

BOROUGH OF KINNELON

Financial Statements
with Additional Financial Information

December 31, 2011

(With Independent Auditor's Report Thereon)

BOROUGH OF KINNELON

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Independent Auditor's Report

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

We have audited the accompanying balance sheets of the various funds and account groups as of December 31, 2011 of the Borough of Kinnelon, New Jersey, and the related statements of operations and changes in fund balances for the years then ended and the related and the related statements of revenues and statements of expenditures of the various funds for the year ended December 31, 2011, as listed in the accompanying table of contents. These financial statements are the responsibility of the Borough's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements for the year ended December 31, 2010 were audited by other auditors who expressed an unqualified opinion on them based upon audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey dated July 14, 2011.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in note 1, these financial statements were prepared in conformity with the accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which practices differ from generally accepted accounting principles. The effects on the financial statements of the variances between the prescribed accounting practices and with accounting practices generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Kinnelon, New Jersey, as of December 31, 2011 and the changes in financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Borough of Kinnelon, New Jersey, as of December 31, 2011 and the related statements of operations and changes in fund balances for the year then ended and the related statements of revenues and statements of expenditures of the various funds for the year ended December 31, 2011 on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued a report dated July 2, 2012 on our consideration of the Borough of Kinnelon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Kinnelon's financial statements. The information included in the supplementary data as listed in the table of contents is presented for additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express and opinion or provide any assurance on it..

Louis C. Mai CPA & Associates
Louis C. Mai

Louis C. Mai, Registered Municipal Accountant
No. CR00217

July 2, 2012

**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**

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

We have audited the financial statements of Borough of Kinnelon, New Jersey, as of and for the year ended December 31, 2011, and have issued our report thereon dated July 2, 2012, which report expressed an adverse opinion in accordance with accounting principles generally accepted in the United States of America and an unqualified opinion on the basis of accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Borough of Kinnelon is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered the Borough's internal control over financial reporting 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 over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Borough's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying comments and recommendations we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 more that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendation as a material weakness to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Borough of Kinnelon in the comments and recommendations section.

This report is intended solely for the information and use of the management, governing body, others within the entity, and the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

Louis C. Mai CPA & Associates
Louis C. Mai

Louis C. Mai, Registered Municipal Accountant
No. CR00217

July 2, 2012

FINANCIAL STATEMENTS

BOROUGH OF KINNELON

Balance Sheets

Current Fund

December 31, 2011 and 2010

Assets	Ref.	2011	2010
Regular Fund:			
Cash - checking	A-4	\$ 2,337,056	2,906,904
Change Fund - cash		580	580
Due from State of New Jersey - Senior Citizens' and Veterans' deductions	A-6	<u>6,092</u>	<u>5,592</u>
		<u>2,343,728</u>	<u>2,913,076</u>
Receivables and other assets with full reserves:			
Delinquent property taxes receivable	A-7	586,975	618,481
Tax title liens	A-8	850,267	829,997
Foreclosed property	A-25	32,150	32,150
Revenue accounts receivable	A-9	5,885	11,441
Due from:			
Other Trust Funds	A-21	19,568	1,449
Water Utility Operating Fund	A-21	16,418	1,070
General Capital Fund	A-21	170,556	4,469
Public Assistance Trust Fund No. 1	A-21	2,106	2,106
Lakeland Regional Solid Waste Authority		19,793	19,793
Prepaid school taxes	A-12	<u>250</u>	<u>250</u>
		<u>1,703,968</u>	<u>1,521,206</u>
Deferred charges:			
Special emergency authorizations (40A-4:53)	A-3	35,000	—
Emergency authorizations (40A:4-47)	A-3	<u>5,000</u>	<u>—</u>
		<u>4,087,696</u>	<u>4,434,282</u>
Federal and State Grant Fund:			
Grants receivable	A-22	16,156	85,156
Due from Current Fund	A-21	<u>112,162</u>	<u>91,532</u>
		<u>128,318</u>	<u>176,688</u>
		<u>\$ 4,216,014</u>	<u>4,610,970</u>

BOROUGH OF KINNELON

Balance Sheets

Current Fund

December 31, 2011 and 2010

Liabilities, Reserves and Fund Balance	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Regular Fund:			
Liabilities:			
Appropriation reserves	A-3,A-10	\$ 542,020	277,251
Encumbrances payable	A-15	234,851	251,718
Tax overpayments	A-16	28,913	100,392
Prepaid taxes	A-17	247,024	177,869
Electric liens redeemed	A-18	7,494	—
Due to:			
Federal and State Grant Fund	A-21	112,162	91,532
Other Trust Fund	A-21	158,415	61,500
Various reserves	A-20	5,503	4,244
Reserve for tax appeals	A-19	3,799	3,799
Unappropriated reserves	A-11	<u>173,696</u>	<u>218,957</u>
		1,513,877	1,187,262
Reserve for receivables and other assets		1,703,968	1,521,206
Fund balance	A-1	<u>869,851</u>	<u>1,725,814</u>
		<u>4,087,696</u>	<u>4,434,282</u>
Federal and State Grant Fund:			
Appropriated reserves	A-23	117,445	133,735
Encumbrances payable	A-26	1,213	42,802
Unappropriated reserves	A-24	<u>9,660</u>	<u>151</u>
		<u>128,318</u>	<u>176,688</u>
		<u>\$ 4,216,014</u>	<u>4,610,970</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Operations and Changes in Fund Balance

Current Fund

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenue and other income realized:		
Fund balance utilized	\$ 1,657,000	1,657,000
Miscellaneous revenue anticipated	1,451,850	1,481,336
Receipts from delinquent taxes	640,181	639,440
Receipts from current taxes	45,817,897	45,197,096
Non-budget revenues	114,027	135,485
Other credits to income:		
Budget appropriations canceled	50	—
Unexpended balance of appropriation reserves	167,674	434,611
Interfunds returned	—	296,907
Prior year veteran's deduction allowed	—	750
Prior Year Prepaid School Taxes Applied	—	337,739
Reserves cancelled	—	54,071
Tax Overpayments cancelled	—	115
Total income	<u>49,848,679</u>	<u>50,234,550</u>
Expenditures:		
Budget and emergency appropriations:		
Appropriations within "CAPS":		
Operations:		
Salaries and wages	3,508,489	3,318,484
Other expenses	3,809,492	3,673,227
Deferred charges and statutory expenditures	1,023,583	776,205
Appropriations excluded from "CAPS":		
Operations:		
Salaries and wages	35,000	33,000
Other expenses	865,605	1,010,895
Capital improvements	60,000	75,000
Municipal debt service	1,259,776	1,278,077
County taxes	5,378,071	5,426,773
Amount due County for added and omitted taxes	6,296	5,348
Local district school taxes	32,852,998	32,450,595
Municipal open space tax	81,697	165,171
Interfunds advanced	184,206	281,020
Unallocated disbursement	5,180	—
Prepaid school taxes	—	250
Refund of prior year revenue	17,250	16,032
Total expenditures	<u>49,087,643</u>	<u>48,510,077</u>
Excess in revenue	761,036	1,724,473
Fund balance, January 1	<u>1,725,815</u>	<u>1,658,342</u>
	2,526,851	3,382,815
Decreased by utilized as anticipated revenue	<u>1,657,000</u>	<u>1,657,000</u>
Fund balance, December 31	<u>\$ 869,851</u>	<u>1,725,815</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Revenues

Current Fund

Year ended December 31, 2011

	<u>Budget</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Fund balance anticipated	\$ 1,657,000	1,657,000	—
Miscellaneous revenues:			
Licenses:			
Alcoholic beverages	1,300	2,389	1,089
Fees and permits	93,000	40,575	(52,425)
Fines and costs - municipal court	125,000	116,220	(8,780)
Interest and costs on taxes	130,000	145,818	15,818
Consolidated Municipal Property Tax Relief Aid	15,639	15,639	—
Energy Receipts Tax (P.L. 1999, Ch 162 & 167)	542,355	542,355	—
Garden State Trust Fund	173,696	173,696	—
Watershed Moratorium Offset Aid	45,261	45,261	—
Watershed Moratorium Offset Aid - reserve	45,261	45,261	—
Uniform construction code fees	110,000	188,606	78,606
Click It or Ticket	4,000	4,000	—
Drunk Driving Enforcement Fund	4,288	4,288	—
Clean Communities Programs	17,119	17,119	—
Alcohol Education and Rehabilitation Act	917	917	—
NJ Dept. of LPS - Div. of Criminal Justice Body Armor Fund	1,778	1,778	—
Utility Operating Surplus of Prior Year	20,000	20,000	—
General Capital Surplus	50,000	50,000	—
Cable television Franchise Fee	30,000	37,928	7,928
	<u>1,409,614</u>	<u>1,451,850</u>	<u>42,236</u>
Receipts from delinquent taxes	\$ 610,000	640,181	30,181
Amount to be raised by taxes for support of municipal budget			
a) Local tax for municipal purposes	7,813,440	8,466,943	653,503
c) Minimum Library Tax	<u>771,503</u>	<u>771,503</u>	<u>—</u>
Total amount to be raised by taxes for support of municipal budget	<u>8,584,943</u>	<u>9,238,446</u>	<u>653,503</u>
Budget totals	<u>\$ 12,261,557</u>	12,987,477	<u>725,920</u>

(Continued)

BOROUGH OF KINNELON

Statement of Revenues

Current Fund

Year ended December 31, 2011

	<u>Budget</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Non-budget revenues		114,027	
		\$ 13,101,504	
Allocation of current tax collections:			
Revenue from collections		\$ 45,817,897	
Allocated to:			
School, County and Open Space taxes		39,090,565	
Balance for support of municipal budget		6,727,332	
Add appropriation reserve for uncollected taxes		1,739,611	
Amount for support of municipal budget		\$ 8,466,943	
Receipts from delinquent taxes:			
Delinquent tax collections		\$ 579,759	
Tax title liens		60,422	
		\$ 640,181	
Miscellaneous revenue not anticipated:			
Nj - EDRS Death certificates		\$ 85	
Interest on Investments		14,406	
Returned check fees		460	
Found money		20	
Bid specifications		2,400	
NJ Office of Emergency Management (FEMA)		40,388	
Police discovery		2,158	
Board of Health		1,275	
DMV Fees		4,125	
Driveway permits		70	
Police outside duty		4,949	
Tree Permits		80	
Mail Reimbursement		509	
Copy duplication fees		12	
Tax Collector Search fees		119	
Assessor's List		485	
Voided checks		7,952	
Administrative fee Senior and Veterans deductions		1,580	
Lien Interest		12,985	
Land use ordinances		53	
Cost of sale		1,940	
Miscellaneous		17,976	
		\$ 114,027	

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Expenditures

Current Fund

Year ended December 31, 2011

	Appropriations			Budget after modification	Expended		
	Budget	Emergency appropriations	Transfers		Paid or charged	Reserved	Canceled
General appropriations:							
Operations within "CAPS":							
General Government:							
Mayor and Council:							
Salaries and wages	\$ 19,500	—	—	19,500	19,394	106	—
Other expenses	400	—	—	400	321	79	—
Municipal Clerk:							
Salaries and wages	102,595	—	3,900	106,495	105,736	759	—
Other expenses	5,000	—	—	5,000	4,753	247	—
General Administration:							
Salaries and wages	50,000	—	(39,000)	11,000	—	11,000	—
Other expenses	122,000	—	—	122,000	121,772	228	—
Financial Administration:							
Salaries and wages	77,900	—	—	77,900	73,211	4,689	—
Other expenses	100	—	—	100	79	21	—
Auditor:							
Other expenses	27,500	—	—	27,500	—	27,500	—
Collection of Taxes:							
Salaries and wages	58,500	—	2,000	60,500	59,639	861	—
Other expenses	6,355	—	—	6,355	6,342	13	—
Assessment of Taxes							
Salaries and wages	53,327	—	1,200	54,527	54,176	351	—
Other expenses	6,590	—	8,000	14,590	4,138	10,452	—
Legal Services and Costs:							
Other expenses	110,500	—	—	110,500	71,191	39,309	—
Engineering Services and Costs:							
Other expenses	10,000	—	—	10,000	7,245	2,755	—
Historical preservation Commission:							
Salaries and wages	2,750	—	—	2,750	2,510	240	—
Other expenses	7,705	—	—	7,705	4,061	3,644	—

(Continued)

BOROUGH OF KINNELON

Statement of Expenditures

Current Fund

Year ended December 31, 2011

	Appropriations			Budget after modification	Expended		
	Budget	Emergency appropriations	Transfers		Paid or charged	Reserved	Canceled
Municipal Land Use Law (N.J.S.A. 40:55):							
Planning Board:							
Salaries and wages	\$ 12,850	—	1,000	13,850	13,085	765	—
Other expenses	6,900	—	—	6,900	3,833	3,067	—
Zoning Board:							
Salaries and wages	1,000	—	—	1,000	999	1	—
Other expenses	4,375	—	—	4,375	3,447	928	—
Insurance:							
General Liability:							
Other expenses	216,000	—	—	216,000	207,604	8,396	—
Workers Compensation:							
Other expenses	121,000	—	—	121,000	121,000	—	—
Employee Group Health:							
Other expenses	850,000	—	(45,000)	805,000	772,670	32,330	—
Health Insurance Waiver:							
Other expenses	15,650	—	—	15,650	15,603	47	—
Public Safety:							
Police:							
Salaries and wages	1,770,031	—	87,000	1,857,031	1,857,014	17	—
Other expenses	104,099	—	—	104,099	100,269	3,830	—
Police Dispatching/ 911:							
Salaries and wages	137,640	—	—	137,640	133,480	4,160	—
Other expenses	28,840	—	—	28,840	28,000	840	—
Emergency Management Services:							
Salaries and wages	3,625	—	—	3,625	3,227	398	—
Other expenses	1,350	—	—	1,350	622	728	—
Aid to Volunteer Fire Companies:							
Salaries and wages	75,000	—	—	75,000	70,612	4,388	—
Aid to Tri-Borough Ambulance Squad:							
Other expenses	36,000	—	—	36,000	—	36,000	—
Fire Prevention Bureau:							
Salaries and wages	12,000	—	—	12,000	8,250	3,750	—
Other expenses	67,290	—	—	67,290	50,448	16,842	—

(Continued)

BOROUGH OF KINNELON

Statement of Expenditures

Current Fund

Year ended December 31, 2011

	Appropriations			Budget after modification	Expended		
	Budget	Emergency appropriations	Transfers		Paid or charged	Reserved	Canceled
Municipal Prosecutor:							
Salaries and wages	\$ 13,000	—	—	13,000	12,175	825	—
Streets and Roads:							
Road Repair and Maintenance:							
Salaries and wages	850,000	—	21,900	871,900	826,660	45,240	—
Other expenses	254,150	—	—	254,150	224,256	29,894	—
Garbage and Trash Removal:							
Salaries and wages	23,252	—	—	23,252	20,121	3,131	—
Other expenses	457,234	—	—	457,234	414,817	42,417	—
Public Buildings and Grounds:							
Other expenses	54,250	—	—	54,250	44,929	9,321	—
Vehicle Maintenance:							
Other expenses	48,750	—	14,000	62,750	59,405	3,345	—
Health and Human Services Programs:							
Board of Health:							
Salaries and wages	41,750	—	3,000	44,750	42,341	2,409	—
Other expenses	107,264	—	—	107,264	106,094	1,170	—
Environmental Commission:							
Salaries and wages	4,150	—	—	4,150	4,066	84	—
Other expenses	2,450	—	—	2,450	562	1,888	—
Animal Control Regulations:							
Other expenses	21,000	—	—	21,000	14,919	6,081	—
Senior Citizens Programs:							
Other expenses	4,000	—	—	4,000	4,000	—	—
Senior Citizen Transportation:							
Other expenses	78,540	—	—	78,540	75,627	2,913	—
Recreation Services and Programs:							
Recreation:							
Salaries and wages	46,522	—	2,800	49,322	38,714	10,608	—
Other expenses	3,500	—	—	3,500	3,330	170	—
Municipal Court:							
Municipal Court:							
Salaries and wages	120,502	—	2,000	122,502	119,267	3,235	—
Other expenses	11,650	—	—	11,650	7,870	3,780	—

(Continued)

BOROUGH OF KINNELON

Statement of Expenditures

Current Fund

Year ended December 31, 2011

	Appropriations			Budget after modification	Expended		
	Budget	Emergency appropriations	Transfers		Paid or charged	Reserved	Canceled
Public Defender:							
Other expenses	\$ 1,350	—	—	1,350	1,350	—	—
Smoke Rise Condo Costs:							
Other expenses	107,200	—	—	107,200	107,187	13	—
Uniform Construction Code-Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17):							
Uniform Construction Code:							
Salaries and wages	7,645	—	300	7,945	7,834	111	—
Other expenses	210,000	—	—	210,000	201,778	8,222	—
Unclassified:							
Gasoline	85,000	—	—	85,000	84,979	21	—
Fuel oil - Diesel	12,000	—	—	12,000	7,058	4,942	—
Electricity	52,500	—	—	52,500	52,136	364	—
Street lighting	15,000	—	—	15,000	11,073	3,927	—
Telephone	38,000	—	—	38,000	31,565	6,435	—
Natural gas	14,000	—	—	14,000	8,252	5,748	—
Landfill/ Solid waste Disposal Costs	390,000	—	(28,000)	362,000	346,404	15,596	—
Hurricane Irene Storm Damage	—	35,000	—	35,000	34,665	335	—
Salary and Wage Adjustment Program:	61,000	—	(47,150)	13,850	—	13,850	—
Accumulated leave Compensation	35,000	—	—	35,000	35,000	—	—
Total operations within "CAPS"	7,295,031	35,000	(12,050)	7,317,981	6,873,165	444,816	—
Total operations including contingent-within "CAPS"	7,295,031	35,000	(12,050)	7,317,981	6,873,165	444,816	—
Detail:							
Salaries and wages	3,469,539	—	38,950	3,508,489	3,401,899	106,590	—
Other expenses (including contingent)	3,825,492	35,000	(51,000)	3,809,492	3,471,266	338,226	—
	7,295,031	35,000	(12,050)	7,317,981	6,873,165	444,816	—

(Continued)

BOROUGH OF KINNELON

Statement of Expenditures

Current Fund

Year ended December 31, 2011

	Appropriations			Budget after modification	Expended		
	Budget	Emergency appropriations	Transfers		Paid or charged	Reserved	Canceled
Deferred charges and statutory expenditures - municipal within "CAPS":							
Deferred Charges:							
Water Utility Deficit	\$ 68,000	—	—	68,000	68,000	—	—
Statutory expenditures - contributions to:							
Public Employees retirement System	236,674	—	—	236,674	236,674	—	—
Social Security System (O.A.S.I.)	255,000	—	10,000	265,000	256,230	8,770	—
Police and Firemen's Retirement System of N.J.	436,909	—	—	436,909	436,909	—	—
Unemployment Insurance	12,000	5,000	—	17,000	14,550	2,450	—
Total deferred charges and statutory expenditures - municipal within "CAPS"	<u>1,008,583</u>	<u>5,000</u>	<u>10,000</u>	<u>1,023,583</u>	<u>1,012,363</u>	<u>11,220</u>	<u>—</u>
Total general appropriations for municipal purposes within "CAPS"	<u>8,303,614</u>	<u>40,000</u>	<u>(2,050)</u>	<u>8,341,564</u>	<u>7,885,528</u>	<u>456,036</u>	<u>—</u>
Operations excluded from "CAPS" - mandated expenditures per N.J.S.A. 40A:4-45.3g:							
Maintenance - Free Public Library (Chapter 82, PL 1985):							
Other expenses	771,503	—	—	771,503	735,103	36,400	—
Reserve for Pending Tax Appeals	60,000	—	—	60,000	12,289	47,711	—
Storm Water Management:							
Salaries and wages	33,000	—	2,000	35,000	34,980	20	—
Other expenses	6,000	—	—	6,000	4,147	1,853	—
Public and private programs offset by revenues:							
Alcohol Education Rehabilitation Fund	917	—	—	917	917	—	—
Drunk Driving Enforcement Act	4,288	—	—	4,288	4,288	—	—
NJ Clean Communities Grant	17,119	—	—	17,119	17,119	—	—
NJ Dept. L&PS:							
Body Armor Fund	1,778	—	—	1,778	1,778	—	—
NJ Dept. L&PS Div. of Highway Traffic Safety:							
Click It Or Ticket	4,000	—	—	4,000	4,000	—	—
Total operations-excluded from "CAPS"	<u>898,605</u>	<u>—</u>	<u>2,000</u>	<u>900,605</u>	<u>814,621</u>	<u>85,984</u>	<u>—</u>

(Continued)

BOROUGH OF KINNELON

Statement of Expenditures

Current Fund

Year ended December 31, 2011

	Appropriations			Budget after modification	Expended		
	Budget	Emergency appropriations	Transfers		Paid or charged	Reserved	Canceled
Detail:							
Salaries and wages	\$ 33,000	—	2,000	35,000	34,980	20	—
Other expenses	865,605	—	—	865,605	779,641	85,964	—
	<u>898,605</u>	<u>—</u>	<u>2,000</u>	<u>900,605</u>	<u>814,621</u>	<u>85,984</u>	<u>—</u>
Capital improvements excluded from "CAPS":							
Capital Improvement Fund	60,000	—	—	60,000	60,000	—	—
Total capital improvements excluded from "CAPS"	<u>60,000</u>	<u>—</u>	<u>—</u>	<u>60,000</u>	<u>60,000</u>	<u>—</u>	<u>—</u>
Municipal debt service excluded from "CAPS":							
Payment of bond principal	395,000	—	—	395,000	395,000	—	—
Payment of bond anticipation notes	489,800	—	—	489,800	489,800	—	—
Interest on bonds	236,500	—	—	236,500	236,500	—	—
Interest on notes	68,500	—	—	68,500	68,500	—	—
Green Trust Loan Program:							
Principal and Interest	69,926	—	50	69,976	69,926	—	50
Total municipal debt service excluded from "CAPS"	<u>1,259,726</u>	<u>—</u>	<u>50</u>	<u>1,259,776</u>	<u>1,259,726</u>	<u>—</u>	<u>50</u>
Total general appropriations excluded from "CAPS"	<u>2,218,331</u>	<u>—</u>	<u>2,050</u>	<u>2,220,381</u>	<u>2,134,347</u>	<u>85,984</u>	<u>50</u>
Subtotal general appropriations	10,521,945	40,000	—	10,561,945	10,019,875	542,020	50
Reserve for uncollected taxes	1,739,611	—	—	1,736,611	1,739,611	—	—
Total general appropriations	<u>\$ 12,261,556</u>	<u>40,000</u>	<u>—</u>	<u>12,298,556</u>	<u>11,759,486</u>	<u>542,020</u>	<u>50</u>
Original budget	\$ 12,254,725						
Added by NJSA 40A:4-87 (CH 159)	6,832						
	<u>\$ 12,261,557</u>						

Analysis of paid or charged

Cash disbursed	\$ 9,756,922
Transferred to Appropriated Reserves - Grant Fund	28,102
Reserve for uncollected taxes	1,739,611
Reserve for encumbrances	234,851
	<u>\$ 11,759,486</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Balance Sheets

Trust Funds

December 31, 2011 and 2010

Assets	Ref.	2011	2010
		<u> </u>	<u> </u>
Dog License Fund:			
Cash	B-1	\$ <u>4,279</u>	<u>2,224</u>
		<u>4,279</u>	<u>2,224</u>
Other Trust Funds:			
Cash	B-1	1,736,958	2,506,961
Interfund accounts receivable	B-7	<u>158,415</u>	<u>61,500</u>
		<u>1,895,373</u>	<u>2,568,461</u>
		<u>\$ 1,899,652</u>	<u>2,570,685</u>
 Liabilities and Reserves			
Dog License Fund:			
Prepaid licenses	B-6	\$ 2,492	1,827
Due to State of New Jersey	B-3	132	369
Reserve for Dog License Fund expenditures	B-2	<u>1,655</u>	<u>28</u>
		<u>4,279</u>	<u>2,224</u>
Other Trust Funds:			
Reserve for special funds	B-4	1,845,320	2,567,011
Interfund accounts payable	B-5	50,053	1,450
Reserve for recreation expenses	B-8	—	—
Reserve for Other Trust Fund expenses	B-9	<u>—</u>	<u>—</u>
		<u>1,895,373</u>	<u>2,568,461</u>
		<u>\$ 1,899,652</u>	<u>2,570,685</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Balance Sheets

General Capital Fund

December 31, 2011 and 2010

Assets	Ref.	2011	2010
Cash	C-2,C-3	\$ 964,306	1,917,909
Deferred charges to future taxation unfunded	C-6	10,372,404	8,650,102
Deferred charges to future taxation funded	C-5	6,137,715	6,597,641
Excess Proceeds	C-2	48,799	—
		<u>16,558,918</u>	<u>15,247,743</u>
		<u>\$ 17,523,224</u>	<u>17,165,652</u>
Liabilities, Reserves and Fund Balance			
Encumbrances payable	C-9	\$ 213,777	291,666
Bond anticipation notes	C-11	6,525,200	7,021,100
Green Acres loan payable	C-14	202,715	267,641
Improvement authorizations:			
Funded	C-8	137,224	103,225
Unfunded	C-8	4,269,055	3,006,055
Due to Current Fund	C-4	170,556	4,469
Reserve for cost of issuance	C-10	17,701	3,941
Reserve for housing rehabilitation	-	9,350	9,350
Serial bonds payable	C-12	5,935,000	6,330,000
Capital Improvement Fund	C-7	26,750	74,750
Fund balance	C-1	15,896	53,455
		<u>\$ 17,523,224</u>	<u>17,165,652</u>

There were bonds and notes authorized but not issued at December 31, 2011 and 2010 of \$3,896,002 and \$1,629,002 respectively (Exhibit C-13).

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Fund Balance

General Capital Fund

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Balance, Beginning of year	\$ 53,455	62,411
Increased by:		
Premium on sale of notes	<u>12,441</u>	<u>21,044</u>
	<u>65,896</u>	<u>83,455</u>
Decreased by budget appropriation	<u>50,000</u>	<u>30,000</u>
Balance, End of year	<u>\$ 15,896</u>	<u>53,455</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Balance Sheets

Water Utility Fund

December 31, 2011 and 2010

Assets	Ref.	2011	2010
		<u> </u>	<u> </u>
Operating Fund:			
Cash	D-5	\$ 54,665	10,793
Due from Sewer Operating Fund	D-8	<u>2,474</u>	<u>—</u>
		<u>57,139</u>	<u>10,793</u>
Receivables with full reserve:			
Water accounts receivable	D-8	<u>26,474</u>	<u>17,761</u>
Deferred Charges:			
Emergency Authorization		—	35,000
Operating Deficit		<u>84,056</u>	<u>20,187</u>
Total Operating Fund		<u>167,669</u>	<u>83,741</u>
Capital Fund:			
Cash	D-5,D-6	179,019	185,919
Fixed capital	D-10	399,174	399,174
Fixed capital authorized and uncompleted	D-11	<u>936,000</u>	<u>936,000</u>
Total Capital Fund		<u>1,514,193</u>	<u>1,521,093</u>
		<u>\$ 1,681,862</u>	<u>1,604,834</u>

(Continued)

BOROUGH OF KINNELON

Balance Sheets

Water Utility Fund

December 31, 2011 and 2010

Liabilities, Reserves and Fund Balance	Ref.	2011	2010
Operating Fund:			
Liabilities:			
Appropriation reserves	D-3,D-13	\$ 115,053	39,544
Encumbrances	D-3,D-13	5,430	20,405
Accrued interest on notes payable	D-12	3,567	4,234
Prepaid rents	D-9	233	233
Due to Current Fund	D-16	16,418	1,070
		<u>140,701</u>	<u>65,486</u>
Reserve for receivables		26,474	17,761
Fund balance	D-1	494	494
Total Operating Fund		<u>167,669</u>	<u>83,741</u>
Capital Fund:			
Bond anticipation notes	D-7	536,000	594,000
Reserve for amortization	D-14	668,174	610,174
Improvement authorizations:			
Funded	D-17	6,000	6,000
Unfunded	D-17	138,028	147,028
Deferred reserve for amortization	D-15	77,000	77,000
Capital Improvement Fund	D-19	84,868	84,868
Fund balance	D-4	4,123	2,023
Total Capital Fund		<u>1,514,193</u>	<u>1,521,093</u>
		<u>\$ 1,681,862</u>	<u>1,604,834</u>

There were bonds and notes authorized but not issued at December 31, 2011 and 2010 of \$54,000 and \$54,000 respectively (Exhibit D-18).

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Operations and Changes in Fund Balance

Water Utility Operating Fund

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenue and other income realized:		
Fund balance utilized	\$ —	88,000
Rents	422,696	325,841
Water connection fees	5,000	7,000
Miscellaneous revenue not anticipated	863	2,524
Deficit raised in Current Fund	68,000	
Other credits to income:		
Unexpended balances of appropriation reserves	—	19,448
Total income	<u>496,559</u>	<u>442,813</u>
Expenditures:		
Budget Appropriations:		
Salaries and wages	150,000	150,000
Other expenses	300,175	275,000
Debt service	98,000	61,110
Deferred charges and statutory expenditures	32,077	11,890
Refund of prior year revenue	<u>363</u>	<u>—</u>
Total expenditures	<u>580,615</u>	<u>498,000</u>
Excess (Deficit) in revenue	(84,056)	(55,187)
Less:		
Expenditures included above which by statute are deferred charges to budget of succeeding year	<u>—</u>	<u>35,000</u>
Operating deficit	<u>(84,056)</u>	<u>(20,187)</u>
Fund balance, January 1	<u>494</u>	<u>88,494</u>
	494	88,494
Decreased by utilized as anticipated revenue	<u>—</u>	<u>88,000</u>
Fund balance, December 31	<u>\$ 494</u>	<u>494</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Revenues

Water Utility Operating Fund

Year Ended December 31, 2011

	<u>Budget</u>	<u>Realized</u>	<u>Excess</u>
Rents	\$ 509,752	422,696	(87,056)
Miscellaneous	2,500	5,000	2,500
Deficit in General Budget	<u>68,000</u>	<u>68,000</u>	<u>—</u>
	<u>\$ 580,252</u>	495,696	<u>(84,556)</u>
Miscellaneous revenue not anticipated		<u>863</u>	
		<u>\$ 496,559</u>	

Analysis of Miscellaneous Revenue Not Anticipated

Interest	\$ 663
Water meter charge	<u>200</u>
	<u>\$ 863</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Expenditures

Water Utility Operating Fund

Year Ended December 31, 2011

	<u>Budget</u>	<u>Budget after modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operating:				
Salaries and wages	\$ 150,000	150,000	144,720	5,280
Other expenses	300,175	300,175	191,106	109,069
Debt service:				
Payment of Bond Anticipation Notes and Capital Notes	58,000	58,000	58,000	—
Interest on notes	5,000	5,000	5,000	—
Deferred charges- Emergency authorization	35,000	35,000	35,000	—
Statutory expenditures - contribution to:				
Social Security System (O.A.S.I.)	11,390	11,390	10,889	501
Unemployment compensation insurance	500	500	297	203
Deficit in Operations	<u>20,187</u>	<u>20,187</u>	<u>20,187</u>	<u>—</u>
	<u>\$ 580,252</u>	<u>580,252</u>	<u>465,199</u>	<u>115,053</u>
Encumbrances			\$ 5,430	
Deferred charges			55,187	
Accrued interest on notes			5,000	
Due to Current Fund			62,968	
Cash disbursed			<u>336,614</u>	
			<u>\$ 465,199</u>	

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Fund Balance

Water Utility Capital Fund

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Balance, Beginning of year	\$ 2,023	7,967
Increased by:		
Premium on sale of notes	<u>2,100</u>	<u>1,056</u>
	4,123	9,023
Decreased by:		
Anticipated revenue in Water Operating Fund budget	<u>—</u>	<u>7,000</u>
Balance, End of year	<u>\$ 4,123</u>	<u>2,023</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Balance Sheets

Sewer Utility Fund

December 31, 2011 and 2010

Assets	Ref.	2011	2010
		<u> </u>	<u> </u>
Operating Fund:			
Cash	E-6	\$ 205,793	373,415
Receivables with full reserves:			
Sewer rents	E-5	<u>39,380</u>	<u>38,771</u>
		<u>\$ 245,173</u>	<u>412,186</u>
 Liabilities, Reserves and Fund Balance			
Operating Fund:			
Appropriation reserves	E-3,E-6	\$ 52,323	93,500
Reserve for encumbrances	E-3,E-6	12,101	16,685
Due to Borough of Butler	E-9	—	8,195
Prepaid rent	E-8	418	418
Due to Water Operating Fund	E-7	<u>2,474</u>	<u>—</u>
		67,316	118,798
Reserve for receivables		39,380	38,771
Fund balance	E-1	<u>138,477</u>	<u>254,617</u>
		<u>\$ 245,173</u>	<u>412,186</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Operations and Changes in Fund Balance

Sewer Utility Operating Fund

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenue and other income realized:		
Fund balance utilized	\$ 229,500	229,500
Rents	392,273	361,812
Miscellaneous revenues	3,235	2,841
Other credits to income:		
Unexpended balances of appropriation reserves	70,983	71,177
Prior year accounts payable cancelled	8,195	—
	<u>704,186</u>	<u>665,330</u>
Total income		
Expenditures:		
Budget appropriations:		
Operating	562,706	577,000
Deferred charges and statutory expenditures	28,000	8,000
Refund prior year revenue	120	—
	<u>590,826</u>	<u>585,000</u>
Total expenditures		
Excess in revenue	113,360	80,330
Fund balance, January 1	<u>254,617</u>	<u>403,787</u>
	367,977	484,117
Decreased by utilized as anticipated revenue	<u>229,500</u>	<u>229,500</u>
Fund balance, December 31	<u><u>\$ 138,477</u></u>	<u><u>254,617</u></u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Revenues

Sewer Utility Operating Fund

Year ended December 31, 2011

	<u>Budget</u>	<u>Realized</u>	<u>Excess</u>
Fund balance appropriated	\$ 229,500	229,500	—
Sewer rents	360,000	392,273	32,273
Miscellaneous	<u>1,206</u>	<u>3,235</u>	<u>2,029</u>
	<u>\$ 590,706</u>	<u>625,008</u>	<u>34,302</u>

Analysis of Miscellaneous Revenues Anticipated

Interest on investments	\$ 735
Sewer Connection Fees	<u>2,500</u>
Cash	<u>\$ 3,235</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of Expenditures

Sewer Utility Operating Fund

Year ended December 31, 2011

	<u>Budget</u>	<u>Budget after modifi- cation</u>	<u>Paid or charged</u>	<u>Reserved</u>
Operating:				
Salaries and wages	\$ 103,000	103,000	99,051	3,949
Other expenses	459,706	459,706	412,116	47,590
Statutory expenditures - contribution to:				
Social Security System	8,000	8,000	7,216	784
Surplus (General Budget)	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>—</u>
	<u>\$ 590,706</u>	<u>590,706</u>	<u>538,383</u>	<u>52,323</u>
			\$ 526,282	
			<u>12,101</u>	
			<u>\$ 538,383</u>	

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Balance Sheets

Public Assistance Fund

December 31, 2011 and 2010

Assets	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
Cash:			
Public Assistance I		\$ 28,156	34,118
Public Assistance II		<u>6,629</u>	<u>5,780</u>
	F-3	<u><u>34,785</u></u>	<u><u>39,898</u></u>
Liability and Reserve			
Reserve for expenditures	F-4	\$ 32,679	37,792
Due to Current Fund	F-5	<u>2,106</u>	<u>2,106</u>
		<u><u>\$ 34,785</u></u>	<u><u>39,898</u></u>

See accompanying notes to financial statements.

Exhibit F-1

BOROUGH OF KINNELON

Statement of Public Assistance Revenues

Public Assistance Fund

Year ended December 31, 2011

	<u>P.A.T.F Account #1</u>	<u>P.A.T.F Account #2</u>
Donations	\$ 925	\$ 833
Interest and other	73	16
Interest and other	—	—
Total revenues	<u>\$ 998</u>	<u>\$ 849</u>

See accompanying notes to financial statements.

Exhibit F-2

Statement of Public Assistance Expenditures

Public Assistance Fund

Year ended December 31, 2011

	<u>P.A.T.F Account #1</u>	<u>P.A.T.F Account #2</u>
Current year assistance		
Local assistance	\$ 6,960	\$ —
Total expenditures	<u>\$ 6,960</u>	<u>\$ —</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Statement of General Fixed Assets

General Fixed Asset Account Group

December 31, 2010 and 2011

	<u>2011</u>	<u>2010</u>
Land	\$ 4,442,060	4,442,060
Buildings	12,661,546	12,661,546
Vehicular equipment	790,562	790,562
General equipment	<u>3,445,770</u>	<u>3,445,770</u>
Total fixed assets	<u>\$ 21,339,938</u>	<u>21,339,938</u>

See accompanying notes to financial statements.

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2011

(1) Summary of Significant Accounting Policies

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

Reporting Entity

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

Fund Accounting

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

Fund Types

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

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

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

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

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

Sewer Utility Operating Fund – is used to account for all revenues and expenditures applicable to sewer utility operations.

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

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2011

Public Assistance Fund – is used to account for the local assistance provided to certain residents of the Borough. Pursuant to Title 44 of the New Jersey Statutes the Borough separates remaining state funding from Borough contributions.

General Fixed Assets Account Group – is used to account for all fixed assets purchased by the current and general capital funds.

Budgets and Budgetary Accounting

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

Basis of Accounting

The Borough follows the following accounting policies:

Revenues

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

Expenditures

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

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

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2011

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

Foreclosed Property

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

Interfund Receivables

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

Deferred Charges to Future Taxation Funded and Unfunded

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

Fixed Assets

Current Fund and General Capital Fund

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

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

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2011

Use of Estimates

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

(2) Retirement Systems

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

Police and Firemen's Retirement System

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

Public Employees' Retirement System

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

Other Pension Funds

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

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

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

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2011

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

Significant Legislation

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

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

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an addition 1% phased-in over 7 years; PFRS active member rates increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates will increase in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be a least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2011

pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform: established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

Funding Policy

Contribution Requirements:

The contribution policy for PFRS and PERS is set by New Jersey State statutes and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members of PFRS contribute at a uniform rate of 10% of base salary, as defined. Members of PERS contribute at a uniform rate of 6.5% of base salary, as defined. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PFRS and PERS. In the PERS the employer contribution includes funding for post-retirement medical premiums.

Borough Contributions:

The Borough's required contributions were as follows:

		For the Year Ended December 31,				
		2011	2010	2009	2008	2007
PERS	\$	236,674	209,885	179,580	130,940	66,416
PFRS	\$	436,909	352,939	319,656	288,625	182,606

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2011

(3) Long-term Debt

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Issued:			
General - bonds and notes	\$ 12,662,915	13,618,741	12,647,688
Water Utility - notes	536,000	594,000	646,000
Sewer Utility - notes	—	—	—
Total issued	<u>13,198,915</u>	<u>14,212,741</u>	<u>13,293,688</u>
Authorized but not issued:			
General - bonds and notes	3,896,002	1,629,002	2,104,198
Water Utility - bonds and notes	54,000	54,000	54,000
Sewer Utility - bonds and notes	—	—	—
Total authorized but not issued	<u>3,950,002</u>	<u>1,683,002</u>	<u>2,158,198</u>
Total bonds and notes issued and authorized but not issued	\$ <u>17,148,917</u>	<u>15,895,743</u>	<u>15,451,886</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the annual debt statement and indicates a statutory net debt of .74%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local school district debt	\$ 27,189,000	27,189,000	—
Water Utility debt	590,000	—	590,000
Sewer Utility debt	—	—	—
General debt	16,558,917	—	16,558,917
	\$ <u>44,337,917</u>	<u>27,189,000</u>	<u>17,148,917</u>

Net debt of \$17,148,917 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended of \$2,310,463,003 equals .74%.

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

3-1/2% of equalized valuation basis (municipal)	\$80,866,205
Net debt	<u>17,148,917</u>
Remaining borrowing power	\$ <u>63,717,288</u>

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2011

On March 1, 2002 the Borough sold \$8,670,000 of general improvement bonds at interest rates from 2.5% to 4.20% payable each April 15 and October 15 until maturity. The bonds mature on March 1, 2003 through 2011. There are \$0 and \$365,000 of bonds outstanding at December 31, 2011 and 2010, respectively.

On December 16, 2009 the Borough sold \$6,070,000 of General Improvement Refunding Bonds at interest rates from 2.00% to 4.75% payable each March 1, and September 1 until maturity. The bonds mature on March 1, 2010 through 2024. There are \$5,935,000 and \$6,330,000 of bonds outstanding at December 31, 2011 and 2010, respectively.

Bond debt service requirements at December 31, 2011 were as follows;

Year Ended <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 405,000	223,938
2013	415,000	213,663
2014	430,000	200,988
2015	440,000	185,738
2016	445,000	168,038
2017-2021	2,330,000	556,175
2022-2024	<u>1,470,000</u>	<u>90,416</u>
	\$ <u><u>5,935,000</u></u>	<u><u>1,638,956</u></u>

(4) Bond Anticipation Notes

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally such notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid or retired. Legal installments must continue to be paid if the notes are to be renewed beyond the third anniversary date of the original issuance.

At December 31, 2011 and 2010, the Borough had outstanding bond anticipation notes as follows:

	<u>2011</u>	<u>2010</u>
Water Utility Capital Fund	\$ 536,000	594,000
General Capital Fund	6,525,000	7,021,000

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2011

(5) Fund Balances Appropriated

Fund balances appropriated and included as anticipated revenue in the 2011 budgets are as follows:

		<u>2012</u>	<u>2011</u>
Current Fund	\$	750,000	1,657,000
Water Utility Operating Fund		—	—
Sewer Utility Operating Fund		124,980	229,500

(6) Deferred Charges to be Raised in Succeeding Budgets

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2011, the Borough Current Fund had the following deferred charges to be raised in the 2012 or subsequent budgets.

	Balance, Dec. 31, <u>2011</u>	2012 Budget <u>Appropriation</u>
Current Fund:		
Special emergencies	\$35,000	7,000
Emergency	5,000	5,000
Water Utility Operating Deficit	84,056	84,056

(7) Accrued Sick and Vacation Benefits

The Borough permits employees to accrue unused vacation pay, which may be taken as time off or paid at a later date upon absence. It is estimated that the current cost of such unpaid compensation approximates \$422,593 and \$114,707 for the years ended December 31, 2010 and 2011 respectively.. This amount, in accordance with state accounting requirements, is not reported either as an expenditure or liability.

(8) Contingencies

Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2011. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. Funding of any ultimate liability would be provided for in succeeding years' budgets or through a refunding bond ordinance which would allow the Borough to fund these liabilities over a number of years.

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

The Borough participates in numerous Federal and State of New Jersey grant programs which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the Borough has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at December 31, 2011 may be impaired. In the opinion of the Borough, there are no significant contingent liabilities relating to

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2011

compliance with rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

(9) Risk Retention Program

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

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

(10) Fixed Assets

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

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

The Borough's fixed assets are summarized as follows:

	<u>Balance</u> <u>Dec 31, 2010</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
General Fixed Assets:				
Land and buildings	\$ 4,442,060	—	—	4,442,060
Buildings	12,661,546	—	—	12,661,546
Vehicular equipment	790,562	—	—	790,562
General equipment	3,445,770	—	—	3,445,770
	<u>21,339,938</u>	<u>—</u>	<u>—</u>	<u>21,339,938</u>
Water Utility:				
Steel water tank	109,773	—	—	109,773
Pumping station	61,032	—	—	61,032
Distribution mains	212,036	—	—	212,036
Meters	10,784	—	—	10,784
General equipment	5,549	—	—	5,549
	<u>399,174</u>	<u>—</u>	<u>—</u>	<u>399,174</u>

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2011

	Balance			Balance
	Dec 31, 2009	Additions	Dispositions	Dec. 31, 2010
General Fixed Assets:				
Land and buildings	\$ 4,442,060	—	—	4,442,060
Buildings	1,856,861	10,804,685	—	12,661,546
Vehicular equipment	665,227	125,335	—	790,562
General equipment	2,366,419	1,079,351	—	3,445,770
Const. in Progress	11,918,811	—	11,918,811	—
	<u>21,249,378</u>	<u>12,009,371</u>	<u>11,918,811</u>	<u>21,339,938</u>
Water Utility:				
Steel water tank	109,773	—	—	109,773
Pumping station	61,032	—	—	61,032
Distribution mains	212,036	—	—	212,036
Meters	10,784	—	—	10,784
General equipment	5,549	—	—	5,549
	<u>399,174</u>	<u>—</u>	<u>—</u>	<u>399,174</u>

(11) Interfund Balances

The Borough has interfund balances at December 31, 2011 and 2010 as follows:

	2011		2010	
	Due From	Due To	Due From	Due To
Current Fund:				
Other Trust Fund	\$ 47,604		\$ 1,449	61,500
Public Assistance	2,106		2,106	
Federal and State Grant Fund		112,192		91,532
General Capital Fund	170,756		4,469	
Water Operating Fund	16,418		1,070	
Federal and State Grant Fund:				
Current Fund			91,532	
Other Trust Fund				
Current Fund		47,604	61,500	1,449
General Capital Fund:				
Current Fund		170,756		4,469
Water Utility Operating Fund:				
Current Fund		16,418		1,070
Sewer Utility Operating Fund	2,474			
Sewer Utility Operating Fund:				
Water Utility Operating Fund		2,474		
Public Assistance Fund:				
Current Fund		2,106		2,106

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2011

(12) Cash

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

Deposits

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

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

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

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

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

GASB Statement No. 40, Deposit and Investment Risk Disclosures, requires disclosure of bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, the Borough will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party. As of December 31, 2011 the Borough's bank deposits are insured or covered by the State's Government Unit Deposit Protection Act.

(13) Taxes Receivable, Tax Title Liens

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

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

(14) Post Employment Healthcare Plan

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

BOROUGH OF KINNELON

Notes to Financial Statements

December 31, 2011

(15) Green Acres Loan

The Borough received a 1989 Green Trust Loan in 2003 payable in semi-annual installments from March 23, 2003 through September 23, 2014. Loan debt service requirements at December 31, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>
2012	\$ 66,231	3,725
2013	67,563	2,394
2014	68,921	1,036
	<u>\$ 202,715</u>	<u>7,155</u>

ADDITIONAL FINANCIAL INFORMATION

BOROUGH OF KINNELON

Schedule of Cash - Treasurer

Current Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ <u>2,906,904</u>
Increased by receipts:	
Collector of taxes	46,451,547
Revenue accounts receivable	1,204,791
Miscellaneous revenue not anticipated	114,027
Due from State of New Jersey	79,000
Due to Grant Fund - appropriated grants received	97,102
Due to Grant Fund - unappropriated grants received	9,509
Unappropriated reserves	173,696
Various reserves	9,784
Due to Trust Other	96,800
Due from General Capital Fund	50,000
Electric liens redeemed	8,596
	<u>48,294,852</u>
	<u>51,201,756</u>
Decreased by disbursements:	
Budget appropriations	9,756,922
Appropriation reserves	361,295
Local district school taxes	32,852,998
County taxes	5,378,071
Municipal open space tax	81,581
Due County for added taxes	6,296
Due from Other Trust Funds	18,119
Due from General Capital Fund	216,087
Various reserves	8,525
Grant expenditures	85,981
Electric liens returned	1,102
Unallocated disbursement	5,180
Tax overpayment refunds	75,293
Refund of prior year revenue	<u>17,250</u>
	<u>48,864,700</u>
Balance, December 31, 2011	\$ <u><u>2,337,056</u></u>

BOROUGH OF KINNELON

Schedule of Cash - Tax Collector

Current Fund

Year ended December 31, 2011

Receipts:

Taxes receivable	\$ 46,140,287
Tax overpayments	3,814
Prepaid taxes	247,024
Tax title liens receivable	<u>60,422</u>
Decreased by deposit in Treasurer's account	<u><u>\$ 46,451,547</u></u>

BOROUGH OF KINNELON

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

Current Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ <u>5,592</u>
Increased by:	
Senior Citizens' deductions per duplicate	10,000
Veterans' deductions per duplicate	68,250
Senior Citizens' deductions allowed by tax collector	<u>1,500</u>
	<u>79,750</u>
	<u>85,342</u>
Decreased by:	
Cash received	79,000
Senior Citizens' and Veterans' deductions disallowed	<u>250</u>
	<u>79,250</u>
Balance, December 31, 2011	\$ <u><u>6,092</u></u>

BOROUGH OF KINNELON

Schedule of Taxes Receivable

Current Fund

Year ended December 31, 2011

Year	Balance, Dec. 31, 2010	2011 levy	Added Taxes	Cash collections		Transferred to tax title liens	Cancelled	Balance, Dec. 31, 2011
				2010	2011			
2010	\$ 618,481		—	—	579,759	2,025	34,890	1,807
	618,481	—	—	—	579,759	2,025	34,890	1,807
2011	—	46,878,691	54,450	177,869	45,640,028	78,667	451,409	585,168
	\$ 618,481	46,878,691	54,450	177,869	46,219,787	80,692	486,299	586,975
					\$ 79,500			
					46,140,287			
					\$ 46,219,787			

Senior Citizens' and Veterans' deductions
Cash

Analysis of Property Tax Levy

Tax yield:

General purpose tax	\$ 46,878,691
Added and omitted taxes	54,450
	<u>\$ 46,933,141</u>

Tax levy:

County taxes	\$ 4,978,693
County Open Space	399,378
Local district school taxes	32,852,998
Due County for added taxes	6,296
Library Tax	771,503
Local tax for municipal purposes	7,813,440
Municipal open space	81,697
Additional taxes levied	29,136
	<u>\$ 46,933,141</u>

BOROUGH OF KINNELON

Schedule of Tax Title Liens

Current Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ <u>829,997</u>
Increased by:	
Transferred from prior year taxes	2,025
Transferred from current taxes receivable	<u>78,667</u>
	<u>80,692</u>
	910,689
Decreased by:	
Cash received	<u>60,422</u>
Balance, December 31, 2011	\$ <u><u>850,267</u></u>

BOROUGH OF KINNELON

Schedule of Revenue Accounts Receivable

Current Fund

Year ended December 31, 2011

	Balance, Dec. 31, 2010	Accrued in 2011	Collected by Treasurer	Balance, Dec. 31, 2011
Clerk:				
Alcoholic beverage license	\$ —	2,389	2,389	—
Fees and permits	—	40,575	40,575	—
Fines and costs - municipal court	11,441	110,664	116,220	5,885
Interest and costs on taxes	—	145,818	145,818	—
Consolidated Municipal Property Tax Relief	—	15,639	15,639	—
Energy Receipts Tax (P.L. 1999, Ch 162 & 167)	—	542,355	542,355	—
Garden State Trust Fund	—	173,696	173,696	—
Uniform construction code official	—	188,606	188,606	—
Watershed Moratorium Offset Aid	—	45,261	45,261	—
Watershed Moratorium Offset Aid - reserve	—	45,261	45,261	—
Utility Operating Surplus of Prior Year	—	20,000	20,000	—
General Capital Surplus	—	50,000	50,000	—
Cable television franchise fee	—	37,928	37,928	—
	<u>\$ 11,441</u>	<u>1,380,264</u>	<u>1,423,748</u>	<u>5,885</u>
Cash			\$ 1,204,791	
Unappropriated reserves			<u>218,957</u>	
			<u>\$ 1,423,748</u>	

BOROUGH OF KINNELON

Schedule of Appropriation Reserves

Current Fund

Year ended December 31, 2011

	Balance Dec. 31, 2010	Transfer of encum- brances	Transfers	Balance after transfers	Paid or charged	Unexpended balances lapsed
Salaries and wages:						
Municipal clerk	\$ 1,068	—	—	1,068	—	1,068
Financial administration	32,082	—	—	32,082	—	32,082
Collection of taxes	10,677	—	—	10,677	—	10,677
Assessment of taxes	1,456	—	—	1,456	—	1,456
Historical commission	620	—	—	620	60	560
Board of adjustment	355	—	—	355	—	355
Police	379	—	—	379	269	110
Police dispatching	2,673	—	—	2,673	1,800	873
Emergency management services	1,623	—	—	1,623	—	1,623
Department of public works	10,148	—	15,000	25,148	22,892	2,256
Board of health	543	—	—	543	—	543
Recreation	596	—	—	596	—	596
Code enforcement	599	—	—	599	—	599
Municipal court	3,752	—	—	3,752	—	3,752
Other expenses:						
General administration	395	20,430	—	20,825	5,256	15,569
Mayor and Council	4	—	—	4	—	4
Municipal Clerk	96	149	—	245	149	96
Financial administration	71	—	—	71	—	71
Auditing	—	27,500	—	27,500	27,500	—
Collection of taxes	209	390	—	599	584	15
Assessment of taxes	260	1,971	—	2,231	1,932	299
Legal services and costs	8,854	22,785	—	31,639	14,635	17,004
Historical Commission	299	2,561	—	2,860	619	2,241
Planning Board	545	—	—	545	187	358
Board of Adjustment	63	1,527	—	1,590	778	812
Insurance:						
General liability	2,916	—	—	2,916	—	2,916
Worker compensation insurance	331	—	—	331	—	331
Employee group health	7,308	—	—	7,308	—	7,308
Unemployment compensation	890	—	—	890	200	690
Police	684	12,183	—	12,867	12,252	615
Police Dispatching	67	—	—	67	—	67
Emergency management services	125	—	—	125	—	125
Aid to volunteer fire companies	110	1,808	5,000	6,918	3,516	3,402
Aid to Tri-Boro ambulance	4,166	—	6,000	10,166	9,684	482
Fire Department	241	3,656	—	3,897	3,656	241
Municipal prosecutor	900	—	—	900	—	900
Department of Public Works:	31,163	16,832	(10,000)	37,995	23,652	14,343
Solid waste	5,531	74,730	—	80,261	76,555	3,706
Public buildings and grounds	10,123	3,726	(6,000)	7,849	3,575	4,274
Vehicle maintenance	5,955	8,371	—	14,326	12,251	2,075
Board of health	452	1,276	—	1,728	1,497	231
Smoke Rise condo fees	11,728	—	—	11,728	—	11,728
Environmental commission	2,026	—	—	2,026	1,997	29
Animal control	558	698	—	1,256	1,185	71
Senior citizen transportation	2,757	2,953	—	5,710	4,437	1,273
Board of recreation commission (40:12-1.8)	227	—	—	227	171	56
Uniform Construction Code						
Construction code	20	—	4,000	4,020	3,973	47
Utilities:						
Electricity	1,817	5,113	—	6,930	5,591	1,339
Street lighting	7,912	—	3,500	11,412	10,533	879
Telephone	3,811	1,192	—	5,003	2,748	2,255
Natural gas	3,838	1,961	—	5,799	1,752	4,047

(Continued)

BOROUGH OF KINNELON

Schedule of Appropriation Reserves

Current Fund

Year ended December 31, 2011

	Balance Dec. 31, 2010	Transfer of encum- brances	Transfers	Balance after transfers	Paid or charged	Unexpended balances lapsed
Fuel oil	1,201	1,345	—	2,546	1,778	768
Gasoline	\$ 5,114	11,284	—	16,398	15,818	580
Landfill tipping fees	54,311	26,975	(17,500)	63,786	59,885	3,901
Municipal court	574	247	—	821	790	31
Social security	4,934	—	—	4,934	1,914	3,020
Library	24,824	55	—	24,879	24,879	—
Storm water management	3,270	—	—	3,270	345	2,925
	<u>\$ 277,251</u>	<u>251,718</u>	<u>—</u>	<u>528,969</u>	<u>361,295</u>	<u>167,674</u>

BOROUGH OF KINNELON

Schedule of Unappropriated Reserves

Current Fund

Year ended December 31, 2011

	Balance Dec. 31, 2010	Increased by cash received	Decreased	Balance Dec. 31, 2011
Garden State Trust	\$ 173,696	173,696	173,696	173,696
Watershed Moratorium Off Set Aid	<u>45,261</u>	<u>—</u>	<u>45,261</u>	<u>—</u>
	<u>\$ 218,957</u>	<u>173,696</u>	<u>218,957</u>	<u>173,696</u>
			\$ 218,957	
			<u>—</u>	
			<u>\$ 218,957</u>	

BOROUGH OF KINNELON

Schedule of Local District School
Taxes Payable

Current Fund

Year ended December 31, 2011

Balance, December 31, 2010 (prepaid)	\$ (250)
Increased by tax levy	<u>32,852,998</u>
	32,852,748
Decreased by payments	<u>32,852,998</u>
Balance, December 31, 2011 (prepaid)	<u><u>\$ (250)</u></u>

BOROUGH OF KINNELON

Schedule of County Taxes Payable

Current Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ <u> —</u>
Increased by:	
Increased by County tax levy	4,978,693
County Open Space Preservation	<u> 399,378</u>
	<u>5,378,071</u>
	5,378,071
Decreased by:	
Payments	<u>5,378,071</u>
Balance, December 31, 2011	\$ <u><u> —</u></u>

BOROUGH OF KINNELON

Schedule of Due County for Added
and Omitted Taxes

Current Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$	—
Increased by added taxes		<u>6,296</u>
		6,296
Decreased by payments		<u>6,296</u>
Balance, December 31, 2011	\$	<u><u>—</u></u>

BOROUGH OF KINNELON

Schedule of Encumbrances Payable

Current Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ 251,718
Increased by budget encumbrances	<u>234,851</u>
	486,569
Decreased by:	
Transfer to Appropriation Reserves	<u>251,718</u>
Balance, December 31, 2011	<u><u>\$ 234,851</u></u>

BOROUGH OF KINNELON

Schedule of Tax Overpayments

Current Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ 100,392
Increased by cash receipts	<u>3,814</u>
	<u>104,206</u>
Decreased by:	
Cash disbursed	<u>75,293</u>
	<u>75,293</u>
Balance, December 31, 2011	<u><u>\$ 28,913</u></u>

BOROUGH OF KINNELON

Schedule of Prepaid Taxes

Current Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ 177,869
Increased by cash receipts	<u>247,024</u>
	424,893
Decreased by transfer to taxes receivable	<u>177,869</u>
Balance, December 31, 2011	<u><u>\$ 247,024</u></u>

BOROUGH OF KINNELON

Schedule of Election Liens Redeemed

Current Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$	—
Increased by cash receipts		<u>8,596</u>
		8,596
Disbursed		<u>1,102</u>
Balance, December 31, 2011	\$	<u><u>7,494</u></u>

BOROUGH OF KINNELON

Schedule of Reserve for Tax Appeals

Current Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ <u>3,799</u>
Balance, December 31, 2011	\$ <u>3,799</u>

BOROUGH OF KINNELON

Schedule of Various Reserves

Current Fund

Year ended December 31, 2011

	<u>Construction Code Fees</u>	<u>Assault Weapon Fees</u>	<u>Marriage Lic. and Domestic Partnership</u>	<u>Totals</u>
Balance, December 31, 2010	\$ 3,759	40	445	4,244
Increased by:				
Cash receipts	<u>9,109</u>	<u>—</u>	<u>675</u>	<u>9,784</u>
	12,868	40	1,120	14,028
Decreased by:				
Cash disbursed	<u>8,050</u>	<u>—</u>	<u>475</u>	<u>8,525</u>
Balance, December 31, 2011	<u>\$ 4,818</u>	<u>40</u>	<u>645</u>	<u>5,503</u>

BOROUGH OF KINNELON

Schedule of Interfunds

Current Fund

Year ended December 31, 2011

	<u>Other Trust</u>	<u>Other Trust</u>	<u>General Capital</u>	<u>Water Utility Operating</u>	<u>Federal and State Grant</u>	<u>Public Assistance</u>
Balance, December 31, 2010, due from (to)	\$ (61,500)	1,449	4,469	1,070	(91,532)	2,106
Increased by:						
Cash disbursed	—	18,119	216,087	—	—	—
Statutory excess	—	—	—	15,348	—	—
Open space added taxes	(115)	—	—	—	—	—
Grant expenditures paid by Current Fund	—	—	—	—	85,981	—
	<u>(115)</u>	<u>18,119</u>	<u>216,087</u>	<u>15,348</u>	<u>85,981</u>	<u>—</u>
	<u>(61,615)</u>	<u>19,568</u>	<u>220,556</u>	<u>16,418</u>	<u>(5,551)</u>	<u>2,106</u>
Decreased by:						
Cash receipts	96,800	—	50,000	—	—	—
Unappropriated grants received deposited in Current Fund	—	—	—	—	9,509	—
Grant receipts deposited in Current Fund	—	—	—	—	97,102	—
	<u>96,800</u>	<u>—</u>	<u>50,000</u>	<u>—</u>	<u>106,611</u>	<u>—</u>
Balance, December 31, 2011, due from (to)	\$ <u><u>(158,415)</u></u>	<u><u>19,568</u></u>	<u><u>170,556</u></u>	<u><u>16,418</u></u>	<u><u>(112,162)</u></u>	<u><u>2,106</u></u>
Planning Board		\$ 1,000				
Community policing		17,119				
Escrow		<u>1,449</u>				
		<u>\$ 19,568</u>				
Tax Sale premiums	\$ 158,300					
Open Space	<u>115</u>					
	<u>\$ 158,415</u>					

BOROUGH OF KINNELON

Schedule of Grants Receivable

Federal and State Grant Fund

Year ended December 31, 2011

	Balance, Dec. 31, 2010	Awarded in 2011	Received	Balance, Dec. 31, 2011
Charlotteburg Dam & Reservoir	\$ 56,700	—	54,575	2,125
Highlands Water Protection: Initial Plan Assessment	5,310	—	2,916	2,394
Highlands Water Protection: 2009 Plan Conformance	11,509	—	11,509	—
NJ Body Armor Fund	—	1,778	1,778	—
Drunk Driving Enforcement Fund	—	4,288	4,288	—
Clean Communities Programs	—	17,119	17,119	—
Alcohol Education and Rehabilitation Act	—	917	917	—
Historical Commission	3,000	—	—	3,000
SHARE Grant	342	—	—	342
United States Department of Transportation (NJ Division of Highway Safety) Pass through - Click It or Ticket	600	4,000	4,000	600
Bicycle Unit Grant	7,695	—	—	7,695
	<u>\$ 85,156</u>	<u>28,102</u>	<u>97,102</u>	<u>16,156</u>
			\$ 97,102	
Due from Current Fund			—	
Transferred from unappropriated reserves			<u>97,102</u>	

BOROUGH OF KINNELON

Schedule of Appropriated Reserves

Federal and State Grant Fund

Year ended December 31, 2011

	Balance, Dec. 31, 2010	Transferred from Encumbrances	Transferred from budget	Expended	Encumbered	Balance, Dec. 31, 2011
Drunk Driving Enforcement Fund	\$ 1,022	212	4,288	2,221	421	2,880
Municipal Alcohol Education Rehabilitation Act	1,503	—	917	1,460	—	960
Domestic Violence	300	—	—	—	—	300
Storm water	16,338	—	—	5,873	—	10,465
Recycling Tonnage Grant	25,136	1,075	—	4,022	—	22,189
Charoltteburg Dam	3,045	31,640	—	34,685	—	—
Bicycle Unit	4,576	—	—	—	—	4,576
Community policing Donations	65	—	—	—	—	65
Historical Commission	3,000	—	—	—	—	3,000
Motorcycle unit	680	—	—	—	—	680
NJ Clean Communities Grant	—	1,750	17,119	8,034	—	10,835
NJ Dept. L&PS:						
Body Armor Fund	4,609	—	1,778	3,561	792	2,034
United States Department of Transportation (NJ Division of Highway						
Safety) Pass Through - Click It Or Ticket	8,000	—	4,000	4,000	—	8,000
Keep Kids Alive	34,517	—	—	—	—	34,517
NJ Highlands 2009 Conformance	15,944	8,125	—	22,125	—	1,944
NJ Highlands Initial Assessment	15,000	—	—	—	—	15,000
	<u>\$ 133,735</u>	<u>42,802</u>	<u>28,102</u>	<u>85,981</u>	<u>1,213</u>	<u>117,445</u>
Due to Current Fund				\$ <u>85,981</u>		
				<u>\$ 85,981</u>		

BOROUGH OF KINNELON

Schedule of Unappropriated Reserves

Federal and State Grant Fund

Year ended December 31, 2011

	Balance, Dec. 31, 2010	Received	Balance, Dec. 31, 2011
State:			
Recycling tonnage grant	\$ —	9,509	9,509
Body Armor Fund	151	—	151
	<u>\$ 151</u>	<u>9,509</u>	<u>9,660</u>
		<u>\$ 9,509</u>	

BOROUGH OF KINNELON

Schedule of Foreclosed Property

Current Fund

Year ended December 31, 2011

Balance, December 31, 2011 and 2010	\$ <u>32,150</u>
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BOROUGH OF KINNELON

Schedule of Encumbrances Payable

Federal and State Grant Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ 42,802
Increased by encumbrances authorized	<u>1,213</u>
	44,015
Decreased by:	
Transfer to appropriated Reserve	<u>42,802</u>
Balance, December 31, 2011	<u><u>\$ 1,213</u></u>

BOROUGH OF KINNELON

Schedule of Cash - Treasurer

Trust Funds

Year ended December 31, 2011

	Dog License Fund	Other Trust Funds
	<u> </u>	<u> </u>
Balance, December 31, 2010	\$ 2,224	2,506,961
Increased by receipts:		
Dog license fees	12,354	—
Due to State of New Jersey	2,474	—
Prepaid License fees	2,492	—
Due from Current Fund	—	50,053
Special deposits	—	2,804,489
Interest	—	4,704
	<u>17,320</u>	<u>2,859,246</u>
	<u>19,544</u>	<u>5,366,207</u>
Decreased by disbursements:		
Payments to State of New Jersey	2,711	—
Dog license expenditures	12,554	—
Due to Current Fund	—	1,450
Special deposit - disbursements	—	3,627,799
	<u>15,265</u>	<u>3,629,249</u>
Balance, December 31, 2011	<u>\$ 4,279</u>	<u>1,736,958</u>

BOROUGH OF KINNELON

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

Trust Funds

Year ended December 31, 2011

Balance, December 31, 2010	\$	<u>28</u>
Increased by:		
Licenses and fees		12,354
Prepaid licenses realized		<u>1,827</u>
		<u>14,181</u>
		<u>14,209</u>
Decreased by:		
Other disbursements		<u>12,554</u>
Balance, December 31, 2011	\$	<u><u>1,655</u></u>
2009 license revenue	\$	7,834
2010 license revenue		<u>12,973</u>
	\$	<u><u>20,807</u></u>

BOROUGH OF KINNELON

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

Trust Funds

Year ended December 31, 2011

Balance, December 31, 2010	\$	369
Increased by cash collected		<u>2,474</u>
		2,843
Decreased by cash disbursed		<u>2,711</u>
Balance, December 31, 2011	\$	<u><u>132</u></u>

BOROUGH OF KINNELON

Schedule of Reserve for Special Deposits -
Other Trust Funds

Trust Funds

Year ended December 31, 2011

	Total	Special Recreation Expenditures	Historical Commission	Planning Board Inspection Fees	Special Deposits	Community Policing Donation	Open Space	Accumulated Absences	Parking Offenses Adjudication Act
Balance, December 31, 2010	\$ 2,567,011	71,535	9,815	96,096	855,797	101	1,258,796	73,397	718
Increased by:									
Fees and Deposits	2,804,489	219,085	—	35,798	1,736	10,307	2,295,332	35,000	125
Interest Earned	4,704	237	27	1,055	—	6	2,785	138	2
Received in Current Fund	96,915	—	—	—	—	—	115	—	—
	<u>2,906,108</u>	<u>219,322</u>	<u>27</u>	<u>36,853</u>	<u>1,736</u>	<u>10,313</u>	<u>2,298,232</u>	<u>35,138</u>	<u>127</u>
	5,473,119	290,857	9,842	132,949 1,000	857,533	10,414	3,557,028	108,535	845
Decreased by:									
Cash disbursements	3,627,799	202,072	700	41,383	306,285	—	2,855,458	47,630	—
	<u>3,627,799</u>	<u>202,072</u>	<u>700</u>	<u>41,383</u>	<u>306,285</u>	<u>—</u>	<u>2,855,458</u>	<u>47,630</u>	<u>—</u>
Balance, December 31, 2011	\$ <u><u>1,845,320</u></u>	<u><u>88,785</u></u>	<u><u>9,142</u></u>	<u><u>91,566</u></u>	<u><u>551,248</u></u>	<u><u>10,414</u></u>	<u><u>701,570</u></u>	<u><u>60,905</u></u>	<u><u>845</u></u>

(Continued)

BOROUGH OF KINNELON

Schedule of Reserve for Special Deposits -
Other Trust Funds

Trust Funds

Year ended December 31, 2011

	<u>Recycling</u>	<u>Special Law Enforcement</u>	<u>Uniform Fire Safety Act</u>	<u>Municipal Alliance</u>	<u>Tax Sale Premium</u>	<u>Clerk Special</u>	<u>K-Fest</u>	<u>Police Outside Detail</u>
Balance, December 31, 2010	\$ 42,538	2,193	20,455	6,891	63,600	52,149	—	12,930
Increased by:								
Fees and Deposits	32,089	560	14,075	17,872	5	10,426	5,000	127,079
Interest Earned	169	6	81	27	6	162	3	—
Received in Current Fund	—	—	—	—	96,800	—	—	—
	<u>32,258</u>	<u>566</u>	<u>14,156</u>	<u>17,899</u>	<u>96,811</u>	<u>10,588</u>	<u>5,003</u>	<u>127,079</u>
	74,796	2,759	34,611	24,790	160,411	62,737	5,003	140,009
			30,000					
Decreased by:								
Cash disbursements	<u>7,445</u>	<u>600</u>	<u>30,000</u>	<u>13,539</u>	<u>—</u>	<u>1,150</u>	<u>2,452</u>	<u>119,085</u>
	<u>7,445</u>	<u>600</u>	<u>30,000</u>	<u>13,539</u>	<u>—</u>	<u>1,150</u>	<u>2,452</u>	<u>119,085</u>
Balance, December 31, 2011	<u>\$ 67,351</u>	<u>2,159</u>	<u>4,611</u>	<u>11,251</u>	<u>160,411</u>	<u>61,587</u>	<u>2,551</u>	<u>20,924</u>

BOROUGH OF KINNELON

Schedule of Interfund Accounts Payable
Other Trust Fund

Trust Funds

Year ended December 31, 2011

Balance, December 31, 2010	\$ <u>1,450</u>
Increased by:	
Budget appropriation	30,000
Cash received from Current Fund	<u>20,053</u>
	<u>50,053</u>
	51,503
Decreased by cash disbursements	<u>1,450</u>
Balance, December 31, 2011	\$ <u><u>50,053</u></u>
<u>Anaysis of Balance</u>	
Community Policing Fund	17,604
Uniform Fire Safety	30,000
Special Deposits	1,449
Panning Board Inspection	1,000
Planning board escrow	<u>—</u>
	\$ <u><u>50,053</u></u>

BOROUGH OF KINNELON

Schedule of Prepaid Licenses
Dog License Fund

Trust Funds

Year ended December 31, 2010

Balance, December 31, 2010	\$	1,827
Increased by received		<u>2,492</u>
		4,319
Decreased by applied		<u>1,827</u>
Balance, December 31, 2011	\$	<u><u>2,492</u></u>

BOROUGH OF KINNELON

Schedule of Due from Current

Trust Funds

Year ended December 31, 2011

	Trust Other Fund
	<u> </u>
Balance, December 31, 2010, Due to	\$ 61,500
Increased by:	
Cash received in Current Fund	<u>96,915</u>
Balance, December 31, 2011, Due to	<u><u>158,415</u></u>
<u>Anaylsis of Balance</u>	
Tax Sale Premium	158,300
Open Space Trust Fund	<u>115</u>
	<u><u>158,415</u></u>

BOROUGH OF KINNELON

Schedule of Cash - Treasurer

General Capital Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ <u>1,917,909</u>
Increased by receipts:	
Due to Current Fund	166,087
Premium on sale of notes	12,441
Capital improvement fund	60,000
Escrow refund	<u>13,546</u>
	<u>252,074</u>
	<u>2,169,983</u>
Decreased by disbursements:	
Payment of notes	48,799
Due to Current Fund	50,000
Improvement authorizations	<u>1,106,878</u>
	<u>1,205,677</u>
Balance, December 31, 2011	\$ <u><u>964,306</u></u>

BOROUGH OF KINNELON

Schedule of Analysis of General Capital Cash

General Capital Fund

December 31, 2011

Encumbrances payable	\$ 213,777
Due to Current Fund	170,556
Reserve for housing rehabilitation	9,350
Reserve for payment of debt	17,701
Capital Improvement Fund	26,750
Fund balance	15,896

Improvement Authorizations:

<u>Ordinance number</u>	<u>Improvement description</u>	
7-99/4-00	Improvement of Fayson Lake Road	(17,409)
18-00	Improvement of Municipal Complex	15,415
1-01	Improvement of Kakeout Road	(11,750)
11-02	Improvement of Various Roads	(47,236)
1-03	Imp. Chilhowie Drive	(4,224)
6-03	Acquisition of Land	(109)
10-03	Construction of New Bike Path	(421)
13-04/18-05	Construction of Recreation Fields	1,438
6-06	Rehab of Lake Rickabear Dam	12,345
19-05/3-06	Imp. Of Forestdale Rd. and eric Drive	25,286
4-07/11-09	Improvement of Kiel Ave,	85,781
9-08	Various Improvements of 2008	113,425
10-09	Various Improvements of 2009	85,682
18-09	Acquisition of Fire Truck	60,649
19-09	Recondition of Fire Rescue Truck	14,019
6-10	Imp. of Brookvalley Road	122,391
9-10/15-11	Construction of New Firehouse	39,464
12-10	Various Improvements 2010	112,558
02-11	Imp. Cutlass Rd.	(10,000)
11-11	Var. Improvements	(93,006)
13-11	Various road improvements	(64,022)
16-11	Various road improvements	70,000
		<u>\$ 964,306</u>

BOROUGH OF KINNELON

Schedule of Amount Due to Current Fund

General Capital Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ <u>4,469</u>
Increased by:	
Interfund transfer	166,087
Fund balance anticipated	<u>50,000</u>
	<u>216,087</u>
	<u>220,556</u>
Decreased by:	
Transferred to Current Fund	<u>50,000</u>
	<u>50,000</u>
Balance, December 31, 2011 (Due To)	\$ <u><u>170,556</u></u>

BOROUGH OF KINNELON

Schedule of Deferred Charges to
Future Taxation Funded

General Capital Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ <u>6,597,641</u>
Decreased By:	
Bonds paid	395,000
Loan Paid	<u>64,926</u>
	<u>459,926</u>
Balance, December 31, 2011	\$ <u><u>6,137,715</u></u>

BOROUGH OF KINNELON
 Schedule of Deferred Charges to Future Taxation - Unfunded
 General Capital Fund
 Year ended December 31, 2011

Ordinance number	Description	Balance, Dec. 31, 2010	Authorizations	Notes paid	Cancelled/ Reauthorized	Balance, Dec. 31, 2011	Analysis of balance		
							Bond anticipation notes	Expended	Unexpended balance of improvement authorizations
7-99/4-00	Improvement of Fayson Lake Road	\$ 26,809	—	3,200	—	23,609	6,200	17,409	—
1-01	Improvement of Kakeout Road	11,750	—	—	—	11,750	—	11,750	—
13-01	Acq. New Fire Apparatus	82,000	—	41,000	—	41,000	41,000	—	—
8-02	Acq. Of Police and DPW Equipment	42,500	—	29,500	—	13,000	13,000	—	—
11-02	Improvement of Various Roads	58,736	—	3,500	—	55,236	8,000	47,236	—
13-02	Imp. Municipal Complex HVAC	140,000	—	47,000	—	93,000	93,000	—	—
1-03	Imp. Chilhowie Drive	33,224	—	6,000	—	27,224	23,000	4,224	—
6-03	Acquisition of Land	26,109	—	6,000	—	20,109	20,000	109	—
10-03	Construction of New Bike Path	14,921	—	3,500	—	11,421	11,000	421	—
13-03	Various Road Improvements	60,000	—	15,000	—	45,000	45,000	—	—
14-03	Acq. of New and Additional equipment	70,000	—	18,000	—	52,000	52,000	—	—
20-03	Construction of Recreation Fields	1,150,820	—	60,000	—	1,090,820	1,090,820	—	—
9-04	Construction of Salt Storage Facility	204,700	—	10,000	—	194,700	194,700	—	—
10-04	Various Road Improvements	75,000	—	19,000	—	56,000	56,000	—	—
11-04	Various Road Improvements	56,000	—	14,000	—	42,000	42,000	—	—
13-04/18-05	Construction of Recreation Fields	265,380	—	9,500	—	255,880	255,880	—	—
4-05	Acq. Of Various equipment	318,000	—	55,000	—	263,000	263,000	—	—
19-05/3-06	Imp. Of Forestdale Rd. and Eric Drive	280,800	—	38,300	—	242,500	242,500	—	—
1-06	Acq. Of Communication Equipment	71,400	—	—	—	71,400	71,400	—	—
6-06	Rehab of Lake Rickabear Dam	250,000	—	—	—	250,000	—	—	250,000
13-06	Various Improvements of 2006	217,000	—	31,000	—	186,000	186,000	—	—
14-06	Various Road Improvements	114,000	—	17,600	—	96,400	96,400	—	—
4-07/11-09	Improvement of Kiel Ave.	791,654	—	23,100	—	768,554	502,900	—	265,654
10-07A	Various Improvements of 2007	578,800	—	34,700	48,799	495,301	544,100	—	(48,799)
9-08	Various Improvements of 2008	856,900	—	11,000	(70,000)	775,900	775,900	—	—
10-09	Various Improvements of 2009	420,850	—	—	—	420,850	420,800	—	50
18-09	Acquisition of Fire Truck	457,000	—	—	—	457,000	457,000	—	—
19-09	Recondition of Fire Rescue Truck	285,000	—	—	—	285,000	285,000	—	—
6-10	Imp. of Brookvalley Road	320,750	—	—	—	320,750	252,000	—	68,750
9-10/15-11	Construction of New Firehouse	857,000	333,000	—	—	1,190,000	—	—	1,190,000
12-10	Various Improvements 2010	513,000	—	—	(105,000)	408,000	406,600	—	1,400
02-11	Imp. Cutlass Rd.	—	452,000	—	—	452,000	—	10,000	442,000
11-11	Var. Improvements	—	152,000	—	—	152,000	—	93,006	58,994
16-11	Reconstruct Forge Rd.	—	1,330,000	—	—	1,330,000	—	—	1,330,000
13-11	Various road improvements	—	—	—	175,000	175,000	70,000	64,022	40,978
		<u>\$ 8,650,103</u>	<u>2,267,000</u>	<u>495,900</u>	<u>48,799</u>	<u>10,372,404</u>	<u>6,525,200</u>	<u>248,177</u>	<u>3,599,027</u>
									Improvement authorizations unfunded \$ 4,269,055
									Less - Unexpended note proceeds:
									Ordinance 13-04/18-05 1,438
									Ordinance 19-05/3-06 25,286
									Ordinance 4-07/11-09 85,781
									Ordinance 10-07A Excess Borrowed 48,799
									Ordinance 9-08 113,425
									Ordinance 10-09 85,682
									Ordinance 18-09 60,649
									Ordinance 19-09 14,019
									Ordinance 6-10 122,391
									Ordinance 12-10 112,558
									<u>670,028</u>
									\$ <u>3,599,027</u>

BOROUGH OF KINNELON

Schedule of Capital Improvement Fund

General Capital Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ 74,750
Increased by:	
Budget appropriation	<u>60,000</u>
	134,750
Decreased by appropriated to finance improvement authorizations	<u>108,000</u>
Balance, December 31, 2011	<u><u>\$ 26,750</u></u>

BOROUGH OF KINNELON

Schedule of Improvement Authorizations

General Capital Fund

Year ended December 31, 2011

Ordinance number	Improvement description	Ordinance Original Amount	Balance, December 31, 2010		Authorizations	Expended	Authorizations Canceled	Balance, December 31, 2011	
			Funded	Unfunded				Funded	Unfunded
18-00	Improvement of Municipal Complex \$	2,000,000	28,675	—	—	13,260	—	15,415	—
13-04/18-05	Construction of Recreation Fields	1,500,000	—	7,930	—	6,492	—	—	1,438
19-05/3-06	Imp. Of Forestdale Rd. and Eric Drive	335,000	—	25,286	—	—	—	—	25,286
6-06	Rehab of Lake Rickabear Dam	262,500	12,345	250,000	—	—	—	12,345	250,000
4-07/11-09	Improvement of Kiel Ave,	1,420,000	—	355,408	—	3,973	—	—	351,435
10-07A	Various Improvements of 2007	810,000	—	52,557	—	3,758	48,799	—	—
8-08	Purchase of Admin and Police Equip.	94,600	21,457	—	—	21,457	—	—	—
9-08	Various Improvements of 2008	902,000	—	183,425	(70,000)	—	—	—	113,425
10-09	Various Improvements of 2009	443,000	—	116,042	—	30,310	—	—	85,732
18-09	Acquisition of Fire Truck	480,000	—	295,366	—	234,717	—	—	60,649
19-09	Recondition of Fire Rescue Truck	300,000	—	135,383	—	121,364	—	—	14,019
6-10	Imp. of Brookvalley Road	540,000	—	465,999	—	274,858	—	—	191,141
9-10/15-11	Construction of New Firehouse	1,250,000	40,748	857,000	350,000	18,284	—	39,464	1,190,000
12-10	Various Improvements 2010	540,000	—	261,660	(105,000)	42,702	—	—	113,958
02-11	Imp. Cutlass Rd. and Woodland Ct,	465,000	—	—	465,000	23,000	—	—	442,000
11-11	Various Improvements	160,000	—	—	160,000	101,006	—	—	58,994
13-11	Various road improvements	175,000	—	—	175,000	134,022	—	—	40,978
16-11	Various road improvements	1,400,000	—	—	1,400,000	—	—	70,000	1,330,000
			<u>\$ 103,225</u>	<u>3,006,056</u>	<u>2,375,000</u>	<u>1,029,203</u>	<u>48,799</u>	<u>137,224</u>	<u>4,269,055</u>

Deferred Charges Unfunded \$ 2,267,000
 Capital Improvement Fund 108,000
\$ 2,375,000

Encumbrances \$ 213,777
 Encumbrances canceled (291,666)
 Cash 1,107,092
\$ 1,029,203

BOROUGH OF KINNELON

Schedule of Encumbrances Payable

General Capital Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$	291,666
Increased by improvement authorization encumbrances		<u>213,777</u>
		505,443
Decreased by encumbrances canceled		<u>291,666</u>
Balance, December 31, 2011	\$	<u><u>213,777</u></u>

BOROUGH OF KINNELON

Schedule of Reserve for Cost of Issuance

General Capital Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$	3,941
Increased by:		
Refund escrow		<u>13,760</u>
Balance, December 31, 2011	\$	<u><u>17,701</u></u>

BOROUGH OF KINNELON

Schedule of Bond Anticipation Notes

General Capital Fund

Year ended December 31, 2011

Ordinance number	Purpose	Original date of issue	Date of issue	Date of maturity	Interest rate	Balance, Dec. 31, 2010	Increased	Decreased	Balance, Dec. 31, 2011
13-01	Acq. New Fire Apparatus	5/30/02	2/24/11	2/24/12	0.950%	82,000	41,000	82,000	41,000
8-02	Acq. Of Police and DPW Equipment	7/25/02	2/24/11	2/24/12	0.950%	42,500	13,000	42,500	13,000
7-99/4-00	Improvement of Fayson Lake Road	5/1/03	2/24/11	2/24/12	0.950%	9,400	6,200	9,400	6,200
13-02	Imp. Municipal Complex HVAC	10/9/03	2/24/11	2/24/12	0.950%	140,000	93,000	140,000	93,000
14-03	Acq. of New and Additional equipmer	3/4/04	2/24/11	2/24/12	0.950%	70,000	52,000	70,000	52,000
13-03	Various Road Improvements	8/12/04	2/24/11	2/24/12	0.950%	60,000	45,000	60,000	45,000
10-04	Various Road Improvements	8/12/04	2/24/11	2/24/12	0.950%	75,000	56,000	75,000	56,000
11-04	Various Road Improvements	8/12/04	2/24/11	2/24/12	0.950%	56,000	42,000	56,000	42,000
20-03/13-04	Construction of Recreation Fields	3/4/05	2/24/11	2/24/12	0.950%	1,327,700	1,267,700	1,327,700	1,267,700
9-04	Construction of Salt Storage Facility	3/4/05	2/24/11	2/24/12	0.950%	204,700	194,700	204,700	194,700
4-05	Acq. Of Various equipment	11/9/05	2/24/11	2/24/12	0.950%	318,000	263,000	318,000	263,000
11-02	Improvement of Various Roads	7/19/07	2/24/11	2/24/12	0.950%	11,500	8,000	11,500	8,000
1-03	Imp. Chilhowie Drive	7/19/07	2/24/11	2/24/12	0.950%	29,000	23,000	29,000	23,000
6-03	Acquisition of Land	7/19/07	2/24/11	2/24/12	0.950%	26,000	20,000	26,000	20,000
10-03	Construction of New Bike Path	7/19/07	2/24/11	2/24/12	0.950%	14,500	11,000	14,500	11,000
18-05	Construction of Recreation Fields	7/19/07	2/24/11	2/24/12	0.950%	43,500	34,000	43,500	34,000
19-05	Imp. Of Forestdale Rd. and Eric Drive	7/19/07	2/24/11	2/24/12	0.950%	249,500	213,000	249,500	213,000
13-06	Various Improvements of 2006	7/19/07	2/24/11	2/24/12	0.950%	217,000	186,000	217,000	186,000
14-06	Various Road Improvements	7/19/07	2/24/11	2/24/12	0.950%	114,000	96,400	114,000	96,400
3-06	Imp. Of Forestdale Rd. and Eric Drive	12/13/07	12/7/11	12/7/12	1.500%	31,300	29,500	31,300	29,500
4-07	Improvement of Kiel Ave,	12/13/07	12/7/11	12/7/12	1.500%	426,000	402,900	426,000	402,900
10-07A	Various Improvements of 2007	12/13/07	12/7/11	12/7/12	1.500%	578,800	544,100	578,800	544,100
9-08	Various Improvements of 2008	12/12/08	12/7/11	12/7/12	1.500%	509,700	428,700	509,700	428,700
18-05	Construction of Recreation Fields	12/10/09	12/7/11	12/7/12	1.500%	45,000	45,000	45,000	45,000
1-06	Acq. Of Communication Equipment	12/10/09	12/7/11	12/7/12	1.500%	71,400	71,400	71,400	71,400
10-09	Various Improvements of 2009	12/10/09	12/7/11	12/7/12	1.500%	150,000	150,000	150,000	150,000
11-09	Improvement of Kiel Ave,	12/10/09	12/7/11	12/7/12	1.500%	100,000	100,000	100,000	100,000
9-08	Various Improvements of 2008	8/3/10	2/24/11	2/24/12	0.950%	347,200	347,200	347,200	347,200
10-09	Various Improvements of 2009	8/3/10	2/24/11	2/24/12	0.950%	270,800	270,800	270,800	270,800

(Continued)

BOROUGH OF KINNELON

Schedule of Bond Anticipation Notes

General Capital Fund

Year ended December 31, 2011

Ordinance number	Purpose	Original date of issue	Date of issue	Date of maturity	Interest rate	Balance, Dec. 31, 2010	Increased	Decreased	Balance, Dec. 31, 2011
18-09	Acquisition of Fire Truck	8/3/10	2/24/11	2/24/12	0.950%	457,000	457,000	457,000	457,000
19-09	Recondition of Fire Rescue Truck	8/3/10	2/24/11	2/24/12	0.950%	285,000	285,000	285,000	285,000
6-10	Imp. of Brookvalley Road	12/9/10	12/7/11	12/7/12	1.500%	252,000	252,000	252,000	252,000
12-10	Various Improvements 2010	12/9/10	12/7/11	12/7/12	1.500%	406,600	406,600	406,600	406,600
13-11	Various road improvements	12/12/08	12/7/11	12/7/12	1.500%	—	70,000	—	70,000
						<u>\$ 7,021,100</u>	<u>6,525,200</u>	<u>7,021,100</u>	<u>6,525,200</u>
							Renewal \$ 6,525,200	6,525,200	
							Paid from cancelled authorization	6,100	
							Paid from budget appropriation	489,800	
							<u>\$ 6,525,200</u>	<u>7,021,100</u>	

BOROUGH OF KINNELON

Schedule of Serial Bonds Payable

General Capital Fund

Year ended December 31, 2011

<u>Date of Issue</u>	<u>Purpose</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding</u>		<u>Interest Rate</u>	<u>Balance, Dec. 31, 2010</u>	<u>Bonds paid</u>	<u>Balance, Dec. 31, 2011</u>
			<u>Date</u>	<u>Amount</u>				
3/1/2002	General Improvements of 2002	\$ 8,670,000				\$ 365,000	365,000	—
12/16/2009	General refunding Bonds of 2009	6,070,000	3/01/12	405,000	2.000			
			3/01/13	415,000	3.000			
			3/01/14	430,000	3.000			
			3/01/15	440,000	4.000			
			3/01/16	445,000	4.000			
			3/01/17	455,000	4.000			
			3/01/18	460,000	4.250			
			3/01/19	465,000	4.250			
			3/01/20	475,000	4.250			
			3/01/21	475,000	4.000			
			3/01/22	485,000	4.750			
			3/01/23	490,000	4.000			
			3/01/24	495,000	4.000			
						<u>5,965,000</u>	<u>30,000</u>	<u>5,935,000</u>
						<u>\$ 6,330,000</u>	<u>395,000</u>	<u>5,935,000</u>

BOROUGH OF KINNELON

Schedule of Bonds and Notes Authorized but not Issued

General Capital Fund

Year ended December 31, 2011

Ordinance number	Description	Balance, Dec. 31, 2010	2011 authori- zations	Cancellation/ Reappropriated	Balance, Dec. 31, 2011
7-99/4-00	Imp.Fayson Lake Rd.	\$ 17,409	—	—	17,409
01-01	Imp. Kakeout Rd.	11,750	—	—	11,750
11-02	Imp. Various Rds.	47,236	—	—	47,236
01-03	Imp. Chillhowie Dr.	4,224	—	—	4,224
06-03	Acq. Of Land	109	—	—	109
10-03	Const. New Bike Path	420	—	—	420
06-06	Rehab Lake Rickabear dam	250,000	—	—	250,000
10-09	Var. Improvements 2009	50	—	—	50
11-09	Imp. Kiel Ave.	265,654	—	—	265,654
06-10	Imp. Brookvalley Rd.	68,750	—	—	68,750
09-10/15-11	Const. New Firehouse	857,000	333,000	—	1,190,000
12-10	Var. Improvements 2010	106,400	—	(105,000)	1,400
02-11	Imp. Cutlass Rd.	—	452,000	—	452,000
11-11	Var. Improvements	—	152,000	—	152,000
16-11	Reconstruct Forge Rd.	—	1,330,000	—	1,330,000
13-11	Various road improvements	—	—	105,000	105,000
		<u>\$ 1,629,002</u>	<u>2,267,000</u>	<u>—</u>	<u>3,896,002</u>

BOROUGH OF KINNELON

Schedule of Green Acres Loan Payable

General Capital Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ 267,641
Decreased by:	
Repayment of Loan	<u>64,926</u>
Balance, December 31, 2011	<u>\$ 202,715</u>

Analysis of Balance

<u>Payment No.</u>	<u>Due Date</u>	<u>Amount</u>
34	3/23/2012	\$ 32,951
35	9/23/2012	33,281
36	3/23/2013	33,613
37	9/23/2013	33,950
38	3/23/2014	34,289
39	9/23/2014	<u>34,631</u>
		<u>\$ 202,715</u>

BOROUGH OF KINNELON

Schedule of Cash - Treasurer

Water Utility Fund

Year Ended December 31, 2011

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2010	\$ 10,793	185,919
Increased by receipts:		
Water rents	420,222	—
Miscellaneous revenue not anticipated	863	—
Deficit funded by Current Fund	68,000	—
Miscellaneous revenue	5,000	—
Premium on notes	—	2,100
	<u>494,085</u>	<u>2,100</u>
	<u>504,878</u>	<u>188,019</u>
Decreased by disbursements:		
Budget appropriations	336,614	—
Appropriation reserves	44,381	—
Refund of prior year revenue	363	—
Due to Current Fund	62,968	—
Accrued Interest on Notes	5,667	—
Water overpayments refunded	220	—
Improvement authorizations	—	9,000
	<u>450,213</u>	<u>9,000</u>
Balance, December 31, 2011	\$ <u><u>54,665</u></u>	<u><u>179,019</u></u>

BOROUGH OF KINNELON

Schedule of Analysis of Capital Fund Cash

Water Utility Capital Fund

December 31, 2011

Capital Improvement Fund		\$	84,868
Fund balance			4,123
Improvement authorizations:			
Ordinance	Improvement description		
number			
9-02	Improvement of water supply system		4,883
15-04	Improvement of water supply system		66,384
11-07	Improvement of water supply system		5,873
10-08	Acquisition of vehicular equipment		6,888
12-09	Acquisition of generator		6,000
			<u>6,000</u>
		\$	<u><u>179,019</u></u>

BOROUGH OF KINNELON

Schedule of Bond Anticipation Notes Payable

Water Utility Capital Fund

Year ended December 31, 2011

Ordinance number	Purpose	Original date of issue	Date of issue	Date of maturity	Interest rate	Balance, Dec. 31, 2010	Increase	Decrease	Balance, Dec. 31, 2011
09-02	Imp. Water Supply System	07/25/02	2/24/11	2/24/12	0.95%	\$ 29,000	15,000	29,000	15,000
15-04	Imp. Water Supply System	08/12/04	2/24/11	2/24/12	0.95%	126,000	101,000	126,000	101,000
11-07	Imp. Water Supply System	12/13/07	12/07/11	12/07/12	1.50%	359,000	346,000	359,000	346,000
11-07	Imp. Water Supply System	12/12/08	12/07/11	12/07/12	1.50%	25,000	23,000	25,000	23,000
10-08	Acq.of vehicular Equipment	12/12/08	12/07/11	12/07/12	1.50%	55,000	51,000	55,000	51,000
						<u>\$ 594,000</u>	<u>536,000</u>	<u>594,000</u>	<u>536,000</u>
							\$ 536,000	536,000	
							—	58,000	
							<u>\$ 536,000</u>	<u>594,000</u>	

Renewed
Paid - Budget

BOROUGH OF KINNELON

Schedule of Water Accounts Receivable

Water Utility Operating Fund

Year Ended December 31, 2011

Balance, December 31, 2010	\$ 17,761
Increased by water rents levied	<u>431,409</u>
	<u>449,170</u>
Decreased by:	
Water rents collected	420,222
Due from Sewer Operating Fund	<u>2,474</u>
	<u>422,696</u>
Balance, December 31, 2011	<u><u>\$ 26,474</u></u>

BOROUGH OF KINNELON

Schedule of Prepaid Rents

Water Utility Operating Fund

Year Ended December 31, 2011

Balance, December 31, 2010	\$ <u>233</u>
Balance, December 31, 2011	\$ <u>233</u>

BOROUGH OF KINNELON

Schedule of Fixed Capital

Water Utility Capital Fund

Year Ended December 31, 2011

	Balance, Dec. 31, 2010	Balance, Dec. 31, 2011
	<u>2010</u>	<u>2011</u>
Steel water tank	\$ 109,773	109,773
Meters	10,784	10,784
General equipment	5,549	5,549
Pump house and pumps	61,032	61,032
Improvement of water supply and distribution system	<u>212,036</u>	<u>212,036</u>
	<u>\$ 399,174</u>	<u>399,174</u>

BOROUGH OF KINNELON

Schedule of Fixed Capital Authorized and Uncompleted

Water Utility Capital Fund

Year Ended December 31, 2011

<u>Improvement description</u>	<u>Balance, Dec. 31, 2010</u>	<u>Balance, Dec. 31, 2011</u>
Refurbishing of pressure reducing valves	\$ 4,000	4,000
Purchase of water utility equipment	17,000	17,000
Improvement of water supply system	360,000	360,000
Improvement of water supply system	440,000	440,000
Acquisition of vehicular equipment	55,000	55,000
Acquisition of generator	60,000	60,000
	<u>\$ 936,000</u>	<u>936,000</u>

BOROUGH OF KINNELON

Schedule of Accrued Interest
on Notes

Water Utility Operating Fund
Year Ended December 31, 2011

Balance, December 31, 2010	\$	4,234
Increased by:		
Budget appropriation		<u>5,000</u>
		<u>9,234</u>
Decreased by:		
Payments		<u>5,667</u>
Balance, December 31, 2011	\$	<u><u>3,567</u></u>

BOROUGH OF KINNELON

Schedule of Appropriation Reserves

Water Utility Operating Fund

Year Ended December 31, 2011

	Balance Dec. 31, 2010	Transfer of encum- brances	Balance after transfers	Paid or charged	Balance lapsed
Salaries and wages	\$ 3,828	—	3,828	1,197	2,631
Other expenses	34,714	20,406	55,120	43,111	12,009
Statutory expenditures - contribution to:					
Social Security System (O.A.S.I.)	776	—	776	68	708
Unemployment Compensation Insurance	225	—	225	5	—
	<u>\$ 39,543</u>	<u>20,406</u>	<u>59,949</u>	<u>44,381</u>	<u>15,348</u>
		Accounts payable		—	
		Cash		<u>44,381</u>	
				<u>44,381</u>	

BOROUGH OF KINNELON

Schedule of Reserve for Amortization

Water Utility Capital Fund

Year Ended December 31, 2011

Balance, December 31, 2010	\$	610,174
Increased by:		
Bond anticipation notes paid		<u>58,000</u>
Balance, December 31, 2011	\$	<u><u>668,174</u></u>

BOROUGH OF KINNELON

Schedule of Deferred Reserve for
Amortization

Water Utility Capital Fund
Year Ended December 31, 2011

Balance, December 31, 2010	\$ <u>77,000</u>
Balance, December 31, 2011	\$ <u>77,000</u>

Analysis of Balance

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

BOROUGH OF KINNELON

Schedule of Amount Due to (from) Current Fund

Water Utility Operating Fund
Year Ended December 31, 2011

Balance, December 31, 2010	\$ <u>1,070</u>
Increased by:	
Expenditures paid by Current Fund	62,968
Appropriation reserves lapsed	<u>15,348</u>
	<u>78,316</u>
	79,386
Decreased by cash disbursed	<u>62,968</u>
Balance, December 31, 2011	\$ <u><u>16,418</u></u>

BOROUGH OF KINNELON

Schedule of Improvement Authorizations

Water Utility Capital Fund

Year Ended December 31, 2011

<u>Ordinance number</u>	<u>Improvement description</u>	<u>Ordinance</u>		<u>Balance, December 31, 2010</u>			<u>Balance, December 31, 2011</u>	
		<u>Date</u>	<u>Amount</u>	<u>Amount</u>	<u>Unfunded</u>	<u>Expended</u>	<u>Funded</u>	<u>Unfunded</u>
9-02	Improvement of water supply system	05/16/02	\$ 110,000	—	4,883	—	—	4,883
15-04	Improvement of water supply system	06/17/04	250,000	—	66,384	—	—	66,384
11-07	Improvement of water supply system	'03/23/07	440,000	—	13,223	7,350	—	5,873
10-08	Acquisition of vehicular equipment	06/19/08	55,000	—	8,538	1,650	—	6,888
12-09	Acquisition of generator	08/20/09	60,000	6,000	54,000	—	6,000	54,000
				\$ 6,000	147,028	9,000	6,000	138,028

BOROUGH OF KINNELON

Schedule of Bonds and Notes Authorized but not Issued

Water Utility Capital Fund

Year Ended December 31, 2011

<u>Ordinance number</u>	<u>Description</u>	<u>Balance, Dec. 31, 2010</u>	<u>Balance, Dec. 31, 2011</u>
12-09	Acquisition of generator	\$ 54,000	54,000
		<u>\$ 54,000</u>	<u>54,000</u>

BOROUGH OF KINNELON

Schedule of Capital Improvement Fund

Water Utility Capital Fund

Year Ended December 31, 2011

Balance, December 31, 2010	\$ <u>84,868</u>
Balance, December 31, 2011	\$ <u>84,868</u>

BOROUGH OF KINNELON

Schedule of Cash

Sewer Utility Fund

Year ended December 31, 2011

	<u>Operating</u>
Balance, December 31, 2010	\$ <u>373,415</u>
Increased by receipts:	
Sewer rents	392,273
Miscellaneous revenues not anticipated	3,235
Due to Water Operating Fund	<u>2,474</u>
	<u>397,982</u>
	<u>771,397</u>
Decreased by disbursements:	
Budget appropriations	526,282
Appropriation reserves	39,202
Refund of overpayments	<u>120</u>
	<u>565,604</u>
Balance, December 31, 2011	\$ <u><u>205,793</u></u>

BOROUGH OF KINNELON

Schedule of Sewer Rents Receivable

Sewer Utility Operating Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ <u>38,771</u>
Increased by;	
Adjustments	25,202
Rents levied	<u>367,680</u>
	<u>392,882</u>
	431,653
Decreased by sewer rents collected	<u>392,273</u>
Balance, December 31, 2011	\$ <u><u>39,380</u></u>

BOROUGH OF KINNELON

Schedule of Appropriation Reserves

Sewer Utility Operating Fund

Year ended December 31, 2011

	Balance Dec. 31, 2010	Encum- brances	Balance after transfers	Paid or charged	Balance lapsed
Operating:					
Salaries and wages	\$ 4,160	—	4,160	—	4,160
Other expenses	83,649	16,685	100,334	39,202	61,132
Deferred charges:					
Statutory expenditures - contribution to: Social Security System	5,691	—	5,691	—	5,691
	<u>\$ 93,500</u>	<u>16,685</u>	<u>110,185</u>	<u>39,202</u>	<u>70,983</u>

BOROUGH OF KINNELON

Schedule of Due to water Operating Fund

Sewer Utility Operating Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$	—
Increased by:		
Collections		<u>2,474</u>
Balance, December 31, 2011	\$	<u><u>2,474</u></u>

BOROUGH OF KINNELON

Schedule of Prepaid Rents

Sewer Operating Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ <u>418</u>
Balance, December 31, 2011	\$ <u>418</u>

BOROUGH OF KINNELON

Schedule of Due to Borough of Butler

Sewer Utility Operating Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$	8,195
Decreased by cancellation		<u>8,195</u>
Balance, December 31, 2011	\$	<u><u>—</u></u>

BOROUGH OF KINNELON

Schedule of Cash

Public Assistance Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ <u>39,898</u>
Increased by:	
Donations	1,758
Interest and other	<u>89</u>
	<u>1,847</u>
	41,745
Decreased by:	
Public assistance expenditures	<u>6,960</u>
Balance, December 31, 2011	\$ <u><u>34,785</u></u>
Analysis of Balance	
P.A.T.F. 1	\$ 28,156
P.A.T.F. 2	<u>6,629</u>
	\$ <u><u>34,785</u></u>

BOROUGH OF KINNELON

Schedule of Reserve for
Public Assistance Expenditures

Public Assistance Fund

Year ended December 31, 2011

Balance, December 31, 2010	\$ 37,792
Increased by:	
Revenue	<u>1,847</u>
	<u>39,639</u>
Decreased by:	
Expenditures	<u>6,960</u>
	<u>6,960</u>
Balance, December 31, 2011	\$ <u><u>32,679</u></u>

BOROUGH OF KINNELON

Schedule of Due to Current Fund

Public Assistance Fund

Year ended December 31, 2011

	<u>P.A.T.F Account #1</u>	<u>P.A.T.F Account #2</u>	<u>Total</u>
Balance, December 31, 2011 and 2010	\$ <u>1,575</u>	\$ <u>531</u>	\$ <u>2,106</u>

BOROUGH OF KINNELON

Schedule of Changes in General Fixed Assets

General Fixed Assets Account Group

Year Ended December 31, 2011

Category	Balance Dec. 31, 2010	Additions	Deletions	Balance Dec. 31, 2011
Land	\$ 4,442,060	—	—	4,442,060
Buildings	12,661,546	—	—	12,661,546
Vehicular equipment	790,562	—	—	790,562
General equipment and machinery	3,445,770	—	—	3,445,770
	<u>\$ 21,339,938</u>	<u>—</u>	<u>—</u>	<u>21,339,938</u>

SUPPLEMENTARY DATA

BOROUGH OF KINNELON

Supplementary Data

December 31, 2011

Comparative Schedule of Tax Rate Information

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tax rate	\$ 2.875	2.807	1.976
Apportionment of tax rate:			
Municipal	0.479	0.500	0.451
Municipal Open Space	0.005	0.010	0.010
County	0.330	0.330	0.304
Local school	2.014	1.967	1.211
Library	0.047	0.000	0.000
Assessed valuation:			
2011		\$ 1,631,644,600	
2010		1,666,735,965	
2009		1,661,755,327	

Comparison of Tax Levies and Collections Currently

<u>Year</u>	<u>Tax levy</u>	<u>Currently</u>	
		<u>Cash collections</u>	<u>Percentage of collection</u>
2011	\$ 46,933,141	45,817,897	97.64 %
2010	46,362,890	45,197,096	97.48
2009	45,484,564	44,523,650	97.88
2008	44,444,714	43,526,497	97.93
2007	42,977,769	42,256,722	98.32

Delinquent Taxes and Tax Title Liens

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

<u>Dec.31</u>	<u>Amount of tax title liens</u>	<u>Amount of delinquent taxes</u>	<u>Total delinquent</u>	<u>Percentage of tax levy</u>
2011	\$ 850,267	586,975	1,437,242	3.06 %
2010	829,997	618,481	1,448,478	3.12
2009	733,954	646,811	1,380,765	3.04
2008	710,555	686,520	1,397,075	3.14
2007	594,854	606,898	1,201,752	2.80

(Continued)

BOROUGH OF KINNELON

Supplementary Data

Property Acquired by Tax Title Lien Liquidation

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

<u>Year</u>	<u>Amount</u>
2011	\$ 32,150
2010	32,150
2009	32,150
2008	17,150
2007	17,150

Comparison of Water Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash collections</u>	<u>Percent collected</u>
2011	\$ 431,409	422,696	98%
2010	338,104	325,841	96%
2009	218,012	223,808	103%
2008	260,978	261,175	100%
2007	277,518	275,042	99%

Comparison of Sewer Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash collections</u>	<u>Percent collected</u>
2011	\$ 392,882	392,273	100%
2010	361,545	261,812	72%
2009	356,446	348,370	98%
2008	387,799	397,076	102%
2007	416,532	407,309	98%

(Continued)

BOROUGH OF KINNELON

Supplementary Data

Comparative Schedule of Fund Balances

Fund	Year	Balance, Dec.31	Utilized in budget of succeeding year	Percent utilized
Current	2011	\$ 869,851	750,000	86%
	2010	1,725,815	1,657,000	96%
	2009	1,658,342	1,657,000	100%
	2008	2,542,020	1,950,000	77%
	2007	2,693,513	1,950,000	72%
	2006	2,483,372	1,875,000	76%
	Water Utility Operating	2011	\$ 494	—
2010		494	—	0%
2009		88,494	88,000	99%
2008		259,043	202,000	78%
2007		443,498	275,615	62%
2006		538,575	237,040	44%
Sewer Utility Operating		2011	\$ 138,477	124,980
	2010	254,617	229,500	90%
	2009	403,786	229,500	57%
	2008	590,196	200,000	34%
	2007	669,982	145,000	22%
	2006	658,290	91,475	14%

(Continued)

BOROUGH OF KINNELON

Supplementary Data

Officials in Office and Surety Bonds

The following officials were in office on December 31, 2011

<u>Name</u>	<u>Title</u>	<u>Amount of bond</u>
Robert W. Collins	Mayor	
Stephen A. Cobell	Councilmember	
Gary Moleta	Councilmember	
James Freda	Councilmember	
Ronald Mondello	Councilmember	
Daniel O'Dougherty	Councilmember	
Andrew San Filippo	Councilmember	
Elizabeth Sebrovski	Borough Clerk	
Karen Iuele	Deputy Borough Clerk	
Norman Eckstein	Chief Financial Officer	
Jennifer Stillman	Treasurer	1,000,000
Lisa Ann Kimkowski	Tax and Collector and Tax Search Officer Water and Sewer Collector	1,000,000
John G D'Angelo	Magistrate	
Elizabeth Bansfield-Massa	Court Administrator	
Mary Ellen Wunsch	Deputy Court Administrator	
Ralph Fava	Prosecutor	
John Finkle	Police Chief	
Karen L Perry	Recreation Commission Director	
John Whitehead	Public Works Manager	
Robert Edgar	Tax Assessor	
Paul P Darmofalski	Township Engineer	
Mark Madaio	Township Attorney	
Barbara Owens	Library Director	

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

BOROUGH OF KINNELON

General Comments and Recommendations

Year ended December 31, 2011

BOROUGH OF KINNELON

General Comments and Recommendations

December 31, 2011

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

N.J.S.A. 40A:-11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law."

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

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

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

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

Collection of Interest on Delinquent Taxes and Assessments

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

NOW, THEREFORE, BE IT RESOLVED

1. The Tax Collector is hereby authorized and directed to charge eight percent (8%) per annum on the first \$1,500 of taxes becoming delinquent after the due date and eighteen percent (18%) per annum any amount of taxes in excess of \$1,500 becoming delinquent after the due date.
2. There will be a ten-(10) day grace period for quarterly tax payments. Should the tenth fall on a Saturday, Sunday or legal holiday, said grace period would extend to the next regular business day.
3. The tax Collector is hereby authorized and directed to charge a six percent (6%) per annum penalty on any fiscal year delinquency in excess of \$10,000."

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

(Continued)

BOROUGH OF KINNELON

General Comments and Recommendations

December 31, 2011

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 8, 2011 and was complete.

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

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

<u>Year</u>	<u>Number of liens</u>
2011	45
2010	43
2009	43
2008	42
2007	38

Status of Prior Year Comments

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

Other Comments

Finance

There was no functioning general ledger* (Material Weakness)

The special emergency for the flood emergency was not sent to the state.

The firehouse construction contract was awarded without a certification of availability of funds and before the supplemental funding ordinance was adopted.

Fixed asset appraisal for 2010 was charged to the ordinance for municipal complex and the asset listing was not updated to December 31, 2011.

The anticipated budget revenues and appropriations and entries for expenditures of deferred charges were not recorded *

Vendor certifications and claimant signatures were not on all vouchers/purchase orders, in addition we noted one voucher with a photo copied claimant signature.

Personnel files did not contain all required documentation W-4, I-9 and miscellaneous payroll deduction authorizations.

1099's were not issued to all applicable payees including payments that were made to individuals for a Volunteer Service Award Program (VSAP). Fifteen out of seventeen VSAP payments were made payable to individuals and two were made payable to commercial entities

(Continued)

BOROUGH OF KINNELON

General Comments and Recommendations

December 31, 2011

The borough has a Volunteer Service Award Program (VSAP) which may not be appropriately authorized.

Revenue collected from the state and capital fund is not recorded.

Payroll time sheets are not signed by the department head for Department of Public Works and Police Department.

One invoice was overpaid for \$300 due to a clerical error. Voucher was adjusted to \$1,800 and should have remained at \$1,500. There was no correction made on prior payments.

The Payroll bank account was reconciled to negative balance and the Payroll account is underfunded.*

There are no resolutions for the use of state contracts and county co-op contracts as required by state purchasing regulations. There were no bids obtained for four purchases (Turnout gear, recreation equipment, auto repairs, installation of police equipment) that exceeded the bid threshold.

There has been no filing of continuing disclosures as required by the Municipal Securities Rulemaking Board since prior to the 2009 refunding bond sale.

Bank reconciliations contain unidentified reconciling items.*

The Payroll bank reconciliation is prepared by a third party and is not reviewed by an individual in finance. *

The Borough does not properly charge the Sewer Utility for payroll tax expense.

The balance in the Clerk Special – Other Trust Fund is not analyzed.

Tax and Utility Collector

An independent proof of taxes is not performed.*

Cancellation of taxes on property purchased for open space was not recorded on the tax system and a tax refund was posted against a tax account without the offsetting judgment.

No foreclosed property list is maintained

Sewer charges were not billed to/ or collected from all users

Municipal Court

State violation bureau schedule of fines and the Local Violations Bureau schedule were not posted.

The judge's signature stamp is used without proper authorization

(Continued)

BOROUGH OF KINNELON

General Comments and Recommendations

December 31, 2011

RECOMMENDATIONS

Finance

A complete functioning general ledger including revenue and appropriation subsidiary ledgers be implemented, reconciled and maintained.*

Contracts should not be awarded without certificates of availability of funds.

The fixed asset inventory should be updated.

The payroll account should be funded properly and the third party reconciliations be reviewed for accuracy.

Personnel files should contain all required documentation, W-4, I-9 and miscellaneous payroll deduction authorizations.

Payroll time sheets for the Police and DPW departments should be approved by the respective department head.

Continuing disclosures as required by the Municipal Securities Rulemaking Board should be filed annually.

Bids should be received for purchases of equipment and services, not specifically excluded, that exceed the bid threshold or not acquired through state or local cooperative agreements specifically authorized by resolution.

1099's should be issued for all required payees in accordance with IRS regulations.

The validity of the authorization of the Volunteer Service Award Program should be reviewed.

Procedures should be implemented to assure that original claimants certificates are included on all appropriate vouchers before payment.

The clerk's special account balance be analyzed.

The Sewer Utility Fund should be charged for its share of payroll taxes.

Tax and Utility Collector

An independent proof of taxes including all adjustments should be performed.*

An analysis of foreclosed property should be maintained.

Sewer charges should be billed to/ or collected from all users

Municipal Court

State violation bureau schedule of fines and the Local Violations Bureau schedule should be posted.

The judge's signature stamp should not be used without proper authorization.