

**BOROUGH OF KEYPORT
COUNTY OF MONMOUTH
NEW JERSEY**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY DATA
AND INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2017 and 2016**

HODULIK & MORRISON, P.A.

**CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
HIGHLAND PARK, N.J.**

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

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MONMOUTH COUNTY, NEW JERSEY

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**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**PART I
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS**

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REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Keyport
Monmouth County, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets – regulatory basis of the various funds and the governmental fixed assets of the of Borough of Keyport, County of Monmouth, New Jersey, as of and for the year ended December 31, 2017, and the related statements of operations and changes in fund balance - regulatory basis for the year then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Borough as listed in the table of contents. The financial statements of the Borough of Keyport, as of December 31, 2016 and for the year then ended, were audited by other auditors. The report of the other auditors was dated September 26, 2017 and expressed an adverse opinion on the financial statements on accounting principles generally accepted in the United States of America, and an unmodified opinion on the financial statements on the regulatory basis of accounting as more fully described in the Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in Note 2. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 entity's preparation and presentation

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 opinion.

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

As described in Note 2, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, United States of America, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These prescribed principles 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. Accordingly, the accompanying financial statements – regulatory basis are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. The effect on the financial statements of the differences between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matters discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial positions of Borough of Keyport, County of Monmouth, New Jersey, as of December 31, 2017, the changes in its financial position, and, where applicable, its cash flows for the year then ended.

Unmodified 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 and governmental fixed assets of the Borough of Keyport, County of Monmouth, New Jersey as of December 31, 2017, and the results of its operations and changes in fund balance – regulatory basis of such funds for the year then ended and the revenues- regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2017, on the basis of accounting described in Note 2.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that pension plan information, including the Notes thereto, (Required Supplementary Information – Part II), as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide

Other Information


Our audit was made for the purpose of forming an opinion on the financial statements of the Borough of Keyport, County of Monmouth, New Jersey. The information included in Part III – Fund Financial Statements and Part IV – Supplementary Data, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Keyport, County of Monmouth, New Jersey. The information included in Part III –Supplementary Schedules are presented for purposes of additional analysis and are also not a required part of the financial statements. The Part III – Supplementary Schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis taken as a whole. The schedules and information contained in Part IV – Supplementary Data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 22, 2018 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Borough of Keyport's internal control over financial reporting and compliance.


HODULIK & MORRISON, P.A.

Certified Public Accountants
Registered Municipal Accountants



Robert S. Morrison
Registered Municipal Accountant
No. 412

Highland Park, New Jersey
June 22, 2018

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Keyport
Monmouth County, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, 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 Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Keyport, County of Monmouth, New Jersey as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements and have issued our report thereon dated June 22, 2018. Our report was modified due to the departures from accounting principles generally accepted in the United States of America, as disclosed in Note 2, that are embodied in the Other Comprehensive Basis of Accounting utilized for financial statements presentations and was further modified based upon audit documentation matters relating to Governmental Fixed Assets, required by that Other Comprehensive Basis of Accounting.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Borough's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of The Borough's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 Borough's financial statements are free from 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 and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Borough in the General Comments section of the Report of Audit.

We also noted other matters involving compliance and internal control over financial reporting that we have reported to management of the Borough in the General Comments section of the Report of Audit.

Purpose of this Report

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



HODULIK & MORRISON, P.A.
Certified Public Accountants
Registered Municipal Accountants



Robert S. Morrison
Registered Municipal Accountant
No. 412

Highland Park, New Jersey
June 22, 2018

FINANCIAL STATEMENTS

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2017</u>	<u>YEAR 2016</u>
Fund Balance Utilized	A-1, A-2	\$ 550,000.00	\$ 396,000.00
Miscellaneous Revenues Anticipated	A-2	2,691,494.87	2,455,969.84
Receipts from Delinquent Taxes	A-2	436,555.07	658,538.59
Receipts from Current Taxes	A-7	17,697,687.19	17,161,901.11
Non-Budget Revenue	A-2	276,518.93	359,686.01
Other Credits to Income:			
Unexpended Balances of Approp. Reserves	A-18	226,142.01	252,368.35
Cancellation of Grant Reserves (Net)	A-13	12,666.69	12,712.91
Abating Costs Received	A-10	13,352.38	14,120.70
		<hr/>	<hr/>
Total Revenues		21,904,417.14	21,311,297.51
		<hr/>	<hr/>
<u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Operating			
Salaries and Wages	A-3	3,550,450.00	3,412,050.00
Other Expenses	A-3	3,257,269.84	3,049,794.26
Municipal Debt Service	A-3	1,338,606.71	997,741.84
Capital Improvements	A-3	83,500.00	335,000.00
Deferred Charges and Statutory Expend.-Mun.	A-3	826,657.26	737,306.00
Transferred to Board of Education	A-3	44,994.00	55,086.00
County Taxes	A-16	1,956,542.81	1,927,494.24
Local District School Taxes	A-16	9,698,606.00	9,332,171.00
Business Improvement District Taxes	A-16	153,150.00	118,000.00
Municipal Open Space Taxes	A-16	174,824.42	170,836.94
Prior Year Vet/Senior Citizen Deduction Disallowed	A-6	827.52	1,000.00
Interfund Advances Originating in Current Year		1,103.78	74.20
Prior Year Tax Appeal	A-14	13,835.69	12,840.68
Abating Costs	A-10	6,550.00	14,014.27
		<hr/>	<hr/>
Total Expenditures		21,106,918.03	20,163,409.43
		<hr/>	<hr/>
Excess in Revenue (Balance Forward)		797,499.11	1,147,888.08

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>REF.</u>		
Statutory Excess to Fund Balance (brought forward)		\$ 797,499.11	\$ 1,147,888.08
<u>FUND BALANCE</u>			
Balance - January 1	A	<u>1,280,023.01</u>	<u>528,134.93</u>
		2,077,522.12	1,676,023.01
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>550,000.00</u>	<u>396,000.00</u>
Balance - December 31	A	\$ <u>1,527,522.12</u>	\$ <u>1,280,023.01</u>

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

Exhibit A-2
Page 1 of 3

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	APPROP.	MODIFIED		
	BUDGET	N.J.S.A.	BUDGET	REALIZED	EXCESS OR
REF.		40A:4-87			(DEFICIT)
	\$		\$	\$	\$
Fund Balance Anticipated	A-1	550,000.00	550,000.00	550,000.00	0.00
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-11	30,000.00	30,000.00	35,140.00	5,140.00
Other	A-11	4,600.00	4,600.00	3,405.00	(1,195.00)
Fees and Permits	A-11	200,000.00	200,000.00	371,882.85	171,882.85
Fines and Costs:					
Municipal Court	A-11	175,000.00	175,000.00	202,176.41	27,176.41
Interest and Costs on Taxes	A-11	130,000.00	130,000.00	128,551.74	(1,448.26)
Cable Television Fees	A-11	106,000.00	106,000.00	106,956.66	956.66
Payment in Lieu of Taxes:					
Senior Citizen Housing	A-11	290,000.00	290,000.00	374,612.07	84,612.07
Bethany Manor Annex, Senior Citizen Housing	A-11	80,000.00	80,000.00	80,000.00	0.00
Consolidated Municipal Property Tax Relief Aid	A-11	73,673.00	73,673.00	73,673.00	0.00
Energy Receipts Tax (P.L. 1997, Chapters 162 & 167)	A-11	640,800.00	640,800.00	640,800.00	0.00
Dedicated Uniform Construction Code Fees Offset					
with Appropriations (N.J.S.A. 40A:4-36 and					
N.J.A.C. 5:23-4.17):					
Uniform Construction Code Fees	A-11	170,000.00	170,000.00	237,925.00	67,925.00
Interlocal - Board of Health (Union Beach)	A-11	5,000.00	5,000.00	5,000.00	0.00
Public and Private Revenues Offset with Approps.:					
Recycling Tonnage Grant	A-13	7,874.23	7,874.23	7,874.23	0.00
Clean Communities Program	A-13		14,688.46	14,688.46	0.00
Municipal Alliance on Alcoholism and Drug Abuse	A-13	32,598.00	32,598.00	32,598.00	0.00
Office on Aging Grant	A-13	36,000.00	36,000.00	36,000.00	0.00
Alcohol Education and Rehabilitation Fund	A-13	1,692.08	1,692.08	1,692.08	0.00

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	REF.	2017 BUDGET	APPROP. N.J.S.A. 40A:4-87	MODIFIED BUDGET	REALIZED	EXCESS OR (DEFICIT)
Miscellaneous Revenues (Cont'd.):						
DWI Saturation Patrol	A-13		11,000.00	11,000.00	11,000.00	0.00
NJ Body Armor Grant	A-13	1,943.57		1,943.57	1,943.57	0.00
Drive Sober or Get Pulled Over	A-13		5,500.00	5,500.00	5,500.00	0.00
Other Special Items:				0.00		0.00
Uniform Fire Safety Act	A-11	70,000.00		70,000.00	78,075.80	8,075.80
Reserve for Debt Service - General Capital Fund	A-11	242,000.00		242,000.00	242,000.00	
Total Miscellaneous Revenues	A-1, A-4, A-8	2,299,197.88	31,188.46	2,328,369.34	2,691,494.87	363,125.53
Receipts from Delinquent Taxes	A-1, A-7	600,000.00		600,000.00	436,555.07	(163,444.93)
Subtotal General Revenues		3,449,197.88	31,188.46	3,478,369.34	3,678,049.94	199,680.60
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	A-2, A-7	6,093,631.90		6,093,631.90	6,185,044.10	91,412.20
Minimum Library Tax	A-2, A-7	234,879.00		234,879.00	234,879.00	0.00
Budget Totals		9,777,708.78	31,188.46	9,806,880.24	10,097,973.04	291,092.80
Non-Budget Revenues	A-1, A-2, A-4				276,518.93	
Total		\$ 9,777,708.78	\$ 31,188.46	\$ 9,806,880.24	\$ 10,374,491.97	
	Ref.	A-3		A-3	A-1	

() Denotes Deficit
Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

CURRENT FUND
 STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

ANALYSIS OF REALIZED REVENUES	REF.		
Allocation of Current Collections:			
2016 Collections	A-7	\$ 138,326.74	
2017 Collections	A-7	17,517,610.45	
State Share of Sr. Cit. and Vet.			
Deductions Allowed	A-7	<u>41,750.00</u>	
	A-1		\$ 17,697,687.19
Allocated to:			
County Taxes	A-16	1,956,542.91	
School Taxes	A-16	9,698,606.00	
Special District Taxes	A-16	153,150.00	
Municipal Open Space Tax Taxes	A-16	<u>174,824.42</u>	
			<u>11,983,123.33</u>
Balance for Support of Mun. Budget			5,714,563.86
Add: Reserve for			
Uncollected Taxes	A-3		<u>705,359.14</u>
Amount for Support of Municipal Budget	A-2		\$ <u><u>6,419,923.00</u></u>
Miscellaneous Revenue not Anticipated:			
Photocopies		\$ 14.95	
NSF Check Fees		300.00	
Street Vacation Fee		35,000.00	
Plate Reader Task Force		5,000.00	
Postage		19.27	
Firearms Report		318.00	
Post Office Land Rent		1,650.00	
Scrap Metal		1,057.00	
Board of Health Misc.		1,250.00	
DMV Inspection Fees		27,087.00	
Senior Citizen and Veteran Administration Fee		888.45	
Interest on Deposits		31,199.67	
Prior Year Expenditure Refunds		154.00	
Fire Museum Rent		3.00	
Miscellaneous-Uniform Construction Code Fees		14,873.85	
Miscellaneous		21,479.89	
CBS Outdoor Billboard Lease		9,000.00	
Liquor License Application Fee		250.00	
JIF Dividend		32,198.70	
FEMA Reimbursements		92,534.15	
CJHIF Dividend		<u>2,241.00</u>	
	A-2, A-4	\$ <u><u>276,518.93</u></u>	

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
OPERATIONS WITHIN "CAPS"						
<u>GENERAL GOVERNMENT</u>						
Administrative and Executive						
Salaries and Wages	\$ 90,000.00	\$ 94,800.00	\$ 94,649.56	\$ 88.12	\$ 150.44	\$
Other Expenses	42,100.00	44,100.00	42,280.91		1,730.97	
Mayor and Council						
Salaries and Wages	21,500.00	21,500.00	21,450.44		49.56	
Other Expenses	3,000.00	4,000.00	2,863.19	284.00	852.81	
Municipal Clerk						
Salaries and Wages	62,300.00	62,300.00	62,139.41		160.59	
Other Expenses						
Miscellaneous	14,000.00	14,000.00	8,567.29	117.71	5,315.00	
Revision and Codification of Ordinances	30,000.00	30,000.00			30,000.00	
Financial Administration						
Salaries and Wages	62,800.00	63,000.00	62,983.10		16.90	
Other Expenses	8,800.00	8,600.00	6,353.32		2,246.68	
Audit Services						
Other Expenses	17,000.00	17,000.00	17,000.00			
Collection of Taxes						
Salaries and Wages	107,000.00	101,000.00	99,549.04		1,450.96	
Other Expenses	10,000.00	10,000.00	7,059.59	897.51	2,042.90	
Assessment of Taxes						
Salaries and Wages	19,000.00	19,000.00	18,962.58		37.42	
Other Expenses						
Revision of Tax Map/Revaluation	2,000.00	2,000.00			2,000.00	
Miscellaneous	35,000.00	35,000.00	23,415.70	10,422.48	1,161.82	
Legal Services						
Other Expenses	85,000.00	115,000.00	83,956.05	27,335.31	3,708.64	
Engineering Services						
Other Expenses	75,000.00	75,000.00	37,448.75	37,542.00	9.25	
Environmental Commission						
Other Expenses	650.00	650.00	360.00		290.00	
Keyport Historical Society Contracted	1,000.00	1,000.00			1,000.00	

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>						
Municipal Land Use Law (N.J.S.A. 40:55D-1)						
Planning/Zoning Board						
Salaries and Wages	4,000.00	4,100.00	4,047.51		52.49	
Other Expenses						
Revision of Master Plan	100.00	100.00			100.00	
Miscellaneous	4,000.00	6,000.00	4,815.99	650.00	534.01	
Property Maintenance Code						
Salaries and Wages	20,400.00	15,400.00	14,405.87		994.13	
Other Expenses	1,000.00	1,500.00	1,007.81		492.19	
<u>INSURANCES</u>						
Liability Insurance	160,000.00	154,100.00	154,020.50		79.50	
Workers Compensation Insurance	204,800.00	203,800.00	203,790.54		9.46	
Employee Group Insurance	560,000.00	520,000.00	476,572.47		43,427.53	
Health Benefit Waiver	35,000.00	32,000.00	31,250.00		750.00	
Unemployment Insurance	25,000.00	25,000.00	25,000.00			
<u>PUBLIC SAFETY</u>						
Police Department						
Salaries and Wages	2,375,000.00	2,327,500.00	2,294,942.25		32,557.75	
Other Expenses						
Miscellaneous	85,000.00	85,000.00	56,444.98	2,319.72	26,235.30	
Clothing Allowance	38,000.00	38,000.00	33,644.98	545.65	3,809.37	
Acquisition of Vehicle	75,000.00	75,000.00	74,671.31		328.69	
Emergency Management Services						
Other Expenses	10,000.00	11,000.00	9,935.68	600.00	464.32	
Aid to Volunteer Fire Companies	24,220.00	24,220.00	23,720.00		500.00	
First Aid Contributions	20,000.00	20,000.00	18,587.25	296.23	1,116.52	
Fire Department						
Salaries and Wages	3,000.00	3,000.00	3,000.00			
Other Expenses	117,500.00	117,500.00	98,049.50	17,764.58	1,685.92	

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

Exhibit - A-3

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>						
Uniform Fire Safety Act						
Salaries and Wages	57,500.00	57,500.00	47,211.96		10,288.04	
Other Expenses	12,500.00	12,500.00	9,850.62	412.07	2,237.31	
Municipal Prosecutor						
Salaries and Wages	24,200.00	24,200.00	24,164.40		35.60	
Municipal Court						
Salaries and Wages	137,000.00	140,000.00	138,889.74		1,110.26	
Other Expenses	24,000.00	21,000.00	14,650.45	578.04	5,771.51	
Public Defender						
Salaries and Wages	5,000.00	5,000.00	879.80		4,120.20	
Other Expenses	100.00	100.00	-		100.00	
<u>PUBLIC WORKS</u>						
Road Repairs and Maintenance						
Salaries and Wages	355,000.00	335,000.00	326,553.23		8,446.77	
Other Expenses	90,000.00	100,000.00	82,644.33	9,794.30	7,561.37	
Garbage and Trash Removal						
Salaries and Wages	64,000.00	69,000.00	68,018.70		981.30	
Other Expenses	16,500.00	11,500.00	5,587.47	5,491.00	421.53	
Contracted (40A:4-85)	220,000.00	225,000.00	203,598.07	18,750.00	2,651.93	
Public Buildings and Grounds						
Other Expenses	83,000.00	83,000.00	71,107.31	6,912.92	4,979.77	
<u>HEALTH AND HUMAN SERVICES</u>						
Blood Borne Pathogens - Hepatitis B						
Salaries and Wages	2,100.00	2,100.00	867.33		1,232.67	
Other Expenses	1,000.00	1,000.00	250.00		750.00	
Board of Health						
Salaries and Wages	34,300.00	34,300.00	34,244.82		55.18	
Other Expenses	2,500.00	2,500.00	1,736.75	52.00	711.25	
Animal Control Services						
Other Expenses	13,000.00	16,000.00	16,000.00			
Bayshore Youth Services Bureau Contribution	1,000.00	1,000.00	500.00		500.00	

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
<u>OPERATIONS WITHIN "CAPS"</u>						
<u>PARK AND RECREATION</u>						
Recreation						
Salaries and Wages	18,750.00	18,750.00	13,775.01		4,974.99	
Other Expenses	20,000.00	20,000.00	18,452.52	382.08	1,165.40	
Senior Citizen Community Center						
Salaries and Wages	8,000.00	8,000.00	5,152.00		2,848.00	
Other Expenses	12,325.00	12,325.00	9,076.06	225.00	3,023.94	
Senior Citizen Transportation Contracted	4,000.00	4,000.00	2,652.00		1,348.00	
Parks and Playgrounds						
Other Expenses	30,000.00	40,000.00	37,014.40	546.82	2,438.78	
<u>OTHER COMMON OPERATING APPROP.</u>						
Celebration of Public Events						
Other Expenses	1,500.00	1,500.00	400.00		1,100.00	
Postage						
Other Expenses	22,000.00	22,000.00	17,031.38		4,968.62	
Accumulated Leave Compensation						
Salaries and Wages	20,000.00	20,000.00	15,633.53		4,366.47	
State Uniform Construction Code Officials						
Salaries and Wages	116,000.00	125,000.00	124,292.80		707.20	
Other Expenses	9,000.00	9,000.00	7,281.49	1,192.38	526.13	
<u>UTILITY EXPENSES AND BULK PURCHASES</u>						
Fuel for Motor Vehicles	65,000.00	69,000.00	60,856.28	5,025.58	3,118.14	
Telephone	40,000.00	45,000.00	42,173.74	1,783.56	1,042.70	
Street Lighting	120,000.00	116,000.00	102,946.90	8,454.60	4,598.50	
Fuel Oil	15,000.00	15,000.00	6,375.14		8,624.86	
Natural Gas	33,000.00	28,000.00	21,195.99	3,123.11	3,680.90	
Electricity	37,000.00	37,000.00	32,150.23		4,849.77	
Landfill Disposal Costs	220,000.00	245,000.00	225,958.01		19,041.99	
Total Operations Within "CAPS"	6,382,445.00	6,357,445.00	5,906,118.03	161,586.77	289,740.20	-

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

Exhibit - A - 3

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>						
Contingent	500.00	500.00	-		500.00	
Total Operations Including Contingent Within "CAPS"	6,382,945.00	6,357,945.00	5,906,118.03	161,586.77	290,240.20	-
Detail:						
Salaries and Wages	3,586,850.00	3,550,450.00	3,475,813.08	-	74,636.92	-
Other Expenses	2,796,095.00	2,807,495.00	2,430,304.95	161,586.77	215,603.28	-
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES</u>						
Public Employees' Retirement System	162,009.00	162,009.00	153,095.00		8,914.00	
Deferred Comp. Retirement Program	2,000.00	2,000.00	781.89		1,218.11	
Social Security System (O.A.S.I.)	143,000.00	168,000.00	166,932.70		1,067.30	
Police and Firemen's Retirement System of NJ	381,755.00	381,755.00	381,755.00			
Total Deferred Charges and Statutory Expenditures	688,764.00	713,764.00	702,564.59	-	11,199.41	
Total General Appropriations for Municipal Purposes Within "CAPS"	7,071,709.00	7,071,709.00	6,608,682.62	161,586.77	301,439.61	-
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
Maintenance of Free Public Library	234,879.00	234,879.00	233,028.21		1,850.79	
Total Other Operations - Excluded from "CAPS"	234,879.00	234,879.00	233,028.21		1,850.79	
Interlocal Municipal Service Agreements:						
911 Services (County of Monmouth)					211.95	
Other Expenses	9,400.00	9,400.00	9,188.05			
Recycling (Hazlet)						
Other Expenses	4,500.00	4,500.00	1,833.60		2,666.40	
Information Technology Services (Freehold)						
Other Expenses	15,000.00	15,000.00	15,000.00			
Total Interlocal Municipal Service Agreements	28,900.00	28,900.00	26,021.65		2,878.35	

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
OPERATIONS EXCLUDED FROM "CAPS"						
<u>Public and Private Programs Offset by Revenues</u>						
Clean Communities Grant	-	14,688.46	14,688.46			
Body Armor Replacement Grant	1,943.57	1,943.57	1,943.57			
Recycling Tonnage Grant	7,874.23	7,874.23	7,874.23			
Office on Aging Grant						
Grant Share	36,000.00	36,000.00	36,000.00			
Local Share	66,550.00	66,550.00	66,550.00			
Municipal Court Alcohol Education and Rehabilitation Enforcement Fund	1,692.08	1,692.08	1,692.08			
DWI Saturation Patrol		11,000.00	11,000.00			
Drive Sober or Get Pulled Over		5,500.00	5,500.00			
Municipal Drug Alliance Program SFY 2017						
State Share	32,598.00	32,598.00	32,598.00			
Local Share	8,149.50	8,149.50	8,149.50			
Total Public and Private Programs Offset by Revenues	154,807.38	185,995.84	185,995.84	-	-	-
Total Operations Excluded from "CAPS"	418,586.38	449,774.84	445,045.70	-	4,729.14	-
Detail:						
Other Expenses	418,586.38	449,774.84	445,045.70		4,729.14	-
Capital Improvements Excluded from "CAPS"						
Capital Improvement Fund	50,000.00	50,000.00	50,000.00			
Acquisition of Firefighter Turnout Gear	33,500.00	33,500.00	1,029.93	32,415.80	54.27	
Total Capital Improvements Excluded from "CAPS"	83,500.00	83,500.00	51,029.93	32,415.80	54.27	
Municipal Debt Service Excluded from "CAPS"						
Payment of Bond Principal	735,000.00	735,000.00	735,000.00			
Payment of Bond Anticipation Notes and Capital Notes	334,600.00	334,600.00	334,600.00			
Interest on Bonds	263,550.00	263,550.00	263,549.91			0.09
Interest on Notes	5,500.00	5,500.00	5,456.80			43.20
Total Municipal Debt Service Excluded from "CAPS"	1,338,650.00	1,338,650.00	1,338,606.71			43.29

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
OPERATIONS EXCLUDED FROM "CAPS"						
Deferred Charges:						
Special Emergency Authorizations	69,800.00	69,800.00	69,800.00			
Deferred Changes to Future Taxation -Unfunded	43,093.26	43,093.26	43,093.26			
Total Deferred Charges	112,893.26	112,893.26	112,893.26			
Transferred to Board of Education for Use of Local Schools (N.J.S.A. 40:48-17.1 & 17.3)	44,994.00	44,994.00	44,994.00			
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	1,998,623.64	2,029,812.10	1,992,569.60	32,415.80	4,783.41	43.29
Subtotal General Appropriations	9,070,332.64	9,101,521.10	8,601,252.22	194,002.57	306,223.02	43.29
Reserve for Uncollected Taxes	705,359.14	705,359.14	705,359.14			
Total General Appropriations	\$ 9,775,691.78	\$ 9,806,880.24	\$ 9,306,611.36	\$ 194,002.57	\$ 306,223.02	\$ 43.29

	Ref.	A-1	A-1	A-1
2017 Adopted Budget	A-2	\$ 9,775,691.78		
2017 Budget added by N.J.S. 40A:4-87	A-2	31,188.46		
		\$ 9,806,880.24		
Disbursed	A-4			
Reserve for Uncollected Taxes	A-7	\$ 8,345,456.38		
Deferred Charges	A-9	705,359.14		
Reserve for State & Federal Grants - Appropriated Due to Grant Fund	A-10, A-18	69,800.00		
		185,995.84		
		\$ 9,306,611.36		

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2017 AND 2016

		December <u>31, 2017</u>	December <u>31, 2016</u>
<u>ASSETS</u>			
	<u>Ref.</u>		
Animal Control Trust Fund			
Cash.....	B-1	\$ 3,901.62	\$ 4,230.56
Total Animal Control Fund		<u>3,901.62</u>	<u>4,230.56</u>
Other Trust Fund			
Cash.....	B-1	607,102.80	457,183.49
Community Development Block Grant Receivable	B-7	<u>50,418.75</u>	<u>445,402.50</u>
Total Other Trust Fund		<u>657,521.55</u>	<u>902,585.99</u>
Open Space Trust Fund			
Cash.....	B-1	<u>72,838.28</u>	<u>43,761.87</u>
Total Open Sapce Fund		<u>72,838.28</u>	<u>43,761.87</u>
Total Trust Funds		<u>\$ 734,261.45</u>	<u>\$ 950,578.42</u>

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2017 AND 2016**

		December <u>31, 2017</u>	December <u>31, 2016</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund			
Reserve for Animal License Expenditures	B-2	<u>3,901.62</u>	<u>4,230.56</u>
Total Animal Control Fund		<u>3,901.62</u>	<u>4,230.56</u>
Other Trust Fund			
Due State of New Jersey -			
Fees & Licenses.....	B-5	425.00	255.00
Due to Current Fund	B-4	1,177.98	74.20
Reserve for Community Development			
Block Grant		42,019.96	291,025.57
Reserve for Various Trust Activities.....	B-6	<u>613,898.61</u>	<u>611,231.22</u>
Total Other Trust Fund		<u>657,521.55</u>	<u>902,585.99</u>
Open Space Trust Fund			
Reserve for Open Space.....	B-9	<u>72,838.28</u>	<u>43,761.87</u>
		<u>72,838.28</u>	<u>43,761.87</u>
Total Trust Funds		<u>\$ 734,261.45</u>	<u>\$ 950,578.42</u>

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2017 AND DECEMBER 31, 2016

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>
Cash and Investments - Treasurer	C-2	\$ 1,170,777.80	\$ 487,947.20
Investments in Special Emergency/ Emergency Notes	C-2		69,800.00
Due from State of New Jersey DEP	C-4		1,097,500.00
Due from State of New Jersey DOT	C-4	53,250.00	275,500.00
Due from C.D.B.G.	C-4		144,090.00
Due from New Jersey OEM	C-4	355,590.00	355,590.00
Deferred Charges to Future Taxation:			
Funded	C-5	6,454,921.93	6,852,752.17
Unfunded	C-6	3,433,375.25	4,266,193.51
Total Assets		\$ 11,467,914.98	\$ 13,549,372.88
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds	C-9	\$ 5,680,000.00	\$ 6,415,000.00
Bond Anticipation Notes	C-10	2,975,000.00	1,625,000.00
Green Trust Loan Payable	C-13	774,921.93	437,752.17
Reserve for Encumbrances	C-7	320,578.63	1,242,680.01
Improvement Authorizations:			
Funded	C-8	161,210.90	711,420.94
Unfunded	C-8	1,000,055.90	1,714,003.14
Reserve for:			
Capital Improvement Fund	C-11	143,850.69	93,850.69
Other Reserves	C-12	37,501.89	281,500.89
DEP Grant/Loan Receivable	C-12	-	672,500.00
OEM Grant/Loan Receivable	C-12	355,590.00	355,590.00
Fund Balance	C-1	19,205.04	75.04
Total Liabilities, Reserves And Fund Balance		\$ 11,467,914.98	\$ 13,549,372.88
Authorized But Not Issued	C-14	\$ 831,500.25	\$ 2,641,193.51

Note: See Notes to Financial Statements.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE- REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>REF.</u>		
Balance - December 31, 2016	C	\$	75.04
Increased by:			
Premium on Sale of Bonds/Notes	C-2	<u>19,130.00</u>	<u>19,130.00</u>
			19,205.04
Decreased by:			
Balance - December 31, 2017	C	\$	<u><u>19,205.04</u></u>

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY
WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2017 AND DECEMBER 31, 2016

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u>		<u>LIABILITIES, RESERVES</u>		<u>REF.</u>	<u>BALANCE</u>	
		<u>DEC. 31, 2017</u>	<u>DEC. 31, 2016</u>	<u>AND FUND BALANCE</u>	<u>AND FUND BALANCE</u>		<u>DEC. 31, 2017</u>	<u>DEC. 31, 2016</u>
Operating Fund:				Operating Fund:				
Cash and Investments - Treasurer	D-5	\$ 868,090.25	\$ 665,330.46	Liabilities:				
		868,090.25	665,330.46	Appropriation Reserves	D-4, D-14		89,535.50	76,699.23
				Reserve for Encumbrances	D-9		88,801.50	73,686.92
				Water and Sewer Overpayment	D-19		4,493.73	3,908.16
				Prepaid Consumer Accounts	D-20		196,933.25	262,513.50
				Accrued Int. on Bonds, Notes & Loans	D-15		64,579.23	38,988.56
Receivables With Full Reserves:								
BRSA Rent Reserve	D-12	272,833.08	272,268.59					
Consumer Accounts Receivable	D-8	186,275.04	230,929.03					
Water and Sewer Liens Receivable	D-13	3,221.47	-					
		462,329.59	503,197.62	Reserve for Receivables	Reserve		444,343.21	455,796.37
				Fund Balance	D- 1		423,747.04	209,534.09
Total Operating Fund		1,330,419.84	1,168,528.08	Total Operating Fund			1,330,419.84	1,168,528.08
Capital Fund:				Capital Fund:				
Cash and Investments - Treasurer	D-5	1,383,537.05	718,021.85	Serial Bonds Payable	D-16		815,000.00	900,000.00
Fixed Capital	D-10	5,582,992.55	5,582,992.55	Bond Anticipation Notes Payable	D-17		1,800,000.00	1,000,000.00
Fixed Capital - Authorized and				Loans Payable	D-11		5,498,323.68	5,584,427.13
Uncompleted	D-18	11,958,300.00	11,958,300.00	Encumbrance Payable	D-9		333,090.35	628,701.72
State & Federal Grants/ Loans Receivable	D-7	1,081,970.00	1,282,127.00	Improvement Authorizations				
				Funded	D-18		22,719.35	361.08
				Unfunded	D-18		3,831,599.15	3,904,561.85
				Capital Improvement Fund	D-21		50,087.00	50,087.00
				Reserve for Amortization	D-22		4,767,992.55	4,682,992.50
				Reserve for Deferred Amortization	D-23		2,256,961.32	1,970,700.87
				Reserve for State & Federal Grants / Loans	Reserve		581,970.00	782,127.00
				Fund Balance	D-2		49,056.20	37,482.20
Total Capital Fund		20,006,799.60	19,541,441.40	Total Capital Fund			20,006,799.60	19,541,441.35
Total		\$ 21,337,219.44	\$ 20,709,969.48	Total			\$ 21,337,219.44	\$ 20,709,969.43

There were Bonds and Notes Authorized but not Issued at December 31, 2017 in the amount of \$2,403,015.00 (Exhibit D-24).

Note: See Notes to Financial Statements.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**WATER AND SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2017</u>	<u>YEAR 2016</u>
Fund Balance	D-3	\$ 40,000.00	\$ 20,200.00
Water and Sewer Rents	D-3	3,031,482.96	3,109,957.92
Miscellaneous	D-3	289,512.18	190,816.31
Capital Fund Balance			6,640.35
BRSA Rent Event			51,010.85
Cancelled Balance of Budget Appropriation			14,081.67
Unexpended Balance of Appropriation Reserves	D-14	<u>74,135.70</u>	<u>8,063.78</u>
Total Revenues		<u>3,435,130.84</u>	<u>3,400,770.88</u>
<u>EXPENDITURES</u>			
Operating	D-4	1,205,000.00	1,158,100.00
Bayshore Regional Sewerage Authority	D-4	1,012,000.00	1,088,600.00
Acquisition of Water	D-4	475,000.00	480,000.00
Capital Outlay	D-4	35,000.00	25,000.00
Debt Service	D-4	388,979.67	375,540.35
Deferred Charges and Statutory Expenditures	D-4	64,000.00	64,000.00
Refunds of Prior Year Revenues	D-5	<u>938.22</u>	
Total Expenditures		<u>3,180,917.89</u>	<u>3,191,240.35</u>
Excess/(Deficit) in Revenues		254,212.95	209,530.53
<u>FUND BALANCE</u>			
Balance - January 1	D	<u>209,534.09</u>	<u>20,203.56</u>
		463,747.04	229,734.09
Decreased by:			
Utilization as Anticipated Revenue	D- 1	<u>40,000.00</u>	<u>20,200.00</u>
Balance - December 31	D	\$ <u>423,747.04</u>	\$ <u>209,534.09</u>

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

WATER AND SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>REF.</u>	<u>YEAR 2017</u>	<u>YEAR 2016</u>
Balance - Beginning of Year	D	\$ 37,482.20	\$ 6,709.71
Increased by:			
Improvement Authorizations Cancelled			37,412.84
Premium Received on Sale of Notes	D-5	<u>11,574.00</u>	<u>37,412.84</u>
		11,574.00	37,412.84
Decreased by:			
Transfer to Operating Fund		<u>-</u>	<u>6,640.35</u>
Balance - End of Year	D	\$ <u>49,056.20</u>	<u>37,482.20</u>

Note: See Notes to Financial Statements.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>REF.</u>	2017 <u>BUDGET</u>	2017 <u>REALIZED</u>	EXCESS OR <u>(DEFICIT)</u>
Operating Surplus Anticipated	D-1	\$ 40,000.00	\$ 40,000.00	\$ -
Water and Sewer Rents	D-3	2,980,000.00	3,031,482.96	51,482.96
Miscellaneous	D-5	<u>168,905.50</u>	<u>289,512.18</u>	<u>120,606.68</u>
Total		\$ <u>3,188,905.50</u>	\$ <u>3,360,995.14</u>	\$ <u>172,089.64</u>
	<u>Ref.</u>	D- 4	D-1	

Analysis of Realized Revenue:

Water & Sewer Rents:		
Cash Receipts	D-5, D-8	\$ 2,765,061.30
Prepayments Applied	D-20, D-8	262,513.50
Overpayments Applied	D-19, D-8	<u>3,908.16</u>
		\$ <u>3,031,482.96</u>

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY
WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			RESERVED	UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED			
Operating:							
Salaries and Wages	\$ 570,000.00	\$ 570,000.00	\$ 557,797.40	\$ 48,801.50	\$ 12,202.60	\$	
Other Expenses	620,000.00	635,000.00	548,681.72		37,516.78		
Bayshore Regional Sewerage Authority	1,012,000.00	1,012,000.00	1,011,345.68		654.32		
Acquisition of Water	490,000.00	475,000.00	425,244.07	40,000.00	9,755.93		
Capital Improvements:							
Capital Outlay	35,000.00	35,000.00	11,340.00		23,660.00		
Debt Service:							
Payment on Bond Principal	85,000.00	85,000.00	85,000.00		0.00		
Payment on Bond Anticipation Notes							
Interest on Bonds	41,316.66	41,316.66	41,316.66		0.00		0.00
Interest on Notes	40,000.00	40,000.00	31,074.17				8,925.83
USDA Loan - Principal	84,937.00	86,104.15	86,104.15				
USDA Loan - Interest	146,651.46	145,484.69	145,484.69				
Statutory Expenditures:							
Contribution to:							
Public Employee's Retirement System	15,000.00	15,000.00	15,000.00		0.00		
Social Security System (O.A.S.I.)	49,000.00	49,000.00	43,254.13		5,745.87		
Total Water & Sewer Utility Appropriations	\$ 3,188,905.12	\$ 3,188,905.50	\$ 3,001,642.67	\$ 88,801.50	\$ 89,535.50	\$ 8,925.83	
Ref	D-3	D-3	D-1	D-1, D-9	D, D-1		
Disbursed							
Accrued Interest on Bonds, Notes and Loans			\$ 2,783,767.15				
			<u>217,875.52</u>				
			\$ 3,001,642.67				

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

PAYROLL AGENCY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2017 AND DECEMBER 31, 2016

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>
Cash	E-2	\$ <u>2,897.31</u>	\$ <u>3,712.28</u>
Total Assets		\$ <u>2,897.31</u>	\$ <u>3,712.28</u>
<u>LIABILITIES</u>			
Due to Current Fund	E-3	\$ 614.24	\$ 614.24
Payroll Deductions Payable	E-1	<u>2,283.07</u>	<u>3,098.04</u>
Total Liabilities		\$ <u>2,897.31</u>	\$ <u>3,712.28</u>

Note: See Notes to Financial Statements.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**STATEMENT OF GOVERNMENTAL FIXED ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>FIXED ASSETS</u>	BALANCE <u>DEC. 31, 2016</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	BALANCE <u>DEC. 31, 2017</u>
Land	\$ 5,186,100.00			\$ 5,186,100.00
Buildings/Building Improvements	5,481,800.00			5,481,800.00
Motor Vehicles and Equipment	3,035,521.08	\$ 1,145,665.00	\$ 523,670.00	3,657,516.08
Machinery and Equipment	483,618.30			483,618.30
Office Furniture and Equipment	163,066.09			163,066.09
Other Equipment	<u>218,914.00</u>			<u>218,914.00</u>
Total	<u>\$ 14,569,019.47</u>	<u>\$ 1,145,665.00</u>	<u>\$ 523,670.00</u>	<u>\$ 15,191,014.47</u>

Note: See Notes to Financial Statements

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017 AND 2016

Note 1: FORM OF GOVERNMENT

The Borough of Keyport operates under the legislative authority of N.J.S.A. 40A: 60-1 et seq., which provides for the election of a mayor to serve a term of four years and a council of six members serving three year terms. At its annual meeting, the council elects a president of the council who shall preside at all its meetings when the mayor is not present. The mayor is the head of the municipal government and the council is the legislative body. The Borough has adopted an administrative code, which provides for the delegation of a portion of executive responsibilities to an administrator and the organization of the council into standing committees to oversee various Borough activities.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Keyport include every board, body, officer or Commission supported and maintained wholly or in part by funds appropriated by the Borough of Keyport, as required by N.J.S.A. 40A: 5-5. Accordingly, the financial statements of the Borough of Keyport do not include the operations of the municipal library, first aid organization or volunteer fire companies, Special Improvement District, and the Joint Municipal Court of Hazlet, Keyport and Matawan.

B. Description of Funds

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

Current Fund - resources and expenditures for governmental operations of a general nature, including Federal and State grant funds, except as otherwise noted.

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created. Pursuant to the provisions of N.J.S.A. 40A: 4-39, the financial transactions of the following funds and accounts are reported within the Trust Fund:

Animal Control Trust Fund, Developer Escrow, Recreational Bayfront Improvement Trust,
Law Enforcement Trust, Recreation Commission, Unemployment Trust, Other Trust Funds, and
Open Space Trust

General Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONT'D.)

B. Description of Funds (Cont'd.)

Water and Sewer Operating and Capital Fund - account for the operations and acquisition of capital facilities of the municipally owned water and sewer utility.

Payroll Agency Fund - account for payroll deductions and social security contributions of municipal and utility operations. A payroll Agency fund does not exist under GAAP.

Governmental Fixed Assets - The Governmental Fixed Assets system is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available on any other reasonable basis, provided such basis is adequately disclosed in the financial statements. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles (GAAP) for state and local governments. GAAP provides for the issuance of entity-wide financial statements along with the presentation of separate fund financial statements that differ from the organization of funds prescribed under the regulatory basis of accounting utilized by the Borough. The resultant presentation of financial position and results of operations in the form of financial statements is not intended to present the basic financial statement presentation required by GAAP.

C. Basis of Accounting and Measurement Focus

The basis of accounting as prescribed by the Division of Local Government Services for its operating funds is generally a modified cash basis for revenue recognition and a modified accrual basis for expenditures. The operating funds utilize a "current financial resources" measurement focus. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The most significant is the reporting of entity-wide financial statements, which are not presented in the accounting principles prescribed by the Division. The other more significant differences are as follows:

Revenues - Revenues are recorded when received in cash except for statutory reimbursements and grant funds that are due from other governmental units. State and Federal grants, entitlements and shared revenues received for operating purposes are realized as revenues when anticipated in the Borough budget. Receivables for property taxes and water and sewer charges are recorded with offsetting reserves within their respective funds. Other amounts that are due to the Borough which are susceptible to accrual are recorded as receivables with offsetting reserves. These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable, with the exception of sewer charges, which should be recognized in the period they are earned and become measurable.

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONT'D.)

C. Basis of Accounting and Measurement Focus (Cont'd.)

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Borough "budgetary" basis of accounting. Generally, these 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. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability.

Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts that may be canceled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP.

For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Over- expenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund balance sheet. GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance. The status of deferred charges at December 31, 2014 is set forth in Note 6.

Compensated Absences - The Borough records expenditures for earned, but unused sick leave and vacation time are not recorded until paid. GAAP requires that expenditures be recorded for earned, but unused vacation and sick leave in an amount that would normally be liquidated with available financial resources.

Property Acquired for Taxes - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. For the year ended December 31, 2017 and 2016, the Borough's financial statements reflect a cumulative total of \$97,100.00. GAAP requires such property to be recorded in the general fixed asset account group at the lower of cost or fair market value.

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

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets, with the exception of the Water and Sewer Utility Fund. Inventories for the respective years are presented on the balance sheet of the Water and Sewer Utility Fund for information purposes only. These inventories were not considered in the cost of operations for the respective years and were not audited as part of this report. The value was determined by management and accepted as presented to us.

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONT'D.)

C. Basis of Accounting and Measurement Focus (Cont'd.)

Sale of Municipal Assets - Cash proceeds from the sale of Borough owned property are reserved until utilized as an item of anticipated revenue in a subsequent year budget. Year-end balances of such proceeds are reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period that the terms of sales contracts become legally enforceable.

Governmental Fixed Assets - Property and equipment acquired by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized in their own respective funds. Property and equipment acquired by the Water and Sewer Utility Fund are recorded in their respective capital accounts at cost and are adjusted for dispositions and abandonments. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Water and Sewer Utility Capital Fund represent charges to operations for the costs of acquisitions of property, equipment and improvements, and costs funded from sources other than bonded debt of the utility. The utility does not record depreciation on fixed assets. GAAP does not require the establishment of a reserve for amortization for utility fixed assets, but does require the recognition of depreciation of these assets as an operating expense of the utility.

N.J.A.C. 5:30-5.6 established a mandate for fixed accounting by municipalities, effective December 31, 1985. The Borough has performed an inventory and included the Governmental Fixed Asset Schedule in the financial statements for years ended December 31, 2017 and 2016.

As N.J.A.C. 5:30 -5.6 states that assets having a useful life of more than five years and an acquisition cost pursuant to OMB A-87 must be capitalized in the governmental fixed asset system. Infrastructure assets are excluded from the governmental fixed asset system. Depreciation is not recorded in the governmental fixed asset system.

Grants Received – Federal and State Grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's Budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Disclosures About Fair Value of Financial Instruments – The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and short-term investments - The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term debt - The Borough's long-term debt is stated at face value. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Borough's long-term debt is provided in Note 3 to the financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONT'D.)

C. Basis of Accounting and Measurement (Cont'd.)

Disclosures About Pension Liabilities - The Borough has included information relating to its allocated shares of the net pension liabilities of the state sponsored, cost-sharing, multiple employer defined benefit pension plans in which it participates in Note 10 and the accompanying required supplementary information. As the Borough does not present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the net pension liability of the defined benefit plans in which its employees are enrolled. GAAP requires the recognition of the net pension liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

Recent Accounting Standards

GASB issued Statement No. 72, "Fair Value Measurement and Application" in February 2015. This statement provides guidance for determining the fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value instruments.

GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" in June 2015. This Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" in June 2015. This Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in June 2015. This Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONT'D.)

C. Basis of Accounting and Measurement (Cont'd.)

Recent Accounting Standards

GASB issued Statement No. 76, “The hierarchy of generally accepted accounting principles for state and local governments”, in June 2015. This Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB issued Statement No. 77, “Tax abatement disclosures” in August 2015. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time.

GASB issued Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans” in December 2015. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to the state or local governmental employers whose employees are provided with such pensions.

GASB issued Statement No. 79, “Certain External Investment Pools and Pool Participants” in December 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

GASB issued Statement No. 80, “Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14” in January 2016. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB issued Statement No. 81, “Irrevocable Split-Interest Agreements” in March 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONT'D.)

D. Basis of Accounting and Measurement (Cont'd.)

Recent Accounting Standards

GASB issued Statement No. 82, "Pension Issues- an amendment of GASB Statements No. 67, No. 68 and No. 73" in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB issued Statement No. 83, "Certain Asset Retirement Obligations" in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

GASB issued Statement No. 84, "Fiduciary Activities" in January 2017. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

The Borough does not prepare its financial statements in accordance with Generally Accepted Accounting Principles. The adoption of these new standards will not adversely affect the reporting of the Borough's financial condition.

Use of Estimates – The preparation of financial statements requires management of Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Comparative Data - Comparative data for the prior year has been presented in order to provide an understanding of changes on the Borough's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain reclassifications have been made to the fiscal year 2013 financial statements to conform with classifications used in fiscal year 4.

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

The Local Bond Law, Chapter 40A:2 et seq, governs the issuance of bonds to finance municipal capital expenditures. The Borough's debt is summarized as follows:

A. Summary of Municipal Debt for Capital Projects

	<u>YEAR 2017</u>	<u>YEAR 2016</u>
<u>Issued:</u>		
General:		
Bonds and Notes and Loans	\$ 9,429,921.93	\$ 8,477,752.17
Water and Sewer Utility:		
Bonds and Notes	<u>8,113,323.68</u>	<u>7,484,427.13</u>
Total Issued	<u>17,543,245.61</u>	<u>15,962,179.30</u>
Net Issued	<u>17,543,245.61</u>	<u>15,962,179.30</u>
 <u>Authorized But Not Issued:</u>		
General:		
Bonds and Notes	831,500.25	2,641,193.51
Water and Sewer Utility:		
Bonds and Notes	<u>2,403,015.00</u>	<u>3,403,172.00</u>
Total Authorized But Not Issued	<u>3,234,515.25</u>	<u>6,044,365.51</u>
 Total Bonds and Notes Issued and Authorized but not Issued	<u>\$ 20,777,760.86</u>	<u>\$ 22,006,544.81</u>

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

A. Summary of Municipal Debt for Capital Projects (Cont'd.)

Summarized below are the Borough's individual bond and loan issues which were outstanding at December 31, 2017 and 2016:

	<u>YEAR 2017</u>	<u>YEAR 2016</u>
<u>General Debt:</u>		
\$3,000,000, General Improvement Bonds of 2011 due in annual installments of \$200,000 through August 2026, interest at 3.000% to 4.000%.	1,800,000.00	2,000,000.00
\$3,525,000 MCIA Refunding Bonds, Series 2012 due in annual installments of \$305,000 to \$380,000 through December 2023.	2,215,000.00	2,565,000.00
\$2,160,000 MCIA Revenue Bonds, Series 2014 due in annual installments of \$145,000 to \$185,000 through December 2026.	1,665,000.00	1,850,000.00
\$1,625,000, Bond Anticipation Notes issued on 4/29/16 due on 4/28/17, interest at 0.096%		1,625,000.00
\$2,975,000 General Capital Bond Anticipation Notes issued on 4/28/17 due on 4/27/18, interest at 2.25%.	2,975,000.00	
Green Trust Loan	774,921.93	437,752.17
Total General Capital Debt	<u>\$ 9,429,921.93</u>	<u>\$ 8,477,752.17</u>
<u>Water and Sewer Utility Debt:</u>		
\$1,070,000 MCIA Revenue Bonds, Series 2014 due in annual installments of \$85,000 to \$95,000 through December 2026.	815,000.00	900,000.00
\$1,000,000, Bond Anticipation Notes issued 12/1/16 due on 4/28/17, interest at 1.14%		1,000,000.00
\$1,800,000, Bond Anticipation Notes issued 4/27/17 due on 4/26/18, interest at 2.250%	1,800,000.00	
2,450,910.23 USDA Water Rehabilitation Loan due in semi-annual installments of \$53,838.00 through December 2054	2,517,807.25	2,558,586.23
\$3,070,000 USDA Water Rehabilitation Loan due in semi-annual installments of \$44,158.00 through December 2054	<u>2,980,516.43</u>	<u>3,025,840.90</u>
Total Water and Sewer Utility Debt	<u>8,113,323.68</u>	<u>7,484,427.13</u>
Total Debt Issued and Outstanding	<u>\$ 17,543,245.61</u>	<u>\$ 15,962,179.30</u>

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. 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:

<u>2017</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 3,045,000.00	\$ 3,045,000.00	
Water Utility and Sewer Utility Debt	10,516,338.68	10,516,338.68	
General Debt	<u>10,261,422.18</u>	<u>373,231.53</u>	<u>\$ 9,888,190.65</u>
	<u>\$ 23,822,760.86</u>	<u>\$ 13,934,570.21</u>	<u>\$ 9,888,190.65</u>

Net Debt \$9,888,190.65 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$695,109,834.33 = 1.42%

<u>2016</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 3,580,000.00	\$ 3,580,000.00	
Water Utility and Sewer Utility Debt	10,887,599.13	10,887,599.13	
General Debt	<u>11,118,945.68</u>	<u>242,105.53</u>	<u>\$ 10,876,840.15</u>
	<u>\$ 25,586,544.81</u>	<u>\$ 14,709,704.66</u>	<u>\$ 10,876,840.15</u>

Net Debt \$10,876,840.15 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$678,090,246.33 = 1.60%

The Borough's Borrowing Power Under N.J.S.A. 40A:2-6 as Amended, at December 31, was as follows:

	<u>2017</u>	<u>2016</u>
3 1/2% of Equalized Valuation Basis Municipal Net Debt	<u>\$ 24,328,844.20</u> <u>9,888,190.65</u>	<u>\$ 23,733,158.62</u> <u>10,876,840.15</u>
Remaining Borrowing Power	<u>\$ 14,440,653.55</u>	<u>\$ 12,856,318.47</u>

CY 2017 Equalized Valuation Basis

2015 Equalized Valuation Basis of Real Property	\$ 676,601,183
2016 Equalized Valuation Basis of Real Property	700,547,411
2017 Equalized Valuation Basis of Real Property	<u>708,180,909</u>
Average Equalized Valuation	<u>\$ 695,109,834</u>

CY 2016 Equalized Valuation Basis

2014 Equalized Valuation Basis of Real Property	\$ 657,122,145
2015 Equalized Valuation Basis of Real Property	676,601,183
2016 Equalized Valuation Basis of Real Property	<u>700,547,411</u>
Average Equalized Valuation	<u>\$ 678,090,246</u>

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd.)

Calculation of "Self-Liquidating Purpose"

Water and Sewer Utility Per N.J.S.A. 40A:2-45

The calculation of "Self-Liquidating Purpose" for the Water and Sewer Utility, per N.J.S.A. 40A:2-45 is as follows:

	<u>2017</u>	<u>2016</u>
Cash Receipts from Fees, Rents or Other		
Charges for the Year	\$ 3,360,995.14	\$ 3,378,625.43
Deductions:		
Operating & Maintenance Cost	2,756,000.00	2,790,700.00
Debt Service Per Water & Sewer Acct.	<u>388,979.67</u>	<u>361,458.68</u>
Total Deductions	<u>3,144,979.67</u>	<u>3,152,158.68</u>
Excess/(Deficit) in Revenue	\$ <u>216,015.47</u>	\$ <u>226,466.75</u>

Calculation of "Self Liquidating Purpose" Deduction from Gross Debt

Water & Sewer Debt	\$ 10,516,338.68	\$ 10,887,599.13
Less: Deficit Capitalized at 5%	<u>-</u>	<u>-</u>
Water & Sewer Debt Deductible	<u>10,516,338.68</u>	<u>10,887,599.13</u>

The difference between the excess in revenues for debt statement purposes and the statutory cash basis for the Water and Sewer Utility is as follows:

	<u>2017</u>	<u>2016</u>
Excess/(Deficit) in Revenues - Cash Basis (D-1)	\$ 254,212.95	\$ 209,530.53
Add: Capital Improvements	35,000.00	25,000.00
Other Charges	<u>938.22</u>	<u>-</u>
	<u>35,938.22</u>	<u>25,000.00</u>
	290,151.17	234,530.53
Less: Unexpended Balance of Appropriation Reserves	<u>74,135.70</u>	<u>8,063.78</u>
	<u>74,135.70</u>	<u>8,063.78</u>
Excess/(Deficit) in Revenue	\$ <u>216,015.47</u>	\$ <u>226,466.75</u>

NOTES TO THE FINANCIAL STATEMENTS

Note DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

C. Schedule of Annual Debt Service for Principal and Interest for Borough Bonded Debt Issued and Outstanding

Year Ending December 31	General		Water and Sewer Utility		Total
	Principal	Interest	Principal	Interest	
2018	\$735,000.00	\$236,150.00	\$85,000.00	\$38,200.00	\$1,094,350.00
2019	745,000.00	208,750.00	85,000.00	34,800.00	1,073,550.00
2020	760,000.00	180,950.00	85,000.00	31,400.00	1,057,350.00
2021	755,000.00	152,550.00	90,000.00	28,000.00	1,025,550.00
2022	765,000.00	122,500.00	90,000.00	23,500.00	1,001,000.00
2023	765,000.00	88,000.00	95,000.00	19,000.00	967,000.00
2024	385,000.00	37,875.00	95,000.00	14,250.00	532,125.00
2025	385,000.00	25,250.00	95,000.00	9,500.00	514,750.00
2026	385,000.00	12,625.00	95,000.00	4,750.00	497,375.00
Totals	<u>\$5,680,000.00</u>	<u>\$1,064,650.00</u>	<u>\$815,000.00</u>	<u>\$174,900.00</u>	<u>\$6,218,800.00</u>

D. Green Acres Loan - 1324-03-067

Year Ending December 31	Principal	Interest	Total
			Payments
2018	36,677.94	7,853.46	44,531.40
2019	37,415.17	7,116.23	44,531.40
2020	38,167.22	6,364.19	44,531.41
2021	38,934.38	5,597.03	44,531.41
2022	39,716.96	4,814.45	44,531.41
2023	40,515.27	4,016.13	44,531.40
2024	41,329.62	3,201.78	44,531.40
2025	42,160.35	2,371.05	44,531.40
2026	43,007.77	1,523.63	44,531.40
2027	43,872.23	659.17	44,531.40
	<u>\$401,796.93</u>	<u>\$43,517.14</u>	<u>\$445,314.07</u>

NOTES TO THE FINANCIAL STATEMENTS
DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

Note 3:

E. Loan Repayment schedules for the Borough's U.S.D.A Loans are as follows:

Year Ending December 31	USDA Loan - 2014		USDA Loan - 2015		Total Payments
	Principal	Interest	Principal	Interest	
2018	41,856.45	65,819.55	46,522.76	65,819.55	220,018.31
2019	42,962.40	64,713.60	47,751.99	64,713.60	220,141.59
2020	44,097.56	63,578.44	49,013.71	63,578.44	220,268.15
2021	45,262.72	62,413.28	50,308.76	62,413.28	220,398.04
2022	46,458.66	61,217.34	51,638.04	61,217.34	220,531.38
2023	47,686.20	59,989.80	53,002.43	59,989.80	220,668.23
2024	48,946.18	58,729.82	54,402.87	58,729.82	220,808.69
2025	50,239.45	57,436.55	55,840.32	57,436.55	220,952.87
2026	51,566.88	56,109.12	57,315.75	56,109.12	221,100.87
2027	52,929.40	54,746.60	58,830.16	54,746.60	221,252.76
2028	54,327.92	53,348.08	60,384.59	53,348.08	221,408.67
2029	55,763.38	51,912.62	61,980.09	51,912.62	221,568.71
2030	57,236.78	50,439.22	63,617.73	50,439.22	221,732.95
2031	58,749.11	48,926.89	65,298.67	48,926.89	221,901.56
2032	60,301.82	47,374.61	67,024.00	47,374.61	222,075.04
2033	61,894.69	45,781.31	68,794.93	45,781.31	222,252.24
2034	63,530.08	44,145.92	70,612.65	44,145.92	222,434.57
2035	65,208.70	42,467.30	72,478.40	42,467.30	222,621.70
2036	66,931.66	40,744.34	74,393.44	40,744.34	222,813.78
2037	68,700.14	38,975.86	76,359.08	38,975.86	223,010.94
2038	70,515.36	37,160.64	78,376.66	37,160.64	223,213.30
2039	72,378.53	35,297.47	80,447.55	35,297.47	223,421.02
2040	74,290.94	33,385.06	82,573.15	33,385.06	223,634.21
2041	76,253.87	31,422.13	84,754.92	31,422.13	223,853.05
2042	78,268.67	29,407.33	86,994.34	29,407.33	224,077.67
2043	80,336.71	27,339.29	89,292.93	27,339.29	224,308.22
2044	82,459.39	25,216.61	91,652.25	25,216.61	224,544.86
2045	84,638.15	23,037.85	94,073.91	23,037.85	224,787.76
2046	86,874.48	20,801.52	96,559.56	20,801.52	225,037.08
2047	89,169.90	18,506.10	99,110.88	18,506.10	225,292.98
2048	91,525.97	16,150.03	101,729.61	16,150.03	225,555.64
2049	93,944.29	13,731.71	104,417.54	13,731.71	225,825.25
2050	96,426.51	11,249.49	107,176.48	11,249.49	226,101.97
2051	98,974.32	8,701.68	110,008.34	8,701.68	226,386.02
2052	101,589.45	6,086.55	112,915.00	6,086.55	226,677.55
2053	104,273.67	3,402.33	115,898.47	3,402.33	226,976.80
2054	51,237.29	672.49	118,960.77	672.49	171,543.04
2055			120,003.70	672.49	120,676.19
	<u>\$ 2,517,807.70</u>	<u>\$ 1,410,438.55</u>	<u>\$ 2,980,516.45</u>	<u>\$ 1,411,111.04</u>	<u>\$ 8,319,873.68</u>

Bond Anticipation Notes

F.

The Borough has issued General Capital Bond Anticipation Notes in the amount of \$2,975,000.00 at an interest rate of 2.250% due on April 28, 2018.

NOTES TO FINANCIAL STATEMENTS

Note 4: FUND BALANCES APPROPRIATED

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

	<u>Fund Balance</u> <u>December 31, 2017</u>	<u>Utilized in</u> <u>Succeeding Budget</u>
Current Fund	\$1,527,522.12	\$850,000.00
Water and Sewer Utility Fund	423,747.04	355,000.00
	<u>Fund Balance</u> <u>December 31, 2016</u>	<u>Utilized in</u> <u>Succeeding Budget</u>
Current Fund	\$1,280,023.01	\$40,000.00
Water and Sewer Utility Fund	209,534.09	20,200.00

Note 5: DEFERRED COMPENSATION TRUST FUND

The Borough has instituted a Deferred Compensation Plan pursuant to section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; P.L. 1980, C. 78; and P.L. 1997, C. 116 of the Statutes of New Jersey. The Plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations. The Borough has engaged a private contractor to administer the plan.

Note 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years.

At December 31, 2016 and 2017, the following deferred charges are shown on the balance sheets of the various funds:

	<u>Balance</u> <u>December</u> <u>31, 2016</u>	<u>Amount</u> <u>Raised</u> <u>In 2017</u>	<u>Balance</u> <u>December</u> <u>31, 2017</u>
Current Fund:			
Special Emergency Authorization:			
Revision of Master Plan	\$ 1,800.00	\$1,800.00	\$0.00
Revaluation of Real Property	68,000.00	68,000.00	
	<u>\$69,800.00</u>	<u>\$69,800.00</u>	<u>\$0.00</u>

NOTES TO FINANCIAL STATEMENTS

Note 7: DEPOSITS AND INVESTMENTS

State statutes set forth deposit requirements and investments that may be purchased by local units and the Borough deposits and invests its funds pursuant to its policies and an adopted cash management plan.

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insures deposits, or the State of New Jersey Cash Management Fund. New Jersey statute requires public depositories to maintain collateral for deposit of public funds that exceed insurance limits to protect deposits from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five (5) percent of the average daily balance of collected public funds; or if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent, to secure the deposits of governmental units.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

As of December 31, 2017, and 2016, cash and cash equivalents of the Borough on deposit and on-hand consisted of the following:

	<u>2017</u>	<u>2016</u>
Cash (Demand) Accounts	\$6,541,060.26	\$3,925,900.24
Change Funds (on Hand)	<u>625.00</u>	<u>625.00</u>
	<u>\$6,541,685.26</u>	<u>\$3,926,525.24</u>

Based upon GASB criteria, the Borough considers change fund, cash in banks, investments in certificates of deposit and State of New Jersey Cash Management Fund as cash and cash equivalents. At year-end, the carrying amount of the Borough's deposits was \$6,716,886.53 and the bank balance was \$6,541,060.26. Of the bank balance, \$250,000 was covered by Federal depository insurance (FDIC) and \$6,291,060.26 was covered under the provisions of NJGUDPA.

Note 7: DEPOSITS AND INVESTMENTS (CONT'D.)

Deposits (Cont'd.)

The Borough has implemented the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly the Borough has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Risk of its cash and investments.

- (a) Custodial Credit Risk – The Borough's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the Borough will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Borough's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Borough and are held by either: the counterparty or the counterparty's trust department or agent but not in the Borough's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Borough will not be able to recover the value of the investment or collateral securities that are in possession of an outside party.
- (b) Concentration of Credit Risk – This is the risk associated with the amount of investments that the Borough has with any one issuer that exceeds 5 percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.
- (c) 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 obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. In general, the Borough does not have an investment policy regarding Credit Risk except to the extent outlined under the Borough's investment policy.
- (d) Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Borough does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

As of December 31, 2017, and 2016, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amount of the Borough's bank balances was considered exposed to custodial credit risk.

Investments

New Jersey statutes establish the following securities as eligible for the investment of Borough funds:

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

NOTES TO FINANCIAL STATEMENTS

Note 7: DEPOSITS AND INVESTMENTS (CONT'D.)

Investments (Cont'd.)

3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Borough or bonds or other obligations of school districts of which the Borough is a part and within which the school district is located;
5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52: 18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is more than 30 days; and
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

Note 8: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

New Jersey statutes require that taxable valuation of real property be prepared by the Borough Tax Assessor as of October 1, in each year and filed with the County Board of Taxation by January 10th of the following year. Upon the filing of certified adopted budgets by the Borough, Local School District, County and Fire Districts, the tax rate is struck by the board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector on or before May 13th.

NOTES TO FINANCIAL STATEMENTS

Note 8: ASSESSMENT AND COLLECTION OF PROPERTY TAXES (CONT'D.)

Tax bills are prepared and mailed by the Collector of Taxes of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The NJ Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers.

Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amounts delinquent, and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% shall be charged against the delinquency. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

Receivables at December 31, 2017 consisted of the following:

Type	Current <u>Fund</u>	Water and Sewer <u>Utility Fund</u>	<u>Total</u>
Real Property Taxes	\$459,096.62		\$459,096.62
Tax Title Lien	580,280.17		580,280.17
Water and Sewer Utility Rents		\$186,275.04	186,275.04
Water & Sewer Liens		3,221.47	3,221.47
Totals	\$1,039,376.79	\$189,496.51	\$1,228,873.30

Receivables at December 31, 2016 consisted of the following:

Type	Current <u>Fund</u>	Water and Sewer <u>Utility Fund</u>	<u>Total</u>
Real Property Taxes	\$194,288.32		\$194,288.32
Tax Title Lien	605,212.24		605,212.24
Water and Sewer Utility Rents		\$230,929.03	\$230,929.03
Totals	\$799,500.56	\$230,929.03	\$1,030,429.59

NOTES TO FINANCIAL STATEMENTS

Note 9: GOVERNMENTAL FIXED ASSETS

The Borough's governmental fixed assets are reported as follows:

	<u>Balance</u> <u>December 31, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>December 31, 2017</u>
Land	\$5,186,100.00			\$5,186,100.00
Buildings/ Bldg. Improvements	5,481,800.00			5,481,800.00
Motor Vehicles & Equipment	3,035,521.08	1,145,665.00	523,670.00	3,657,516.08
Machinery & Equipment	483,618.30			483,618.30
Office Furniture & Equipment	163,066.09			163,066.09
Other Equipment	218,914.00			218,914.00
	<u>\$14,569,019.50</u>	<u>\$1,145,665.00</u>	<u>\$523,670.00</u>	<u>\$15,191,014.47</u>

Note 10: PENSION PLANS

Description of Plans - The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a projection period.

The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at www.state.nj.us/treasury/pensions, or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Note 10: PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) - The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2017:

Inactive plan members or beneficiaries currently receiving benefits	170,124
Inactive plan members entitled to but not yet receiving benefits	650
Active plan members	<u>254,685</u>
Total	<u>425,459</u>

Contributing Employers – 1,705.

Significant Legislation – Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

Payrolls and Covered Wages:

For the year ended December 31, 2017 the Borough's total payroll for all employees was \$4,658,634. Total PERS covered payroll was 1,618,437. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan. Employee payroll deductions for PERS contributions, net of life insurance premiums and pension loan repayments, were \$117,646 for 2017.

NOTES TO FINANCIAL STATEMENTS

Note 10: PENSION PLANS (CONT'D.)

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

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2017 and increased to 7.20% for State fiscal year 2018, commencing July 1, 2017. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent State fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Borough's cash basis contributions to the Plan for the years ended December 31, 2017 and 2016 were \$176,699 and \$169,179, respectively. Borough Contributions are due and payable on April 1st in the calendar year subsequent to the plan year for which the contribution requirements were calculated. Borough payments to PERS for the years ending December 31, 2016 and 2017 consisted of the following:

	<u>2017</u>	<u>2016</u>
Normal Cost	\$ 27,582	\$ 30,404
Amortization of Accrued Liability	<u>140,367</u>	<u>140,058</u>
Total Pension	167,949	170,462
NCGI Premiums	<u>8,382</u>	<u>9,127</u>
Total Regular Billing	176,331	179,589
Total PERS Payment	<u>\$176,699</u>	<u>\$179,589</u>

The Borough recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

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

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible 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

Note 10: PENSION PLANS (CONT'D.)

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

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 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 tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members 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 retirement age of his/her respective tier. 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.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The regulatory basis of accounting which is basis for the preparation of the Borough's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Borough does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2017, the PERS reported a net pension liability of \$23,278,41,588 for its Local (Non-State) Employer Member Group. The Borough's proportionate share of the net pension liability for the Local Employer Member Group that is attributable to the Borough was \$5,082,815 or 0.0218349%. At June 30, 2016, the PERS reported a net pension liability of \$29,617,131,759 for its Local Employer Member Group. The Borough's proportionate share of the net pension liability for the Local Employer Member Group that was attributable to the Borough was \$5,878,548 or 0.0198485%.

Actuarial Assumptions- The total pension liability in the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 that was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases Through 2026	1.65-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

NOTES TO FINANCIAL STATEMENTS

Note 10: PENSION PLANS (CONT'D.)

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

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experiences will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Discount Rate – The discount rate used to measure the pension liabilities of PERS was 5.00% as of June 30, 2017.

NOTES TO FINANCIAL STATEMENTS

Note 10: PENSION PLANS (CONT'D.)

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

Sensitivity of Net Pension Liability – the following presents the net pension liability of PERS participating employers as of June 30, 2017, calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease</u> <u>(4.00%)</u>	<u>At current discount rate</u> <u>(5.00%)</u>	<u>At 1% increase</u> <u>(6.00%)</u>
State	\$29,818,581,732	\$25,645,622,797	\$22,179,578,513
Local	<u>28,878,437,027</u>	<u>23,278,401,588</u>	<u>18,612,878,069</u>
PERS Plan Total	<u>\$58,697,018,759</u>	<u>\$48,924,024,385</u>	<u>\$40,792,456,582</u>
Keyport Share	<u>\$6,305,577</u>	<u>\$5,082,815</u>	<u>\$4,064,103</u>

Components of Net Pension Liability – The components of the net pension liability for PERS, including the State of New Jersey, at June 30, 2017 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$32,535,896,852	\$44,852,367,051	\$77,388,263,903
Plan Fiduciary Net Position	<u>6,890,274,055</u>	<u>21,573,965,463</u>	<u>28,464,239,518</u>
Net Pension Liability	<u>\$25,645,622,797</u>	<u>\$23,278,401,588</u>	<u>\$48,924,024,385</u>

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2018	\$109,935
2019	169,724
2020	122,412
2021	(89,414)
2022	<u>(56,702)</u>
Total	<u>\$255,955</u>

Changes in Proportion

The previous amounts include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion as allocated by the Plan. These amounts are recognized (amortized) in the allocated amortization above over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2017, 2016, 2015, and 2014 amounts, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 10: PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) - The Police and Firemen's Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PFRS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time county and municipal police or firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2017:

Inactive plan members or beneficiaries currently receiving benefits	43,011
Inactive plan members entitled to but not yet receiving benefits	47
Active plan members	<u>40,789</u>
 Total	 <u>83,847</u>

Contributing Employers – 586.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PFRS.

For the year ended December 31, 2017 the Borough's total payroll for all employees was \$4,658,634. Total PFRS covered payroll was 1,650,011. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan. Employee payroll deductions for PFRS contributions, net of life insurance premiums and pension loan repayments, were \$165,001 for 2017.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.5% of annual compensation to 10.0% in October 2011. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Borough's cash basis contributions to the Plan for the years ended December 31, 2017 and 2016 were \$381,755 and \$373,917, respectively. Borough Contributions are due and payable on April 1st in the calendar year subsequent to the plan year for which the contribution requirements were calculated. Borough payments to PFRS for the years ending December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Normal Cost	\$ 129,940	\$ 125,359
Amortization of Accrued Liability	<u>235,219</u>	<u>231,899</u>
 Total Pension	 365,159	 357,248
NCGI Premiums	<u>16,596</u>	<u>16,669</u>
Total Regular Billing	381,755	373,917
 Total PERS Payment	 <u>\$381,755</u>	 <u>\$373,917</u>

NOTES TO FINANCIAL STATEMENTS

Note 10: PENSION PLANS (CONT'D.)

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

C.

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

The following represents the membership tiers for PFRS:

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

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

after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The regulatory basis of accounting which is basis for the preparation of the Borough's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Borough does not recognize pension liabilities for any current or prior period until fiscal period in which such payments will become due and payable.

At June 30, 2017, the PFRS reported a net pension liability of \$17,167,260,198 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State, Non-Special Funding Situation Employer Member Group was \$7,702,946 or 0.049896%. At June 30, 2016, the PFRS reported a net pension liability of \$19,102,557,969 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$8,944,111 or 0.046822%.

Actuarial Assumptions- The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases Through 2026	2.10-8.98% Based on age
Thereafter	3.10-9.98% Based on age
Investment rate of return	7.00%

NOTES TO FINANCIAL STATEMENTS

Note 10: PENSION PLANS (CONT'D.)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 10: PENSION PLANS (CONT'D.)

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

Discount Rate – The discount rate used to measure the pension liabilities of PFRS was 6.14%.

Sensitivity of Net Pension Liability – the following presents the net pension liability of PFRS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	At 1% Decrease (5.14%)	At current discount rate (6.14%)*	At 1% increase (7.14%)
State	\$ 5,202,348,756	\$ 4,935,743,141	\$ 3,734,560,750
Local	<u>22,619,279,081</u>	<u>17,167,260,198</u>	<u>12,687,806,745</u>
PFRS Plan Total	<u>\$27,821,279,081</u>	<u>\$21,563,003,339</u>	<u>\$16,422,367,495</u>
Keyport Share	<u>\$10,149,266</u>	<u>\$7,702,946</u>	<u>\$5,693,016</u>

*- Local Share includes \$1,729,193,907 of Special Funding Situation allocated to the State of NJ as a non-employer.

Components of Net Pension Liability – The components of the net pension liability for PFRS, including the State of New Jersey, at June 30, 2017 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 5,939,531,281	\$41,471,190,457	\$47,410,721,738
Plan Fiduciary Net Position	<u>1,543,788,140</u>	<u>24,303,930,259</u>	<u>25,847,718,399</u>
Net Pension Liability	<u>\$ 4,395,743,141</u>	<u>\$17,167,260,198</u>	<u>\$21,563,003,339</u>

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2018	\$1,496,824
2019	1,496,824
2020	1,496,824
2021	(1,766,235)
2022	(3,345,147)
2023	<u>(1,757,056)</u>
Total	<u>(\$2,377,966)</u>

Note 10: PENSION PLANS (CONT'D.)

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

Changes in Proportion

The previous amounts include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion as allocated by the Plan. These amounts are recognized (amortized) in the allocated amortization above over the average of the expected remaining service lives of all plan members, which is 5.59, 5.58, 5.53, and 6.17 years for the 2017, 2016, 2015 and 2014 amounts, respectively.

C. Defined Contribution Retirement System (DCRP)

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

Plan Membership and Contributing Employers- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2016, the membership in the DCRP, based on the information within the Division's database, was 46,557.

Contribution Requirement and Benefit Provisions - State and local government employers contribute 3% of the employees base salary. Active members contribute 5.5% of base salary.

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

For the year ended December 31, 2017 the Borough's total payroll for all employees was \$4,658,634. Total DCRP covered payroll was \$53,524. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan. Borough and employee contributions to the DCRP for the year ended December 31, 2017 were 1,605.72 and \$2,943.82, respectively.

Boroughs of Keyport PERS employees do not receive any post-retirement benefits.

NOTES TO FINANCIAL STATEMENTS

Note 11: POST RETIREMENT HEALTH BENEFITS

P.L. 1997 C.330 provides State paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State is responsible for 80% of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge.

Note 12: ACCRUED SICK AND VACATION BENEFITS

The Borough of Keyport has established policies, which set forth the terms under which an employee may accumulate unused benefits. The Borough permits its employees to accumulate unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. Effective for financial statements dated December 31, 1987, the state has required all municipalities to disclose the estimated current cost of such unpaid compensation would be \$354,952 and \$394,157.00 at December 31, 2017 and 2016, respectively. Under the New Jersey OCBOA reporting model, these amounts are not reported as an expenditure until such compensation is paid.

Note 13: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. The Borough is a member of the New Jersey Intergovernmental Insurance Fund – Property and Liability Fund and Worker's compensation fund. The joint insurance pool is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The Joint Insurance Fund participates in the Municipal Excess Liability Program which as a contract for excess liability insurance for property, general liability, auto liability, public official liability, law enforcement liability and workmen's compensation.

The Borough did not have the Insurance Fund reports on file for the year ended December 31, 2017.

New Jersey Unemployment Compensation Insurance – The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State.

Reserves for Unemployment Claims are reported for within the Trust Fund in the amount of \$17,859.98 and \$12,493.09, as at December 31, 2017 and 2016, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets as of December 31, 2017:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 1,792.22	\$ 187,860.19
State and Federal Grant Fund	187,860.19	0.00
Trust Fund	0.00	1,177.98
Payroll Agency Fund	0.00	614.24
	<hr/>	<hr/>
Total	<u>\$ 189,652.41</u>	<u>\$ 189,652.41</u>

Note 15: LONG TERM TAX EXEMPTIONS

The Borough of Keyport provides for long-term tax exemptions, as authorized and permitted by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. The exemptions provided by the Borough are for affordable housing projects and other permitted purposes. Taxes abated include municipal, local school and county taxes. Keyport is required to remit five percent (5.00%) to the County for any payments received in lieu of taxes (PILOT payments). Princeton's PILOT billings in 2017 were \$454,612 and taxes in 2017 that otherwise would have been due on these long-term tax exemptions amounted to \$1,442,179, based upon the assessed valuations of the long-term tax exemptions properties.

Note 16: COMMITMENTS AND CONTINGENT

Federal and State Assistance Programs

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by grantors or their representatives. As of December 31, 2017, the Borough does not believe that any material liabilities will result from such audits.

Contingencies – Pending Litigation

The Borough had various litigation pending, including but not limited to, worker's compensation claims, civil litigation and pending tax appeals. Based upon all information available, the Borough does not believe that there are any legal matters pending, in the event of an adverse or unfavorable outcome, which would have a material impact upon the Borough's financial position.

Note 17: SUBSEQUENT EVENTS

The Borough adopted its 2018 municipal budget on April 3, 2018.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**PART II
REQUIRED SUPPLEMENTARY INFORMATION**

BOROUGH OF KEYPORT
 SCHEDULE OF KEYPORT'S SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Keyport's Proportion of the Net Pension Liability	0.000224530	0.000214340	0.000208890	0.000198485	0.000218349
Keyport's Proportionate Share of the Net Pension Liability	\$4,291,220	\$4,013,035	\$ 4,689,152	\$ 5,878,548	\$ 5,082,815
Keyport's Covered-Employee Payroll	\$1,367,985	\$1,413,054	\$ 1,259,846	\$ 1,468,214	\$ 1,618,437
Keyport's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	313.69%	284.00%	372.20%	400.39%	314.06%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	48.72%	52.08%	55.99%	40.14%	48.10%

* Amounts presented for each fiscal year were determined as of June 30.

BOROUGH OF KEYPORT
 SCHEDULE OF KEYPORT'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 169,179	\$ 176,699	\$ 179,589	\$176,699
Contribution in Relation to Contractually Required Contribution	<u>\$ (169,179)</u>	<u>\$ (176,699)</u>	<u>\$ (179,589)</u>	<u>\$ (176,699)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
PERS Covered Payroll	\$ 1,413,054	\$ 1,259,846	\$ 1,468,214	\$ 1,618,437
Contributions as a percentage of Covered Employee Payroll	11.97%	14.03%	12.23%	10.92%

* Amounts presented for each fiscal year were determined as of June 30.

Note: payroll for Covered Payroll as reported reflects "Pensionable Salaries" only.

Specifically not included are overtime pay and special duty pay funded by third parties.

BOROUGH OF KEYPORT
 SCHEDULE OF KEYPORT'S SHARE OF THE NET PENSION LIABILITY
 POLICE AND FIREMENS RETIREMENT SYSTEM
(Non-State, Non Special Funding Employer Group)

Last 10 Fiscal Years*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Proportion of the Non-State Employer Group Net Pension Liability attributable to the District	0.00050101	0.00052275	0.00046001	0.00046822	0.00049896
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State Employer Group	\$6,660,444	\$6,575,676	\$7,662,112	\$8,944,111	\$7,702,946
District's Covered-Employee Payroll	\$1,403,798	\$1,457,055	\$1,508,299	\$1,561,763	\$1,650,011
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State Employer Group as a percentage of the District's Covered-Employee Payroll	474.46%	451.30%	508.00%	572.69%	466.84%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (See Note Below)	55.71%	58.86%	58.09%	52.01%	58.60%

* Amounts presented for each fiscal year were determined as of June 30.

Note: Covered Payroll as reported reflects "Pensionable Salaries" only.

Specifically not included are overtime pay and special duty pay funded by third parties.

BOROUGH OF KEYPORT
 SCHEDULE OF THE KEYPORT'S CONTRIBUTIONS
 POLICE AND FIREMENS RETIREMENT SYSTEM
(Non-State, Non Special Funding Employer Group)

Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 365,524	\$ 401,506	\$ 373,917	\$ 381,755
Contribution in Relation to Contractually Required Contribution	<u>\$ (365,524)</u>	<u>\$ (401,506)</u>	<u>\$ (373,917)</u>	<u>\$ (381,755)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
PFRS Covered Payroll	\$ 1,457,055	\$ 1,508,299	\$ 1,561,763	\$ 1,650,011
Contributions as a percentage of Covered Employee Payroll	25.09%	26.62%	23.94%	23.14%

* Amounts presented for each fiscal year were determined as of June 30.

Note: payroll for Covered Payroll as reported reflects "Pensionable Salaries" only.

Specifically not included are overtime pay and special duty pay funded by third parties.

**BOROUGH OF KEYPORT
COUNTY OF MONMOUTH, NEW JERSEY**

**NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
DECEMBER 31, 2017**

The following information is as abstracted from the State of New Jersey, Division of Pension and Benefits, Financial Statements and Supplementary Schedules report as of June 30, 2017, dated March 14, 2017. This information pertains to the RSI schedules of changes in net pension liability contained in that report.

PERS

Changes in benefit terms: None

Changes in assumptions:

For 2017, the discount rate changed to 5.00% and the long-term expected rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%. Demographic assumptions were revised in accordance with the results of the July 1, 2011 – June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

PFRS

Changes in benefit terms: None

Changes in assumptions:

For 2017, the discount rate changed to 6.14% and the long-term expected rate of return changed to 7.00%. For 2016, the discount rate change to 5.55%, the long-term expected rate of return changed to 7.65% and the mortality improvement scale incorporated the plan actuary's modified 2014 projection scale. Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age) through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 5.79% and demographic assumptions were revised in accordance with the results of the July 1, 2010 – June 30, 2013 experience study. For 2014, the discount rate was 6.32%.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**PART III
SUPPLEMENTARY SCHEDULES**

Current Fund

SCHEDULE OF CASH

	<u>Ref.</u>	<u>CURRENT FUND</u>	
Balance December 31, 2016	A	\$	2,133,414.93
Increased by Cash Receipts			
Miscellaneous Anticipated Revenue	A-2,A-8		
Miscellaneous Revenue Not Anticipated	A-2,A-8	276,518.96	
Petty Cash Returned	A-5	1,000.00	
Taxes Receivable	A-7	17,952,063.32	
Tax Title Liens	A-8	2,102.20	
Abating Costs	A-10	13,352.38	
Revenue Accounts Receivable	A-11	2,580,198.53	
Prepaid Taxes	A-7	374,000.83	
Tax Overpayments	A-14	7,712.78	
Due NJ Sr Citizens and Veterans Deductions	A-6	44,422.48	
Interfund Loans Returned	A-13	185,847.90	
Grant Funds Received	A-13	120,675.59	
Reserve for Senior Center	A-15	31,183.95	
Petty Cash Returned	A-5		
Emergency Notes Issued	A-15		
			<u>21,589,078.92</u>
			23,722,493.85
Decreased by Disbursements			
Budget Appropriations	A-3	8,345,456.38	
Petty Cash Advanced	A-5	1,000.00	
Abating Costs	A-10	6,550.00	
Appropriation Reserves	A-19	313,890.76	
Tax Overpayments	A-14	19,270.25	
Taxes Payable	A-16	11,981,316.21	
Interfunds Loans Advanced	A-13	186,951.68	
Grant Program Expenditures	A-13	164,167.86	
Reserve for Senior Center	A-15	26,852.35	
Emergency Notes Redeemed	A-17	69,800.00	
			<u>21,115,255.49</u>
Balance December 31, 2017	A	\$	<u><u>2,607,238.36</u></u>

SCHEDULE OF CHANGE PETTY CASH AND CHANGE FUNDS

	<u>BALANCE</u> <u>DEC. 31, 2106</u>	<u>ADVANCED</u>	<u>RETURNED</u>	<u>BALANCE</u> <u>DEC. 31, 2107</u>
Change Funds:				
Tax Collector	\$ 175.00			\$ 175.00
Construction	50.00			50.00
Board of Health	50.00			50.00
Borough Clerk	50.00			50.00
Petty Cash Funds:				
Administration		200.00	200.00	
Municipal Court		200.00	200.00	
Senior Center		200.00	200.00	
Public Works		200.00	200.00	
Police		200.00	200.00	
	<u>\$ 325.00</u>	<u>\$ 1,000.00</u>	<u>\$ 1,000.00</u>	<u>\$ 325.00</u>
<u>Ref.</u>	A	A-4	A-4	A

**SCHEDULE OF DUE FROM STATE OF NEW JERSEY -
FOR ALLOWABLE DEDUCTIONS PER CHAPTER 20, P.L. 1976
CURRENT FUND**

	<u>REF.</u>		
Balance - December 31, 2016	A	\$	4,139.20
Increased by:			
Allowable Deductions per			
Tax Billings	A- 7	43,250.00	
Senior Citizen Deduction			
Allowed by Collector	A- 7	250.00	
			<u>43,500.00</u>
			47,639.20
Decreased by:			
Collected	A- 4	44,422.48	
Veteran Deductions Disallowed		1,250.00	
Sr. Citizen Ded. Disallowed by Collector	A- 1	500.00	
Sr. Citizen Ded. Disallowed by Collector			
2016 Taxes	A- 1	<u>827.52</u>	
			<u>47,000.00</u>
Balance - December 31, 2017	A	\$	<u><u>639.20</u></u>
Analysis of Sr. Citizens & Veterans			
<u>Deductions Allowed - 2017 Taxes</u>			
Per Tax Billings	A- 7	\$	43,250.00
Allowed (Disallowed) by Tax Collector (Net)	A- 7		<u>(1,500.00)</u>
Total	A-7	\$	<u><u>41,750.00</u></u>

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

<u>YEAR</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>ADDED TAXES</u>	<u>2017 LEVY</u>	<u>COLLECTIONS</u>		<u>SR. CIT. & VETERANS DEDUCTIONS</u>	<u>TRANSFER TO LIEN</u>	<u>YEAR END PENALTY</u>	<u>BALANCE DECEMBER 31, 2017</u>
				<u>2016</u>	<u>2017</u>				
2016	605,212.24	827.52	-	-	434,452.87	-	171,586.89	-	-
	605,212.24	827.52	-	-	434,452.87	-	171,586.89	-	-
2017			18,345,948.39	138,326.74	17,517,610.45	41,750.00	199,422.01	10,257.43	459,096.62
	\$ 605,212.24	\$ 827.52	\$ 18,345,948.39	\$ 138,326.74	\$ 17,952,063.32	\$ 41,750.00	\$ 371,008.90	\$ 10,257.43	\$ 459,096.62
<u>Ref.</u>	<u>A</u>	<u>Reserve</u>	<u>Reserve</u>	<u>A-2, A-13</u>	<u>A-2, A-4</u>	<u>A-2, A-6</u>	<u>A-2, A-5</u>	<u>Reserve</u>	<u>A</u>

ANALYSIS OF 2017 PROPERTY TAX LEVY:Tax Yield:

General Purpose Tax	\$ 18,155,200.45
Special District Tax	153,971.59
Added Taxes	36,776.35
	<u>\$ 18,345,948.39</u>

Ref.Tax Levy:

Local School Tax (Abstract)	A-16	9,698,606.00
County Taxes (Abstract)	A-16	1,809,747.58
County Health Taxes (Abstract)	A-16	36,507.51
County Open Space Taxes (Abstract)	A-16	106,318.96
Due County for Added & Omitted Taxes	A-16	3,968.86
Special District Tax	A-16	153,150.00
Municipal Open Space Tax	A-16	174,824.42
Local Tax for Municipal Purposes	A-2	6,093,631.90
Minimum Library Tax	A-2	234,879.00
Add: Additional Tax Levied		34,314.16
		<u>\$ 18,345,948.39</u>

SCHEDULE OF TAX TITLE LIENS

	<u>REF.</u>		
Balance - December 31, 2016	A	\$	194,288.32
Increased By:			
Transfers from Taxes Receivable	A-1	371,008.90	
Interest and Costs on Tax Sale	Reserve	<u>17,085.15</u>	
			<u>388,094.05</u>
			582,382.37
Decreased by:			
Cash Collections	A-4		<u>2,102.20</u>
Balance - December 31, 2017	A		<u><u>580,280.17</u></u>

SCHEDULE PROPERTY ACQUIRED FOR TAXES

	<u>REF.</u>		
Balance - December 31, 2016	A	\$	97,100.00
Balance - December 31, 2017	A	\$	<u><u>97,100.00</u></u>

SCHEDULE OF ABATING COSTS RECEIVABLE

	<u>REF.</u>	<u>TOTAL</u>	<u>ABATING COSTS</u>	<u>ABATING COST LIENS</u>
Balance - December 31, 2016	A	\$ 7,995.01	\$ 6,395.40	\$ 1,599.61
Increased By:				
Billings-Disbursed	A-4	6,550.00	6,550.00	
Additional Billings	Reserve	<u>3,463.00</u>	<u>3,463.00</u>	<u> </u>
Subtotal		18,008.01	16,408.40	1,599.61
Transfers		-	(490.00)	490.00
Decreased by:				
Cash Collections	A-4	<u>13,352.38</u>	<u>12,524.44</u>	<u>827.94</u>
Balance - December 31, 2017	A	\$ <u><u>4,655.63</u></u>	\$ <u><u>3,393.96</u></u>	\$ <u><u>1,261.67</u></u>

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLES

	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>2017</u> <u>ACCRUED</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Revenue Accounts Receivable:				
Licenses:				
Alcoholic Beverages	\$	\$ 35,140.00	\$ 35,140.00	\$
Other		3,405.00	3,405.00	
Fees and Permits				
Construction Code Fees	14,460.00	231,425.00	237,925.00	7,960.00
Other		371,882.85	371,882.85	
Fines and Costs - Municipal Court	16,378.90	199,302.37	202,176.41	13,504.86
Interest and Costs on Taxes		128,551.74	128,551.74	
Cable Television Fees		106,956.66	106,956.66	
Payment in Lieu of Taxes:				
Senior Citizen Housing		374,612.07	374,612.07	
Bethany Manor Annex		80,000.00	80,000.00	
Consolidated Municipal Property Tax Relief Aid		73,673.00	73,673.00	
Energy Receipts Tax		640,800.00	640,800.00	
Interlocal Board of Health (Union Beach)		5,000.00	5,000.00	
Uniform Fire Safety Act	1,235.00	78,836.80	78,075.80	1,996.00
Reserve for Debt Service - General Capital		242,000.00	242,000.00	
	<u>32,073.90</u>	<u>2,571,585.49</u>	<u>2,580,198.53</u>	<u>23,460.86</u>
<u>Ref.</u>	A	Reserve	A-4	A
<u>Analysis of Miscellaneous Revenues:</u>	<u>Ref.</u>			
Current Year Collections	A-2, A-4		2,580,198.53	
Grants Realized - Grant Fund	A-16		<u>111,296.34</u>	
Total Miscellaneous Revenues Realized	A-2		<u>\$ 2,691,494.87</u>	

SCHEDULE OF DEFERRED CHARGES

<u>DESCRIPTION</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>RAISED IN</u> <u>2017 BUDGET</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
<u>Date Authorized</u>			
Special Emergency Authorizations			
Revision of Master Plan	-		\$ -
Revaluation of Real Property	1,800.00	1,800.00	-
	68,000.00	68,000.00	-
	<u>\$ 69,800.00</u>	<u>\$ 69,800.00</u>	<u>\$ -</u>
<u>Ref.</u>	A	A-3	A

**CURRENT FUND
SCHEDULE OF INTERFUNDS**

<u>FUND</u>	<u>BALANCE DEC. 31, 2016</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE DEC. 31, 2017</u>
Water and Sewer Operating Fund	\$ -	\$ 6,676.90	\$ 6,676.90	\$ -
Payroll Fund	(614.24)			(614.24)
Grant Fund	169,319.65	306,670.43	\$ 288,130.89	187,859.19
Trust - Other Fund	(74.20)	180,274.78	179,171.00	(1,177.98)
	<u>\$ 168,631.21</u>	<u>\$ 493,622.11</u>	<u>\$ 473,978.79</u>	<u>\$ 186,066.97</u>
<u>Ref.</u>	<u>A</u>			<u>A</u>
Receivables	\$ (688.44)			\$ (1,792.22)
Payables	<u>169,319.65</u>			<u>187,859.19</u>
	<u>\$ 172,911.88</u>			<u>\$ 186,066.97</u>
Budget Grant Revenues Realized	A-2	\$	\$ 111,296.34	
Charges to Grant Budget Appropriations	A-3	185,994.84		
Grants Deposited to Current	A-4	120,675.59		
Grants Expended by Current	A-4		164,167.86	
Cancelled Grants	A-1		12,666.69	
Interfund Disbursements	A-4	186,951.68		
Interfund Receipts	A-4		185,847.90	
		<u>\$ 493,622.11</u>	<u>\$ 473,978.79</u>	

CURRENT FUND
SCHEDULE OF PROPERTY TAX OVERPAYMENTS

	<u>Ref.</u>	
Balance - December 31, 2016	A	\$ 1,686.30
Increased By:		
State Tax Appeal Judgement	A-1	13,835.69
Cash Receipts	A-4	<u>7,712.78</u>
		<u>21,548.47</u>
		23,234.77
Decreased by:		
Refunds	A-4	<u>19,270.25</u>
Balance - December 31, 2017	A	<u>\$ 3,964.52</u>

CURRENT FUND
SCHEDULE OF RESERVE FOR SENIOR CENTER

	<u>Ref.</u>	
Balance - December 31, 2016	A	\$ 6,628.82
Increased By:		
Cash Receipts	A-4	<u>31,183.95</u>
		37,812.77
Decreased by:		
Cash Disbursed	A-4	<u>26,852.35</u>
Balance - December 31, 2017	A	<u>\$ 10,960.42</u>

CURRENT FUND
SCHEDULE OF TAXES PAYABLE

	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>TAX</u> <u>LEVIED</u>	<u>PAID</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
County Taxes Payable	-	\$ 1,952,573.95	\$ (1,952,573.95)	-
County - Added and Omitted	2,161.34	3,968.86	(2,161.34)	3,968.86
Municipal Open Space Tax Payable	-	174,824.42	(174,824.42)	-
Local School District Taxes	0.50	9,698,606.00	(9,698,606.50)	-
Business Improvement District Taxes	-	153,150.00	(153,150.00)	-
	<u>\$ 2,161.84</u>	<u>\$ 11,983,123.23</u>	<u>\$ (11,981,316.21)</u>	<u>\$ 3,968.86</u>
<u>Ref.</u>	A	A-1, A-7	A-4	A

SCHEDULE OF SPECIAL EMERGENCY/EMERGENCY NOTES PAYABLE

<u>Purpose</u>	<u>ORIGINAL DATE ISSUED</u>	<u>DATE OF MATURITY ISSUE DATE</u>	<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2016</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2017</u>
Revision of Master Plan Revaluation of Real Property	2012	2016	0.00%	\$ 1,800.00	\$ (1,800.00)	\$ -
	2013	2016	0.00%	68,000.00	(68,000.00)	-
Total				\$ 69,800.00	\$ (69,800.00)	\$ -
	<u>Ref.</u>			A	A-4	A

SCHEDULE OF 2016 APPROPRIATION RESERVES

	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>AMOUNT</u> <u>AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
Operations Within "CAPS"				
Salaries and Wages:				
Administrative and Executive	\$ 3,835.34	\$ 3,835.34	\$	\$ 3,835.34
Mayor and Council	92.16	92.16		92.16
Municipal Clerk	4,657.43	4,657.43		4,657.43
Financial Administration	904.65	904.65		904.65
Collection of Taxes	6,683.40	6,683.40		6,683.40
Assessment of Taxes	140.11	140.11		140.11
Planning/Zoning Board	152.64	152.64		152.64
Property Maintenance Code	3,956.18	3,956.18		3,956.18
Police Department	29,509.97	29,509.97	14,720.18	14,789.79
Uniform Fire Safety Act	13,065.42	13,065.42		13,065.42
Municipal Prosecutor	25.02	25.02		25.02
Municipal Court	2,004.81	2,004.81		2,004.81
Public Defender	1,312.46	1,312.46		1,312.46
Road Repairs and Maintenance	10,623.45	10,623.45		10,623.45
Garbage and Trash Removal	799.56	799.56		799.56
Blood Borne Pathogens - Hepatitis B	304.24	304.24		304.24
Board of Health	23.22	23.22		23.22
Recreation	29.94	29.94		29.94
Senior Citizen Community Center	1,247.00	1,247.00		1,247.00
State Uniform Construction Code Officials	1,721.42	1,721.42		1,721.42
Accumulated Leave Compensation	13,109.22	13,109.22		13,109.22
Total Salaries and Wages - Within "CAPS"	94,197.64	94,197.64	14,720.18	79,477.46
Other Expenses:				
Administrative and Executive	6,399.79	6,399.79	634.77	5,765.02
Mayor and Council	425.00	425.00	405.96	19.04
Municipal Clerk	978.09	1,978.09	1,816.00	162.09
Revision & Codification of Ordinance	2,500.00	2,500.00		2,500.00
Financial Administration	802.22	802.22	121.93	680.29
Collection of Taxes	3,402.48	3,602.48	3,455.39	147.09
Assessment of Taxes	2,918.62	2,918.62	150.00	2,768.62
Revision of Tax Map	2,000.00	2,000.00		2,000.00
Legal Services	18,774.09	18,774.09	16,069.96	2,704.13
Environmental Commission	70.00	70.00		70.00
Engineering Services	30,276.50	30,276.50	13,030.00	17,246.50
Planning/Zoning Board	35.23	35.23		35.23
Revision of Master Plan	100.00	100.00		100.00
Property Maintenance Code	35.68	35.68		35.68
Liability Insurance	1,031.68	1,031.68		1,031.68
Workmen's Compensation	1,574.36	1,574.36		1,574.36

SCHEDULE OF 2016 APPROPRIATION RESERVES

	BALANCE DEC. 31, 2016	AMOUNT AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Operations Within "CAPS"				
Other Expenses Cont'd.):				
Employee Group Insurance	4,116.40	4,116.40		4,116.40
Health Benefit Waiver	2,833.33	2,833.33		2,833.33
Police Department	23,862.08	23,862.08	10,651.11	13,210.97
Police Clothing Allowance	4,830.81	4,830.81	2,391.69	2,439.12
Acquisition of Vehicle	3,586.15	3,586.15		3,586.15
Emergency Management Service	1,978.53	1,978.53	1,900.00	78.53
Aid to Volunteer Fire Companies	500.00	500.00		500.00
First Aid Contributions	57.49	57.49		57.49
Fire Department	74,617.69	74,617.69	74,615.19	2.50
Uniform Fire Safety Act	5,686.86	5,686.86	768.95	4,917.91
Municipal Court	16,907.30	16,907.30	3,000.35	13,906.95
Public Defender	100.00	100.00		100.00
Road Repairs and Maintenance	12,237.82	14,237.82	13,434.50	803.32
Garbage and Trash Removal	3,810.46	3,810.46	3,437.00	373.46
Garbage and Trash Removal - Contracted	18,125.00	18,125.00	17,625.00	500.00
Public Buildings and Grounds	16,739.52	16,739.52	5,630.69	11,108.83
Blood Borne Pathogens - Hepatitis B	475.00	475.00	150.00	325.00
Board of Health	1,028.94	1,028.94	341.00	687.94
Bayshore Youth Services Bureau	250.00	250.00	250.00	
Recreation	2,757.21	2,757.21		2,757.21
Senior Citizen Community Center	3,162.70	3,162.70	1,250.49	1,912.21
Senior Citizen Transportation Contracted	1,348.00	1,348.00	858.00	490.00
Parks and Playgrounds	4,186.50	4,186.50	1,476.85	2,709.65
Celebration of Public Events	700.00	700.00		700.00
Postage	5,448.19	5,448.19	5,050.00	398.19
State Uniform Construction Code Officials	6,028.87	6,028.87	667.38	5,361.49
Fuel for Motor Vehicles	6,888.91	6,888.91	4,717.70	2,171.21
Telephone	6,525.95	6,525.95	1,812.08	4,713.87
Street Lighting	22,878.88	17,678.88	10,411.68	7,267.20
Fuel Oil	12,214.39	12,214.39	2,032.82	10,181.57
Natural Gas	9,614.88	11,614.88	10,928.36	686.52
Electricity	4,169.07	4,169.07	2,754.45	1,414.62
Landfill Disposal Costs	39,729.17	39,729.17	39,291.65	437.52
Contingent	500.00	500.00		500.00
Contribution to Social Security Systems (O.A.S.)	1,454.03	1,454.03		1,454.03
Public Employee's Retirement System	8,462.00	8,462.00	3,929.46	4,532.54
Deferred Comp. Retirement System of NJ	1,037.05	1,037.05	32.44	1,004.61
Total Other Expenses - Within "CAPS"	400,172.92	400,172.92	255,092.85	145,080.07
Total Appropriation Reserves - Within "CAPS"	494,370.56	494,370.56	269,813.03	224,557.53

SCHEDULE OF 2016 APPROPRIATION RESERVES

		BALANCE DEC. 31, 2016	AMOUNT AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Operations Excluded from "CAPS"					
Other Expenses:					
Maintenance of Free Public Library (P.L. 1985,		1,435.43	1,435.43	62.90	1,372.53
911 Services (County of Monmouth)		211.95	211.95		211.95
Recycling (Hazlet)		1,444.00	1,444.00	1,444.00	
Acquisition of Firefighter Turnout Gear		20,000.00	20,000.00	20,000.00	
Acquisition of Trucks- Fire/First Aid		11,670.83	11,670.83	11,670.83	
Improvements to Information Technology		<u>10,900.00</u>	<u>10,900.00</u>	<u>10,900.00</u>	
Total Other Expenses Excluded from "CAPS"		<u>45,662.21</u>	<u>45,662.21</u>	<u>44,077.73</u>	<u>1,584.48</u>
Total Appropriation Reserves		\$ <u>540,032.77</u>	\$ <u>540,032.77</u>	\$ <u>313,890.76</u>	\$ <u>226,142.01</u>
	<u>Ref..</u>	A	A	A-4	A- 1
2016 Appropriation Reserves	A	\$ 298,636.68			
Reserve for Encumbrances	A	<u>241,396.09</u>			
Total		\$ <u>540,032.77</u>			

SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE
GRANT FUND

Exhibit - A-19

<u>GRANT</u>	2017 BUDGET				<u>CANCELLED</u>	<u>DEC. 31, 2017</u>
	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>REVENUE</u> <u>REALIZED</u>	<u>RECEIVED</u> <u>2017</u>	<u>UNAPPROPRIATED</u> <u>REALIZED</u>		
Municipal Drug Alliance Grant	\$ 28,179.85	\$ 32,598.00	\$ 32,598.00	\$	\$	\$ 28,179.85
Office on Aging	36,000.00	36,000.00	36,000.00			36,000.00
Recycling Tonage Grant		7,874.23	7,874.23			
NJ Body Armor Replacement Grant		1,943.57		1,943.57		
Clean Communities		14,688.46	14,688.46			
Alcohol Education and Rehabilitation		1,692.08		1,692.08		
Monmouth Cty Open Space - Veterans Park	101,000.00					101,000.00
DWI Saturation Patrol Grant	14,000.00	11,000.00	11,410.00			13,590.00
NJ DEP - Coastal Zone Mgmt	10,000.00		9,568.40		431.60	
Sustainable Jersey Small Grant Program- PSEG	5,000.00					5,000.00
Drive Sober or Get Pulled Over	200.00	5,500.00				5,700.00
Total	\$ 194,379.85	\$ 111,296.34	\$ 112,139.09	\$ 3,635.65	\$ 431.60	\$ 189,469.85

Ref.

A

A-2, A-20

A-20

A-22

A-20

A

**SCHEDULE OF DUE CURRENT FUND
GRANT FUND**

	<u>Ref.</u>		
Balance December 31, 2016 - Due From	A	\$	169,319.65
Increased By:			
2017 Budget Appropriations	A-18	185,995.84	
Cash Collections	A-19, A-22	<u>120,675.59</u>	
			306,671.43
Decreased By:			
2017 Budget Revenues	A-16	111,296.34	
Grants Canceled - Net	A-19, A-21	12,666.69	
Cash Disbursements	A-21	<u>164,167.86</u>	
			<u>288,130.89</u>
Balance December 31, 2017 - Due From	A	\$	<u><u>187,860.19</u></u>

Exhibit - A-21

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SCHEDULE OF RESERVE FOR STATE AND FEDERAL GRANTS
UNAPPROPRIATED GRANT FUND

<u>GRANTS</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>RECEIPTS</u>	<u>APPLIED TO</u> <u>STATE & FED</u> <u>GRANTS</u> <u>RECEIVABLE</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Recycling Tonnage Grant		\$4,418.73		\$4,418.73
Body Armor Replacement Grant	1,943.57	1,865.87	1,943.57	1,865.87
Alcohol Education and Rehabilitation	1,692.08	2,251.90	1,692.08	2,251.90
	<u>\$3,635.65</u>	<u>\$8,536.50</u>	<u>\$3,635.65</u>	<u>\$8,536.50</u>
<u>Ref.</u>	A	A-20	A-19	A

Trust Fund

STATEMENT OF CASH
ANIMAL CONTROL AND OTHER TRUST FUNDS

REF.	ANIMAL CONTROL FUND	OTHER TRUST FUND	OPEN SPACE TRUST FUND
Balance - December 31, 2016	\$ 4,230.56	\$ 457,183.49	\$ 43,761.87
Increased by Receipts:			
Animal Control Fees	\$ 2,889.60		
Budget Appropriation	16,000.00		
Due from Board of Health			
Due from State of NJ			
Community Development Block Grant Interfunds		394,983.75	
		1,103.78	
Receipts of Various Trust Fund		729,429.13	
Deposits & Reserves			174,471.00
Tax Levy			723.03
Interest on Deposits/Miscellaneous			
State Fees	606.00	1,300.00	
	<u>19,495.60</u>	<u>1,126,816.66</u>	<u>175,194.03</u>
Decreased by Disbursements:			
Expenditures for Animal Control			
Expenditures for Open Space			
Due to the State of New Jersey			146,117.62
Community Development Block Grant		1,130.00	
Disbursements of Various Trust Fund		249,005.61	
Deposits & Reserves		<u>726,761.74</u>	
	<u>19,824.54</u>	<u>976,897.35</u>	<u>146,117.62</u>
Balance - December 31, 2017	\$ <u>3,901.62</u>	\$ <u>607,102.80</u>	\$ <u>72,838.28</u>

Exhibit - B-2

ANIMAL CONTROL FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>		
Balance December 31, 2016	B	\$	4,230.56
Increased by:			
Dog and Cat Licenses	B-1	2,889.60	
Budget Appropriation	B-1	<u>16,000.00</u>	
			<u>18,889.60</u>
			23,120.16
Decreased by:			
Expenditures	B-1	<u>19,218.54</u>	
Balance December 31, 2017	B	<u>\$</u>	<u>3,901.62</u>

Exhibit - B-3

ANIMAL CONTROL FUND
SCHEDULE OF DUE TO STATE OF NEW JERSEY - FEES & LICENSES

	<u>Ref.</u>		
Balance December 31, 2016	B	\$	-
Increased by:			
State Fees Collected	B-1	<u>606.00</u>	
			606.00
Decreased by:			
Payments to State of New Jersey	B-1	<u>606.00</u>	
Balance December 31, 2017	B	<u>\$</u>	<u>-</u>

Exhibit - B-4

OTHER TRUST FUNDS
SCHEDULE OF DUE FROM (TO) CURRENT FUND

	<u>Ref.</u>	
Balance December 31, 2016		
Due to Current Fund	B	\$ (74.20)
Increased by:		
Cash Receipts	B-1	<u>1,103.78</u>
Balance December 31, 2017		
Due to Current Fund	B	<u><u>\$ (1,177.98)</u></u>

Exhibit - B-5

OTHER TRUST FUNDS
SCHEDULE OF DUE TO STATE OF NEW JERSEY

	<u>Ref.</u>	
Balance December 31, 2016	B	\$ 255.00
Increased by:		
State Fees Collected	B-1	<u>1,300.00</u>
		1,555.00
Decreased by:		
Payments to State of New Jersey	B-1	<u>1,130.00</u>
Balance December 31, 2017	B	<u><u>\$ 425.00</u></u>

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Exhibit - B-7

COMMUNITY DEVELOPMENT BLOCK GRANT RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2016	B	\$ 445,402.50
Decreased by:		
Cash Receipts	B-1	<u>394,983.75</u>
Balance December 31, 2017	B	<u>\$ 50,418.75</u>

Exhibit - B-8

RESERVE FOR COMMUNITY DEVELOPMENT BLOCK GRANT

	<u>Ref.</u>	
Balance December 31, 2016	B	\$ 291,025.57
Decreased by:		
Cash Disbursement	B-1	<u>249,005.61</u>
Balance December 31, 2017	B	<u>\$ 42,019.96</u>

OPEN SPACE TRUST FUND
RESERVE FOR OPEN SPACE TRUST FUND

	<u>Ref.</u>		
Balance December 31, 2016	B		\$ 43,761.87
Increased by:			
CY 2017 Tax Levy	B-1	174,471.00	
CY 2017 Added & Omitted	B-1	353.42	
Interest Earned	B-1	<u>369.61</u>	
			<u>175,194.03</u>
			218,955.90
Decreased by:			
Cash Disbursement	B-1	<u>146,117.62</u>	
			<u>146,117.62</u>
Balance December 31, 2017	B		<u><u>\$ 72,838.28</u></u>

General Capital Fund

**SCHEDULE OF GENERAL CAPITAL FUND CASH
AND INVESTMENTS - TREASURER**

	<u>REF.</u>		
Balance - December 31, 2016	C	\$	487,947.20
Increased by Receipts:			
Proceeds Received from Sale of Bonds/ Bond Anticipation Notes	C-10	2,975,000.00	
Premium Received on Sale of Bonds/ Bond Anticipation Notes	C-1	19,130.00	
Grants, Loans, and Other Receivables	C-4	1,355,507.72	
Deferred Charges- Funded	C-5	373,125.00	
Open Space Funding of B.A.N.s	C-6	416,600.00	
Budget Appropriations - Deferred Charges-Unfunded	C-6	43,093.26	
Capital Improvement Fund	C-11	50,000.00	
Investments in Special Emergency/ Emergency Notes	C	69,800.00	
Cash or Appropriated Reserves: Pay Debt Service	C-12	<u>1.00</u>	
			<u>5,302,256.98</u>
			5,790,204.18
Decreased by Disbursements:			
Improvement Authorizations	C-8	2,077,926.38	
Various Reserves	C-12	916,500.00	
Redemption of Bond Anticip. Notes	C-10	<u>1,625,000.00</u>	
			<u>4,619,426.38</u>
Balance - December 31, 2017	C, C-3	\$	<u><u>1,170,777.80</u></u>

GENERAL CAPITAL FUND**ANALYSIS OF CASH AND INVESTMENTS**

	<u>Ref.</u>	<u>BALANCE DECEMBER 31, 2017</u>
Fund Balance	C-1	\$ 19,205.04
State & Federal Grants Receivable	C-4	(408,840.00)
Improvement Authorizations Funded	C-8	161,210.90
Improvement Authorizations Expended	C-6	(153,353.13)
Unexpended BAN Cash	C-6	321,908.78
Resrve for Encumbrances	C-7	320,578.63
Reserve for:		
Capital Improvement Fund	C-11	143,850.69
Various Reserves	C-12	37,501.89
OEM Grant Receivable	C-12	355,590.00
Excess Note Proceeds	C-6	<u>373,125.00</u>
	C, C-2	\$ <u><u>1,170,777.80</u></u>

SCHEDULE OF VARIOUS GRANTS, LOANS AND OTHER RECEIVABLES

	<u>Ordinance Number</u>	<u>Balance December 31, 2016</u>	<u>Decreases</u>	<u>Balance December 31, 2017</u>
State & Federal Grant Receivables:				
State of NJ DOT:				
Elizabeth Street	08-12	62,500.00	(62,500.00)	-
Elizabeth Street- Phase II	08-13	213,000.00	(159,750.00)	53,250.00
Subtotal		<u>275,500.00</u>	<u>(222,250.00)</u>	<u>53,250.00</u>
State of NJ DEP:				
Waterfront Park	23-08	425,000.00	(425,000.00)	-
Waterfront Park - Grant	23-08	299,375.00	(299,375.00)	-
Waterfront Park - Loan	23-08	373,125.00	(373,125.00)	-
Subtotal		<u>1,097,500.00</u>	<u>(1,097,500.00)</u>	<u>-</u>
NJ Office of Emergency Management:				
Beach Park and Beers Street Outfall Sites	23-16	355,590.00		355,590.00
Subtotal		<u>355,590.00</u>		<u>355,590.00</u>
CDBG:				
Cass, Jackson, and Monroe	12-16	144,090.00	(144,090.00)	-
Subtotal		<u>144,090.00</u>	<u>(144,090.00)</u>	<u>-</u>
Total		<u>\$ 1,872,680.00</u>	<u>\$ (1,463,840.00)</u>	<u>\$ 408,840.00</u>
	<u>Ref.</u>	C	C-2	C
Cash Transactions				
Improvement Authorizations	C - 2	\$	1,355,507.72	
	C - 8		<u>108,332.28</u>	
		\$	<u>1,463,840.00</u>	

SCHEDULE OF DEFERRED CHARGES - FUNDED

	<u>Ref.</u>	
Balance - December 31, 2016	C	\$ 6,852,752.17
Increased by:		
Bonds/Loans Issued	C-13	<u>373,125.00</u>
		7,225,877.17
Decreased by:		
Serial Bonds From Budget Appropriation	C-9	735,000.00
Loans From Budget Appropriation	C-13	<u>35,955.24</u>
		<u>770,955.24</u>
Balance - December 31, 2017	C	<u><u>\$ 6,454,921.93</u></u>

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

ORD. NO.	IMPROVEMENT DESCRIPTION	ANALYSIS OF BALANCE DECEMBER 31, 2017				BOND ANTICIPATION NOTES	UNEXPENDED		EXCESS NOTE PROCEEDS
		BALANCE DEC. 31, 2016	TRANSF. TO DEFERRED CHARGES FUNDED	2017 FUNDING	BALANCE DEC. 31, 2017		EXPENDED	BALANCE IMPROV. AUTHOR.	
General Improvements:									
28-02	Acquisition of Fire Trucks, Equipment and Non-Passenger Vehicles	\$ 100.00	\$	\$ 100.00	\$				
8-03, 5-04	Improvements to Therese Street	33,112.75		33,112.75					
15-03	Construction of a Public Works Complex	710,500.00		5,055.98	705,444.02		150,000.00	555,444.02	
26-03	Various 2003 Capital Improvements	260.00		260.00					
28-03	Improvements to Benjamin Terry Park Bulkhead	638.81		638.81					
14-04, 22-05	Construction of Waterfront Park	435,000.00		380,000.00	55,000.00			55,000.00	
23-08	Waterfront Park and Related Improvements	695,656.23	373,125.00	30,000.00	292,531.23	645,000.00		20,656.23	(373,125.00)
08-12	Osborn Street Improvements	3,925.72		3,925.72					
11-13	Acquisition of Var. Equip. and Vehicle	190,000.00		6,600.00	183,400.00	183,400.00			
08-14	Acquis. Of Var. Capital Equip. and Vehicles	380,000.00			380,000.00	380,000.00			
11-16	Acquisition of a Ladder Truck	950,000.00			950,000.00	899,600.00	3,353.13	47,046.87	
12-16	Various Road Improvements	442,000.00			442,000.00	442,000.00			
23-16	Beers Street Outfall	425,000.00			425,000.00	425,000.00			
Total		\$ 4,266,193.51	\$ 373,125.00	\$ 459,693.26	\$ 3,433,375.25	\$ 2,975,000.00	\$ 153,353.13	\$ 678,147.12	(373,125.00)

Ref

C

C-9

C-2

C

Unexpended Balance of Unfunded Improvement Authorization

\$ 1,000,055.90

Less: Unexpended Proceeds of Bond Anticipation Notes:

ORD #11-13

239.19

ORD #08-14

5,169.59

ORD #11-16

316,500.00

Total Unexpended Improvement Authorizations

\$ 678,147.12

SCHEDULE OF RESERVE FOR ENCUMBRANCES

GENERAL CAPITAL FUND

	BALANCE DEC. 31, 2016	CY 2017 ENCUMBRANCES	TRANSFERRED TO IMPROV. AUTHORIZATIONS	BALANCE DEC. 31, 2017
Reserve for Encumbrances	\$ 1,242,680.01	\$ 320,578.63	\$ 1,242,680.01	\$ 320,578.63
Total	\$ 1,242,680.01	\$ 320,578.63	\$ 1,242,680.01	\$ 320,578.63

Ref.

C

C-8

C-8

C

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS - GENERAL CAPITAL FUND

ORD. NO.	IMPROVEMENT DESCRIPTION	ORDINANCE		BALANCE - DEC. 31, 2016		PAID OR CHARGED	RES FOR ENCUMB. DEC. 31, 2017	BALANCE - DEC. 31, 2017	
		DATE	AMOUNT	FUNDED	UNFUNDED			FUNDED	UNFUNDED
General Improvements:									
15-03/17-16	Construction/Acquisition of Public Works Complex	05/20/03	\$ 850,000.00	\$	\$ 705,444.02	\$	145,212.00	\$	\$ 555,444.02
14-04/22-05	Construction of a Waterfront Park/Bulkhead Improv.	07/06/04	450,000.00		130,594.87			9,622.49	55,000.00
08-05/22-07	Reconstruction of Third Street	06/06/05	645,000.00		0.00	2,742.50		23.75	-
23-08, 09-09	Waterfront Park and Related Improvements	09/16/08, 09/01/09	1,750,000.00		49,581.62	6,626.77		28,450.62	20,656.23
8-11	Various Improvements to Firemans' Park Boardwalk,	04/12/11	725,000.00						-
	Benjamin Terry Park Bulkhead, and William Ralph Pier	04/12/11	900,000.00	104,712.56		8,877.00	31,123.00	64,712.56	
06-13	Improv. Luppataong Ave. Area	6/11/13	650,000.00	95,968.62			9,116.52	86,852.10	
08-13	Improv. Elizabeth Street	6/11/13	350,000.00	71,259.76			57,350.48		
11-13	Acquis. Var. Equip. and Vehicles	8/6/13	200,000.00		239.19	96.75			239.19
08-14	Acquis. Var. Capital Equip. & Vehicles	7/15/14	400,000.00		5,169.59	112,950.86			5,169.59
11-16	Acquisition of a Ladder Truck	6/14/16	1,000,000.00		55,473.85	952,953.13			47,046.87
12-16	Various Road Improvements	6/14/16	950,000.00		442,000.00	935,723.92	8,756.08		
23-16	Improvements to Beach Park and Beers Street Outfalls	11/22/16	425,000.00		325,500.00	34,207.45	69,020.55		316,500.00
Total				\$ 711,420.94	\$ 1,714,003.14	\$ 2,077,926.38	\$ 320,578.63	\$ 108,332.28	\$ 1,000,055.90
		Ref		C	C	C-2	C-7	C-4	C

SCHEDULE OF GENERAL SERIAL BONDS

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS</u>			<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2016</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2017</u>
			<u>OUTSTANDING - DEC. 31, 2017</u>	<u>DATE</u>	<u>AMOUNT</u>				
Various Improvements	8/4/11	\$ 3,000,000.00	200,000.00	8/1/2018-21	200,000.00	3.000%	2,000,000.00	200,000.00	1,800,000.00
			200,000.00	8/1/22	200,000.00	3.125%			
			200,000.00	8/1/2023-26	200,000.00	4.000%			
MCIA Refunding Bonds, Series 2012	5/22/12	\$ 3,525,000.00	350,000.00	12/1/18	350,000.00	Var.	2,565,000.00	350,000.00	2,215,000.00
			360,000.00	12/1/19	360,000.00	Var.			
			375,000.00	12/1/20	375,000.00	Var.			
			370,000.00	12/1/21	370,000.00	Var.			
			380,000.00	12/1/22	380,000.00	Var.			
			380,000.00	12/1/23	380,000.00	Var.			
MCIA Bonds	12/24/14	\$ 2,160,000.00	185,000.00	12/1/2018-2020	185,000.00	4.00%	1,850,000.00	185,000.00	1,665,000.00
			185,000.00	12/1/2021-2026	185,000.00	5.00%			
			<u>Ref.</u>				<u>\$ 6,415,000.00</u>	<u>\$ 735,000.00</u>	<u>\$ 5,680,000.00</u>
							C	C-5	C

SCHEDULE OF BOND ANTICIPATION NOTES

ORD. NO.	IMPROVEMENT DESCRIPTION	ORIGINAL DATE ISSUED	DATE OF ISSUE	MATURITY DATE	INTEREST RATE	BALANCE DEC. 31, 2016	INCREASE	DECREASE	BALANCE DEC. 31, 2017
14-04, 22-05	Waterfront Park/Bulkhead Improvements	8/11/05 8/10/06	7/31/15 7/31/15	4/27/18 4/27/18	2.250% 2.250%	354,000.00 26,000.00		354,000.00 26,000.00	- -
23-08	Waterfront Park and Related Improvements	8/6/09	7/31/15	4/27/18	2.250%	675,000.00	645,000.00	675,000.00	645,000.00
11-14	Acquis. Of Var. Capital Equip. and Vehicles	8/1/14	7/31/15	4/27/18	2.250%	190,000.00	183,400.00	190,000.00	183,400.00
08-14	Acquis. Of Var. Equip. and Vehicles	7/31/15	7/31/15	4/27/18	2.250%	380,000.00	380,000.00	380,000.00	380,000.00
11-16	Acquisition of a Ladder Truck	4/28/17	4/28/17	4/27/18	2.250%		899,600.00		899,600.00
12-16	Various Road Improvements	4/28/17	4/28/17	4/27/18	2.250%		442,000.00		442,000.00
23-16	Beach Park Outfall and Beers Street Outfall	4/28/17	4/28/17	4/27/18	2.250%		425,000.00		425,000.00
						<u>\$ 1,625,000.00</u>	<u>\$ 2,975,000.00</u>	<u>\$ 1,625,000.00</u>	<u>\$ 2,975,000.00</u>
						C	C-2	C-2	C
						Ref.			

Exhibit - C-11

**SCHEDULE OF RESERVE FOR
CAPITAL IMPROVEMENT FUND**

	<u>REF.</u>	
Balance - December 31, 2016	C	\$ 93,850.69
Increased by:		
CY 2017 Budget Appropriation	C-2	<u>50,000.00</u>
Balance - December 31, 2017	C	<u>\$ 143,850.69</u>

SCHEDULE OF VARIOUS RESERVES

	Balance December 31, 2016	Increases	Decreases	Balance December 31, 2017
Reserve for:				
Cash or Appropriated Reserves:				
Pay Debt Service	\$ 242,105.53	\$ 1.00	\$ 242,000.00	\$ 106.53
Reserve for Insurance Proceeds	39,395.36		2,000.00	37,395.36
Subtotal	<u>281,500.89</u>	<u>1.00</u>	<u>244,000.00</u>	<u>37,501.89</u>
Grants, Loans & Other Receivables:				
State of NJ DEP:				
Waterfront Park and Related Improvements - Grants	299,375.00		299,375.00	-
Waterfront Park and Related Improvements - Loans	373,125.00		373,125.00	-
State of NJ OEM:				
Hazard Mitigation Grant	355,590.00			355,590.00
Subtotal	<u>1,028,090.00</u>		<u>672,500.00</u>	<u>355,590.00</u>
Total	\$ <u>1,309,590.89</u>	\$ <u>1.00</u>	\$ <u>916,500.00</u>	\$ <u>393,091.89</u>
	<u>Ref.</u>	C	C-2	C

SCHEDULE OF GREEN TRUST LOAN PAYABLE

	<u>Ref.</u>	
Balance - December 31, 2016	C	\$ 437,752.17
Increased by:		
Loans Issued	C-5	\$ 373,125.00
Decreased by:		
Loan Payments	C-5	<u>35,955.24</u>
Balance - December 31, 2017	C	<u>\$ 774,921.93</u>

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DEC. 31, 2016</u>	<u>NOTES ISSUED</u>	<u>BUDGET APPROPRIATION</u>	<u>BALANCE DEC. 31, 2017</u>
	<u>General Improvements:</u>				
28-02	Acquisition of Fire Trucks, Equipment and Non-Passenger Vehicles	\$ 100.00		100.00	-
8-03/5-04	Improvements to Therese Street	33,112.75		33,112.75	-
14-04/22-05	Construction of a Waterfront Park/Bulkhead Improvement	55,000.00			-
15-03/17-16	Construction of a Public Works Complex	710,500.00		5,055.98	55,000.00
26-03	Various 2003 Capital Improvements	260.00		260.00	705,444.02
28-03	Improvements to Benjamin Terry Park Bulkhead	638.81		638.81	-
23-08/09-09	Waterfront Park and Related Improvements	20,656.23			20,656.23
09-11	Various Roadway Improvements	-			-
08-12	Osborn Street Improvements	3,925.72		3,925.72	-
11-16	Acquisition of a Ladder Truck	950,000.00	899,600.00		50,400.00
12-16	Various Road Improvements	442,000.00	442,000.00		-
23-16	Improv. To Beach Park Outfall and Beers Streets Outfall	425,000.00	425,000.00		-
		<u>2,641,193.51</u>	<u>\$ 1,766,600.00</u>	<u>43,093.26</u>	<u>\$ 831,500.25</u>

Ref.

Footnote C

Water & Sewer Utility Fund

SCHEDULE OF WATER AND SEWER UTILITY CASH AND INVESTMENTS - TREASURER

	<u>REF.</u>	<u>OPERATING FUND</u>	<u>CAPITAL FUND</u>
Balance - December 31, 2016	D	\$ 665,330.46	\$ 718,021.85
Increased by Receipts:			
Premium on Bond Anticipation Notes	D-2		11,574.00
Consumer Accounts Receivable	D-8	2,765,061.30	
Consumer Account Overpayments	D-19	4,493.73	
Prepaid Consumer Accounts	D-20	196,933.25	
Miscellaneous Revenue	D-3	289,512.18	
Proceeds from Sale of Bond Anticipation Notes	D-17		1,800,000.00
USDA Grant Collected	D-7		200,157.00
Interfunds - Contra		<u>6,715.63</u>	<u>306,715.63</u>
		<u>3,262,716.09</u>	<u>2,318,446.63</u>
Decreased by Disbursements:			
Refund of Prior Years Revenues	D-1	938.22	
Budget Expenditures	D-4	2,783,767.15	
Appropriation Reserves	D-14	76,250.45	
Improvement Authorizations	D-18		346,215.80
Accrued Interest on Bonds, Notes and Loans	D-15	192,284.85	
Bond Anticipation Notes Redeemed	D-17		1,000,000.00
Interfunds - Contra		<u>6,715.63</u>	<u>306,715.63</u>
		<u>3,059,956.30</u>	<u>1,652,931.43</u>
Balance - December 31, 2017	D	<u>\$ 868,090.25</u>	<u>\$ 1,383,537.05</u>

WATER AND SEWER CAPITAL FUND
ANALYSIS OF CASH BALANCE

	BALANCE <u>DEC. 31, 2017</u>
Fund Balance	\$ 49,056.20
Capital Improvement Fund	50,087.00
Reserve for Encumbrances	333,090.35
State & Federal Grants Receivable	(500,000.00)

IMPROVEMENT AUTHORIZATIONS

<u>Ord.</u>	<u>Description</u>	
08-09/10-11	Sanitary Sewer System Upgrades	(220,075.85)
01-14	Design & Permitting in Connection With Various Improvements to Water Sys.	226.08
06-14	Various Water/Sewer Imprvts. USDA Phase II	22,493.27
07-13	Perry Street Water Treatment Facility Upgrade	1,707,159.98
24-16	Various Water & Sewer Improvements	<u>(58,500.00)</u>
		\$ <u>1,383,537.03</u>
	<u>Ref.</u>	D

**SCHEDULE OF GRANTS RECEIVABLE
WATER AND SEWER UTILITY CAPITAL FUND**

	BALANCE DEC. 31, 2016	CASH RECEIPTS	BALANCE DEC. 31, 2017
United States Department of Agriculture:			
Various Improvements-Phase II	\$ 200,157.00	\$ 200,157.00	\$ -
Perry Street Water Treatment Plant	500,000.00		500,000.00
	<u>581,970.00</u>	<u>-</u>	<u>581,970.00</u>
NJ Office of Emergency Management:			
Various Improvements to Water/Sewer Utility	<u>\$ 1,282,127.00</u>	<u>\$ 200,157.00</u>	<u>\$ 1,081,970.00</u>

<u>REF.</u>	D	D-5	D
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BOROUGH OF KEYPORT
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
WATER AND SEWER UTILITY OPERATING FUND

	<u>REF.</u>		
Balance - December 31, 2016	D		\$ 230,929.03
Increased by:			
Water and Sewer Utility Billings	Reserve		<u>2,989,810.44</u>
Decreased by:			
Collections	D-5	2,765,061.30	
Overpayment Applied	D-19	3,908.16	
Transferred to Water & Sewer Liens	D-5	2,981.47	
Prepaid Rents Applied	D-20	<u>262,513.50</u>	
			<u>3,034,464.43</u>
Balance - December 31, 2017	D		<u><u>\$ 186,275.04</u></u>

Exhibit - D-9

**SCHEDULE OF RESERVE FOR ENCUMBRANCES
WATER AND SEWER UTILITY FUND**

	<u>Ref</u>	<u>OPERATING FUND</u>	<u>CAPITAL FUND</u>
Balance - December 31, 2016	D	\$ 73,686.92	\$ 628,701.72
Increased by:			
Charges to 2017 Budget	D-4	88,801.50	
Charges to Improvement Authorizations	D-18		333,090.37
		162,488.42	961,792.09
Decreased by:			
Transferred to Approp. Reserves	D-14	73,686.92	
Transferred to Approp. Res./Improv. Auth.	D-18		628,701.72
Balance - December 31, 2017	D	\$ 88,801.50	\$ 333,090.37

Exhibit - D-10

**SCHEDULE OF FIXED CAPITAL
WATER AND SEWER UTILITY CAPITAL FUND**

<u>ACCOUNT</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>BALANCE DECEMBER 31, 2017</u>
Distribution System Land	\$ 20,500.00	\$ 20,500.00
Miscellaneous Land - Capital	750.00	750.00
Springs and Wells	107,432.80	107,432.80
Collection Reservoir	15,000.00	15,000.00
Filters	31,877.89	31,877.89
Clear Well Basin	1,000.00	1,000.00
Pumping Station Structures	68,569.50	68,569.50
Reservoirs and Standpipes	10,000.00	10,000.00
Distribution Mains and Accessories	770,104.60	770,104.60
Fire Hydrant and Cisterns	2,500.00	2,500.00
Bulkheads	15,691.72	15,691.72
Meters and Meter Bonds	1,391.05	1,391.05
Insurance and Bonds	1,275.00	1,275.00
Electric Pumping Power Equipment	42,940.50	42,940.50
Ferry Street Plant and Wells	1,467,500.00	1,467,500.00
General Equipment	71,609.00	71,609.00
Construction of Well #8	249,864.33	249,864.33
Repairs and Improvements to Water Plant	435,000.00	435,000.00
Cedar Street Pumping Station	210,000.00	210,000.00
Rehabilitation of Sewer System	151,000.00	151,000.00
Various Improvements to Water & Sewer System	242,314.56	242,314.56
Perry Street Water Treatment Facility Upgrade	1,100,000.00	1,100,000.00
Cass Street Standpipe Painting Project	416,672.00	416,672.00
Various Water and Sewer Improvements	150,000.00	150,000.00
	\$ 5,582,992.95	\$ 5,582,992.95
<u>Ref</u>	D	D

The Fixed Capital, as reported, is taken from the Borough records and does not necessarily reflect the true condition of such Fixed Capital.

Exhibit - D-11

**WATER AND SEWER OPERATING FUND
SCHEDULE OF USDA LOANS PAYABLE**

<u>DESCRIPTION</u>	BALANCE <u>DEC. 31, 2016</u>	<u>DECREASES</u>	BALANCE <u>DEC. 31, 2017</u>
USDA Loans Payable	<u>\$ 5,584,427.13</u>	<u>\$ 86,103.45</u>	<u>\$ 5,498,323.68</u>
	<u>\$ 5,584,427.13</u>	<u>\$ 86,103.45</u>	<u>\$ 5,498,323.68</u>
<u>Ref.</u>	D	D-4	D

Exhibit - D-12

**WATER AND SEWER OPERATING FUND
SCHEDULE OF BRSA RENT RESERVE**

<u>DESCRIPTION</u>	BALANCE <u>DEC. 31, 2016</u>	<u>INCREASES</u>	BALANCE <u>DEC. 31, 2017</u>
BRSA Rent Reserve	<u>\$ 272,268.59</u>	<u>564.49</u>	<u>\$ 272,833.08</u>
	<u>\$ 272,268.59</u>	<u>\$ 564.49</u>	<u>\$ 272,833.08</u>
<u>Ref.</u>	D	Reserve	D

BOROUGH OF KEYPORT
SCHEDULE OF WATER/SEWER LIENS RECEIVABLE
WATER AND SEWER OPERATING FUND

	<u>REF</u>		
Increased by:			
Transfer from Consumer Accounts Receivable	D-8	\$	2,981.47
Interest & Costs on Sale	Reserve		<u>240.00</u>
Balance - December 31, 2017	D	\$	<u><u>3,221.47</u></u>

**SCHEDULE OF 2016 APPROPRIATION RESERVES
WATER AND SEWER UTILITY OPERATING FUND**

	<u>BALANCE DEC. 31, 2016</u>	<u>RESERVE FOR ENCUMBRANCES DEC. 31, 2016</u>	<u>BALANCE AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>BALANCE LAPSED</u>
Operating:					
Salaries and Wages	\$ 4,553.72	\$	\$ 4,553.72	\$	\$ 4,553.72
Other Expenses	45,705.45	33,686.92	79,392.37	33,686.92	45,705.45
Bayshore Regional Sewerage Authority	92.64		92.64		92.64
Acquisition of Water	8,975.11	40,000.00	48,975.11	42,563.53	6,411.58
Capital Improvements:				-	-
Capital Outlay	10,000.00		10,000.00		10,000.00
Statutory Expenditures:				-	-
Contribution to:				-	-
Social Security System (O.A.S.I.)	7,372.31		7,372.31		7,372.31
	<u>76,699.23</u>	<u>73,686.92</u>	<u>150,386.15</u>	<u>76,250.45</u>	<u>74,135.70</u>
	\$	\$	\$	\$	
Ref.	D	D		D - 5	D - 1

SCHEDULE OF ACCRUED INTEREST ON BONDS, NOTES AND LOANS
WATER AND SEWER UTILITY OPERATING FUND

Balance - December 31, 2016	D	\$ 38,988.56
Increased by:		
Budget Appropriation	D-4	<u>217,875.52</u>
		256,864.08
Decreased by:		
Cash Disbursement	D-8	<u>192,284.85</u>
Balance - December 31, 2017	D	<u>\$ 64,579.23</u>

ANALYSIS OF BALANCE - DECEMBER 31, 2017:

Bond Anticipation Notes:

1,800,000.00	243 days	2.25%	27,337.50
0			

USDA Loans:

2014 Loan Interest Due 1/31/18	5 mo.	27,538.52
2015 Loan Interest Due 5/30/18	1 mo.	6,519.88

Bonds:

255,000.00	1 mo.	4.00%	850.00
180,000.00	1 mo.	5.00%	750.00
380,000.00	1 mo.	5.00%	<u>1,583.33</u>
			<u>64,579.23</u>

SCHEDULE OF SERIAL BONDS PAYABLE
WATER AND SEWER UTILITY CAPITAL FUND

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS</u>		<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2016</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2017</u>
			<u>OUTSTANDING - DATE</u>	<u>DEC. 31, 2017 AMOUNT</u>				
Water and Sewer Utility MCIA Bonds - Series 2014	12/24/14	\$ 1,070,000	12/1/18-20	\$ 85,000	4.00%			
			12/1/21-22	90,000	5.00%			
			12/1/23-26	95,000	5.00%	\$ 900,000.00	\$ 85,000.00	\$ 815,000.00
						<u>\$ 900,000.00</u>	<u>\$ 85,000.00</u>	<u>\$ 815,000.00</u>

BOROUGH OF KEYPORT
FOR THE YEAR ENDED DECEMBER 31, 2017
SCHEDULE OF BOND ANTICIPATION NOTES

Exhibit - D-17

ORD. NO.	<u>IMPROVEMENT DESCRIPTION</u>	Original Date Issued	<u>Date of</u>		<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2016</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2017</u>
			<u>Issue</u>	<u>Maturity</u>					
#07-16	Perry Street Water Treatment Facility Upgrade	12/1/16	12/1/16	4/27/18	2.250%	\$ 1,000,000.00	\$ 1,800,000.00	\$ 1,000,000.00	\$ 1,800,000.00
						<u>\$ 4,290,000.00</u>	<u>\$ 1,800,000.00</u>	<u>\$ 1,000,000.00</u>	<u>\$ 1,800,000.00</u>
					<u>Ref.</u>	D	D-5	D-5	D

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND
YE YEAR ENDED DECEMBER,

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2016		DEC. 31, 2016 ENCUMB.	PAID OR CHARGED	DEC. 31, 2017 ENCUMB.	BALANCE DEC. 31, 2017	
		FUNDED	UNFUNDED				FUNDED	UNFUNDED
08-09	Sanitary Sewer System Upgrades USDA	-	72,171.65	102,625.87	80,158.37	-	-	94,639.15
01-14	Design & Permitting - USDA Phase II	361.08	-	-	135.00	-	226.08	-
06-14	Various Water/Sewer Improv. - USDA Phase II	-	20,090.20	29,587.05	27,183.98	-	22,493.27	-
07-13	Perry Street Water Treatment Facility Upgrade	-	3,174,000.00	496,488.80	206,613.45	306,715.37	-	3,157,159.98
24-16	Var. Water & Sewer Improvements	-	638,300.00	-	32,125.00	26,375.00	-	579,800.00
		<u>\$ 361.08</u>	<u>3,904,561.85</u>	<u>\$ 628,701.72</u>	<u>346,215.80</u>	<u>333,090.37</u>	<u>\$ 22,719.35</u>	<u>3,831,599.13</u>
Ref.		D	D	D	D-5	D	D	D

Exhibit - D-19

SCHEDULE OF WATER AND SEWER OVERPAYMENTS
WATER AND SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2016	D	\$ 3,908.16
Increased by:		
Collections	D-5	<u>4,849.39</u>
		8,757.55
Decreased by:		
Applied Water & Sewer Rents Receivable	D-5	<u>4,263.82</u>
Balance - December 31, 2017	D	<u>\$ 4,493.73</u>

Exhibit - D-20

SCHEDULE OF PREPAID CONSUMER DEPOSITS
WATER AND SEWER UTILITY OPERATING FUND

	<u>REF.</u>	
Balance - December 31, 2016	D	\$ 262,513.50
Increased by:		
Prepaid Rents Collected	D-5	<u>196,933.25</u>
		459,446.75
Decreased by:		
Prepays Applied	D-8	<u>262,513.50</u>
Balance - December 31, 2017	D	<u>\$ 196,933.25</u>

SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENT FUND
WATER AND SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2016	D	\$ 50,087.00
Balance - December 31, 2017	D	<u>\$ 50,087.00</u>

SCHEDULE OF RESERVE FOR AMORTIZATION
WATER AND SEWER UTILITY CAPITAL FUND

	<u>REF.</u>	
Balance - December 31, 2016	D	\$ 4,682,992.55
Increased by:		
Payment of Bond Principal	D-16	<u>85,000.00</u>
Balance - December 31, 2017	D	<u>\$ 4,767,992.55</u>

SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION
WATER AND SEWER UTILITY CAPITAL FUND

	<u>REF.</u>		
Balance - December 31, 2016	D		\$ 1,970,700.87
Increased by:			
USDA Loan Principal Paid	D-11	86,103.45	
USDA Grant Collected	D-5	<u>200,157.00</u>	
			<u>286,260.45</u>
Balance - December 31, 2015	D		<u>\$ 2,256,961.32</u>

**SCHEDULE OF BONDS AND NOTES
AUTHORIZED BUT NOT ISSUED**

ORD #	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2016	GRANT FUNDING	B.A.N.S ISSUED	BALANCE DEC. 31, 2017
08-09, 10-11	Sewer System Upgrades-USDA	\$ 314,715.00	\$	\$	314,715.00
06-14	Various Water/Sewer Improve USDA Phase II	200,157.00	200,157.00		-
07-16	Improvements to Perry St Water Treatment Plant	2,250,000.00		800,000.00	1,450,000.00
24-16	Various Improvements to the Water/Sewer Utility	638,300.00			638,300.00
		<u>\$ 3,403,172.00</u>	<u>\$ 200,157.00</u>	<u>\$ 800,000.00</u>	<u>\$ 2,403,015.00</u>

Footnote D

Payroll Agency Fund

SCHEDULE OF PAYROLL DEDUCTIONS PAYABLE

	<u>BALANCE</u> <u>DEC 31, 2016</u>	<u>PAYROLL</u> <u>DEDUCTIONS</u>	<u>DISBURSE-</u> <u>MENTS</u>	<u>BALANCE</u> <u>DEC 31, 2017</u>
Federal Withholding Tax	\$	\$ 514,524.69	\$ 514,524.69	\$
Social Security/Medicare		442,138.59	442,138.59	
State Withholding Tax		149,784.51	149,784.51	
SUI/Disability	45.73	17,544.96	17,530.17	60.52
457B Plan		35,860.00	35,860.00	
AFLAC		13,492.52	13,492.52	
PERS	910.79	177,633.58	177,633.58	910.79
PFRS	1,103.24	228,603.64	229,555.34	151.54
Police/Firemens Insurance		5,771.04	5,771.04	
Garnishments		67,765.56	67,765.56	
Monoc Credit Union		20,330.00	20,330.00	
PBA Dues		15,225.00	15,225.00	
Clerical/PW Union Dues		20,323.47	20,323.47	
Life Insurance		960.00	960.00	
Miscellaneous	1,009.55	121.94		1,131.49
Health Insurance Co-Pay	28.73	148,907.52	148,907.52	28.73
DCRP		4,549.54	4,549.54	
Total	\$ <u>2,773.59</u>	\$ <u>1,863,536.56</u>	\$ <u>1,864,351.53</u>	\$ <u>2,283.07</u>
<u>Ref.</u>	E	E-2	E-2	E

Exhibit - E-2**SCHEDULE OF CASH**

	<u>Ref.</u>		
Balance - December 31, 2016	E	\$	3,712.28
Increased By:			
Payroll Deductions Payable	E-1		1,863,536.56
Decreased By:			
Payroll Deductions Payable	E-1		1,864,351.53
			<hr/>
Balance - December 31, 2017	E		<u><u>2,897.31</u></u>

Note: See Notes to Financial Statements.

SCHEDULE OF DUE TO CURRENT FUND

	<u>Ref.</u>	
Balance - December 31, 2017 and 2016	E	\$ <u>614.24</u>

Note: See Notes to Financial Statements.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**PART IV
SUPPLEMENTARY DATA**

MONMOUTH COUNTY, NEW JERSEYCOMBINED BALANCE SHEET - ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	WATER AND SEWER UTILITY FUND	PAYROLL FUND	GENERAL FIXED ASSETS	MEMORANDUM ONLY TOTALS DEC. 31, 2017
Cash and Investments	\$ 2,607,863.36 \$	683,842.70 \$	1,170,777.80 \$	2,251,627.30 \$	2,897.31 \$		\$ 6,717,008.47
Accounts Receivable:							
State & Federal Grants Receivable	189,469.85	50,418.75	408,840.00	1,081,970.00			1,730,698.60
Taxes, Assessments, Liens & Utility Charges	1,039,376.79			462,329.59			1,501,706.38
Interfund Loans	189,652.41						189,652.41
Other Accounts Receivable	28,755.69						28,755.69
Property Acquired for Taxes at Assessed Valuation	97,100.00						97,100.00
Fixed Assets - General						15,191,014.47	15,191,014.47
Fixed Capital - Utility				5,582,992.55			5,582,992.55
Fixed Capital - Authorized and Uncompleted - Utility				11,958,300.00			11,958,300.00
Deferred Charges to Future Taxation:							
General Capital Fund			9,888,297.18				9,888,297.18
	\$ 4,152,218.10 \$	734,261.45 \$	11,467,914.98 \$	21,337,219.44 \$	2,897.31 \$	15,191,014.47 \$	52,885,525.75

MONMOUTH COUNTY, NEW JERSEYCOMBINED BALANCE SHEET - ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

LIABILITIES, RESERVES AND FUND BALANCE	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	WATER AND SEWER UTILITY FUND	PAYROLL FUND	GENERAL FIXED ASSETS	MEMORANDUM ONLY TOTALS DEC. 31, 2017
Bonds, Notes & Loans Payable	\$	\$	\$ 9,429,921.93	\$ 8,113,323.68	\$	\$	\$ 17,543,245.61
Prepaid Taxes, Assessments, Utility Charges and Licenses	374,000.83			196,933.25			570,934.08
Tax, Assessment, Lien, License and Utility Charge Overpayments	3,964.55			4,493.73			8,458.28
Appropriation Reserves	306,223.02			89,535.50			395,758.52
Reserve for Encumbrances/ Accounts Payable	198,136.82	425.00	320,578.63	421,891.85			941,032.30
Other Liabilities	3,968.86			64,579.23	2,283.07		70,831.16
Amts. Pledged to Specific Purposes	384,156.21	732,658.47	181,352.58	50,087.00			1,348,254.26
Improvement Authorizations			1,161,266.80	3,854,318.50			5,015,585.30
Interfund Loans	187,860.19	1,177.98			614.24	15,191,014.47	189,038.17
Investments in General Fixed Assets							15,191,628.71
Reserve for Amortization of Costs of Fixed Capital Acquired or Authorized				7,024,953.87			7,024,953.87
Reserve for Certain Assets Acquired or Receivables & Inventories	1,166,385.50		355,590.00	1,044,299.59			2,566,275.09
Fund Balance	1,527,522.12		19,205.04	472,803.24			2,019,530.40
	\$ 4,152,218.10	\$ 734,261.45	\$ 11,467,914.98	\$ 21,337,219.44	\$ 2,897.31	\$ 15,191,014.47	\$ 52,885,525.75

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

Revenue and Other Income Realized	Year 2017		Year 2016	
	Amount	%	Amount	%
Fund Balance Utilized	\$ 550,000.00	2.51	\$ 396,000.00	1.86
Miscellaneous - From Other Than				
Local Property Tax Levies	2,968,013.80	13.55	2,815,655.85	13.22
Collection of Delinquent Taxes and Tax Title Liens	436,555.07	1.99	658,538.59	3.09
Collection of Current Tax Levy	17,697,687.19	80.80	17,161,901.11	80.53
Other Credits to Income	252,161.08	1.15	279,201.96	1.31
Total Income	21,904,417.14	100.00	21,311,297.51	100.00
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	9,101,477.81	43.12	8,586,978.10	42.59
County Taxes	1,956,542.81	9.27	1,927,494.24	9.56
Local School Taxes	9,698,606.00	45.95	9,332,171.00	46.28
Business Improvement District Taxes	153,150.00	0.73	118,000.00	0.59
Municipal Open Space Taxes	174,824.42	0.83	170,836.94	0.85
Other Expenditures	22,316.99	0.11	27,929.15	0.14
Total Expenditures	21,106,918.03	100.00	20,163,409.43	100.00
Less: Expenditures to be Raised by Future Taxes				
Total Adjusted Expenditures	21,106,918.03		20,163,409.43	
Excess in Revenue	797,499.11		1,147,888.08	
Fund Balance January 1	1,280,023.01		528,134.93	
	2,077,522.12		1,676,023.01	
Less:				
Utilization as Anticipated Revenue	550,000.00		396,000.00	
Fund Balance December 31	\$ 1,527,522.12		\$ 1,280,023.01	

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

Revenue and Other Income Realized	Year 2017		Year 2016	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fund Balance Utilized	\$ 40,000.00	1.16	\$ 20,200.00	0.59
Collection of Water and Sewer Rents	3,031,482.96	88.25	3,109,957.92	91.45
Miscellaneous - From Other Than Water and Sewer Rents	<u>363,647.88</u>	10.59	<u>270,612.96</u>	7.96
Total Income	<u>3,435,130.84</u>	<u>100.00</u>	<u>3,400,770.88</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget Expenditures:				
Operating	2,692,000.00	84.63	2,726,700.00	85.44
Debt Service	388,979.67	12.23	375,540.35	11.77
Capital Improvements	35,000.00	1.10	25,000.00	0.78
Deferred Charges and Statutory Expenditures	64,000.00	2.01	64,000.00	2.01
Other Charges	<u>938.22</u>	<u>0.03</u>		
Total Expenditures	<u>3,180,917.89</u>	<u>100.00</u>	<u>3,191,240.35</u>	<u>100.00</u>
Excess in Revenue	254,212.95		209,530.53	
Statutory Excess to Fund Balance	254,212.95		209,530.53	
Fund Balance January 1	<u>209,534.09</u>		<u>20,203.56</u>	
	463,747.04		229,734.09	
Less:				
Utilization as Anticipated Revenue	<u>40,000.00</u>		<u>20,200.00</u>	
Fund Balance December 31	<u>\$ 423,747.04</u>		<u>\$ 209,534.09</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate:</u>	<u>\$2.607</u>	<u>\$2.585</u>	<u>\$2.597</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	<u>0.934</u>	<u>0.956</u>	<u>0.943</u>
County	<u>0.280</u>	<u>0.262</u>	<u>0.290</u>
Local School	<u>1.393</u>	<u>1.367</u>	<u>1.364</u>
<u>Assessed Valuation:</u>			
2017	<u>\$696,401,969.00</u>		
2016		<u>\$682,585,290.00</u>	
2015			<u>\$663,989,376.00</u>

Note: Under the provisions of Chapter 73, L. 1976 (R.S. 54:4-46.1), the Monmouth County Board of Taxation estimated the amount of approved Veterans' and Senior Citizens' tax deductions, etc. to be \$43,250.00 for the year 2017.

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>CURRENTLY</u>	<u>Percentage of Collection</u>
		<u>Cash Collections</u>	
2017	\$ 18,345,948.39	\$ 17,697,687.19	96.47%
2016	\$ 17,783,034.64	\$ 17,161,901.11	96.51%
2015	\$ 17,377,147.13	\$ 16,713,490.44	96.18%

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>
2017	\$ 580,280.17	\$ 459,096.62	\$ 1,039,376.79	5.67%
2016	\$ 194,288.32	\$ 605,212.24	\$ 799,500.56	4.50%
2015	\$ 171,378.42	\$ 660,645.17	\$ 832,023.59	4.79%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>Year</u>		<u>Amount</u>
2017	\$	97,100
2016	\$	97,100
2015	\$	97,100

COMPARISON OF WATER AND SEWER UTILITY BILLINGS AND COLLECTIONS

<u>Year</u>		<u>Billings</u>		<u>*Collections</u>
2017	\$	2,989,810	\$	3,031,483
2016	\$	3,147,407	\$	3,109,958
2015	\$	2,932,601	\$	2,940,486

*Includes collections of prior unpaid balances.

COMPARATIVE SCHEDULE OF FUND BALANCE

	<u>Year</u>	<u>Balance</u> <u>December 31</u>	<u>Utilized in</u> <u>Budget of</u> <u>Succeeding Year</u>
Current Fund	2017	\$ 1,527,522	\$ 850,000
	2016	\$ 1,280,023	\$ 550,000
	2015	\$ 528,135	\$ 396,000
	2014	\$ 147,202	\$ 110,000
	2013	\$ 90,404	\$ 87,700
Water and Sewer Utility Operating Fund	2017	\$ 423,747	\$ 355,000
	2016	\$ 209,534	\$ 40,000
	2015	\$ 20,204	\$ 20,200
	2014	\$ 27,946	\$ 27,900
	2013	\$ 69,165	\$ 69,100

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office during the year ended December 31, 2017:

<u>NAME</u>	<u>TITLE</u>
-------------	--------------

Governing Body

Harry M. Aumack II	Mayor
Isaiah Cooper	Councilperson
Matthew Goode	Councilperson
Collette Kennedy	Councilperson
Sophia Lamberson	Councilperson
Victoria Pacheco	Councilperson
Joseph E. Sheridan	Councilperson

Borough Officials

Stephen J. Gallo	Business Administrator
Valerie T. Heilwell	Borough Clerk
Thomas P. Fallon, CPA, RMA	Chief Financial Officer
Keri R. Stencil	Tax/Utility Collector, Treasurer
Joseph P. Baumann, Jr.	Borough Attorney

All employees are covered by a dishonesty Public Employees' Blanket Bond in the amount of \$50,000 written by Municipal Excess Liability Joint Insurance Fund. In addition, there are blanket bonds for secondary coverage with the Municipal Excess Liability Joint Insurance Fund in the amount of \$1,000,000 for Public Employees.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

PART V

GENERAL COMMENTS AND RECOMMENDATIONS

**BOROUGH OF KEYPORT
COUNTY OF MONMOUTH, NEW JERSEY
FOR YEAR ENDED DECEMBER 31, 2017**

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Borough of Keyport, County of Monmouth, New Jersey, for the year ended December 31, 2017, has been completed. The General Comments are herewith set forth:

Scope of Audit

The audit covered the financial transactions of the Finance Department and the other various offices and departments collecting fees within the Borough of Keyport, County of Monmouth, New Jersey.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the Governing Body. Cash on hand was counted and cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

INTERNAL CONTROL MATTERS

In planning and performing our audit of the financial statements of Borough of Keyport, County of Monmouth, New Jersey as of and for the fiscal year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

GENERAL COMMENTS

INTERNAL CONTROL MATTERS (Cont'd)

With respect to the reporting of internal control matters, standards require that only a significant deficiency and/or a material weakness need be reported in writing to management and those charged with governance.

The control deficiencies reported are not considered to be significant deficiencies nor material weaknesses. In addition, these control deficiencies are not required to be reported in writing, however, control deficiencies are presented to management and those charged with governance in this report as a means to present those matters identified in review of the Borough's internal controls and as a means to inform management and those charged with governance as to the auditing standards requirements with respect to internal controls.

As indicated below, we identified certain deficiencies in internal control that we consider to be control deficiencies.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated June 22, 2018 on the financial statements of the Borough of Keyport. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

Control Deficiencies:

Segregation of Duties – Finance/Tax/Water and Sewer Offices

Individuals that have the responsibilities and function of cash collections are responsible for the Finance Department/Tax/Water and Sewer Utility receivable subsidiary ledgers.

This condition is the result of multiple tasks performed by the same individual within the Finance Department/Tax/Water and Sewer Utility Collector's Office.

Segregation of Duties – Other Outside Offices/Department Collecting Municipal Fees

Conditions exist whereby the same individual may collect, record and deposit/remit cash receipts in the following offices/departments: Borough Clerk, Police Records, Board of Health/Vital Statistics, Construction Code, and Fire Safety

This condition is the result of multiple tasks performed by the same individual within the respective offices and departments.

GENERAL COMMENTS

OTHER MATTERS

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

N.J.S.A. 40A: 11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3, of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided other wise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500.00 except by contract or agreement."

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$17,500.00 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

On September 28, 2015, the Local Public Contracts Law was amended, effective July 1, 2015. The amendments address the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount from \$36,000.00 to \$40,000.00 under which a contract may be awarded without public advertising for those municipalities that have appointed a Qualified Purchasing Agent. The maximum bid threshold remains at \$17,500.00 for those municipalities that do not have a Qualified Purchasing Agent.

A test of the Borough's purchasing procedures indicates bids were requested by public advertising for the items tested as follows:

Services

Municipal Energy Aggregation Consultant

State Contract

Two (2) 2017 Ford Police Utility AWD Vehicles

Emergency Contracts

Repairs to Damage to the Perry Street Water Treatment Plant from a Power Surge

A test of the minutes indicate that resolutions were adopted and advertised, in most cases, authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A: 11-5.

GENERAL COMMENTS

OTHER MATTERS (Cont'd)

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

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

The examination of expenditures revealed no individual payments, contracts or agreements in excess of \$17,500.00, as applicable, "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. It was noted that the Borough solicited quotations for purchases, in excess 15% of the bid statutory threshold and under the statutory bid threshold, in compliance with statutes.

Upon inquiry of the various officials responsible for the purchases of materials, supplies, equipment, etc. for the Borough in relation to the Local Public Contracts Laws regarding the solicitation of quotations when the cost is \$2,625.00, monitoring of change orders, quantities and unit prices of contracts, procedures presently in place were found to be good.

Any interpretation as to possible violation of N.J.S.A. 40A: 11-4 and N.J.A.C. 5:30-11.1 would be in the province of the municipal solicitor.

Collection of Interest on Delinquent Taxes and Assessments

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

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

BE IT HEREBY RESOLVED, by the Mayor and Borough Council of the Borough of Keyport, County of Monmouth and State of New Jersey, that the interest rate be established on delinquent taxes for the year 2017, at 8% per annum on delinquent taxes in an amount less than \$1,500 and on taxes in an amount in excess of \$1,500, the interest rate shall be 18% per annum and both shall be computed from the tax due date and it shall further provide that a ten (10) day grace period be established for each quarterly due date; and

WHEREAS, N.J.S.A. 54:4-67 has recently been amended by P.L. 1991, c.75, to provide that, in addition to the established interest rate, the governing body may also fix a penalty up to six percent (6%) to be charged for delinquencies in excess of \$10,000 which are not paid prior to the end of the calendar year; and

WHEREAS, it is the policy of the Borough of Keyport to establish the maximum interest and penalty rates permitted by law upon delinquencies in taxes and municipal charges.

GENERAL COMMENTS

OTHER MATTERS (Cont'd)

Collection of Interest on Delinquent Taxes and Assessments (Cont'd)

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Borough Council of the Borough of Keyport, County of Monmouth, State of New Jersey, as follows:

1. That, in addition to the previously established interest rates, there shall be a penalty of six percent (6%) to be charged upon delinquencies in excess of \$10,000, which are not paid prior to the end of the calendar year.
2. That the term "delinquency" shall mean the sum of all taxes and municipal charges due on a given parcel of property covering any number of quarters or years.

An examination of the Collector's records indicated that interest on delinquent accounts was calculated in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

A tax sale was held during CY 2017. All properties subject to sale were included in the sale.

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

<u>Year</u>	<u>Tax Title Liens</u>	<u>Water and Sewer Liens</u>
2017	20	0
2016	15	0
2015	13	0

Interfund Receivable/Payable Balances

Interfund Balances appear in the balance sheets of the Borough's financial statements of the year ended December 31, 2017.

These interfunds, in most cases, resulted from 2017 operations and closing entries, and we suggest that all interfund amounts and balances be cleared by cash transfer. The existence of interfund loans does not represent any impairment of financial position.

Investment of Borough Funds

During 2017, the Borough's funds were invested primarily in interest bearing and sweep accounts.

All investments held by the Township were directly confirmed as of December 31, 2017.

GENERAL COMMENTS

OTHER MATTERS (Cont'd)

Payment of Claims

Claims were examined on a test basis for the year under review and they were found to be in generally good order for items tested.

Purchase Order and Encumbrance System

The Borough utilized a purchase order system for its expenditures in connection with its budgetary accounting system during the year under review. The accounting is processed on a data processing system for budgetary control. Tests of the system disclosed that compliance was good during the year. However, payments through the use of confirming orders were noted. Prior years' outstanding encumbrances were reviewed at the close of the year, and adjustments and cancellations were made where appropriate to reflect actual commitments outstanding for budgetary control.

Surety Bonds

The "List of Officials", included as part of the Supplementary Data section of this report, discloses the status of surety bond coverage in effect at December 31, 2017. The Borough has provided evidence of coverage with the blanket bond coverage provided through its joint insurance fund coverage. The evidence provided with respect to the minimum surety bond requirements for both the Tax Collector and Municipal Court for the year 2017, indicate the surety bond coverage met the minimum requirements as set forth by regulation. Pursuant to confirmation of bond coverage with the joint insurance fund: (1) The positions of Tax Collector and Treasurer coverage's by endorsement as employees, and (2) the Municipal Court coverage under Borough employees.

Municipal Court

The financial records maintained by the Municipal Court during the period were reviewed. The examination of the general account indicated that deposits were recorded and spread by receipt category, cash was reconciled monthly and disbursements were made to the appropriate agencies on a timely basis.

Condition of Records - Finance Office

The records maintained by the Finance Department during the period were reviewed. A general ledger was maintained for each fund and was found to serve as the basis for financial statement – regulatory basis preparation.

Administration and Accounting for State & Federal Grants

The Borough operated various programs during 2017, which were funded in whole or in part by State or Federal grant assistance. These programs often vary as to the application and approval process; matching funds requirements, grant periods, required approvals for modification of budgets and the timing and frequency of financial reporting. A separate grant fund was maintained to allow for the separate recording of grant activity.

GENERAL COMMENTS

OTHER MATTERS (Cont'd)

The acceptance of grant funds also places additional requirements upon the Borough with respect to the Borough's system of internal controls. Based upon the matrix of requirements applicable to a specific grant, the Borough's internal controls are required to include systems and policies and procedures designed to ensure compliance with the applicable requirements. In addition, we suggest the Borough periodically review all of the applicable grant requirements in conjunction with the Borough's system of internal controls in order to ensure the Borough's internal controls are functioning at the requisite levels to meet with the various compliance requirements.

In addition, as with other local entities, due to weaknesses in the grant notification process followed by certain agencies that pass-through federal and state assistance to the Borough, the Borough often does not receive accurate and timely information with respect to grant funding sources, along with the relevant CFDA and account number information from its respective grantor agencies, which can inhibit the preparation of these financial assistance schedules.

During 2017, the Borough's expenditures of federal and state financial assistance did not exceed the \$750,000 threshold which would have triggered a "Single Audit" under existing guidelines.

Condition of Records - Tax Office

The records maintained by the Tax Collector were reviewed. Computerized real estate tax billings and billing adjustments were reviewed for propriety. Tests of documentation to support the award of Veteran's Property Tax Deductions and Senior Citizen's Deductions indicated several exceptions.

It is recommended that acceptable documentation of military service be obtained and maintained to support all approved Veteran's deductions, and that proof of age and annual proof of income be obtained for approved Senior Citizen deductions.

Water and Sewer Utility Fund

The results of operation for the Water and Sewer Utility Operating Fund are set forth in Exhibit "D-1" of this report. Realized revenues amounted to \$3,435,130.84 and expenditures amounted to \$3,180,917.89 resulting in excess operations of \$254,212.95. The calculation of "Self-Liquidating Purpose" utility operations per N.J.S.A. 40A: 2-45 resulted in a statutory excess for debt statement purposes of \$216,015.47, which allowed the full deduction of Water and Sewer Utility Debt in the calculation of statutory net debt of the Borough at December 31, 2017. A reconciliation of the excess revenues from operations (Exhibit D-1) and the excess in revenues for debt statement purposes is included in the "Notes to Financial Statements".

Other Offices Collecting Fees

We noted that beginning in July 2017, the Police Department no longer maintained a cashbook for its receipts of cash that are turned over to the Finance Department. The receipts mostly included Accident Reports, Business Parking Permits, Carfax Reports, and Tow & Store/Impound Releases. This matter should be reviewed by management to determine if the benefit of not having office and/or professional staff maintain a record of cash collections exceeds the value of internal control over cash collections that is lost in its absence.

GENERAL COMMENTS

Other Compliance Matters

The Local Finance Board, State of New Jersey, adopted the following requirements, previously identified as “technical accounting directives”, as codified in the New Jersey Administration Code, as follows:

N.J.A.C. 5:30 – 5.2 – Encumbrance Systems: This directive requires the development and implementation of accounting systems, which can reflect the commitment of funds at the point of commitment. The Borough is generally in compliance with this directive, although several confirming orders (orders entered on the system after employees had committed the Borough to purchase goods or services) were noted.

N.J.A.C. 5:30 – 5.6 – Accounting for Governmental Fixed Assets: This directive requires the development and implementation of accounting systems which assign values to covered assets and can track additions, retirements and transfers of inventoried assets. The Borough is in compliance with this directive.

N.J.A.C. 5:30 – 5.7 – General Ledger Accounting System: This directive requires the establishment and maintenance of a general ledger for, as least, the Current Fund. The Borough is in compliance with this directive.

Internal Control Documentation

We suggest that the Borough continue to develop its process of documentation of internal controls. This course of action will serve the purpose of meeting certain requirements as set for the by the Statement on Auditing Standards (SAS) 115. We also suggest that the Borough consider utilizing the framework established by the Council of Sponsoring Organizations of the Treadway commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communications; and Monitoring. In addition, we also suggest that the documentation should also include the internal controls that exist over grant compliance.

RECOMMENDATION(S)

It is recommended that acceptable documentation of military service be obtained and maintained to support all approved Veteran's deductions, and that proof of age and annual proof of income be obtained for approved Senior Citizen deductions.

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ACKNOWLEDGMENT

Should any questions arise as to our comments or recommendations or should you desire assistance in implementing our recommendations, please do not hesitate to contact us.

During the course of our engagement we received the complete cooperation of the various officials of the Borough, and the courtesies extended to us were greatly appreciated.

Respectfully submitted,

HODULIK & MORRISON, P.A.



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No. 412