUIRED DISCLOSURES

Generally accepted accounting principles require disclosure of certain information concerning individual funds including:

Individual fund interfund receivable and payable balances. All interfund receivable and payable balances outstanding at the beginning of the fiscal period were fully liquidated during the fiscal period, with the following exceptions outstanding at December 31, 2016:

| <u>FUND</u> | <u>DUE FROM OTHER FUNDS</u> | <u>DUE TO OTHER FUNDS</u> |
|---------------------------|---------------------------------|-------------------------------|
| Current Fund | \$ 175,944 | \$ 16,893 |
| Dog Fund | 20,000 | 5,170 |
| Grants Fund | 1,234 | 82,111 |
| General Capital Fund | | 902,358 |
| Sewer Utility Fund | 367,600 | |
| Other Trust Funds | 381,754 | - |
| Payroll Agency Trust Fund | 60,000 | - |
| | <u>\$ 1,006,532</u> | <u>\$ 1,006,532</u> |

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 12: RISK FINANCING

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage. There were no significant reductions in insurance coverage from coverage in the prior year.

Note 13: OTHER POST-RETIREMENT BENEFITS

Plan Description. The Knowlton Township contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 1991, Knowlton Township authorized participation in the SHBP's post-retirement benefit program through resolution.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-sept2015.pdf.

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

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

The Knowlton Township contributions to SHBP for the years ended December 31, 2016, 2015, and 2014, were \$24,756, \$34,566, and \$40,081 respectively, which equaled the required contributions for each year. There were approximately one retired participant eligible at December 31, 2016, 2015, and 2014.

PART II
SUPPLEMENTARY INFORMATION

CURRENT FUND SCHEDULES

CURRENT FUND/FEDERAL AND STATE GRANT FUND
SCHEDULE OF CASH -TREASURER

A-4

| | <u>REF.</u> | <u>CURRENT FUND</u> | | <u>GRANTS</u> |
|---|-------------|---------------------|------------------|-------------------------------|
| Balance December 31, 2015 | A | \$ 1,688,432 | | \$ 4,918 |
| Increased by Receipts: | | | | |
| Miscellaneous Revenue Not Anticipated | A-2 | \$ 36,256 | | |
| Amount Due Other Trust Fund | B | 20,001 | \$ 377,111 | |
| Collector | A-5 | 8,726,016 | | |
| Revenue Accounts Receivable | A-9 | 609,470 | | |
| Senior Citizens/Veterans Deductions | A-18 | 20,250 | | |
| Interfund Returns - Trust | B | 33,922 | | |
| Federal/State Grant Funds | A-19:22 | <u>16,665</u> | <u>9,462,580</u> | <u>3,745</u> <u>380,856</u> |
| | | 11,151,012 | | 385,774 |
| Decreased by Disbursements: | | | | |
| Interfund Advances - Grant Fund | A | 33,659 | | 167,111 |
| Interfund Advances - General Capital Fund | C | 171,774 | | |
| Amount Due Payroll Fund | H | 172,372 | | |
| Prior Year Appropriation Reserve | A-10 | 24,863 | | |
| Reserve for Encumbrances | A-11 | 1,455,040 | | |
| Taxes Overpaid Refunded | A-13 | 2,256 | | |
| County Taxes | A-14 | 2,331,311 | | |
| Local District School Tax | A-15 | 2,757,471 | | |
| Regional District School Tax | A-16 | 2,396,469 | | |
| Transfer to Municipal Open Space Trust | A-17 | 52,149 | | |
| Federal/State Grant Funds | A-20:21 | <u>-</u> | <u>9,397,364</u> | <u>217,704</u> <u>384,815</u> |
| Balance December 31, 2016 | A | <u>\$ 1,753,648</u> | | <u>\$ 959</u> |

CURRENT FUND
SCHEDULE OF CASH - COLLECTOR

A-5

REF.

Received:

| | | | |
|-----------------------------|------|----------------|---------------------|
| Interest and Costs on Taxes | A-2 | \$ 62,742 | |
| Miscellaneous | A-2 | 10,416 | |
| Taxes Overpaid | A-13 | 2,506 | |
| Taxes Receivable | A-6 | 8,504,878 | |
| 2017 Prepaid Taxes | A-12 | <u>145,474</u> | <u>\$ 8,726,016</u> |

Decreased by Disbursements:

| | | | |
|-----------------------|-----|--|---------------------|
| Payments to Treasurer | A-4 | | <u>\$ 8,726,016</u> |
|-----------------------|-----|--|---------------------|

CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF TAX LEVY

A-6

| YEAR | BALANCE <u>12/31/15</u> | ADDED TAXES | 2016 <u>LEVY</u> | <u>CASH COLLECTIONS</u> | | TRANSFERRED TO TAX | | BALANCE <u>12/31/16</u> |
|--------|----------------------------|----------------|---------------------|-------------------------|---------------------|-----------------------|------------------|----------------------------|
| | | | | <u>2015</u> | <u>2016</u> | <u>TITLE LIENS</u> | <u>CANCELLED</u> | |
| 2004 | \$ 3,878 | | | | | | | \$ 3,878 |
| 2005 | 4,634 | | | | | | | 4,634 |
| 2006 | 4,933 | | | | | | | 4,933 |
| 2007 | 5,116 | | | | | | | 5,116 |
| 2008 | 5,251 | | | | | | | 5,251 |
| 2009 | 5,446 | | | | | | | 5,446 |
| 2010 | 5,393 | | | | | | | 5,393 |
| 2011 | 5,313 | | | | | | | 5,313 |
| 2012 | 5,236 | | | | | | | 5,236 |
| 2013 | 2,641 | | | | | | | 2,641 |
| 2014 | 6,595 | | | | \$ 12 | | | 6,583 |
| 2015 | 300,193 | \$ 648 | | | 288,844 | \$ 1,524 | | 10,473 |
| | 354,629 | 648 | | | 288,856 | 1,524 | - | 64,897 |
| 2016 | | | \$ 8,683,262 | \$ 61,839 | 8,237,097 | 28,666 | \$ 5,543 | 350,117 |
| TOTALS | \$ 354,629 | \$ 648 | \$ 8,683,262 | \$ 61,839 | \$ 8,525,953 | \$ 30,190 | \$ 5,543 | \$ 415,014 |

REF. A A-12 A-7 A

| | <u>REF.</u> | |
|--|-------------|---------------------|
| State of New Jersey -- Senior Citizens and Veterans Deductions Received by Collector | A-2 | \$ 21,075 |
| | A-5 | 8,504,878 |
| | | <u>\$ 8,525,953</u> |

ANALYSIS OF PROPERTY TAX LEVY:

| | | | |
|---|-------------|---------------|---------------------|
| Tax Yield: | | | |
| General Purpose Tax | | \$ 8,596,529 | |
| Added/Omitted Taxes (54:4-63.1 et.seq.) | | 34,906 | |
| Levy Special District Taxes | | <u>51,827</u> | <u>\$ 8,683,262</u> |
| Tax Levy: | | | |
| Local District School Tax | <u>REF.</u> | | |
| Regional High School Tax | A-15 | 2,793,225 | |
| Municipal Open Space Tax | A-16 | 2,445,427 | |
| County Taxes: | A-17 | 52,037 | |
| County Tax (Abstract) | A-14 | \$ 2,043,767 | |
| County Library Tax (Abstract) | A-14 | 160,597 | |
| County Open Space Tax | A-14 | 121,881 | |
| Due County for Added and Omitted Taxes(54.4-63.1,et.seq.) | A-14 | <u>9,474</u> | 2,335,719 |
| Local Tax for Municipal Purposes | A-2 | | 1,031,049 |
| Add: Additional Tax Levied | | <u>25,805</u> | <u>\$ 8,683,262</u> |

CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

A-7

| | <u>REF.</u> | |
|---------------------------------|-------------|-------------------|
| Balance December 31, 2015 | A | \$ 482,244 |
| Increased by: | | |
| Transfers from Taxes Receivable | A-6 | \$ 30,190 |
| Interest and Costs | | <u>297</u> |
| | | <u>30,487</u> |
| | | 512,731 |
| Decreased by: | | |
| Canceled | | <u>59,815</u> |
| Balance December 31, 2016 | A | <u>\$ 452,916</u> |

CURRENT FUND
SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)

A-8

| | <u>REF.</u> | |
|---------------------------|-------------|-------------------|
| Balance December 31, 2015 | A | <u>\$ 664,500</u> |
| Balance December 31, 2016 | A | <u>\$ 664,500</u> |

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

A-9

| | <u>REF.</u> | <u>BALANCE</u> <u>12/31/15</u> | <u>ACCRUED</u> <u>IN 2016</u> | <u>COLLECTED</u> <u>BY</u> <u>TREASURER</u> | <u>BALANCE</u> <u>12/31/16</u> |
|--------------------------------|-------------|-----------------------------------|----------------------------------|---|-----------------------------------|
| Clerk: | | | | | |
| Licenses: | | | | | |
| Alcoholic Beverages | A-2 | | \$ 3,840 | \$ 3,840 | |
| Other Fees and Licenses | A-2 | | - | - | |
| Municipal Court: | | | | | |
| Fines and Costs | A-2 | \$ 8,197 | 137,297 | 137,087 | \$ 8,407 |
| Energy Receipts Tax | A-2 | | 264,368 | 264,368 | |
| Reserve for Garden State Trust | A-2 | | 23,118 | 23,118 | |
| Cell Tower Lease | A-2 | | 144,778 | 144,778 | |
| Capital Fund Balance | A-2 | | 35,000 | 35,000 | |
| NJ Hotel Tax | A-2 | | 1,279 | 1,279 | |
| Totals | | <u>\$ 8,197</u> | <u>\$ 609,680</u> | <u>\$ 609,470</u> | <u>\$ 8,407</u> |
| | REF. | | A | A-4 | A |

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2015

A-10

| | <u>BALANCE</u> <u>12/31/15</u> | <u>BALANCE</u> <u>AFTER</u> <u>TRANSFERS</u> | <u>PAID OR</u> <u>CHARGED</u> | <u>BALANCE</u> <u>LAPSED</u> |
|-------------------------------|-----------------------------------|--|----------------------------------|---------------------------------|
| Mayor and Council: | | | | |
| Other Expenses | \$ 5,284 | \$ 1,184 | | \$ 1,184 |
| Municipal Clerk: | | | | |
| Other Expenses | 4,292 | 4,292 | \$ 227 | 4,065 |
| Financial Admin: | | | | |
| Other Expenses | 653 | 653 | 577 | 76 |
| Computerized Data Processing: | | | | |
| Other Expenses | 2,073 | 2,073 | 120 | 1,953 |
| Legal Services: | | | | |
| Other Expenses | 448 | 8,948 | 8,212 | 736 |
| Planning Board: | | | | |
| Other Expenses | 1,441 | 1,441 | 445 | 996 |
| Zoning Board: | | | | |
| Other Expenses | 21 | 21 | 21 | - |
| Zoning Officer: | | | | |
| Other Expenses | | 400 | 329 | 71 |
| Municipal Prosecutor: | | | | |
| Other Expenses | 3,500 | 3,500 | 500 | 3,000 |
| Road Maintenance: | | | | |
| Other Expenses | 13,514 | 13,514 | 10,705 | 2,809 |
| Solid Waste: | | | | |
| Other Expenses | 2,877 | 2,877 | 48 | 2,829 |
| Buildings and Grounds: | | | | |
| Other Expenses | 10,642 | 10,642 | 1,588 | 9,054 |
| Vehicle Maintenance: | | | | |
| Other Expenses | 395 | 395 | 214 | 181 |
| Electricity | 3,119 | 3,119 | 773 | 2,346 |
| Telephone | 860 | 1,060 | 1,037 | 23 |
| Fuel Oil | 6,263 | 1,263 | | 1,263 |
| Municipal Court: | | | | |
| Other Expenses | 4,578 | 4,578 | 67 | 4,511 |
| Other Accounts - No Change | 35,702 | 35,702 | | 35,702 |
| TOTALS | \$ 95,662 | \$ 95,662 | \$ 24,863 | \$ 70,799 |
| REF. | | A | A-4 | A-1 |

CURRENT FUND
SCHEDULE OF RESERVE FOR ENCUMBRANCES

A-11

| | <u>REF.</u> | | |
|---|-------------|------------------|------------------------|
| Increased by: | | | |
| Additions/Canceled | | \$ 35,689 | |
| Transfer from Current Year Appropriations | A-3 | <u>1,424,851</u> | <u>\$ 1,460,540</u> |
| | | | 1,460,540 |
| Decreased by: | | | |
| Cash Disbursements | A-4 | | <u>1,455,040</u> |
| Balance December 31, 2016 | A | | <u><u>\$ 5,500</u></u> |

CURRENT FUND
SCHEDULE OF TAXES COLLECTED IN ADVANCE

A-12

| | <u>REF.</u> | |
|----------------------------------|-------------|-------------------|
| Balance December 31, 2015 | A | \$ 61,839 |
| Increased by: | | |
| 2017 Taxes Collected in Advance | A-5 | <u>145,474</u> |
| | | 207,313 |
| Decreased by: | | |
| Applied to 2016 Taxes Receivable | A-6 | <u>61,839</u> |
| Balance December 31, 2016 | A | <u>\$ 145,474</u> |

CURRENT FUND
SCHEDULE OF TAX OVERPAYMENTS

A-13

REF.

Increased by:

Accrued amounts owed for tax appeals
Added in 2016

| | | | | |
|--|-----|--------------|------------------|--|
| | A-1 | \$ 47,611 | | |
| | A-5 | <u>2,506</u> | <u>\$ 50,117</u> | |
| | | | 50,117 | |

Decreased by:

Canceled
Refunded

| | | | | |
|--|-----|--------------|--------------|--|
| | | 250 | | |
| | A-4 | <u>2,256</u> | <u>2,506</u> | |

Balance December 31, 2016

| | | | | |
|--|---|--|------------------|--|
| | A | | <u>\$ 47,611</u> | |
|--|---|--|------------------|--|

CURRENT FUND
SCHEDULE OF COUNTY TAXES PAYABLE

A-14

| | <u>REF.</u> | |
|------------------------------------|-------------|------------------|
| Balance December 31, 2015 | A | \$ 5,066 |
| Increased by: | | |
| 2016 Levy: | | |
| County Taxes | A-1:6 | \$ 2,043,767 |
| County Library Taxes | A-1:6 | 160,597 |
| County Open Space Tax | A-1:6 | 121,881 |
| Prior Year Added and Omitted Taxes | A-1:6 | <u>9,474</u> |
| | | <u>2,335,719</u> |
| | | 2,340,785 |
| Decreased by: | | |
| Payments | A-4 | <u>2,331,311</u> |
| Balance December 31, 2016 | A | <u>\$ 9,474</u> |

CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

A-15

| | <u>REF.</u> | | |
|--|-------------|------------------|---------------------|
| Balance December 31, 2015: | | | |
| School Tax Payable | A | \$ 92,008 | |
| School Tax Deferred | | <u>1,297,721</u> | \$ 1,389,729 |
| Increased by: | | | |
| Levy - School Year July 1, 2016 to June 30, 2017 | A-6 | | <u>2,793,225</u> |
| | | | 4,182,954 |
| Decreased by: | | | |
| Payments | A-4 | | <u>2,757,471</u> |
| Balance December 31, 2016: | | | |
| School Tax Payable | A | 127,762 | |
| School Tax Deferred | | <u>1,297,721</u> | <u>\$ 1,425,483</u> |
| 2016 Liability for Local District School Tax: | | | |
| Tax Paid | | | \$ 2,757,471 |
| Tax Payable 12/31/16 | | | <u>1,425,483</u> |
| | | | 4,182,954 |
| Less -- Tax Payable 12/31/15 | | | <u>1,389,729</u> |
| Amount Charged to 2016 Operations | A-1 | | <u>\$ 2,793,225</u> |

CURRENT FUND
SCHEDULE OF REGIONAL DISTRICT SCHOOL TAX PAYABLE

A-16

| | <u>REF.</u> | |
|--|-------------|---------------------|
| Balance December 31, 2015: | | |
| School Tax Payable | | \$ 142,594 |
| School Tax Deferred | | <u>1,031,141</u> |
| | | \$ 1,173,735 |
| Increased by: | | |
| Levy - School Year July 1, 2016 to June 30, 2017 | A-6 | <u>2,445,427</u> |
| | | 3,619,162 |
| Decreased by: | | |
| Payments | A-4 | <u>2,396,469</u> |
| Balance December 31, 2016: | | |
| School Tax Payable | A | 191,552 |
| School Tax Deferred | | <u>1,031,141</u> |
| | | <u>\$ 1,222,693</u> |
| 2016 Liability for Local District School Tax: | | |
| Tax Paid | | \$ 2,396,469 |
| Tax Payable 12/31/16 | | <u>1,222,693</u> |
| | | 3,619,162 |
| Less -- Tax Payable 12/31/15 | | <u>1,173,735</u> |
| Amount Charged to 2016 Operations | A-1 | <u>\$ 2,445,427</u> |

CURRENT FUND
SCHEDULE OF MUNICIPAL OPEN SPACE TAX

A-17

| | <u>REF.</u> | |
|---|-------------|------------------|
| Balance December 31, 2015 | A | \$ 112 |
| Increased by: | | |
| Levy - 2016 | A-6 | <u>52,037</u> |
| | | 52,149 |
| Decreased by: | | |
| Transfer to Municipal Open Space Trust Fund | A-4 | <u>\$ 52,149</u> |

CURRENT FUND
SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY FOR
SENIOR CITIZENS AND VETERANS DEDUCTIONS

A-18

| | <u>REF.</u> | | |
|---|-------------|------------------|-------------------------|
| Balance December 31, 2015 | A | \$ | (713) |
| Increased by: | | | |
| Senior Citizens Deductions Disallowed by Tax Collector Received in Cash From State | A-4 | \$ <u>20,250</u> | <u>20,250</u> 19,537 |
| Decreased by: | | | |
| Senior Citizens Deductions per Tax Billings | | 3,250 | |
| Veterans Deductions per Tax Billings | | 17,000 | |
| Senior Citizens Deductions Allowed by Tax Collector | | <u>825</u> | <u>21,075</u> |
| Balance December 31, 2016 | A | \$ | <u>(1,538)</u> |

CURRENT FUND
SCHEDULE OF FEDERAL/STATE GRANTS RECEIVABLE

A-19

| <u>PURPOSE</u> | <u>BALANCE</u> <u>12/31/15</u> | <u>RECEIVABLE</u> | <u>RECEIVED</u> | <u>BALANCE</u> <u>12/31/16</u> |
|--|-----------------------------------|-------------------|------------------|-----------------------------------|
| Clean Community Program | | \$ 14,797 | \$ 14,797 | |
| Municipal Alliance on Alcohol Education | | 4,113 | 4,113 | |
| NJ DOT - Guide Rails | \$ 11,498 | | | \$ 11,498 |
| NJDEP Grant | 245,000 | | | 245,000 |
| Wastewater Grant | 10,000 | | | 10,000 |
| Open Space - Green Acres | 325,000 | | | 325,000 |
| Warren County Arts Grant | 375 | 2,000 | 1,500 | 875 |
| State Historic Grant | 1 | | | 1 |
| Warren County Preservation Grant | 29,328 | | | 29,328 |
| Warren County Preservation Grant-Electrical | | 70,580 | | 70,580 |
| DCA-Recreation for Individuals With Disabilities | 10 | | | 10 |
| Totals | \$ 621,212 | \$ 91,490 | \$ 20,410 | \$ 692,292 |

REF.

A

A-2

A-4

A

CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR STATE GRANTS

A-20

| | <u>BALANCE</u> <u>12/31/15</u> | <u>TRANSFER</u> <u>FROM</u> <u>2016 BUDGET</u> <u>APPROPRIATIONS</u> | <u>ADDED TO</u> <u>2016 BUDGET</u> <u>APPROPRIATIONS</u> <u>N.J.S. 40A:4-87</u> | <u>EXPENDED</u> | <u>BALANCE</u> <u>12/31/16</u> |
|--|-----------------------------------|---|--|-------------------|-----------------------------------|
| Clean Communities Program | \$ 33,163 | | \$ 14,797 | \$ 13,642 | \$ 34,318 |
| Municipal Alliance on Alcohol Education Local Share | | | 4,113 1,234 | 724 | 3,389 1,234 |
| Warren County Historic Grant | 33,933 | | | | 33,933 |
| Wastewater Grant | 1,586 | | | 1,586 | - |
| NJDEP Grant | 187,285 | | | 129,688 | 57,597 |
| NJDOT Grant - Guide Rails | 18,163 | | | | 18,163 |
| State Historic Grant | 9,952 | | | | 9,952 |
| NJ Clean Energy Grant | 6,617 | | | | 6,617 |
| Open Space Grant - Green Acres | 325,000 | | | | 325,000 |
| Warren County Arts Grant | 300 | \$ 1,500 | 500 | 2,245 | 55 |
| Warren County Preservation Grant-Electrical | | | 70,580 | 4,228 | 66,352 |
| Warren County Preservation Grant | 2,896 | | | | 2,896 |
| Totals | \$ 618,895 | \$ 1,500 | \$ 91,224 | \$ 152,113 | \$ 559,506 |
| | A | A-3 | A-3 | | A |
| Cash Disbursements | | | A-4 | \$ 151,148 | |
| Encumbrances | | | A | 965 | |
| | | | | \$ 152,113 | |

CURRENT FUND
SCHEDULE OF RESERVE FOR SMALL CITIES PROGRAM

A-21

| | <u>REF.</u> | |
|---------------------------|-------------|------------------|
| Balance December 31, 2015 | A | \$ 43,624 |
| Balance December 31, 2016 | A | <u>\$ 43,624</u> |

CURRENT FUND
SCHEDULE OF UNAPPROPRIATED RESERVES FOR STATE GRANTS

A-22

| | <u>BALANCE</u> <u>12/31/15</u> | <u>RECEIVED</u> | <u>BALANCE</u> <u>12/31/16</u> |
|--------------------|-----------------------------------|-----------------|-----------------------------------|
| Recycling Grant | \$ 1,328 | \$ 2,798 | \$ 4,126 |
| Municipal Alliance | | 3,453 | 3,453 |
| Clean Communities | 700 | | 700 |
| Totals | <u>\$ 2,028</u> | <u>\$ 6,251</u> | <u>\$ 8,279</u> |
| | A | A-4 | A |

TRUST FUND SCHEDULES

TRUST FUND
SCHEDULE OF CASH - TREASURER

B-2

| | | <u>DOG</u> | |
|--|-------------|-----------------|-------------------|
| | <u>REF.</u> | <u>LICENSES</u> | <u>OTHER</u> |
| Balance December 31, 2015 | B | \$ 1,190 | \$ 384,976 |
| Increased by Receipts: | | | |
| Dog License Fees | B-3 | 7,641 | |
| State Dog License Fees | B-4 | 872 | |
| Amount Due Current Fund/Grants Fund/General Capital Fund | B-5:6 | 11,059 | 405,000 |
| Tax Lien and Premium Deposits | B-7 | | 284,172 |
| Driveway Bond Deposits | B-8 | | 99 |
| Escrow Trust - Courtland Deposits | B-9 | | 4 |
| Public Defender Deposits | B-10 | | 6,345 |
| Open Space Deposits | B-11 | | 767 |
| Escrow Deposits-Interest | B-12 | | 72,666 |
| COAH Deposits | B-13 | | 23,190 |
| DUI Deposits | B-14 | | 7 |
| Housing Rehabilitation Deposits | B-15 | | 49 |
| Total Receipts | | <u>19,572</u> | <u>792,299</u> |
| | | <u>20,762</u> | <u>1,177,275</u> |
| Decreased by Disbursements: | | | |
| Administrative Expenses | B-3 | 4,963 | |
| State Dog License Fees | B-4 | 860 | |
| Amount Due Current Fund/Grants Fund/General Capital Fund | B-5:6 | 14,613 | 439,965 |
| Tax Lien and Premium Redemptions | B-7 | | 173,800 |
| Public Defender Payments | B-10 | | 6,000 |
| Open Space Payments | B-11 | | 10,516 |
| Escrow Trust Refunds | B-12 | | 83,224 |
| COAH Payments | B-13 | | - |
| DUI Refunds | B-14 | | - |
| Total Disbursements | | <u>20,436</u> | <u>713,505</u> |
| Balance December 31, 2016 | B | <u>\$ 326</u> | <u>\$ 463,770</u> |

TRUST FUND
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

B-3

| | <u>REF.</u> | |
|-----------------------------------|-------------|---------------------------|
| Balance December 31, 2015 | B | \$ 16,636 |
| Increased by: | | |
| Dog License Fees Collected | B-2 | <u>7,641</u> 24,277 |
| Decreased by: | | |
| Statutory Excess Due Current Fund | B-5 | \$ 4,170 |
| Administrative Expenses | B-2 | <u>4,963</u> <u>9,133</u> |
| Balance December 31, 2016 | B | <u>\$15,144</u> |

DOG FEES COLLECTED

| | | |
|---------|--|---------------------------------|
| CY 2015 | | \$ 6,581 |
| CY 2014 | | <u>8,563</u> <u>\$15,144</u> |

TRUST FUND
SCHEDULE OF AMOUNT DUE TO STATE OF
NEW JERSEY DEPARTMENT OF HEALTH

B-4

REF.

Increased by:

Collected in 2016:

State Board of Health Fees

B-2

\$ 872

872

Decreased By:

Payments

B-2

860

Balance December 31, 2016

B

\$ 12

TRUST FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND
DOG LICENSE FUND

B-5

| | <u>REF.</u> | |
|---------------------------|-------------|-----------------|
| Balance December 31, 2015 | B | \$ 4,554 |
| Increased by: | | |
| Interest Credits | B-2 | \$ 59 |
| Statutory Excess | B-3 | 4,170 |
| | | <u>\$ 4,229</u> |
| | | 8,783 |
| Decreased by: | | |
| Interfund Returned | B-2 | <u>4,613</u> |
| Balance December 31, 2016 | B | <u>\$ 4,170</u> |

TRUST FUND
SCHEDULE OF AMOUNT DUE GENERAL CAPITAL FUND
DOG LICENSE FUND

B-5

| | <u>REF.</u> | |
|---|-------------|------------------|
| Balance December 31, 2015 | B | \$ 20,000 |
| Decreased by: | | |
| Cash Advanced from General Capital Fund | B-2 | <u>10,000</u> |
| Balance December 31, 2016 | B | <u>\$ 10,000</u> |

TRUST FUND
SCHEDULE OF AMOUNT DUE GRANTS FUND
DOG LICENSE FUND

B-5

| | <u>REF.</u> | |
|------------------------------|-------------|------------------|
| Increased by: | | |
| Cash Advanced to Grants Fund | B-2 | <u>\$ 10,000</u> |
| Balance December 31, 2016 | B | <u>\$ 10,000</u> |

TRUST FUND
SCHEDULE OF AMOUNT DUE SEWER UTILITY FUND
DOG LICENSE FUND

B-5

| | <u>REF.</u> | |
|---------------------------------------|-------------|-----------------|
| Increased by: | | |
| Cash Advanced from Sewer Utility Fund | B-2 | <u>\$ 1,000</u> |
| Balance December 31, 2016 | B | <u>\$ 1,000</u> |

TRUST FUND
SCHEDULE OF AMOUNT DUE OTHER FUNDS
OTHER TRUST FUND

B-6

| | <u>REF.</u> | <u>DUE TO/(FROM) GRANTS FUND</u> | <u>DUE TO/(FROM) CURRENT FUND</u> | <u>DUE TO/(FROM) GENERAL CAPITAL FUND</u> |
|--|-------------|--|---|---|
| Balance December 31, 2015 | B | | \$ 17,767 | (293,984) |
| Increased by: | | | | |
| Interfund Cash Returned from Current Fund - Public Defender | B-2 | | 5,000 | |
| Interfund Cash Returned from Current Fund - Open Space | B-2 | | 400,000 | |
| Developer's Escrow Payments Paid from Current Fund | B-12 | - | 2,173 | - |
| | | - | 424,940 | (293,984) |
| Decreased by: | | | | |
| Interfund Cash Advance to General Capital Fund - Public Defender | B-2 | | | |
| Interfund Cash Advance to Current Fund - Driveway Trust | B-2 | | 20,001 | |
| Interfund Cash Advance to Current Fund - Public Defender | B-2 | | 2,898 | |
| Interfund Cash Advance to Grants Fund - Open Space Fund | B-2 | 50,000 | | |
| Interfund Cash Advance to Grants Fund - Driveway Trust | B-2 | 22,111 | | |
| Interfund Cash Advance to Current Fund - Open Space | B-2 | | 344,955 | |
| Developer's Escrow Receipts Received in Current Fund | B-12 | | 17,800 | |
| POAA Fees Received in Current Fund | B-16 | | 12 | |
| Open Space Gypsy Moth Receipts in Current Fund | B-11 | | 2,896 | |
| Open Space Taxes in Current Fund | B-11 | - | 52,037 | - |
| | | 72,111 | 440,599 | - |
| Balance December 31, 2016 | B | \$ (72,111) | \$ (15,659) | \$ (293,984) |

ANALYSIS OF BALANCE - (RECEIVABLE)/PAYABLE

| | | | | |
|----------------------|--|--------------------|--------------------|---------------------|
| Developer's Escrow | | | \$ (15,627) | |
| Driveway Trust | | \$ (22,111) | | |
| POAA Fees | | | (32) | |
| Public Defender | | | | \$ (5,000) |
| Municipal Open Space | | (50,000) | - | (288,984) |
| | | <u>\$ (72,111)</u> | <u>\$ (15,659)</u> | <u>\$ (293,984)</u> |

TRUST FUND
SCHEDULE OF RESERVE FOR TAX LIEN REDEMPTIONS AND PREMIUMS

B-7

| | <u>REF.</u> | |
|---------------------------|-------------|-------------------|
| Balance December 31, 2015 | B | \$ 122,741 |
| Increased by: | | |
| Premium Deposits | B-2 | \$127,800 |
| Interest Credits | B-2 | 456 |
| Outside Lien Deposits | B-2 | <u>155,916</u> |
| | | <u>284,172</u> |
| | | 406,913 |
| Increased by: | | |
| Outside Lien Redemptions | B-2 | <u>173,800</u> |
| Balance December 31, 2016 | B | <u>\$ 233,113</u> |

ANALYSIS OF BALANCE

| | | |
|-------------------|--|-------------------|
| Tax Sale Premiums | | \$ 146,517 |
| Outside Tax Liens | | <u>86,596</u> |
| | | <u>\$ 233,113</u> |

TRUST FUND
SCHEDULE OF RESERVE FOR DRIVEWAY BOND DEPOSITS
TRUST DEPOSITS

B-8

| | <u>REF.</u> | |
|---------------------------|-------------|-------------------------|
| Balance December 31, 2015 | B | \$ 23,625 |
| Increased by: | | |
| Bond Deposits | B-2 | <u> 99</u> 23,724 |
| Balance December 31, 2016 | B | <u>\$ 23,724</u> |

TRUST FUND
SCHEDULE OF RESERVE FOR ESCROW TRUST FUND DEPOSITS-COURTLAND

B-9

| | <u>REF.</u> | |
|---------------------------|-------------|-----------------|
| Balance December 31, 2015 | B | \$ 9,472 |
| Increased by: | | |
| Interest | B-2 | <u> 4</u> |
| Balance December 31, 2016 | B | <u>\$ 9,476</u> |

TRUST FUND
SCHEDULE OF RESERVE FOR PUBLIC DEFENDERS' TRUST FUND DEPOSITS

B-10

| | <u>REF.</u> | |
|---------------------------|-------------|-----------------|
| Balance December 31, 2015 | B | \$ 9,468 |
| Increased by: | | |
| Public Defender Deposits | B-2 | <u>6,345</u> |
| | | 15,813 |
| Decreased by: | | |
| Payments | B-2 | <u>6,000</u> |
| Balance December 31, 2016 | B | <u>\$ 9,813</u> |

TRUST FUND
SCHEDULE OF RESERVE FOR MUNICIPAL OPEN SPACE DEPOSITS

| | | B-11 |
|---|-----|------------|
| Balance December 31, 2015 | B | \$ 294,677 |
| Increased by: | | |
| 2016 Tax Levy | B-6 | \$ 52,037 |
| Gypsy Moth Receipt Received in Current Fund | B-6 | 2,896 |
| Interest Credits | B-2 | 767 |
| | | 55,700 |
| | | 350,377 |
| Decreased by: | | |
| Payments - Open Space Expenditures | B-2 | 10,516 |
| | | 10,516 |
| Balance December 31, 2016 | B | \$ 339,861 |

TRUST FUND
SCHEDULE OF RESERVE FOR DEVELOPERS ESCROW DEPOSITS

B-12

| | <u>REF.</u> | | |
|--|-------------|---------------|------------------|
| Balance December 31, 2015 | B | | \$ 98,225 |
| Increased By: | | | |
| Escrow Deposits Received in Current Fund | B-6 | \$17,800 | |
| Escrow Deposits | B-2 | 72,657 | |
| Escrow Deposits-Interest | B-2 | <u>9</u> | <u>90,466</u> |
| | | | 188,691 |
| Decreased by: | | | |
| Escrow Payments Paid from Current Fund | B-6 | 2,173 | |
| Escrow Payments | B-2 | <u>83,224</u> | <u>85,397</u> |
| Balance December 31, 2016 | B | | <u>\$103,294</u> |

TRUST FUND
SCHEDULE OF RESERVE FOR COAH DEPOSITS

B-13

| | <u>REF.</u> | | |
|---------------------------|-------------|---------------|----------------|
| Balance December 31, 2015 | B | \$ | 89,445 |
| Increased By: | | | |
| Interest Credits | B-2 | \$ | 476 |
| COAH Deposits | B-2 | <u>22,714</u> | <u>23,190</u> |
| | | | 112,635 |
| Balance December 31, 2016 | B | <u>\$</u> | <u>112,635</u> |

TRUST FUND
SCHEDULE OF RESERVE FOR DUI DEPOSITS

B-14

| | <u>REF.</u> | |
|---------------------------|-------------|-------------------------|
| Balance December 31, 2015 | B | \$ 1,067 |
| Increased By: | | |
| Deposits | B-2 | <u> 7</u> 1,074 |
| Balance December 31, 2016 | B | <u>\$ 1,074</u> |

TRUST FUND
SCHEDULE OF RESERVE FOR HOUSING REHABILITATION

B-15

REF.

| | | |
|---------------------------|-----|------------------|
| Balance December 31, 2015 | B | \$ 12,453 |
| Increased By: | | |
| Interest Credits | B-2 | <u>49</u> |
| | | 12,502 |
| Balance December 31, 2016 | B | <u>\$ 12,502</u> |

TRUST FUND
SCHEDULE OF RESERVE FOR POAA FEES

B-16

REF.

Balance December 31, 2015

B

\$ 20

Increased By:

Receipts

B-6

12

32

Balance December 31, 2016

B

\$ 32

GENERAL CAPITAL FUND SCHEDULES

GENERAL CAPITAL FUND
SCHEDULE OF CASH -TREASURER

C-2

| | <u>REF.</u> | | |
|------------------------------------|-------------|---------------|-----------------|
| Balance December 31, 2015 | C | | \$ 3,355 |
| Increased by Receipts: | | | |
| Current Fund Cash Advance | C-3 | \$ 371,000 | |
| Interfund Cash Advances | C-5 | 281,600 | |
| Interest Credits | C-3 | <u>224</u> | <u>652,824</u> |
| | | | 656,179 |
| Decreased by Disbursements: | | | |
| Prior Year Encumbrances Liquidated | C | 231,950 | |
| Improvement Authorizations | C-8 | 114,907 | |
| Interfund Returned - Current Fund | C-3 | 219,450 | |
| Interfund Returned - Other Funds | C-5 | <u>80,000</u> | <u>646,307</u> |
| Balance December 31, 2016 | C | | <u>\$ 9,872</u> |

GENERAL CAPITAL FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND

C-3

REF.

Increased by:

| | | | |
|---|-----|----------------|-------------------|
| Interfunds Returned | C-2 | \$ 2,850 | |
| Current Fund Budget Appropriation- Capital Improvement Fund | C-6 | 15,000 | |
| Interfund Returned | C-5 | <u>216,600</u> | <u>\$ 234,450</u> |

Decreased by:

| | | | |
|---|-----|------------|----------------|
| Fund Balance Due Current - Anticipated as Revenue | C-1 | 35,000 | |
| Cash Advances | C-2 | 371,000 | |
| Accrued Interest Payable | C-2 | <u>224</u> | <u>406,224</u> |

| | | | |
|---------------------------|---|--|----------------------------|
| Balance December 31, 2015 | C | | <u><u>\$ (171,774)</u></u> |
|---------------------------|---|--|----------------------------|

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

C-4

ANALYSIS OF BALANCE

| ORDINANCE DATE | ORDINANCE NUMBER | IMPROVEMENT DESCRIPTION | BALANCE 12/31/15 | 2016 AUTHORIZATIONS | BALANCE 12/31/16 | DEBT AUTHORIZED NOT ISSUED | DEBT ISSUED |
|-------------------|---------------------|---|---------------------|------------------------|---------------------|-------------------------------------|----------------|
| 9/26/02 | 02-14 | Acquisition of Development Rights for Farm Preservation | \$ 265 | | \$ 265 | \$ 265 | |
| 12/11/06 | 06-13 | Guard Rails, Loader, Blower, Road Resurface, Carpet, Copier, Fire Pumper | 192,872 | | 192,872 | 192,872 | |
| 12/11/07 | 07-15 | Guard Rails, Flail Mower, Pick-up & plow, Spreader, Ambulance, Phone System,, Rec. Mower, Imps to Rec. Bldg, Paving Co-op | 143,512 | | 143,512 | 143,512 | |
| 6/8/09 | 09-02 | Open Space Preservation-Buchman Farm | 318,533 | | 318,533 | 318,533 | |
| 9/10/12 | 12-07 | Court Office, Rec. Furniture, Two Generators, Various Office Equipment, Various Road Resurfacing, HVAC for Municipal Building | 210,540 | | 210,540 | 210,540 | |
| 7/23/13 | 13-05 | Acquisition of B/L 16/11 for Municipal Purposes and Installation of Septic System | 123,500 | | 123,500 | 123,500 | |
| 6/26/14 | 14-04 | Improvements to Township Roads | 112,100 | | 112,100 | 112,100 | |
| 6/8/15 | 15-05 | Acquisition of Dump Truck | 152,000 | | 152,000 | 152,000 | |
| 6/8/15 | 15-06 | Acquisition of Fire Truck and Refurbishment of Fire Apparatus | 237,500 | | 237,500 | 237,500 | |
| | 16-16 | Various Road Improvements | | \$ 208,500 | 208,500 | 208,500 | |
| | | | \$ 1,490,822 | \$ 208,500 | \$ 1,699,322 | \$ 1,699,322 | - |

REF.

GENERAL CAPITAL FUND
SCHEDULE OF AMOUNT DUE OTHER FUNDS

C-5

REF.

| | | | | |
|--|-----|----|---------------|-----------------------|
| Balance December 31, 2015 | | | \$ | 528,984 |
| Increased by: | | | | |
| Interfund Cash Advance - Wastewater Fund | C-2 | \$ | 216,600 | |
| Interfund Cash Advance - Payroll | C-2 | | 60,000 | |
| Interfund Cash Advance - Public Defender | C-2 | | <u>5,000</u> | <u>281,600</u> |
| | | | | 810,584 |
| Decreased by: | | | | |
| Interfund Returned - Other Grant Funds | C-2 | | 5,000 | |
| Interfund Returned - Grants Fund | C-2 | | 65,000 | |
| Interfund Returned - Animal Trust Fund | C-2 | | <u>10,000</u> | <u>80,000</u> |
| Balance December 31, 2016 | C | | \$ | <u><u>730,584</u></u> |

GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

C-6

| | <u>REF.</u> | |
|-----------------------------------|-------------|-------------------|
| Balance December 31, 2015 | C | \$ 184,823 |
| Increased by: | | |
| Current Fund Budget Appropriation | C-3 | <u>15,000</u> |
| | | 199,823 |
| Decreased by: | | |
| Improvement Authorizations Funded | C-8 | <u>21,500</u> |
| Balance December 31, 2016 | C | <u>\$ 178,323</u> |

GENERAL CAPITAL FUND
SCHEDULE OF VARIOUS RESERVES

C-7

| <u>DESCRIPTION</u> | <u>BALANCE</u> <u>12/31/15</u> | <u>BALANCE</u> <u>12/31/16</u> |
|----------------------|-----------------------------------|-----------------------------------|
| Debt Service | \$ 1,979 | \$ 1,979 |
| Recreation Fund | 1,400 | 1,400 |
| Fire Protection Fund | <u>580</u> | <u>580</u> |
| | <u>\$ 3,959</u> | <u>\$ 3,959</u> |
| REF. | C | C |

GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

C-8

| <u>IMPROVEMENT DESCRIPTION</u> | <u>NO.</u> | <u>ORDINANCE</u> | | <u>BALANCE 12/31/15</u> | | <u>NJDOT Grant</u> | <u>DEFERRED CHARGES</u> | <u>CAPITAL IMP. FUND</u> | <u>PAID OR CHARGED</u> | <u>BALANCE 12/31/16</u> | |
|---|------------|------------------|---------------|-------------------------|-------------------|--------------------|-------------------------|--------------------------|------------------------|-------------------------|-------------------|
| | | <u>DATE</u> | <u>AMOUNT</u> | <u>FUNDED</u> | <u>UNFUNDED</u> | | | | | <u>FUNDED</u> | <u>UNFUNDED</u> |
| Acquisition of Dump Truck | 04-5 | 4/12/04 | 95,000 | | \$ 1,886 | | | | | \$ | 1,886 |
| Guard Rails, Flail Mower, Pick-up & plow, Spreader, Ambulance, Phone System,, Rec. Mower, Imps to Rec. Bldg, Paving Co-op | 07-15 | 12/11/07 | 453,200 | | 22,556 | | | | | | 22,556 |
| Replacement of Office Equipment & Recreation Lighting | 11-09 | 6/13/11 | 7,000 | \$ 2,664 | | | | | \$ | 2,664 | |
| Tanks for DPW Vehicles | 11-13 | 12/12/11 | 12,000 | 1,804 | | | | | | | 1,804 |
| Court Office, Rec. Furniture, Two Generators, Various Office Equipment, Various Road Resurfacing, HVAC for Municipal Building | 12-07 | 9/10/12 | 221,100 | | 32,009 | | | | \$ | 23,755 | 8,254 |
| Acquisition of B/L 16/11 for Municipal Purposes and Installation of Septic System | 13-05 | 7/23/13 | 130,000 | | 25,133 | | | | | 15,900 | 9,233 |
| Improvements to Township Roads | 14-04 | 6/26/14 | 118,000 | - | 23,031 | | | | | - | 23,031 |
| Acquisition of Dump Truck | 15-05 | 6/8/15 | 160,000 | 7,050 | 152,000 | | | | | 159,526 | - (476) |
| Acquisition of Fire Truck and Refurbishment of Fire Apparatus | 15-06 | 6/8/15 | 250,000 | | 18,050 | | | | | - | 18,050 |
| Improvements to Various Roads | 16-16 | | 430,000 | - | - | \$ 200,000 | \$ 208,500 | \$ 21,500 | | 75,252 | 354,748 |
| | | | | \$ 11,518 | \$ 274,665 | \$ 200,000 | \$ 208,500 | \$ 21,500 | \$ 274,433 | \$ 4,468 | \$ 437,282 |
| REF. | | | | C | C | C | C-4 | C-6 | C-2 | C | C |
| | | | | | | | Cash | C-2 | \$ 114,907 | | |
| | | | | | | | Encumbrances | C | 159,526 | | |
| | | | | | | | | | <u>\$ 274,433</u> | | |

SEWER UTILITY FUND

SEWER UTILITY FUND
SCHEDULE OF CASH - TREASURER

D-4

| | <u>REF.</u> | <u>OPERATING</u> | |
|------------------------------------|-------------|------------------|-----------------|
| Balance December 31, 2015 | D | | \$ 2,132 |
| Increased by Receipts: | | | |
| Interfund Returns | D-7 | \$ 424,936 | |
| Interest and Miscellaneous Revenue | D-2 | <u>88</u> | <u>425,024</u> |
| | | | 427,156 |
| Decreased by Disbursements: | | | |
| Interfund Advances | D-7 | 219,365 | |
| 2015 Appropriation Reserve | D-9 | 5,560 | |
| 2016 Appropriations | D-3 | <u>192,742</u> | <u>417,667</u> |
| Balance December 31, 2016 | D | | <u>\$ 9,489</u> |

SEWER UTILITY FUND
SCHEDULE OF CASH - COLLECTOR

D-5

REF.

Increased by Receipts:

Consumer Accounts Receivable

D-6 \$ 222,736

Decreased by Disbursements:

Payment to Treasurer - Current Fund

D-7 \$ 222,736

SEWER UTILITY FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

D-6

REF.

Increased by:

Sewer Rents/Fees Levied - Current Year:

 Pass Through Charges to Sewer Provider - Contractual

\$ 222,736

222,736

Decreased by:

Collection

D-5

\$ 222,736

SEWER UTILITY FUND
SCHEDULE OF DUE OTHER FUNDS

D-7

| | <u>REF.</u> | | |
|---|-------------|----------------|-------------------|
| Balance December 31, 2015 | D | | \$ 354,936 |
| Increased by: | | | |
| Cash Advanced to General Capital Fund | D-4 | \$ 216,600 | |
| Cash Advanced to Dog Fund | D-4 | 1,000 | |
| Cash Advanced to Current Fund | D-4 | 1,765 | |
| Sewer Fund Revenues Received in Current Fund | D-5 | <u>222,736</u> | 442,101 |
| | | | <u>797,037</u> |
| Decreased by: | | | |
| Cash Returned from Payroll Fund | D-4 | 200,000 | |
| Cash Returned from Grants Fund | D-4 | 4,936 | |
| Cash Returned from Current Fund | D-4 | 220,000 | |
| Sewer Fund Expenditures paid from Current Fund - Audit Services | D-3 | <u>4,501</u> | <u>429,437</u> |
| Balance December 31, 2016 | D | | <u>\$ 367,600</u> |

DUE
(TO)/FROM
OTHER
FUND

| | | | |
|----------------------|--|----------------|-------------------|
| | | | |
| Dog Fund | | \$ 1,000 | |
| Current Fund | | - | |
| General Capital Fund | | <u>366,600</u> | |
| | | | <u>\$ 367,600</u> |

ANALYSIS OF BALANCE

| | | | |
|----------------------|--|----------------|-------------------|
| | | | |
| Dog Fund | | \$ 1,000 | |
| Current Fund | | - | |
| General Capital Fund | | <u>366,600</u> | |
| | | | <u>\$ 367,600</u> |

SEWER UTILITY FUND
SCHEDULE OF RESERVE FOR REPAIRS AND DEFICIENCIES

D-8

| | <u>REF.</u> | |
|---------------------------|-------------|-------------------|
| Balance December 31, 2015 | D | \$ 199,608 |
| Increased by: | | |
| User Fees - Current | D-6 | <u> 15,395</u> |
| Balance December 31, 2016 | D | <u>\$ 215,003</u> |

SEWER UTILITY FUND
SCHEDULE OF APPROPRIATION RESERVES - 2015

D-9

| | <u>BALANCE</u> <u>12/31/15</u> | <u>BALANCE</u> <u>AFTER</u> <u>TRANSFERS</u> | <u>PAID OR</u> <u>CHARGED</u> | <u>BALANCE</u> <u>LAPSED</u> |
|--------------------------|-----------------------------------|--|----------------------------------|---------------------------------|
| All Accounts - No Change | \$ 49,849 | \$ 49,849 | \$ 5,560 | \$ 44,289 |
| TOTALS | <u>\$ 49,849</u> | <u>\$ 49,849</u> | <u>5,560</u> | <u>\$ 44,289</u> |
| REF. | | D | D-4 | D-1 |

PUBLIC ASSISTANCE FUND SCHEDULES

PUBLIC ASSISTANCE FUND
SCHEDULE OF CASH - TREASURER

E-1

| | <u>REF.</u> | <u>P.A.T.F.</u> <u>#2</u> | <u>FUND</u> <u>TOTAL</u> |
|---------------------------------------|-------------|------------------------------|-----------------------------|
| Balance December 31, 2015 | E | \$ 6,190 | \$ 6,190 |
| Decreased by Disbursements | | | |
| Interfund Returned to Current Fund | | 6,000 | 6,000 |
| 2016 Public Assistance | | 190 | 190 |
| | | <u>6,190</u> | <u>6,190</u> |
| Balance December 31, 2016 | E | <u> -</u> | <u> -</u> |

SCHEDULE OF GENERAL FIXED ASSETS

GENERAL FIXED ASSETS
SCHEDULE OF ADDITIONS AND DELETIONS
DECEMBER 31, 2016

F-1

| | <u>BALANCE</u> <u>12/31/15</u> | <u>ADDITIONS</u> | <u>DELETIONS</u> | <u>BALANCE</u> <u>12/31/16</u> |
|--|-----------------------------------|---------------------------|---------------------|-----------------------------------|
| General Fixed Assets: | | | | |
| Land | \$ 2,971,338 | | - | \$ 2,971,338 |
| Buildings | 1,058,694 | | - | 1,058,694 |
| Improvements Other Than Buildings | 366,713 | | - | 366,713 |
| Machinery and Equipment | 2,875,287 | \$ 159,526 | - | 3,034,813 |
| Total General Fixed Assets | <u>\$ 7,272,032</u> | <u>159,526</u> | <u>-</u> | <u>\$ 7,431,558</u> |
| Investment In General Fixed Assets | <u>\$ 7,272,032</u> | <u>159,526</u> | <u>-</u> | <u>\$ 7,431,558</u> |

**PART III
SUPPLEMENTARY INFORMATION**

General Comments

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

Schedule of Federal/State Awards

Status of Prior Audit Findings

Schedule of Findings and Responses

GENERAL COMMENTS

Scope of Audit

The audit of the financial statements of the Township of Knowlton, County of Warren, New Jersey, as required by the Division of Local Government Services, covered the financial transactions of the Treasurer, Tax Collector, the activities of the Township and various outside departments.

Contracts and Agreements Requiring Advertisement for Bids

Effective April 17, 2000, N.J.S.A.40A:11-1 et.seq (Local Public Contracts Law) was revised by P.L.1999,c.440 (originally known as Assembly Bill No. 3519). Rules and regulations pertaining to the amended law are to be promulgated by the Division of Local Government Services.

N.J.S.A. 40A:11-3 is amended to read as follows:

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in the contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the governing body without public advertising for bids and bidding therefore, except that the governing body may adopt a 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. (pending before the Legislature as section 15 of this bill) of section 9 of P.L.1971,c.198(C.40A:11-9) the governing body 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 paragraph (i) of paragraph (a) of subsection (1) of Section 5 of P.L.1971, C.198(C.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. Commencing in the fifth year after the year in which P.L.1999,c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall 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 N.J.S.18A:18A-2(pending before the Legislature as section 50 of this bill), and shall round the adjustment to the nearest \$1,000. The Governor shall notify all municipal units of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made.

N.J.S.A.40A:11-4 (as amended) states, "Every contract or agreement 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 to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law."

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A.40A:11-3(c) (as amended) is increased to \$40,000 for Qualified Purchasing Agents (QPA), and \$17,500 for units without QPA's.

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

The Minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.40A:11-5.

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 determine whether any clear-cut violations existed.

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

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body, on January 4, 2016, adopted the following resolution authorizing interest to be charged on delinquent taxes:

"Be It Resolved that the rate of interest to be charged is hereby fixed at the rate of 8% per annum for amounts under \$1,500 and, 18% per annum on any amount in excess of \$1,500, the dates of delinquency will be ten (10) days after the quarterly due dates after which interest will be charged from the due date of the quarter. And Be It Further Resolved that the Tax Collector be and is hereby authorized to collect interest at the rate aforesaid. "

Under provisions of C.75, P.L. 1991 (amending N.J.S. 54:4-67), enacted March 28, 1991, the definition of tax delinquency was defined as the sum of all taxes and municipal charges due on a given parcel or property covering any number of quarters or years. In addition, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six (6%) per cent of the amount of the delinquency.

The governing body, on January 4, 2016 adopted a resolution enabling the \$10,000 delinquency penalty provisions.

The audit of the Collector's records on a test basis indicated no differences between the amount of interest payable on delinquent tax payments, based on our calculations, and the amount of interest charged.

Delinquent Taxes and Tax Title Liens

The delinquent taxes at December 31, 2016, include real property taxes from the 2016 tax levy and prior years' tax levies. The prior year balances are from bankrupt properties.

The last tax sale was held on December 9, 2016 and was complete.

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

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> |
|-------------|------------------------|
| 2016 | 32 |
| 2015 | 30 |
| 2014 | 31 |

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

Verification of Delinquent Taxes and Other Charges

Verification notices were mailed to confirm balances as of November 10, 2016. The items that were returned were compared to and are in agreement with the Township's records. For items not returned, alternative procedures were performed.

A test verification of delinquent charges and current payments was made in accordance with verification procedures approved by the Division of Local Government Services. A summary of such verification is as follows:

Type of Receivable - Real Property Tax
Date of Circulars - November 10, 2016

| <u>Verification Type</u> | <u>Request Form</u> | <u>Total No. of Items</u> | <u>Total No. of Circular</u> | <u>Total No. Returned</u> |
|--------------------------|---------------------|---------------------------|------------------------------|---------------------------|
| 2016 Property Tax | Positive | 1,778 | 60 | 15 |
| 2017 Property Tax | Positive | 1,778 | 60 | 15 |
| 2016 Delinquent Tax | Negative | 477 | 25 | 6 |

Technical Accounting Directives

During the calendar year 1984, the Division of Local Government Services initiated as part of the Single Audit Law, a planned revision of the Requirements of Audit to provide new accounting requirements mandated for most local government units. The revision to the Requirements of Audit and Accounting would be in order to improve fiscal accountability for all local governments, satisfy federal-state audit requirements and enhance the credibility for New Jersey municipal accounting practices with federal-state funding sources and bond rating agencies. The new requirements for most local units started January 1, 1986, unless exemption, based upon amount of federal aid received and population size, was formally secured. The Division in 1988 notified those exempted municipal units of a transition requirement for fully implementation of all accounting directives beginning in the 1989 fiscal periods. The identity and compliance status of the Township of Knowlton to these directives are as follows:

| <u>Requirement</u> | FY 2016 Required | |
|--|------------------|-----------|
| | <u>Yes</u> | <u>No</u> |
| A. General Ledger Accounting System | X | |
| B. Encumbrance Accounting | X | |
| C. Purchase Order System | X | |
| D. Fixed Asset Accounting and Reporting System | X | |

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE-
CURRENT FUND

REVENUE AND OTHER INCOME REALIZED

| | <u>YEAR 2016</u> | <u>%</u> | <u>YEAR 2015</u> | <u>%</u> |
|------------------------------------|-------------------------|-----------------|-------------------------|-----------------|
| Fund Balance Utilized | \$ 341,801 | 3.48% | \$ 265,457 | 2.70% |
| Miscellaneous - From Other Than | | | | |
| Local Property Tax Levies | 881,175 | 8.98% | 1,016,634 | 10.32% |
| Collection of Delinquent Taxes and | | | | |
| Tax Title Liens | 288,855 | 2.94% | 338,214 | 3.43% |
| Collection of Current Tax Levy | <u>8,298,936</u> | <u>84.59%</u> | <u>8,227,715</u> | <u>83.55%</u> |
| Total Income | <u>9,810,767</u> | <u>100.00%</u> | <u>9,848,020</u> | <u>100.00%</u> |

EXPENDITURES

| | | | | |
|--|--------------------|----------------|--------------------|----------------|
| Budget Expenditures: | | | | |
| Municipal Purposes | 1,721,926 | 18.07% | 1,841,035 | 19.76% |
| County Taxes | 2,335,719 | 24.51% | 2,335,991 | 25.07% |
| Local and Regional Taxes | 5,238,652 | 54.97% | 5,087,105 | 54.61% |
| Municipal Open Space Tax | 52,037 | 0.55% | 51,939 | 0.56% |
| Other Expenditures | <u>181,587</u> | <u>1.91%</u> | <u>11</u> | <u>0.00%</u> |
| Total Expenditures | <u>\$9,529,921</u> | <u>100.00%</u> | <u>\$9,316,081</u> | <u>100.00%</u> |
| Excess (Deficit) Revenue Over Expenditures | 280,846 | | 531,939 | |
| Statutory Excess To Fund Balance | 280,846 | | 531,939 | |
| Fund Balance January 1 | 1,082,477 | | 815,995 | |
| Less: | | | | |
| Utilization as Anticipated Revenue | <u>341,801</u> | | <u>265,457</u> | |
| Fund Balance December 31 | <u>\$1,021,522</u> | | <u>\$1,082,477</u> | |

Comparative Schedule of Tax Rate Information

| | <u>2016</u> | <u>2015</u> | <u>2012</u> |
|-----------------------------------|----------------|----------------|----------------|
| <u>Tax Rate</u> | <u>\$3.341</u> | <u>\$3.300</u> | <u>\$3.188</u> |
| <u>Apportionment of Tax Rate:</u> | | | |
| Municipal | \$0.398 | \$0.410 | \$0.408 |
| Municipal Open Space Tax | \$0.020 | \$0.020 | \$0.019 |
| County | \$0.900 | \$0.902 | \$0.914 |
| Local School | \$1.079 | \$1.060 | \$1.035 |
| Regional High School | \$0.944 | \$0.908 | \$0.812 |

Assessed Valuation:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2016 | \$258,855,698 |
| 2015 | \$258,508,659 |
| 2014 | \$259,562,412 |

Comparison of Tax Levies and Collection 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>Collections</u> | <u>Percentage of Collections</u> |
|-------------|-----------------|--------------------|----------------------------------|
| 2016 | \$8,683,262 | \$8,298,936 | 95.57% |
| 2015 | \$8,552,292 | \$8,227,715 | 96.20% |
| 2014 | \$8,282,152 | \$7,935,560 | 95.81% |

Delinquent Taxes and Tax Title Liens

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

| <u>Dec.31 Year</u> | <u>Amount of Tax Title Liens</u> | <u>Amount of Delinquent Taxes</u> | <u>Total Delinquent</u> | <u>Percentage of Tax Levy</u> |
|------------------------|--|---|-----------------------------|-----------------------------------|
| 2016 | \$452,916 | \$415,014 | \$867,930 | 10.00% |
| 2015 | \$482,244 | \$354,629 | \$836,873 | 9.79% |
| 2014 | \$376,982 | \$384,016 | \$760,998 | 9.19% |

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2016 by foreclosure or deed as a result of liquidation of tax title liens.

Comparative Schedule of Fund Balances

| <u>Current Fund</u> | Balance | Utilized |
|---------------------|--------------------|-------------------------------------|
| <u>Year</u> | <u>December 31</u> | <u>In Budget of Succeeding Year</u> |
| | | <u>Regular</u> |
| 2016 | \$ 1,021,522 | \$ 385,000 |
| 2015 | \$ 1,082,477 | \$ 341,800 |
| 2014 | \$ 815,995 | \$ 265,457 |
| 2013 | \$ 723,940 | \$ 196,900 |
| 2012 | \$ 725,863 | \$ 373,642 |

Officials in Office and Surety Bonds

The following officials were in office during the period under audit:

| <u>Name</u> | <u>Title</u> | <u>Amount of Bond</u> | <u>Name Of Corporate Surety</u> |
|------------------------|-------------------------------|-----------------------|---------------------------------|
| Adele Starrs | Mayor | | |
| Debra Shipps | Committeeperson | | |
| Rene Mathez | Committeeperson | | |
| Ronald Farber | Committeeperson | | |
| Kathy Cuntala | Committeeperson | | |
| Acting Municipal Clerk | Kristin Kolb Shipps | | |
| Doreen Apgar | Deputy Municipal Clerk | | |
| Evan Howell | Collector; Tax Search Officer | \$1,000,000 | PAIC Joint Insurance Fund |

| <u>Name</u> | <u>Title</u> | <u>Amount of Bond</u> | <u>Name Of Corporate Surety</u> |
|---------------------|--|-----------------------|---------------------------------|
| Christine M. Rolef | Certified Municipal Finance Officer | \$1,000,000 | PAIC Joint Insurance Fund |
| Richard Motyka | Assessor | | |
| Richard Cushing | Attorney | | |
| Ted Rodman | Engineer | | |
| Dominick C. Santini | Magistrate | \$1,000,000 | PAIC Joint Insurance Fund |
| Rosanne McPartland | Court Administrator/ Violations Clerk | \$1,000,000 | PAIC Joint Insurance Fund |

The minimum bond coverage required for the Tax Collector and the Municipal Court personnel based on their respective prior years' tax levies and Court income, would be as follows:

| <u>Collector</u> | | <u>Court</u> | |
|------------------|---------------|--------------|---------------|
| <u>Year</u> | <u>Amount</u> | <u>Year</u> | <u>Amount</u> |
| 2016 | \$100,881 | 2016 | \$32,242 |

There are public employees' blanket bonds providing coverage to municipal officials and employees not specifically bonded, as well as to Municipal Court personnel. The municipal officials and employees are covered by a blanket "faithful performance blanket position bond" in the amount of \$1,000,000. provided by the Joint Insurance Fund. Municipal Court personnel are also covered by a blanket "faithful performance blanket position bond" in the amount of \$1,000,000. as provided by the Joint Insurance Fund.

All the bonds were examined and were properly executed.



ARDITO & Co., LLP

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192
908-996-4711 Fax: 908-996-4688
e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA
Douglas R. Williams, CPA, RMA, PSA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

The Honorable Mayor and
Members of the Township Committee
Township of Knowlton
628 State Route 94
County of Warren, New Jersey
Delaware, New Jersey 07832

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Governments Services, Department of Community Affairs, State of New Jersey, the regulatory-basis financial statements of the Township of Knowlton in the County of Warren, State of New Jersey, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Township of Knowlton's basic financial statements, and have issued our report thereon dated April 30, 2017, which indicated that the financial statements have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive 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 Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

-Continued-

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

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

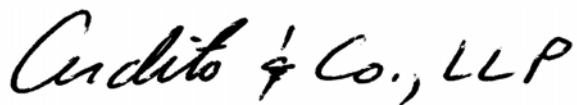
Compliance and Other Matters

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

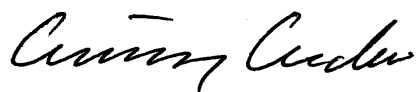
Purpose of this Report

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

ARDITO & CO., LLP



Frenchtown, New Jersey
April 30, 2017



Certified Public Accountant
Registered Municipal Accountant No.524
ARDITO & CO., LLP
Frenchtown, New Jersey
April 30, 2017

SCHEDULE OF FEDERAL/STATE AWARDS

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

| FEDERAL GRANTOR/ PROGRAM TITLE | ACCOUNT NUMBER | PROGRAM OR AWARD AMOUNT | GRANT PERIOD | FUND REF. | CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 1/1/16 | RECEIPTS PROGRAM | OTHER | DISBURSEMENTS | CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 12/31/16 |
|--|----------------|-------------------------------|-----------------|--------------|---|---------------------|----------|---------------|---|
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | | | | | | | |
| Community Development Block Grant Passed thru the State of New Jersey | 14.228 | N/A | N/A | A | \$ 43,624 | | | | \$ 43,624 |
| Totals | | | | | <u>\$ 43,624</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>\$ 43,624</u> |

Note: This Schedule was not subject to an audit in accordance with OMB Uniform Guidance.

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

| STATE GRANTOR/ PROGRAM TITLE | ACCOUNT NUMBER | PROGRAM OR AWARD AMOUNT | GRANT PERIOD | FUND REF. | CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 1/1/16 | RECEIPTS PROGRAM | OTHER | DISBURSEMENTS | CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 12/31/16 |
|--|---------------------|-------------------------------|-----------------|--------------|---|---------------------|-------|---------------|---|
| <u>DEPT. OF COMMUNITY AFFAIRS</u> | | | | | | | | | |
| Municipal Alliance Program | N/A | \$ 7,566 | 2016 | A | | \$ 7,566 | | \$ 24 | \$ 7,542 |
| N.J.S.40A:11-5(a) | | 4,616 | 2014 | A | \$ 700 | | | 700 | - |
| Recreation for Individuals With Disabilities | | 7,500 | 2013 | A | (10) | | | | (10) |
| <u>DEPT. OF ENVIR. PROTECTION</u> | | | | | | | | | |
| Solid Waste Admin.-Clean Communities Program | 4900-765-178900 | 14,797 | 2016 | A | | 14,797 | | | 14,797 |
| | | 12,854 | 2015 | A | 12,854 | | | | 12,854 |
| | | 9,876 | 2014 | A | 9,876 | | | 3,209 | 6,667 |
| | | 9,663 | 2012 | A | 10,433 | | | 10,433 | - |
| DEP Grant | N/A | 350,000 | 2014 | A | (57,715) | | | 129,688 | (187,403) |
| <u>DEPT. OF TRANSPORTATION</u> | | | | | | | | | |
| NJDOT - Guide Rails | | 130,000 | 2010 | A | 6,665 | | | | 6,665 |
| <u>DEPT. OF HUMAN SERVICES</u> | | | | | | | | | |
| Payments to Municipalities for Cost of General Assistance (State Share) | 75050-150-158010-60 | N/A | N/A | E | 6,190 | | | 6,190 | - |
| <u>OTHER STATE AIDS</u> | | | | | | | | | |
| Wastewater Grant | | 10,000 | 2012 | A | (8,414) | | | 1,586 | (10,000) |
| Recycling Grant | | 2,798 | 2016 | A | | 2,798 | | | 2,798 |
| Recycling Grant | | 1,328 | 2014 | A | 1,328 | | | | 1,328 |
| NJ Clean Energy Grant | | 6,617 | 2012 | A | 6,617 | | | | 6,617 |
| Warren County State Historic Grant | | 299,000 | 2007 | A | 33,933 | | | | 33,933 |
| Warren County State Historic Grant | | 150,000 | 2012 | A | 9,951 | | | | 9,951 |
| Warren County Preservation Grant | | 70,580 | 2016 | A | | | | 4,228 | (4,228) |
| Warren County Preservation Grant | | 357,081 | 2012/2013 | A | (26,432) | | | | (26,432) |
| Warren County Art Grant | | 1,500 | 2015/2016 | A | (75) | 1,500 | | 2,245 | (820) |
| TOTAL STATE ASSISTANCE | | | | | \$ 5,901 | \$ 26,661 | - | \$ 158,303 | \$ (125,741) |

Note: This Schedule was not subject to an audit in accordance with NJOMB Circular 15-08.

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

TOWNSHIP OF KNOWLTON

NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2016

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards present the activity of all federal and state award programs of the Township of Knowlton. The Township of Knowlton is defined in Note 1 to the Township's financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies, are included on the schedules of expenditures of federal and state awards.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of State Awards are presented using the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of federal OMB Uniform Guidance, Audits of States, Local Governments and Nonprofit Organizations. However, the Township was not subject to the single audit provisions of Federal OMB Uniform Guidance or New Jersey OMB Circular NJOMB 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid for 2016 as grant expenditures were less than the single audit thresholds of \$750,000, identified in the Circulars.

NOTE 3. RELATIONSHIP TO THE FINANCIAL STATEMENTS

The accompanying Schedules of Expenditures of Federal and State Awards are presented using the modified accrual basis of accounting. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

STATUS OF PRIOR AUDIT FINDINGS

STATUS OF PRIOR AUDIT FINDINGS

CY Occurrence

- 2015-1 (*) I suggest that the tax lien redemption amount should be resolved and funds returned to the appropriate outside parties or Township funds. Also a detail of tax lien trust deposits by tax sale certificate should be maintained.
STATUS - Finding is reported in CY 2016 and further corrective action required.
- 2015-2 (*) I suggest that a detail of tax sale premium trust deposits by tax sale certificate should be maintained.
STATUS - Finding is reported in CY 2016 and further corrective action required.
- 2015-3 (*) I suggest that other trust fund and payroll agency fund activity be recorded in the general ledger and reconciled to the bank statements.
STATUS - Finding is reported in CY 2016 and further corrective action required.
- 2015-4 I suggest that the Township implement controls to ensure all statutory requirements regarding bidding local public contracts are satisfied.
STATUS - Finding is corrected in CY 2016.
- 2015-5(*) I suggest that aged tax receivables are collected or placed for tax sale, and any bankrupt properties be foreclosed or removed from the tax rolls.
STATUS - Finding is reported in CY 2016 and further corrective action required.
- 2015-6(*) I suggest that all statutory means, including foreclosure, should be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis.
STATUS - Finding is reported in CY 2016 and further corrective action required.

(*) Finding is Repeated in Current Year.

SCHEDULE OF FINDINGS AND RESPONSES
GENERAL FINDINGS

SCHEDULE OF FINDINGS AND RESPONSES

GENERAL FINDINGS

YEAR ENDED DECEMBER 31, 2016

Summary of Auditor's Results

The Township prepares its financial statements in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The audit did not disclose any material weaknesses in the internal controls of the Township.

The audit did not disclose any noncompliance that is material to the financial statements of the Township.

The Township was not subject to the single audit provisions of Federal OMB Uniform Guidance and New Jersey OMB Circular NJOMB 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid for 2016 as grant expenditures were less than the single audit thresholds of \$750,000, identified in the Circulars.

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

Finding

Outside Tax Title Liens:

2016-1(*) A formal detail of tax lien redemption trust deposits by tax sale certificate number or block and lot does not exist. Based on auditor's analysis, approximately \$25,000 in pre-12/31/99 balances exist, and a total balance of \$86,596 is unsupported with appropriate detail.

I suggest that this amount should be resolved and funds returned to the appropriate outside parties or Township funds. Also, a detail of tax lien trust deposits by tax sale certificate should be maintained.

Tax Sale Premiums:

2016-2(*) A formal detail of tax sale premium trust deposits by tax sale certificate number or block and lot does not exist. A total balance of \$146,517 is unsupported with appropriate detail.

I suggest that a detail of tax sale premium trust deposits by tax sale certificate should be maintained.

General Ledger Maintenance:

2016-3(*) The general ledger was not updated for current year activity for the outside lien fund, tax sale premium fund, other trust escrow fund (Bank of America Escrow), and payroll agency fund.

I suggest that other trust fund, payroll agency fund, and public assistance fund activity be recorded in the general ledger and reconciled to the bank statements.

Payroll:

2016-4 Settlement amounts paid to the prior Township Clerk were not reported to the IRS by inclusion on the employees' W-2, or as miscellaneous income on form 1099.

I suggest that the Township determine what settlement amounts should be included on the employee W-2 or 1099. The IRS determines W-2 or 1099 treatment based on the basis of the original lawsuit, not on the final settlement agreement.

(*) Prior Year Finding

SCHEDULE OF FINDINGS AND RESPONSES
GENERAL FINDINGS (Continued)

Ref.#

Taxes Receivable:

2016-5(*) I noted \$64,897 in aged tax receivables older than one year as of December 31, 2016. \$45,200 of this receivable balance is older than three years.

I suggest that aged tax receivables are collected or placed for tax sale, and any bankrupt properties be foreclosed or removed from the tax rolls.

2016-6(*) Over \$452,916 of tax title liens remain outstanding as of December 31, 2016. Property tax levies on these properties are added to liens in excess of \$30,000 annually, of which the township has to bear the full cost of the related school and county tax levies.

I suggest that all statutory means, including foreclosure, should be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis.

(*) Prior Year Finding

