

BOROUGH OF KINNELON
MORRIS COUNTY, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2024

BOROUGH OF KINNELON

TABLE OF CONTENTS

Page

Part I – Report on Audit of Financial Statements and Supplementary Schedules

Independent Auditor's Report	1-3
-------------------------------------	-----

Financial Statements

Exhibits

A	Comparative Balance Sheets – Regulatory Basis - Current Fund	4-5
A-1	Comparative Statements of Operations and Changes in Fund Balance – Regulatory Basis - Current Fund	6
A-2	Statement of Revenues – Regulatory Basis – Current Fund	7-8
A-3	Statement of Expenditures – Regulatory Basis – Current Fund	9-13
B	Comparative Balance Sheets – Regulatory Basis - Trust Funds	14
B-1	Statement of Revenues - Regulatory Basis – Municipal Open Space Preservation Trust Fund	15
B-2	Statement of Appropriations - Regulatory Basis - Municipal Open Space Preservation Trust Fund	15
C	Comparative Balance Sheets – Regulatory Basis - General Capital Fund	16
C-1	Comparative Statements of Changes in Fund Balances – Regulatory Basis – General Capital Fund	17
D	Comparative Balance Sheets – Regulatory Basis - Water Utility Fund	18-19
D-1	Comparative Statements of Operations and Changes in Fund Balance – Regulatory Basis - Water Utility Operating Fund	20
D-2	Statement of Capital Fund Balance – Regulatory Basis – Water Utility Operating Fund	21
D-3	Statement of Revenue-Regulatory Basis-Water Utility Operating Fund	22
D-4	Statement of Expenditures - Regulatory Basis - Water Utility Operating Fund	23
E	Comparative Balance Sheets – Regulatory Basis – Sewer Utility Fund	24
E-1	Comparative Statement of Operations and Change in Fund Balance – Regulatory Basis – Sewer Utility Operating Fund	25
E-2	Statement of Revenue – Regulatory Basis – Sewer Utility Operating Fund	26
E-3	Statement of Expenditures – Regulatory Basis – Sewer Utility Operating Fund	27
F	Comparative Balance Sheets – Regulatory Basis – Public Assistance Fund	28
G	Comparative Balance Sheets – Regulatory Basis – General Fixed Assets Account Group	29
	Notes to Financial Statements	30-67

Supplementary Schedules

Current Fund

A-4	Statement of Cash and Investments	68
A-5	Statement of Due to State of New Jersey – Senior Citizens' and Veterans' Deductions	69
A-6	Statement of Taxes Receivable and Analysis of Property Tax Levy	70
A-7	Statement of Revenue Accounts Receivable	71
A-8	Statement of Grants Receivable	72
A-9	Statement of Tax Title Liens Receivable	72
A-10	Schedule of Appropriation Reserves	73-74
A-11	Statement of Encumbrances Payable	75
A-12	Statement of Due to State of New Jersey	75
A-13	Statement of Prepaid Taxes	76
A-14	Statement of Local School District Tax Payable	76
A-15	Statement of County Taxes Payable	76
A-16	Statement of Appropriated Grant Reserves – Federal and State Grant Funds	77
A-17	Statement of Unappropriated Grant Reserves – Federal and State Grant Funds	78
A-18	Statement of Encumbrances Payable – Grant Fund	78
A-19	Statement of Tax Overpayments	78

BOROUGH OF KINNELON

TABLE OF CONTENTS

Supplementary Schedules (Continued)

Current Fund (Continued)

A-20	Statement of Reserve for Pending Tax	79
A-21	Statement of Reserve for Sale of Municipal Assets	79
A-22	Statement of Miscellaneous Reserves	79
A-23	Statement of Due to Water Utility Operating Fund	79

Trust Funds

B-3	Statement of Trust Cash	80
B-4	Statement of Escrow and Miscellaneous Reserves – Other Trust Fund	81
B-5	Statement of Due From Current Fund – Other Trust Fund	81
B-6	Statement of Due To Current Fund – Animal Control Trust Fund	82
B-7	Statement of Reserve for Animal Control Expenditures – Animal Control Trust Fund	82
B-8	Statement of Due to State of New Jersey – Animal Control Trust Fund	82
B-9	Statement of Payroll and Payroll Deductions Payable – Other Trust Fund	83
B-10	Statement of Reserve for Open Space Expenditures – Municipal Open Space Trust Fund	83
B-11	Statement of Due From Current Fund – Municipal Open Space Trust Fund	83

General Capital Fund

C-2	Statement of General Capital Cash	84
C-3	Analysis of General Capital Cash	85
C-4	Statement of Deferred Charges to Future Taxation - Funded	86
C-5	Statement of Deferred Charges to Future Taxation – Unfunded	87
C-6	Statement of Grants Receivable	88
C-7	Statement of General Serial Bonds	89
C-8	Statement of Bond Anticipation Notes	90
C-9	Statement of Improvement Authorizations	91
C-10	Statement of Encumbrances Payable	92
C-11	Statement of Capital Improvement Fund	92
C-12	Statement of Reserve for Payment of Bonds	92
C-13	Statement of Due from Current Fund	93
C-14	Statement of Due to/from Water Utility Capital Fund	93
C-15	Statement of Miscellaneous Reserves	93
C-16	Statement of Bonds and Notes Authorized But Not Issued	94

Water Utility Fund

D-5	Schedule of Cash – Water Utility Fund	95
D-6	Statement of Consumer Accounts Receivable – Water Utility Operating Fund	96
D-7	Statement of Fixed Capital – Water Utility Operating Fund	96
D-8	Schedule of Fixed Capital Authorized and Uncompleted – Water Utility Operating Fund	97
D-9	Statement of 2023 Appropriation Reserves – Water Utility Operating Fund	97
D-10	Statement of Encumbrances Payable – Water Utility Operating Fund	98
D-11	Statement of Due to Water Utility Capital Fund – Water Utility Operating Fund	98
D-12	Statement of Accrued Interest on Bonds and Notes – Water Utility Operating Fund	98
D-13	Statement of Water Rent Overpayments – Water Utility Operating Fund	98
D-14	Statement of Improvement Authorizations – Water Utility Capital Fund	99
D-15	Statement of Capital Improvement Fund – Water Utility Capital Fund	100
D-16	Statement of Deferred Reserve for Amortization – Water Utility Capital Fund	100
D-17	Statement of Reserve for Amortizations – Water Utility Capital Fund	100
D-18	Statement of Bond Anticipation Notes – Water Utility Capital Fund	101
D-19	Statement of Serial Bonds Payable – Water Utility Capital Fund	101
D-20	Statement of Reserves for Debt Service - Water Utility Operating Fund	102
D-21	Statement of Bonds and Notes Authorized But Not Issued – Water Utility Capital Fund	102

BOROUGH OF KINNELON

TABLE OF CONTENTS

	<u>Page</u>
Supplementary Schedules (Continued)	
<u>Sewer Utility Fund</u>	
E-4	Schedule of Cash – Sewer Utility Operating Fund 103
E-5	Statement of Consumer Accounts Payable – Sewer Utility Operating Fund 104
E-6	Statement of 2023 Appropriation Reserves – Sewer Utility Operating Fund 104
E-7	Statement of Encumbrances Payable – Sewer Utility Operating Fund 104
E-8	Statement of Overpayments - Sewer Utility Operating Fund 105
E-9	Statement of Due to Water Utility Operating Fund - Sewer Utility Operating Fund 105
<u>Public Assistance Fund</u>	
F-1	Schedule of Public Assistance Cash 106
F-2	Statement of Reserve for Public Assistance Expenditures 106
<u>Part II – Government Auditing Standards</u>	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards – Independent Auditor’s Report 107-108
	Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by U.S. Uniform Guidance – Independent Auditor’s Report 109-111
	Schedule of Expenditures of Federal Awards 112
	Schedule of Expenditures of State Financial Assistance 113
	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance 114-115
	Schedule of Findings and Responses 116-118
	Summary Schedule of Prior Year Audit Findings 119
<u>Part III – Supporting Data and Letter of Comments and Recommendations</u>	
	Comparative Statement of Operations and Changes in Fund Balance - Current Fund 120
	Comparative Statement of Operations and Changes in Fund Balance - Water Utility Operating Fund 121
	Comparative Statement of Operations and Changes in Fund Balance - Sewer Utility Operating Fund 122
	Comparative Schedule of Tax Rate Information 123
	Comparison of Tax Levies and Collection Currently 123
	Delinquent Taxes and Tax Title Liens 124
	Property Acquired by Tax Title Lien Liquidation 124
	Comparative Schedule of Fund Balances 124
	Officials in Office and Surety Bonds 125
	General Comments 126-128
	Recommendations 129

{THIS PAGE INTENTIONALLY LEFT BLANK}

BOROUGH OF KINNELON
MORRIS COUNTY, NEW JERSEY

PART I
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2024



LERCH, VINCI & BLISS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA
ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, RMA, PSA

DEBRA GOLLE, CPA
MARK SACO, CPA
ROBERT LERCH, CPA, PSA
CHRISTOPHER M. VINCI, CPA, PSA
CHRISTINA CUIFFO, CPA, PSA
JOHN CUIFFO, CPA, PSA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Borough of Kinnelon which comprise the balance sheets - regulatory basis of the various funds and account group as of December 31, 2024, and the related statements of operations and changes in fund balance - regulatory basis for the year then ended, and the related statements of revenues - regulatory basis and statements of expenditures - regulatory basis of the various funds for the year ended December 31, 2024, and the related notes to the financial statements.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion on Regulatory Basis of Accounting section of our report, the accompanying financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Kinnelon as of December 31, 2024, and the results of operations and changes in fund balance – regulatory basis of such funds for the year then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2024 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Kinnelon as of December 31, 2024, or changes in financial position, or, where applicable, cash flows for the year then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough of Kinnelon and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on Regulatory Basis of Accounting

We were unable to audit the financial activities of the General Fixed Assets Account Group for the year ended December 31, 2024 because sufficient documentation was not available to support amounts reported in the financial statements – regulatory basis referred to above. We were unable to satisfy ourselves about the amounts reported by means of other auditing procedures.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Whatever on the basis of the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Prior Year Financial Statements

The financial statements of the Borough of Kinnelon as of and for the year ended December 31, 2023 were audited by other auditors whose report dated March 8, 2024 expressed an unmodified opinion on the financial statements-regulatory basis prepared in accordance with the regulatory basis of accounting. Their report also expressed an adverse opinion on the financial statements because they were not prepared in accordance with accounting principles generally accepted in the United States of America but rather the regulatory basis of accounting described in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of their report.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Kinnelon's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Kinnelon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Kinnelon's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Kinnelon as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and schedule of expenditures of state financial assistance are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Kinnelon. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information 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 supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

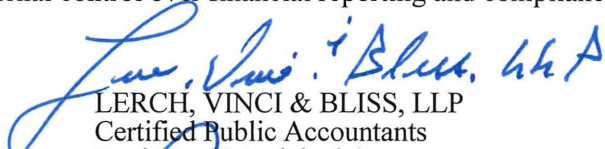
Other Information

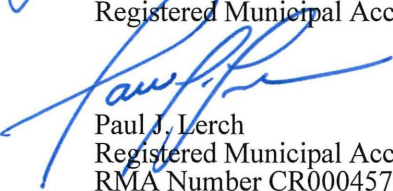
Management is responsible for the other information included in the report of audit. The other information comprises the supplementary data and letter of comments and recommendation section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 31, 2025 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 solely 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 effectiveness of the Borough of Kinnelon's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Kinnelon's internal control over financial reporting and compliance.


 LERCH, VINCI & BLISS, LLP
 Certified Public Accountants
 Registered Municipal Accountants


 Paul J. Lerch
 Registered Municipal Accountant
 RMA Number CR000457

Fair Lawn, New Jersey
 July 31, 2025

FINANCIAL STATEMENTS

BOROUGH OF KINNELON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2024 AND 2023

ASSETS	<u>Reference</u>	<u>2024</u>	<u>2023</u>
Regular Fund:			
Cash and Cash Equivalent	A	\$ 11,872,090	\$ 10,465,124
Cash - Petty Cash	A	200	-
Cash - Change Fund	A	780	680
Due from State of New Jersey - Senior Citizen and Veterans Deductions	A-5	<u>-</u>	<u>188</u>
		<u>11,873,070</u>	<u>10,465,992</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes Receivable	A-6	363,947	484,885
Tax Title Liens Receivable	A-9	1,178,543	1,107,812
Property Acquired for Taxes - Assessed Value	A	1,210,750	1,210,750
Revenue Accounts Receivable	A-7	2,860	1,572
Due from Animal Control Trust Fund	B-6	<u>52,809</u>	<u>32,674</u>
		<u>2,808,909</u>	<u>2,837,693</u>
Total Regular Fund		<u>14,681,979</u>	<u>13,303,685</u>
Federal and State Grant Fund:			
Federal and State Grants Receivable	A-8	406,248	334,248
Due from Current Fund	A	<u>1,084,019</u>	<u>1,530,186</u>
Total Federal and State Grant Fund		<u>1,490,267</u>	<u>1,864,434</u>
Total		<u>\$ 16,172,246</u>	<u>\$ 15,168,119</u>

BOROUGH OF KINNELON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2024 AND 2023

	<u>Reference</u>	<u>2024</u>	<u>2023</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Regular Fund:			
Appropriation Reserves	A-3,A-10	1,509,109	\$ 1,190,060
Encumbrances Payable	A-11	760,318	528,835
Tax Overpayments	A-19	10,087	7,674
Prepaid Taxes	A-13	282,995	342,317
Due to Borough of Butler - Electric Payments	A	257	257
Due to State of New Jersey:			
Senior Citizen and Veterans Deductions	A-5	297	-
Building Surcharge Fees	A-12	12,516	12,144
Marriage License/Domestic Partnership	A-12	2,247	2,222
Due to Federal and State Grant Fund	A	1,084,019	1,530,186
Due to Other Trust Fund	B-5	160,000	199,052
Due to Open Space Trust Fund	B-11	270,206	163,809
Due to General Capital Fund	C-13	681,852	557,337
Due to Water Utility Operating Fund	A-23	-	72
Local School District Tax Payable	A-14	754,419	360,931
Reserve for Pending Tax Appeals	A-20	599,186	599,186
Reserve for Sale of Municipal Assets	A-21	58,881	58,881
Reserve for Municipal Relief Fund	A-22	-	58,214
Reserve for Garden State Trust Fund	A-22	-	40,199
Reserve for Third-Party Lien	A-22	5,222	5,222
		<u>6,191,611</u>	<u>5,656,598</u>
Reserve for Receivables and Other Assets	A	2,808,909	2,837,693
Fund Balance	A-1	<u>5,681,459</u>	<u>4,809,394</u>
 Total Regular Fund		 <u>14,681,979</u>	 <u>13,303,685</u>
Federal and State Grant Fund:			
Appropriated Reserves	A-16	935,245	1,090,692
Unappropriated Reserves	A-17	48,727	761,598
Encumbrances Payable	A-18	494,151	-
Due Water Utility Operating Fund	D	9,464	9,464
Due Sewer Utility Operating Fund	E	2,680	2,680
 Total Federal and State Grant Fund		 <u>1,490,267</u>	 <u>1,864,434</u>
 Total		 <u>\$ 16,172,246</u>	 <u>\$ 15,168,119</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF KINNELON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

		<u>2024</u>	<u>2023</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilities	A-2	\$ 2,300,000	\$ 1,750,000
Miscellaneous Revenues Anticipated	A-2	2,921,021	1,825,891
Receipts from Delinquent Taxes	A-2	469,181	475,387
Receipts from Current Taxes	A-2	61,152,696	59,731,549
Non-Budget Revenues	A-2	66,965	146,918
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-10	812,572	844,724
Prior Year Veteran and Senior Citizen Deductions Allowed	A-6	128	-
Statutory Excess - Animal Control Trust Fund	B-6	20,135	-
Cancellation of Tax Overpayments	A-19	12,955	3,356
Cancellation of Prior Year Checks	A-4	<u>6,579</u>	<u>64,710</u>
Total Revenues		<u>67,762,232</u>	<u>64,842,535</u>
EXPENDITURES			
Municipal Budget	A-3	16,212,237	14,552,354
Local School District Taxes	A-14	42,129,496	41,342,516
County Taxes	A-15	6,111,800	5,792,914
Municipal Open Space Taxes	A-16	106,397	106,410
Refund of Anticipated Revenue	A-4	2,146	743
Refund of Outside Lien Redemption	A-4	6,978	-
Refund of Exempt Veteran	A-4	978	-
Interfunds Advanced - Net	A	<u>20,135</u>	<u>15,028</u>
Total Expenditures		<u>64,590,167</u>	<u>61,809,965</u>
Excess in Revenues		3,172,065	3,032,570
Fund Balance, January 1	A	<u>4,809,394</u>	<u>3,526,824</u>
		7,981,459	6,559,394
Decreased by:			
Utilization as Anticipated Revenue	A-1, A-2	<u>2,300,000</u>	<u>1,750,000</u>
Fund Balance, December 31	A	<u>\$ 5,681,459</u>	<u>\$ 4,809,394</u>

**BOROUGH OF KINNELON
STATEMENT OF REVENUES
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

		<u>Budget</u>	<u>Anticipated</u> Added by N.J.S.A 40A:4-87	<u>Total Revenues</u> <u>Realized</u>	<u>Excess or</u> <u>(Deficit)</u>
	<u>Reference</u>				
Fund Balance Utilized	A-1	\$ 2,300,000	-	\$ 2,300,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-7	4,000		10,000	\$ 6,000
Other	A-7	11,000		7,390	(3,610)
Fees and Permits	A-7	46,000		152,322	106,322
Fines and Costs - Municipal Court	A-7	24,000		64,632	40,632
Interest on Costs on Taxes	A-7	80,000		113,365	33,365
Interest on Investments and Deposits	A-7	200,000		522,468	322,468
Cable Television Franchise Fees	A-7	41,000		44,360	3,360
Energy Receipts Tax	A-7	564,648		564,648	-
Watershed Moratorium Offset Aid	A-7	45,261		45,261	-
Garden State Preservation Trust Fund	A-22,A-7	254,094		254,094	-
Municipal Relief Fund	A-22,A-7	58,214		58,214	-
Uniform Construction Code Official	A-7	100,614		150,669	50,055
Clean Communities	A-17	25,270		25,270	-
Recycling Tonnage	A-17	13,047		13,047	-
Historical Preservation Grant	A-17	360		360	-
Bulletproof Vest Program	A-17	2,836		2,836	-
Body Armor Replacement Program	A-17	8,758		8,758	-
NJDOT - Fayson Road 2023	A-17	150,000		150,000	-
Stormwater Management Grant	A-17	15,000		15,000	-
American Rescue Plan Act	A-17	517,900		517,900	-
American Rescue Plan - Firefighter Grant 2023	A-17	27,989		27,989	-
American Rescue Plan - Firefighter Grant 2024	A-8	72,000		72,000	-
American Rescue Plan - Low Income Water Assistance	A-17	438		438	-
Reserve to Pay Debt Service	C-12	100,000	-	100,000	-
Total Miscellaneous Revenues	A-1	2,362,429	-	2,921,021	558,592
Receipts from Delinquent Taxes	A-6,A-1	330,000	-	469,181	139,181
Amount to be Raised by Taxes for Support of Municipal Budget					
Minimum Library Tax	A-2	821,821		821,821	
Local Tax for Municipal Purposes	A-2	12,238,760	-	13,703,182	1,464,422
Total Amount to be Raised by					
Taxes for Support of Municipal Budget		13,060,581	-	14,525,003	1,464,422
Total General Revenues	A-3	\$ 18,053,010	\$ -	20,215,205	\$ 2,162,195
Non-Budget Revenue	A-1,A-2			66,965	
				\$ 20,282,170	

BOROUGH OF KINNELON
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024
(Continued)

	<u>Reference</u>	
Analysis of Realized Revenues		
Allocation of Current Tax Collections		
Revenues from Collections	A-1, A-6	\$ 61,152,696
Less: Allocation to School, County, and Municipal Open Space Taxes	A-14, A-15, B-10	<u>48,347,693</u>
Balance for Support of Municipal Budget Appropriation		12,805,003
Add Appropriation - "Reserve for Uncollected Taxes"	A-3	<u>1,720,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 14,525,003</u>
Non-Budget Revenue		
Uniform Fire and Safety		\$ 25,292
Insurance Claims		7,954
Outside Employment Admin Fees		10,045
Miscellaneous		<u>23,674</u>
	A-4,A-2	<u>\$ 66,965</u>

BOROUGH OF KINNELON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
Department of Administration					
Salaries and Wages	\$ 100,000	\$ 107,000	\$ 106,690	\$ 310	
Other Expenses	76,250	102,250	95,281	6,969	
Mayor and Council					
Salaries and Wages	19,500	19,500	19,500	-	
Other Expenses	1,750	2,750	2,387	363	
Municipal Clerk's Office					
Salaries and Wages	168,202	168,202	162,829	5,373	
Other Expenses	78,100	78,100	73,616	4,484	
Financial Administration					
Salaries and Wages	235,200	235,200	196,133	39,067	
Other Expenses	33,233	51,233	48,540	2,693	
Webmaster - Other Expenses	6,110	6,110	3,550	2,560	
Audit Services					
Other Expenses	41,000	61,000	30,047	30,953	
Revenue Administration (Tax Collection)					
Salaries and Wages	85,000	85,000	75,805	9,195	
Other Expenses	14,675	14,675	7,447	7,228	
Tax Assessment Administration					
Salaries and Wages	39,505	39,505	38,723	782	
Other Expenses	20,280	20,280	6,736	13,544	
Legal Services and Costs					
Other Expenses	165,000	165,000	123,576	41,424	
Engineering Services					
Other Expenses	25,500	26,500	25,420	1,080	
Historical Preservation Commission					
Salaries and Wages	8,385	8,385	5,969	2,416	
Other Expenses	19,585	19,585	9,082	10,503	
Municipal Land Use Law					
Planning Board					
Salaries and Wages	13,050	13,050	13,050	-	
Other Expenses	29,000	29,000	6,587	22,413	
Zoning Board of Adjustment					
Salaries and Wages	1,400	1,400	1,326	74	
Other Expenses	15,100	15,100	9,405	5,695	
Insurance					
General Liability	281,400	304,400	303,243	1,157	
Workers Compensation Insurance	164,732	164,732	164,732	-	
Employee Group Health	985,837	985,837	610,290	375,547	
Health Benefit Waiver	42,000	49,000	45,821	3,179	
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	2,576,072	2,516,072	2,505,769	10,303	
Other Expenses	225,000	300,000	280,336	19,664	
Police Dispatch/911					
Salaries and Wages	124,718	134,718	124,639	10,079	
Office of Emergency Management					
Salaries and Wages	3,250	3,250	3,017	233	
Other Expenses	200	200	30	170	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF KINNELON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
PUBLIC SAFETY FUNCTIONS (Continued)					
Aid to Volunteer Fire Companies					
Other Expenses	\$ 130,500	\$ 130,500	\$ 122,767	\$ 7,733	
Aid to Tri-Borough Ambulance Squad					
Other Expenses	37,000	37,000	30,000	7,000	
Fire Hydrant Services	80,000	80,000	77,674	2,326	
Fire Vehicle Maintenance	29,500	29,500	28,633	867	
Fire Prevention Bureau					
Other Expenses	5,000	5,000	3,326	1,674	
Municipal Prosecutor					
Other Expenses	19,500	19,500	18,500	1,000	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries and Wages	1,072,267	948,267	878,682	69,585	
Other Expenses	249,600	219,600	210,736	8,864	
Solid Waste Collection					
Salaries and Wages	18,485	18,485	16,697	1,788	
Other Expenses	1,379,327	1,379,327	1,258,523	120,804	
Public Building and Grounds					
Salaries and Wages	46,387	47,887	47,634	253	
Other Expenses	65,500	77,500	75,760	1,740	
Vehicles and Maintenance					
Other Expenses	67,000	67,000	65,183	1,817	
HEALTH AND HUMAN SERVICES FUNCTIONS					
Public Health Services					
Salaries and Wages	4,000	4,000	2,500	1,500	
Other Expenses	1,550	4,550	4,136	414	
Animal Control					
Other Expenses	1,000	1,000	-	1,000	
Senior Citizen Programs					
Other Expenses	2,400	2,400	2,400	-	
Environmental Commission					
Salaries and Wages	7,450	7,450	5,673	1,777	
Other Expenses	1,850	1,850	665	1,185	
Recreation Services and Programs					
Salaries and Wages	113,561	117,061	114,762	2,299	
Other Expenses	77,625	77,625	67,324	10,301	
OTHER COMMON OPERATING FUNCTIONS					
Celebration of Public Events					
Other Expenses	55,000	55,000	54,198	802	
MUNICIPAL COURT					
Salaries and Wages	112,719	112,719	111,398	1,321	
Other Expenses	16,250	16,250	15,065	1,185	
Smoke Rise - Condo Costs	162,000	162,000	77,749	84,251	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF KINNELON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED					
REVENUES					
Uniform Construction Code Enforcement Functions					
Salaries and Wages	\$ 20,000	\$ 20,000	\$ 17,589	\$ 2,411	
Other Expenses	15,000	15,000	13,634	1,366	
UNCLASSIFIED					
Utilities					
Electricity	63,500	63,500	30,598	32,902	
Street Lighting	13,500	13,500	8,389	5,111	
Telephone	95,000	95,000	92,347	2,653	
Water and Sewer	48,000	48,000	9,299	38,701	
Gasoline	131,000	131,000	67,045	63,955	
Natural Gas	30,000	30,000	25,632	4,368	
Accumulated Leave Compensation	5,000	5,000	-	5,000	
Landfill/Solid Waste Disbposal Costs	442,000	442,000	441,133	867	-
Total Operations Within "CAPS"	10,217,505	10,211,505	9,095,227	1,116,278	-
Detail:					
Salaries and Wages	4,656,432	4,494,432	4,336,987	157,445	-
Other Expenses	5,561,073	5,717,073	4,758,240	958,833	-
DEFERRED CHARGES AND STATUTORY					
EXPENDITURES					
Statutory Expenditures					
Contribution to:					
Social Security System	344,300	349,300	346,312	2,988	
Police and Firemen's Retirement Fund of NJ	715,957	715,957	715,957	-	
Public Employees' Retirement System	330,589	330,589	330,589	-	
Unemployment Insurance	18,500	18,500	16,768	1,732	
Defined Contribution Retirement Plan	8,800	8,800	7,676	1,124	-
Total Deferred Charges and Statutory					
Expenditures - Within "CAPS"	1,418,146	1,423,146	1,417,302	5,844	-
Total General Appropriations for					
Municipal Purposes within "CAPS"	11,635,651	11,634,651	10,512,529	1,122,122	-

BOROUGH OF KINNELON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended Reserved</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
UTILITY EXPENSES AND BULK PURCHASES					
Aid to Library					
Other Expenses	\$ 821,822	\$ 821,822	\$ 703,631	\$ 118,191	
Storm Water Management (N.J.S.A. 40A:4-45.3)					
Salaries and Wages	27,720	28,720	28,270	450	
Other Expenses	14,500	14,500	4,200	10,300	
Reserve for Tax Appeals				-	
LOSAP	17,000	17,000	14,484	2,516	-
Total Other Operations - Excluded from "CAPS"	881,042	882,042	750,585	131,457	-
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS					
Interlocal Health Services Agreement - Pequannock	143,925	143,925	143,925	-	
Construction Code - Bloomingdale	263,000	263,000	233,327	29,673	
Dial-A-Ride - Pequannock	104,870	104,870	104,870	-	
Interlocal ACO Services - Bloomingdale	30,061	30,061	29,414	647	
Interlocal Dispatch - Butler	34,400	34,400	32,946	1,454	
Interlocal Mechanic Services - Bloomingdale	29,000	29,000	20,061	8,939	
Interlocal Fire Official - Bloomingdale	16,500	16,500	16,500	-	-
Total Interlocal Municipal Service Agreements	621,756	621,756	581,043	40,713	-
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
FEDERAL AND STATE GRANTS					
Clean Communities Grant	25,270	25,270	25,270	-	
Recycling Tonnage Grant	13,047	13,047	13,047	-	
Stormwater Management	15,000	15,000	15,000	-	
Bullet Proof Vest Program	2,836	2,836	2,836	-	
Body Armor Replacement Fund	8,758	8,758	8,758	-	
New Jersey DOT Grant - 2023 Fayson Road	150,000	150,000	150,000	-	
Historic Preservation Grant	360	360	360	-	
ARP - Firefighter - 2024	72,000	72,000	72,000	-	
ARP - Firefighter - 2023	27,989	27,989	27,989	-	
ARP Low Income Water Assistance	438	438	438	-	
ARP - 2022 (\$517,900)					
Public Safety/OEM/Court Roof Reconstruction	267,000	267,000	267,000	-	
Public Safety Fire Equipment	250,900	250,900	250,900	-	-
Total Public and Private Programs Offset by Revenues	833,598	833,598	833,598	-	-
Total Operations Excluded from "CAPS"	2,336,396	2,337,396	2,165,226	172,170	-
Detail:					
Other Expenses	2,336,396	2,337,396	2,165,226	172,170	-

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF KINNELON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Appropriated</u>	<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u> <u>Cancelled</u>
CAPITAL IMPROVEMENTS -				
EXCLUDED FROM "CAPS"				
Capital Improvement Fund	\$ 150,000	\$ 150,000	\$ 150,000	-
Acq. Of Police Video Surv. And General Camera Equip.	275,000	275,000	60,183	\$ 214,817
Acquisition of Heavy Duty Police Vehicle	75,000	75,000	75,000	-
Total Capital Improvements - Excluded from "CAPS"	500,000	500,000	285,183	214,817
MUNICIPAL DEBT SERVICE -				
EXCLUDED FROM "CAPS"				
Payment of Bond Principal	1,045,000	1,045,000	1,045,000	-
Payment of Bond Anticipation Notes	315,000	315,000	204,100	- \$ 110,900
Interest on Bonds	145,963	145,963	145,963	-
Interest on Notes	355,000	355,000	345,127	- 9,873
Total Municipal Debt Service - Excluded from "CAPS"	1,860,963	1,860,963	1,740,190	- 120,773
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	4,697,359	4,698,359	4,190,599	386,987 120,773
Subtotal General Appropriations	16,333,010	16,333,010	14,703,128	1,509,109 120,773
RESERVE FOR UNCOLLECTED TAXES	1,720,000	1,720,000	1,720,000	- -
Total General Appropriations	\$ 18,053,010	\$ 18,053,010	\$ 16,423,128	\$ 1,509,109 \$ 120,773
	<u>Reference</u>	<u>A-2</u>	<u>A-2</u>	<u>A,A-1</u> <u>A,A-1</u> <u>A,A-1</u>
Adopted Budget	A-2	\$ 18,053,010		
N.J.S.A. 40A:4-87	A-2	-		
		<u>\$ 18,053,010</u>		
Cash Disbursements	A-4		\$ 13,109,212	
Encumbrances Payable	A-12		760,318	
Appropriated Grant Reserve	A-17		833,598	
Reserve for Uncollected Taxes	A-3		1,720,000	
			<u>\$ 16,423,128</u>	

BOROUGH OF KINNELON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2024 AND 2023

	<u>Reference</u>	<u>2024</u>	<u>2023</u>
ASSETS			
ANIMAL CONTROL TRUST FUND			
Cash and Cash Equivalents	B-3	\$ 85,741	\$ 67,588
		<u>85,741</u>	<u>67,588</u>
OTHER TRUST FUND			
Cash and Cash Equivalents	B-3	2,398,109	2,345,914
Due From Current Fund	B-5	<u>160,000</u>	<u>199,052</u>
		<u>2,558,109</u>	<u>2,544,966</u>
MUNICIPAL OPEN SPACE TRUST FUND			
Cash and Cash Equivalents	B-3	120,744	116,600
Due From Current Fund	B-11	<u>270,206</u>	<u>163,809</u>
		<u>390,950</u>	<u>280,409</u>
Total Assets		<u>\$ 3,034,800</u>	<u>\$ 2,892,963</u>
LIABILITIES AND RESERVES			
ANIMAL CONTROL TRUST FUND			
Due to Current Fund	B-6	\$ 52,809	\$ 32,674
Due to State of New Jersey	B-8	1,497	1,495
Reserve for Animal Control Expenditures	B-7	<u>31,435</u>	<u>33,419</u>
		<u>85,741</u>	<u>67,588</u>
OTHER TRUST FUND			
Reserve for Miscellaneous Deposits	B-4	<u>2,558,109</u>	<u>2,544,966</u>
MUNICIPAL OPEN SPACE TRUST FUND			
Reserve for Municipal Open Space Trust	B-10	<u>390,950</u>	<u>280,409</u>
Total Liabilities and Reserves		<u>\$ 3,034,800</u>	<u>\$ 2,892,963</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF KINNELON
STATEMENT OF REVENUES - REGULATORY BASIS
MUNICIPAL OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Reference</u>	Anticipated <u>Budget</u> (Memo)	Realized in <u>2024</u>	Excess or <u>(Deficit)</u>
Amount to be Raised by Taxation	B-10	\$ <u>105,953</u>	\$ 106,397	\$ <u>444</u>
Non-Budget Revenue	B-10		<u>4,144</u>	
			<u>\$ 110,541</u>	

STATEMENT OF APPROPRIATIONS - REGULATORY BASIS
MUNICIPAL OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

		Appropriated <u>Budget</u> (Memo)	Paid or <u>Charged</u>	Excess or <u>(Deficit)</u>
Reserve for Future Use		\$ <u>105,953</u>	\$ <u>-</u>	\$ <u>105,953</u>
	Reference	B-1	B-10	

BOROUGH OF KINNELON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2024 AND 2023

	<u>Reference</u>	<u>2024</u>	<u>2023</u>
ASSETS			
Cash and Cash Equivalents	C-2, C-3	\$ 3,974,796	\$ 1,608,071
Grants Receivable:			
New Jersey Department of Transportation	C-6	438,379	306,094
Morris County Open Space	C-6	1,700,000	1,700,000
Morris County Municipal Utility Authority	C-6	150,000	150,000
Morris County Park Commission	C-6	300,000	300,000
New Jersey Highlands Council	C-6	300,000	300,000
Other Sources	C-6	100,000	100,000
Due from Current Fund	C-13	681,852	557,337
Due from Water Utility Capital Fund	C-14	-	640,702
Deferred Charges to Future Taxation			
Funded	C-4	4,825,000	5,870,000
Unfunded	C-5	<u>10,191,651</u>	<u>7,911,466</u>
 Total Assets		 <u>\$ 22,661,678</u>	 <u>\$ 19,443,670</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bonds	C-7	\$ 4,825,000	\$ 5,870,000
Bond Anticipation Notes Payable	C-8	9,583,433	6,902,533
Due to Water Utility Capital Fund	C-14	62,001	-
Improvement Authorizations			
Funded	C-9	2,924,833	2,921,446
Unfunded	C-9	3,265,707	2,328,413
Encumbrances Payable	C-10	1,218,185	848,050
Reserve for Payment of Bonds	C-12	158,662	176,366
Reserve for Cost of Issuance	C-15	2,701	2,701
Reserve for Housing Rehabilitation	C-15	15,550	15,550
Reserve for Grants Receivable	C-6	132,285	-
Capital Improvement Fund	C-11	347,894	362,894
Fund Balance	C-1	<u>125,427</u>	<u>15,717</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 22,661,678</u>	 <u>\$ 19,443,670</u>

There were bonds and notes authorized but not issued of \$1,008,933 and \$1,008,933 at December 31, 2024 and 2023, respectively (Exhibit C-16).

BOROUGH OF KINNELON
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>Reference</u>	<u>2024</u>	<u>2023</u>
Balance, January 1	C	\$ 15,717	\$ 15,717
Increased by:			
Premium on Bond Anticipation Notes	C-2	<u>109,710</u>	<u>-</u>
Balance, December 31	C	<u>\$ 125,427</u>	<u>\$ 15,717</u>

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

	<u>Reference</u>	<u>2024</u>	<u>2023</u>
Operating Fund:			
Cash and Cash Equivalents	D-4	\$ 647,032	\$ 662,525
Change Fund	D	100	100
Other Receivables	D	92	92
Due from Current Fund	A-23		72
Due from Federal and State Grant Fund	A	9,464	9,464
Due from Sewer Utility Operating Fund	E-9	<u>-</u>	<u>48,046</u>
		656,688	720,299
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	D-5	<u>8,585</u>	<u>16,995</u>
Total Operating Fund		<u>665,273</u>	<u>737,294</u>
Capital Fund:			
Cash and Cash Equivalents	D-5	110,331	1,261,042
Due from Water Utility Operating Fund	D-11	65,000	65,000
Due from General Capital Fund	C-14	62,001	-
Fixed Capital	D-7	628,317	529,360
Fixed Capital Authorized and Uncompleted	D-8	<u>2,855,000</u>	<u>2,855,000</u>
Total Capital Fund		<u>3,720,649</u>	<u>4,710,402</u>
Total Assets		<u>\$ 4,385,922</u>	<u>\$ 5,447,696</u>

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

	<u>Reference</u>	<u>2024</u>	<u>2023</u>
Operating Fund:			
Appropriation Reserves:			
Unencumbered	D-4	194,584	107,293
Encumbered	D-10	12,501	5,204
Due to Water Utility Capital Fund	D-11	65,000	65,000
Accrued Interest on Bonds and Notes	D-12	26,469	21,957
Water Rent Overpayments	D-13	<u>13,363</u>	<u>9,293</u>
		<u>311,917</u>	<u>208,747</u>
Reserve for Receivables	D	8,585	16,995
Fund Balance	D-1	<u>344,771</u>	<u>511,552</u>
Total Operating Fund		<u>665,273</u>	<u>737,294</u>
Capital Fund:			
Serial Bonds Payable	D-19	238,000	268,000
Bond Anticipation Notes Payable	D-18	1,904,500	1,904,500
Improvement Authorizations:			
Funded	D-14	85,775	85,775
Unfunded	D-14	79,051	527,059
Due to General Capital Fund	C-14	-	640,702
Deferred Reserve for Amortization	D-16	145,500	145,500
Reserve for Amortization	D-17	1,195,317	1,066,360
Reserve to Pay Debt Service	D-20	13,639	13,639
Capital Improvement Fund	D-15	35,368	35,368
Fund Balance	D-2	<u>23,499</u>	<u>23,499</u>
Total Capital Fund		<u>3,720,649</u>	<u>4,710,402</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 4,385,922</u>	<u>\$ 5,447,696</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2024 and 2023 of \$-0- and \$-0-, respectively.
(See Exhibit D-21)

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

	<u>Reference</u>	<u>2024</u>	<u>2023</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	D-3	\$ 448,496	\$ 112,560
Water Rents	D-3	584,774	595,268
Nonbudget Revenue	D-3	31,230	24,750
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	D-9	<u>58,724</u>	<u>1,784</u>
Total Income		<u>1,123,224</u>	<u>734,362</u>
<u>Expenditures</u>			
Budget Expenditures			
Operating	D-4	543,606	543,606
Capital Improvements	D-4	150,000	35,000
Debt Service	D-4	135,203	112,970
Deferred Charges and Statutory Expenditures	D-4	<u>12,700</u>	<u>12,700</u>
Total Expenditures		<u>841,509</u>	<u>704,276</u>
Excess Revenue		281,715	30,086
Balance, January 1	D	511,552	594,026
Decreased by:			
Utilized by Water Utility Operating Budget	D-3	<u>448,496</u>	<u>112,560</u>
Balance, December 31	D	<u>\$ 344,771</u>	<u>\$ 511,552</u>

**BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
COMPARATIVE STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS**

	<u>Reference</u>	<u>2024</u>	<u>2023</u>
Balance, December 31, 2023	D	\$ 23,499	\$ 2,035
Increased by:			
Premium on Bond Anticipation Notes	D-2	<u>-</u>	<u>21,464</u>
Balance, December 31, 2024	D	<u>\$ 23,499</u>	<u>\$ 23,499</u>

BOROUGH OF KINNELON
WATER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024

	<u>Reference</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	D-1,D-6	\$ 448,496	\$ 448,496	
Rents	D-1,D-6	<u>595,000</u>	<u>584,774</u>	<u>\$ (10,226)</u>
	D-4	<u>\$ 1,043,496</u>	1,033,270	
Non-Budget Revenue	D-1		<u>31,230</u>	
			<u>\$ 1,064,500</u>	
ANALYSIS OF NON-BUDGET REVENUE				
Treasurer				
Interest on Investments	D-5		<u>\$ 31,230</u>	

**BOROUGH OF KINNELON
WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	<u>Appropriation</u>		<u>Expended by</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operating:					
Salaries and Wages	\$ 150,875	\$ 150,875	\$ 130,179	\$ 20,696	
Other Expenses	392,731	392,731	272,665	120,066	
Capital Improvements					
Completion of Denise Drive Water Tank	350,000	350,000	98,957	51,043	\$ 200,000
Debt Service					
Payment of Bond Principal	30,000	30,000	30,000	-	
Interest on Bonds	7,190	7,190	7,190	-	
Interest on Notes	100,000	100,000	98,013	-	1,987
Statutory Expenditures					
Contribution to:					
Unemployment Insurance	700	700	462	238	
Social Security System (O.A.S.I.)	12,000	12,000	9,459	2,541	-
	<u>\$ 1,043,496</u>	<u>\$ 1,043,496</u>	<u>\$ 646,925</u>	<u>\$ 194,584</u>	<u>\$ 201,987</u>
<u>Reference</u>	D-2	D-3	D-1	D,D-1	D-1
Analysis of Paid or Charged					
Cash Disbursed	D-5		\$ 529,221		
Accrued Interest on Bonds and Note	D-12		105,203		
Encumbrances	D-10		<u>12,501</u>		
			<u>\$ 646,925</u>		

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

	<u>Reference</u>	<u>2024</u>	<u>2023</u>
ASSETS			
Operating Fund:			
Cash and Cash Equivalents	E-4	\$ 812,396	\$ 735,610
Due from Federal and State Grant Fund	A	<u>2,680</u>	<u>2,680</u>
		815,076	738,290
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	E-5	<u>11,176</u>	<u>10,265</u>
Total Assets		<u>\$ 826,252</u>	<u>\$ 748,555</u>
 LIABILITIES, RESERVE AND FUND BALANCE			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	E-3,E-6	92,662	65,355
Encumbered	E-7	12,000	6,000
Overpayments	E-8	4,821	3,860
Due to Water Utility Operating Fund	E-9	<u>-</u>	<u>48,046</u>
		109,483	123,261
Reserve for Receivables		11,176	10,265
Fund Balance	E-1	<u>705,593</u>	<u>615,029</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 826,252</u>	<u>\$ 748,555</u>

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

	<u>Reference</u>	<u>2024</u>	<u>2023</u>
REVENUES AND OTHER INCOME			
Surplus Anticipated	E-2	\$ 95,815	\$ 95,815
Miscellaneous Revenues Not Anticipated	E-2	42,774	17,642
Sewer Service Charges - Fees	E-2	500,730	505,980
Other Credits to Income			
Cancellation of Prior Year Accounts Payable			1,634
Unexpended Balance of Appropriation Reserves	E-6	<u>48,760</u>	<u>42,463</u>
		<u>688,079</u>	<u>663,534</u>
EXPENDITURES			
Budget Appropriations			
Operating	E-3	500,000	474,989
Deferred Charges and Statutory Expenditures	E-3	<u>1,700</u>	<u>1,700</u>
		<u>501,700</u>	<u>476,689</u>
Excess in Revenue		<u>186,379</u>	<u>186,845</u>
Balance, January 1	E	<u>615,029</u>	<u>523,999</u>
Decreased by:			
Utilized by Sewer Utility Operating Budget	E-1	<u>95,815</u>	<u>95,815</u>
Balance, December 31	E	<u>\$ 705,593</u>	<u>\$ 615,029</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024**

	<u>Reference</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	E-1	\$ 95,815	\$ 95,815	
Sewer Service Charges	E-1,E-5	<u>405,885</u>	<u>500,730</u>	<u>\$ 94,845</u>
		<u>\$ 501,700</u>	596,545	<u>\$ 94,845</u>
Non-Budget Revenue	E-1		<u>42,774</u>	
			<u>\$ 639,319</u>	

ANALYSIS OF NON-BUDGET REVENUE

Treasurer	
Interest on Investments	<u>\$ 42,774</u>

BOROUGH OF KINNELON
SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024

	<u>Appropriation</u>		<u>Expended by</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operating:					
Salaries and Wages	\$ 22,000	\$ 22,000	\$ 16,092	\$ 5,908	
Other Expenses	478,000	478,000	391,716	86,284	
Deferred Charges and Statutory Expenditures					
Statutory Expenditures					
Contribution to:					
Unemployment Insurance	100	100	58	42	
Social Security System (O.A.S.I.)	<u>1,600</u>	<u>1,600</u>	<u>1,172</u>	<u>428</u>	<u>-</u>
Total Sewer Utility Appropriations	<u>\$ 501,700</u>	<u>\$ 501,700</u>	<u>\$ 409,038</u>	<u>\$ 92,662</u>	<u>-</u>
	<u>Reference</u>	E-2	E-1	E-1	E, E-1
Analysis of Paid or Charged					
Cash Disbursed	E-4		\$ 397,038		
Encumbrances	E-7		<u>12,000</u>		
			<u>\$ 409,038</u>		

**BOROUGH OF KINNELON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2024 AND 2023**

	<u>Reference</u>	<u>2024</u>	<u>2023</u>
ASSETS			
Cash and Cash Equivalents	D-1	\$ 59,730	\$ 57,680
Total Assets		<u>\$ 59,730</u>	<u>\$ 57,680</u>
LIABILITIES AND RESERVES			
Reserve for Public Assistance Expenditures	D-2	\$ 59,730	\$ 57,680
Total Liabilities and Reserves		<u>\$ 59,730</u>	<u>\$ 57,680</u>

**BOROUGH OF KINNELON
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
AS OF DECEMBER 31, 2024 AND 2023**

	<u>2024</u> (Unaudited)	<u>2023</u>
ASSETS		
Land and Land Improvements	\$ 10,236,364	\$ 10,236,364
Buildings and Building Improvements	2,978,541	2,978,541
Vehicles and Equipment	<u>8,497,884</u>	<u>8,497,884</u>
	<u>\$ 21,712,789</u>	<u>\$ 21,712,789</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 21,712,789</u>	<u>\$ 21,712,789</u>

NOTES TO FINANCIAL STATEMENTS

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Kinnelon (the "Borough") was incorporated in 1922 and operates under an elected Mayor and Council form of government. The Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library volunteer fire department or volunteer ambulance squad which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

B. Description of Regulatory Basis of Accounting

The financial statements of the Borough of Kinnelon have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. However under the regulatory basis of accounting municipalities are required to follow GASB pronouncements with regard to disclosure requirements for notes to the financial statements.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The Borough has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Animal Control Trust Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Borough as collateral.

Municipal Open Space Preservation Trust Fund - This fund is used to account for open space tax levied against properties for the purpose of preserving open space in the Borough.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

Water Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Borough's water utility and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the water utility is accounted for in the capital section of the fund.

Sewer Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Borough's sanitary sewerage system and the assets and liabilities relative to such activities. Special benefit assessments levied against properties for specific purposes are accounted for in the assessment trust section of the fund.

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough, other than those accounted for in the sewer utility fund. The Borough's infrastructure is not reported in the account group.

**BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

Reclassifications - Certain reclassifications may have been made to the December 31, 2023 balances to conform to the December 31, 2024 presentation.

Financial Statements – Regulatory Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Borough presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Borough of Kinnelon follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. GAAP requires that all investments be reported at fair value.

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levies less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues/Receivables - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Utility Revenues/Receivables - Utility charges are levied quarterly based upon a flat service charge and if applicable, an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Utility Operating Funds. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant and Similar Award Revenues/Receivables - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

Property Acquired for Taxes - Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved. GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

Deferred Charges – Certain expenditures, operating deficits and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures, operating deficits and certain other items generally to be recognized when incurred, if measurable.

Funded and unfunded debt authorizations for general capital projects are also recorded as deferred charges and represent permanent long-term debt issues outstanding (funded) and temporary debt issues outstanding or unissued debt authorizations (unfunded), respectively. GAAP does not permit the recording of deferred charges for funded and unfunded debt authorizations.

Appropriation Reserves – Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

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

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the proprietary funds and government-wide financial statements.

Incurred But Not Reported (IBNR) Reserves and Claims Payable - The Borough has not created a reserve for any potential unreported self-insurance losses which have taken place but in which the Borough has not received notices or report of losses (i.e. IBNR). Additionally, the Borough has not recorded a liability for those claims filed, but which have not been paid (i.e. claims payable). GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining potential claims are recorded as a long-term obligation in the proprietary funds and government-wide financial statements.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

Reserve for Uncollected Taxes – Reserve for Uncollected Taxes is a non-spending budget appropriation account required to provide assurance that cash collected for property taxes levied in the current year will provide sufficient cash flow to meet expected budgetary obligations. The minimum amount required to be budgeted in Reserve for Uncollected Taxes is determined utilizing the actual percentage of property taxes collected in the immediate preceding budget year, unless allowable alternative methods are utilized with the approval of the Division. A Reserve for Uncollected Taxes is not established or required under GAAP.

Pensions – The Borough appropriates in its annual budget the amount required to be paid for pension contributions as determined by the State administered pension systems. Under the regulatory basis of accounting the Borough is only required to disclose in the Notes to the Financial Statements its share of the actuarially determined net pension liabilities, deferred outflow of resources, deferred inflow of resources and pension expense (benefit) related to the State administered pension system. GAAP requires these actuarially determined amounts to be reported in the proprietary funds and government-wide financial statements.

Other Post-Employment Benefits (OPEB) – The Borough funds its employer paid post-retirement medical benefits on a pay-as-you-go basis. Under the regulatory basis of accounting the Borough is only required to disclose in the Notes to the Financial Statements its actuarially determined net OPEB liability, deferred outflow of resources, deferred inflow of resources and OPEB expense (benefit). GAAP requires these actuarially determined amounts to be reported in the proprietary funds and government-wide financial statements.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Kinnelon has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$3,000 and an estimated useful life in excess of two years.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and sewerage and drainage systems are not capitalized. General fixed assets acquired under capital financing agreements are capitalized at their acquisition cost. Intangible right-to-use leased assets and intangible right-to-use IT software (SBITAs) are not capitalized.

General Fixed Assets purchased after December 31, 2014 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General Fixed Assets purchased prior to December 31, 2014 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Historical Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

**BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

Accounting for utility fund "fixed capital" remains unchanged under NJAC 5:30-5.6.

Property and equipment purchased by the water utility fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

GAAP requires that capital assets including intangible right-to-use leased assets and intangible right-to-use IT software (SBITAs), be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. 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 and approved by the State Division of Local Government Services as per N.J.S.A. 40A:4 et seq.

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

Trust Fund (Except for Open Space Trust Fund)
General Capital Fund
Water Utility Capital Fund
Public Assistance Fund

The Borough must prepare its budget in compliance with applicable laws limiting or capping the amounts by which both the budget appropriations and the municipal tax levy can increase in the annual budget.

1977 Appropriation "CAP": The 1977 Appropriation Cap is calculated using the formulas and provisions of N.J.S.A. 40A:4-45.1 through 4-45.43a. The law was originally adopted in 1976 and was most recently amended in 2003. Under this law, the Borough is permitted to increase its overall Current Fund appropriations (with certain exceptions) by 2.5% or the "cost of living adjustment" (COLA), whichever is less. The COLA is calculated based on the Implicit Price Deflator for Local Governments computed by the U.S. Department of Commerce. The Borough can, when the COLA is less than or equal to 2.5%, increase its allowable inside-the-cap appropriations to 3.5%, upon adoption of a COLA Rate Ordinance by the governing body and beyond 3.5% upon voter passage of a referendum. Additionally, municipalities can bank the unused appropriation increases for use in any of the next two (2) succeeding budget years.

2010 Levy "CAP": The 2010 Levy Cap is calculated using the formulas and provisions of N.J.S.A. 40A:4-45.44 through 45.47. It established limits on the increase in the total amount to be raised by taxation for municipal purposes (municipal tax levy). The core of the levy cap formula is a 2% increase to the previous year's amount to be raised by taxation for municipal purposes, exclusive of certain appropriations and allowable adjustments and extraordinary costs related to a declared emergency. Voter approval may be requested to increase the municipal tax levy by more than the allowable adjusted tax levy. Additionally, municipalities can bank the unused tax levy for use in any of the next three (3) succeeding budget years.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Accounting (Continued)

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2024 and 2023 the Current Fund, Water Utility Operating Fund, and Sewer Utility Operating Fund budgets were not increased. However, the governing body approved several budget transfers during 2024 and 2023.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

The Borough considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

A. Cash Deposits

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for deposits in excess of the FDIC or NCUSIF insured amounts. GUDPA does not protect intermingled trust funds, bail funds, withholdings from an employee's salary or funds which may pass to the local government upon the happening of a future condition.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2024 and 2023, the book value of the Borough's deposits were \$20,082,049 and \$17,320,935 and bank and brokerage firm balances of the Borough's deposits amounted to \$20,211,417 and \$21,265,983, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2024</u>	<u>2023</u>
Insured	\$ 19,427,680	\$ 20,466,897
Uninsured and Collateralized	<u>783,737</u>	<u>799,086</u>
	<u>\$ 20,211,417</u>	<u>\$ 21,265,983</u>

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2024 and 2023, the Borough’s bank balances of \$783,737 and \$799,086 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2024</u>	<u>2023</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 783,737	\$ 799,086

B. Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law, “ (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

As of December 31, 2024 and 2023 the Borough had no outstanding investments.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting. Interest earned in the Water Utility Capital Fund is assigned to the Water Utility Operating Fund in accordance with the regulatory basis of accounting.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE

Receivables at December 31, 2024 consisted of the following:

	<u>Current Fund</u>	<u>Water Utility Operating Fund</u>	<u>Sewer Utility Operating Fund</u>	<u>Total</u>
<u>2024</u>				
Property Taxes	\$ 363,947			\$ 363,947
Tax Title Liens	1,178,543			1,178,543
Water Utility Charges and Fees	-	\$ 8,585		8,585
Sewer Utility Charges and Fees	<u>-</u>	<u>-</u>	\$ 11,176	<u>11,176</u>
	<u>\$ 1,542,490</u>	<u>\$ 8,585</u>	<u>\$ 11,176</u>	<u>\$ 1,562,251</u>

In 2024, the Borough collected \$469,181 and \$27,260 from delinquent taxes and utility charges and fees, which represented 97% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2023.

Receivables at December 31, 2023 consisted of the following:

	<u>Current Fund</u>	<u>Water Utility Operating Fund</u>	<u>Sewer Utility Operating Fund</u>	<u>Total</u>
<u>2023</u>				
Property Taxes	\$ 484,885			\$ 484,885
Tax Title Liens	1,107,812			1,107,812
Water Utility Charges and Fees	-	\$ 16,995		16,995
Sewer Utility Charges and Fees	<u>-</u>	<u>-</u>	\$ 10,265	<u>10,265</u>
	<u>\$ 1,592,697</u>	<u>\$ 16,995</u>	<u>\$ 10,265</u>	<u>\$ 1,619,957</u>

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 5 DUE TO/FROM OTHER FUNDS

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2024</u>		<u>2023</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 52,809	\$ 2,196,077	\$ 32,674	\$ 2,450,455
Federal and State Grant Fund	1,084,019	12,144	1,530,186	12,144
Trust Fund:				
Animal Control Fund		52,809		32,674
Other Trust Funds	430,206		362,861	
General Capital Fund	681,852	62,001	1,198,038	
Water Utility Operating Fund	9,464	65,000	57,582	65,000
Water Utility Capital Fund	127,001	-	65,000	640,702
Sewer Utility Operating Fund	<u>2,680</u>	<u>-</u>	<u>2,680</u>	<u>48,046</u>
 Total	 <u>\$ 2,388,031</u>	 <u>\$ 2,388,031</u>	 <u>\$ 3,249,021</u>	 <u>\$ 3,249,021</u>

The above balances are the result of expenditures being paid by one fund on behalf of another.

The Borough expects all interfund balances to be liquidated within one year.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 6 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Operating Fund are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	2024		2023	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 5,681,459	\$ 2,490,000	\$ 4,809,206	\$ 2,300,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>188</u>	<u>-</u>
	<u>\$ 5,681,459</u>	<u>\$ 2,490,000</u>	<u>\$ 4,809,394</u>	<u>\$ 2,300,000</u>
Water Utility Operating Fund				
Cash Surplus	\$ 335,215	\$ 225,300	\$ 453,878	\$ 448,496
Non-Cash Surplus	<u>9,556</u>	<u>-</u>	<u>57,674</u>	<u>-</u>
	<u>\$ 344,771</u>	<u>\$ 225,300</u>	<u>\$ 511,552</u>	<u>\$ 448,496</u>
Sewer Utility Operating Fund				
Cash Surplus	\$ 702,913	\$ 58,700	\$ 612,349	\$ 95,815
Non-Cash Surplus	<u>2,680</u>	<u>-</u>	<u>2,680</u>	<u>-</u>
	<u>\$ 705,593</u>	<u>\$ 58,700</u>	<u>\$ 615,029</u>	<u>\$ 95,815</u>

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 7 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2024 and 2023.

	Balance January 1, <u>2024</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2024</u> (Unaudited)
<u>2024</u>				
Land	\$ 10,236,364	-		\$ 10,236,364
Buildings and Building Improvements	2,978,541	-		2,978,541
Machinery and Equipment	<u>8,497,884</u>	<u>-</u>	<u>-</u>	<u>8,497,884</u>
	<u>\$ 21,712,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,712,789</u>
	Balance January 1, <u>2023</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2023</u>
<u>2023</u>				
Land	\$ 10,236,364			\$ 10,236,364
Buildings and Building Improvements	2,978,541			2,978,541
Machinery and Equipment	<u>6,662,129</u>	<u>\$ 1,835,755</u>	<u>-</u>	<u>8,497,884</u>
	<u>\$ 19,877,034</u>	<u>\$ 1,835,755</u>	<u>\$ -</u>	<u>\$ 21,712,789</u>

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 7 FIXED ASSETS (Continued)

B. Water Utility Fund Fixed Assets

The following is a summary of changes in the Water Utility Fund fixed assets for the years ended December 31, 2024 and 2023.

	Balance January 1, <u>2024</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2024</u>
<u>2024</u>				
Fixed Capital				
System and System Improvements and Vehicles and Equipment	\$ 529,360	\$ 98,957	\$ -	\$ 628,317
	<u>\$ 529,360</u>	<u>\$ 98,957</u>	<u>\$ -</u>	<u>\$ 628,317</u>
	Balance January 1, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2023</u>
<u>2023</u>				
Fixed Capital				
System and System Improvements and Vehicles and Equipment	\$ 529,360	\$ -	\$ -	\$ 529,360
	<u>\$ 529,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 529,360</u>

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 8 MUNICIPAL DEBT

The Local Bond Law (N.J.S.A. 40A:2 et.seq.) governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both general capital and utility capital fund projects and acquisitions or other purposes permitted by the Local Bond Law. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects and acquisitions or other purposes permitted by the Local Bond Law, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2024</u>	<u>2023</u>
Issued		
General		
Bonds, Notes and Loans	\$ 14,408,433	\$ 12,772,533
Water Utility		
Bonds, Notes and Loans	<u>2,142,500</u>	<u>2,172,500</u>
	16,550,933	14,945,033
Less Funds Temporarily Held to Pay Bonds and Notes	<u>573,016</u>	<u>190,005</u>
Net Debt Issued	<u>15,977,917</u>	<u>14,755,028</u>
Authorized But Not Issued		
General		
Bonds and Notes	1,008,933	1,008,933
Water Utility		
Bonds and Notes	<u>-</u>	<u>-</u>
	<u>1,008,933</u>	<u>1,008,933</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u><u>\$ 16,986,850</u></u>	<u><u>\$ 15,763,961</u></u>

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 8 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is in the format of the Borough's Annual Debt Statement and indicates a statutory net debt of 0.631% and 0.594% at December 31, 2024 and 2023, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2024</u>			
General Debt	\$ 15,417,366	\$ 559,377	\$ 14,857,989
Utility Debt	<u>2,142,500</u>	<u>2,142,500</u>	<u>-</u>
Total	<u>\$ 17,559,866</u>	<u>\$ 2,701,877</u>	<u>\$ 14,857,989</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2023</u>			
General Debt	\$ 13,781,466	\$ 176,366	\$ 13,605,100
Utility Debt	<u>2,172,500</u>	<u>2,172,500</u>	<u>-</u>
Total	<u>\$ 15,953,966</u>	<u>\$ 2,348,866</u>	<u>\$ 13,605,100</u>

Statutory Borrowing Power

The Borough's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2024</u>	<u>2023</u>
3.5% of Equalized Valuation Basis (Municipal)	\$ 85,524,017	\$ 80,231,920
Less: Net Debt	<u>14,857,989</u>	<u>13,605,100</u>
Remaining Borrowing Power	<u>\$ 70,666,028</u>	<u>\$ 66,626,820</u>

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

The Borough's long-term debt consisted of the following at December 31:

General Obligation Bonds

The Borough levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2024</u>	<u>2023</u>
\$6,070,000, 2009 Refunding Bonds, due in annual installments of \$30,000 to \$495,000 through March 1, 2024, interest at 2.00% to 4.00%	\$ -	\$ 495,000
\$9,100,000, 2015 General Improvement Bonds, due in annual installments of \$425,000 to \$650,000 through February 1, 2032 interest at 1.00% to 3.00%	<u>4,825,000</u>	<u>5,375,000</u>
	<u>\$ 4,825,000</u>	<u>\$ 5,870,000</u>

Water Utility Bonds

The Borough pledges revenue from operations to pay debt service on utility bonds issued. The water utility bonds outstanding at December 31 are as follows:

	<u>2024</u>	<u>2023</u>
\$458,000, 2015 Bonds, due in an annual installment of \$15,000 to \$30,000 through February 1, 2032, interest at 1.00% through 3.00%	<u>\$ 238,000</u>	<u>\$ 268,000</u>
	<u>\$ 238,000</u>	<u>\$ 268,000</u>

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2024 is as follows:

Calendar Year	<u>General</u>		<u>Water Utility</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2025	\$ 550,000	\$ 125,062	\$ 30,000	\$ 6,090	\$ 711,152
2026	575,000	113,093	30,000	5,453	723,546
2027	575,000	99,437	30,000	4,740	709,177
2028	600,000	84,000	30,000	3,953	717,953
2029	625,000	66,375	30,000	3,090	724,465
2030-2032	<u>1,900,000</u>	<u>86,250</u>	<u>88,000</u>	<u>3,900</u>	<u>2,078,150</u>
	<u>\$ 4,825,000</u>	<u>\$ 574,217</u>	<u>\$ 238,000</u>	<u>\$ 27,225</u>	<u>\$ 5,664,442</u>

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2024 and 2023 were as follows:

	Balance, January 1, <u>2024</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2024</u>	Due Within <u>One Year</u>
<u>2024</u>					
Bonds Payable	\$ 5,870,000	\$ -	\$ 1,045,000	\$ 4,825,000	\$ 550,000
General Capital Fund Long-Term Liabilities	<u>\$ 5,870,000</u>	<u>\$ -</u>	<u>\$ 1,045,000</u>	<u>\$ 4,825,000</u>	<u>\$ 550,000</u>
Water Utility Capital Fund Bonds Payable	\$ 268,000	\$ -	\$ 30,000	\$ 238,000	\$ 30,000
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 268,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 238,000</u>	<u>\$ 30,000</u>

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, January 1, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2023</u>	Due Within One Year
<u>2023</u>					
Bonds Payable	\$ 6,885,000	\$ -	\$ 1,015,000	\$ 5,870,000	\$ 1,045,000
General Capital Fund Long-Term Liabilities	<u>\$ 6,885,000</u>	<u>\$ -</u>	<u>\$ 1,015,000</u>	<u>\$ 5,870,000</u>	<u>\$ 1,045,000</u>
Water Utility Capital Fund Bonds Payable	\$ 298,000	\$ -	\$ 30,000	\$ 268,000	\$ 30,000
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 298,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 268,000</u>	<u>\$ 30,000</u>

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2024 and 2023 was as follows:

Bond Anticipation Notes

	Rate (%)	Maturity Date	Balance, January 1, <u>2024</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2024</u>
<u>2024</u>						
<u>General Capital Fund</u>						
<u>Purpose</u>						
02-14 Various Improvements	5.00%	09/27/2024	\$ 601,373		\$ 601,373	
	4.00%	09/26/2025		\$ 528,873		\$ 528,873
01-13 Various Improvements	5.00%	09/27/2024	683,002		683,002	
	4.00%	09/26/2025		623,002		623,002
03-19 Acquisition of a New Firefighting Vehicle	5.00%	09/27/2024	163,934		163,934	-
	4.00%	09/26/2025		138,934		138,934
07-19 Improvement of Kiel Avenue	5.00%	09/27/2024	207,974		207,974	-
	4.00%	09/26/2025		189,274		189,274
10-21 Firefighter Equipment	5.00%	09/27/2024	566,000		566,000	-
	4.00%	09/26/2025		566,000		566,000
11-21 Various Improvements	5.00%	09/27/2024	1,304,000		1,304,000	-
	4.00%	09/26/2025		1,276,100		1,276,100
03-22 Firefighter Equipment	5.00%	09/27/2024	176,000		176,000	-
	4.00%	09/26/2025		176,000		176,000
10-22 Various Improvements	5.00%	09/27/2024	1,666,000		1,666,000	-
	4.00%	09/26/2025		1,666,000		1,666,000
03-23 Fire Truck	5.00%	09/27/2024	760,000		760,000	-
	4.00%	09/26/2025		760,000		760,000
11-23 Various Improvements	5.00%	09/27/2024	774,250		774,250	-
	4.00%	09/26/2025		774,250		774,250
06-24 Various Improvements	4.00%	09/26/2025		1,650,000		1,650,000
07-24 Various Road Improvements	4.00%	09/26/2025	-	1,235,000	-	1,235,000
General Capital Bond Anticipation Notes Payable			<u>\$ 6,902,533</u>	<u>\$ 9,583,433</u>	<u>\$ 6,902,533</u>	<u>\$ 9,583,433</u>

**BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 8 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>2024</u>	Rate (%)	Maturity Date	January 1, 2024	Renewed/ Issued	Retired/ Redeemed	December 31, 2024
<u>Water Utility Capital Fund</u>						
<u>Purpose</u>						
11-22 Improvement of Water Supply System	5.00%	9/27/2024	\$ 1,904,500		\$ 1,904,500	
	4.00%	9/26/2025	-	\$ 1,904,500	-	\$ 1,904,500
Water Utility Capital Bond Anticipation Notes Payable			\$ 1,904,500	\$ 1,904,500	\$ 1,904,500	\$ 1,904,500
Total Bond Anticipation Notes Payable			\$ 8,807,033	\$ 11,487,933	\$ 8,807,033	\$ 11,487,933
<u>2023</u>	Rate (%)	Maturity Date	Balance, January 1, 2023	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2023
<u>General Capital Fund</u>						
<u>Purpose</u>						
02-14 Various Improvements	4.00%	9/29/2023	\$ 1,132,500		\$ 1,132,500	
	5.00%	9/27/2024		\$ 601,373		\$ 601,373
01-13 Various Improvements	4.00%	9/29/2023	890,350		890,350	
	5.00%	9/27/2024		683,002		683,002
03-19 Acquisition of a New Firefighting Vehicle	4.00%	9/29/2023	245,000		245,000	
	5.00%	9/27/2024		163,934		163,934
07-19 Improvement of Kiel Avenue	4.00%	9/29/2023	410,000		410,000	
	5.00%	9/27/2024		207,974		207,974
10-21 Firefighter Equipment	4.00%	9/29/2023	566,000		566,000	
	5.00%	9/27/2024		566,000		566,000
11-21 Various Improvements	4.00%	9/29/2023	1,304,000		1,304,000	
	5.00%	9/27/2024		1,304,000		1,304,000
03-22 Firefighter Equipment	4.00%	9/29/2023	176,000		176,000	
	5.00%	9/27/2024		176,000		176,000
10-22 Various Improvements	4.00%	9/29/2023	1,666,000		1,666,000	
	5.00%	9/27/2024		1,666,000		1,666,000
03-23 Fire Truck	5.00%	9/27/2024		760,000		760,000
11-23 Various Improvements	5.00%	9/27/2024	-	774,250	-	774,250
General Capital Bond Anticipation Notes Payable			\$ 6,389,850	\$ 6,902,533	\$ 6,389,850	\$ 6,902,533
<u>2023</u>	Rate (%)	Maturity Date	Balance, January 1, 2023	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2023
<u>Water Utility Capital Fund</u>						
<u>Purpose</u>						
11-22 Improvement of Water Supply System	4.00%	9/29/2023	\$ 1,904,500		\$ 1,904,500	
	5.00%	9/27/2024	-	\$ 1,904,500	-	\$ 1,904,500
Water Utility Capital Bond Anticipation Notes Payable			\$ 1,904,500	\$ 1,904,500	\$ 1,904,500	\$ 1,904,500
Total Bond Anticipation Notes Payable			\$ 8,294,350	\$ 8,807,033	\$ 8,294,350	\$ 8,807,033

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 8 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by the Local Bond Law NJSA 40A:2 et. seq. The amounts issued for general governmental activities are accounted for in the General Capital Fund. The amounts issued for the water utility activities are accounted for in the Water Utility Capital Fund.

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

NOTE 9 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, the Borough had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2024</u>		
Rehab to Boonton Ave. Park Tennis Court	\$ 338,400	2025
Fuel Pump and Fuel Management System	74,996	2026
Replace Roofs at Borough Hall and Library	75,919	2027

NOTE 10 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused sick leave over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$1,235,454 and \$1,288,538 at December 31, 2024 and 2023, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2024 and 2023, the Borough has reserved in the Other Trust Fund \$831,559 and \$860,559, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

Changes in Other Long-Term Liabilities

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the notes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 10 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities (Continued)

The Borough's changes in other long-term liabilities for the years ended December 31, 2024 and 2023 were as follows:

	Balance January 1, 2024	Additions	Reductions	Balance December 31, 2024	Due Within One Year
2024					
Compensated Absences	\$ 1,288,538		\$ 53,084	\$ 1,235,454	
Net Pension Liability - PERS (1)	3,582,688			3,582,688	
Net Pension Liability - PFRS (1)	5,942,343			5,942,343	
Net OPEB Liability (1)	5,493,787	-	-	5,493,787	-
Other Long Term Liabilities	<u>\$ 16,307,356</u>	<u>\$ -</u>	<u>\$ 53,084</u>	<u>\$ 16,254,272</u>	<u>\$ -</u>

(1) GASB Statement Number 68 Pension and 75 OPEB financial information was not provided by the State's Division of Pensions and Benefits.

	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023	Due Within One Year
2023					
Compensated Absences	\$ 1,277,579	\$ 10,959		\$ 1,288,538	
Net Pension Liability - PERS	4,027,652		\$ 444,964	3,582,688	
Net Pension Liability - PFRS	5,910,590	703,551	671,798	5,942,343	
Net OPEB Liability	6,361,790	-	868,003	5,493,787	-
Other Long Term Liabilities	<u>\$ 17,577,611</u>	<u>\$ 714,510</u>	<u>\$ 1,984,765</u>	<u>\$ 16,307,356</u>	<u>\$ -</u>

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Borough employees who are eligible for pension coverage.

Consolidated Police and Firemen's Pension Fund (CPFPPF) – established in January 1952, under the provisions of N.J.S.A. 43:16 to provide coverage to municipal police and firemen who were appointed prior to July 1, 1944. The fund is a closed system with no active members. Additionally, based on recent actuarial valuation there was no normal cost or accrued liability contributions required for the fiscal year ended June 30, 2017. CPFPPF is a cost-sharing multi-employer defined benefit plan. For additional information about CPFPPF, please refer to the State Division of Pension and Benefits (Division's) Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions.

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees. PFRS is a cost-sharing multi-employer defined benefit pension plan with a special funding situation. For additional information about PFRS, please refer to the State Division of Pension and Benefits (Division's) Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

The following represents the membership tiers for PFRS:

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

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

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, 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. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division's) Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

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

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

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Borough employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS on or after November 2, 2008 and do not earn the minimum salary required for tier 3 enrollment or do not work the minimum required hours for tier 4 and tier 5 enrollment but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the 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 cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Empower (formerly Prudential Retirement) is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at www.state.nj/treasury/doinvest.

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2024 was not available and for June 30, 2023 is \$14.6 billion, and the plan fiduciary net position as a percentage of the total pension liability is 65.22% at June 30, 2023. The collective net pension liability of the participating employers for local PFRS at June 30, 2024 was not available and for June 30, 2023 is \$13.1 billion and the plan fiduciary net position as a percentage of total pension liability is 70.16% at June 30, 2023.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2022 which were rolled forward to June 30, 2023.

Actuarial Methods and Assumptions

In the July 1, 2022 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions for 2024 and 2023 based on 10.0% for PFRS, 7.50% for PERS and 5.50% for DCRP of employee's annual compensation.

For the years ended December 31, 2024 and 2023 for CPFPE, which is a single-employer defined benefit plan, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2024, 2023 and 2022 were equal to the required contributions.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions (Continued)

During the years ended December 31, 2024, 2023 and 2022, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2024	\$ 715,957	\$ 330,589	\$ 7,676
2023	671,798	336,554	7,327
2022	653,592	328,294	

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No.68) their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions.

Under GASB Statement No. 68 local governmental employers are required to provide certain financial information based on a measurement date no earlier than the end of the employer's prior fiscal year. The GASB No. 68 financial information from the State's Division of Pensions and Benefits to be reported for the year ended December 31, 2024 for the measurement date of June 30, 2024 was not available as of the date of audit. Accordingly, N.J.A.C. 5:30-6.1(c)2 authorized and permits New Jersey municipalities to present the most recent available audited GASB No. 68 financial information to be incorporated into the audit and remain in compliance with the regulatory basis of accounting disclosure requirements for notes to the financial statements. As such the GASB No. 68 financial information for the year ended December 31, 2024 is not presented in the notes to the financial statements.

The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer to the total contributions to the plan during the fiscal years ended June 30, 2023 and 2022. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2023, the Borough reported a liability of \$3,582,688, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The Borough's proportionate share of the net pension liability was based on the ratio of the Borough's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2023, the Borough's proportionate share was 0.02473 percent, which was a decrease of 0.00196 percent from its proportionate share measured as of June 30, 2022 of 0.02669 percent.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2023, the pension system has determined the Borough's pension expense (benefit) to be \$(225,252) for PERS based on the actuarial valuations which is less than the actual contribution reported in the Borough's financial statements of \$336,554. At December 31, 2023, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2023	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 34,255	\$ 14,645
Changes of Assumptions	7,870	217,126
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	16,499	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>1,072</u>	<u>598,625</u>
Total	<u>\$ 59,696</u>	<u>\$ 830,396</u>

At December 31, 2023 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2024	\$ (411,459)
2025	(411,458)
2026	113,000
2027	(59,257)
2028	(1,526)
Thereafter	<u>-</u>
	<u>\$ (770,700)</u>

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2023 was based on the June 30, 2023 measurement date as determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2023</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Rate for All Future Years	2.75 - 6.55%
	Based on Years of Service
Investment Rate of Return	7.00%

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2021.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2023, as reported for the year ended December 31, 2023, are summarized in the following table:

<u>Asset Class</u>	2023	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	6.21%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Investment Grade Credit	7.00%	5.19%
US Equity	28.00%	8.98%
Non-US Developed Markets Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
High Yield	4.50%	6.97%
Real Assets	3.00%	8.40%
Private Credit	8.00%	9.20%
Real Estate	8.00%	8.58%
Private Equity	13.00%	12.50%

Discount Rate

The discount rate used to measure the total pension liability for PERS was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2023 calculated using the discount rate of 7.00%, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% or 1-percentage-point higher 8.00% than the current rate:

<u>2023</u>	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>4,663,897</u>	\$ <u>3,582,688</u>	\$ <u>2,662,436</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2023. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Police and Firemen's Retirement System (PFRS)

At December 31, 2023, the Borough reported a liability of \$5,942,343 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The Borough's proportionate share of the net pension liability was based on the ratio of the Borough's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2023, the Borough's proportionate share was 0.05378 percent, which was an increase of 0.00213 percent from its proportionate share measured as of June 30, 2022 of 0.05165 percent.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

For the year ended December 31, 2023, the pension system has determined the Borough pension expense (benefit) to be \$347,800, for PFRS based on the actuarial valuations which is less than the actual contribution reported in the Borough's financial statements of \$671,798. At December 31, 2023, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough's financial statements are from the following sources:

	2023	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 254,439	\$ 283,397
Changes of Assumptions	12,826	401,251
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	302,632	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>493,372</u>	<u>507,726</u>
Total	<u>\$ 1,063,269</u>	<u>\$ 1,192,374</u>

At December 31, 2023 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2024	(209,587)
2025	(209,587)
2026	227,089
2027	(22,641)
2028	73,821
Thereafter	<u>11,800</u>
	<u>\$ (129,105)</u>

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen’s Retirement System (PFRS) (Continued)

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2023 was based on the June 30, 2023 measurement date as determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2023</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	
Rate for All Future Years	3.25%-16.25% Based on Years of Service
Investment Rate of Return	7.00%

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Mortality Rates

Employee mortality rates were based on the PubS-2010 amount-weighted mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females. Disability rates were based on the PubS-2010 amount-weighted mortality table with a 152.0% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on Scale MP-2021.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2023, as reported for the year ended December 31, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>2023</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	6.21%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Investment Grade Credit	7.00%	5.19%
US Equity	28.00%	8.98%
Non-US Developed Markets Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
High Yield	4.50%	6.97%
Real Assets	3.00%	8.40%
Private Credit	8.00%	9.20%
Real Estate	8.00%	8.58%
Private Equity	13.00%	12.50%

Discount Rate

The discount rate used to measure the total pension liability for PFRS was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions for the State. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen’s Retirement System (PFRS) (Continued)

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2023 calculated using the discount rate of 7.00%, as well as what the Borough’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% or 1-percentage-point higher 8.00% than the current rate:

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
<u>2023</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>8,279,614</u>	\$ <u>5,942,343</u>	\$ <u>3,995,954</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2023. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

Special Funding Situation – PFRS

Under N.J.S.A. 43:16A-15, the Borough is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough’s proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 68 is zero percent and the State’s proportionate share is 100% for PFRS under this legislation.

At December 31, 2023, the State’s proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,094,946. For the year ended December 31, 2023, the pension system has determined the State’s proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$124,548 which is less than the actual contribution the State made on behalf of the Borough of \$125,220. At December 31, 2023 (measurement date June 30, 2023) the State’s share of the PFRS net pension liability attributable to the Borough was 0.05378 percent, which was an increase of 0.00213 percent from its proportionate share measured as of December 31, 2022 (measurement date June 30, 2022) of 0.05165 percent. The State’s proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported in the Borough’s financial statements.

Pension Plan Fiduciary Net Position

Detailed information about the PFRS pension plan’s fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for participating municipalities including the Borough.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program covering substantially all eligible local government employees from local participating employers.

State Health Benefit Program Fund – Local Government Retired (the Plan) (including Prescription Drug Program Fund) – The Plan is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Annual Comprehensive Financial Report (ACFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

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

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Plan Membership and Contributing Employers

Membership and contributing employers/nonemployers of the defined benefit OPEB plan consisted of the following at June 30, 2023:

Active Plan Members	65,613
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	<u>34,771</u>
Total	<u>100,384</u>
Contributing Employers	574
Contributing Nonemployers	1

Measurement Focus and Basis of Accounting

The financial statements of the OPEB plan are prepared in accordance with U.S. generally accepted accounting principles as applicable to government organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the other postemployment benefit plan. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Collective Net OPEB Liability

The collective net OPEB liability of the participating employers and the State, as the non-employer contributing entity, of the Plan at June 30, 2024 was not available and for June 30, 2023 is \$15.0 billion, and the plan fiduciary net (deficit) as a percentage of the total OPEB liability is (0.79)% at June 30, 2023.

The total OPEB liabilities were determined based on actuarial valuations as of July 1, 2022 which was rolled forward to June 30, 2023.

Actuarial Methods and Assumptions

In the July 1, 2022 OPEB actuarial valuation, the actuarial assumptions and methods used in this valuation were described in the Actuarial Assumptions and Methods section of the Actuary’s report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Special Funding Situation

Under N.J.S.A. 43:3C-24 the Borough is responsible for their own OPEB contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 330, P.L. 1997 and Chapter 271, P.L., 1989. Under Chapter 330, P.L. 1997, the State pays the premiums or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 75 is zero percent and the State's proportionate share is 100% of OPEB under this legislation.

The non-employer special funding allocation percentages presented as the State's proportion share was based on eligible plan members subject to the special fund situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

At December 31, 2023, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$5,493,787. For the year ended December 31, 2023 the plan has determined the State's proportionate share of the OPEB expense (benefit) attributable to the Borough for the OPEB special funding situation is \$(996,131). At December 31, 2023, (measurement date June 30, 2023), the State's share of the OPEB liability attributable to the Borough was 0.1574 percent, which was a decrease of 0.0312 percent from its proportionate share measured as of December 31, 2022 (measurement date June 30, 2022) of 0.1886 percent. The State's proportionate share attributable to the Borough was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits. These on-behalf contributions have not been reported in the Borough's financial statements.

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

NOTE 14 RISK MANAGEMENT

The Borough of Kinnelon is a member of the Morris County Municipal Joint Insurance Fund (MJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The MJIF and MEL coverage amounts are on file with the Borough.

The relationship between the Borough and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Borough is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

**BOROUGH OF KINNELON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 14 RISK MANAGEMENT (Continued)

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

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

NOTE 15 CONTINGENT LIABILITIES

The Borough is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the Borough’s Attorney, the potential claims against the Borough not covered by insurance policies would not materially affect the financial condition of the Borough.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2024 and 2023. Amounts claimed have not yet been determined. 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. The Borough expects such amounts, if any, could be material. As of December 31, 2024 and 2023, the Borough reserved \$599,186 in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2024 and 2023, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 16 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2024 and 2023, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 17 SUBSEQUENT EVENTS

In January 2025, the Borough entered into a loan agreement as a co-borrower with Lake Reality Homeowners Association, Inc. to finance the cost of the Lake Reality dam restoration. The loan was issued by the State of New Jersey in the total principal amount of \$750,000, of which the Borough is jointly liable. As a co-borrower, the Borough has a legal obligation to fulfill repayment terms in the event of default by the primary borrower. The Borough will continue to monitor the performance of the co-borrower and will evaluate its contingent liability exposure annually.

On April 23, 2025 the Borough adopted a bond ordinance authorizing the issuance \$735,000 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

SUPPLEMENTARY SCHEDULES

CURRENT FUND

**BOROUGH OF KINNELON
STATEMENT OF CASH AND INVESTMENTS**

Balance, December 31, 2023		\$ 10,465,124
Increased by Receipts:		
Taxes Receivable	\$ 61,232,931	
Revenue Accounts Receivable	1,889,010	
Non Budget Revenue	73,544	
Prepaid Taxes	282,995	
Tax Title Liens	6,927	
Tax Overpayments	37,048	
Due to State of New Jersey	23,034	
Unappropriated Grant Reserves	48,727	
Grants Received for General Capital Fund	400,715	
Senior Citizens' and Veterans' Deductions	<u>37,493</u>	
		<u>64,032,424</u>
		74,497,548
Decreased by Disbursements:		
Budget Appropriations	13,109,212	
Appropriation Reserves	906,323	
Tax Overpayments	18,858	
County Taxes	6,111,800	
Local District School Taxes	41,736,008	
Due to State of New Jersey	22,637	
Appropriated Grant Reserves	494,894	
Payments to General Capital Fund	176,200	
Payments to Other Trust Fund	39,052	
Payments to Water Utility Operating Fund	72	
Outside Lien Redemption	6,978	
Vet Exemption	978	
Refund of Prior Year Revenue	2,146	
Petty Cash	200	
Change Fund	<u>100</u>	
		<u>62,625,458</u>
Balance, December 31, 2024		<u><u>\$ 11,872,090</u></u>

**BOROUGH OF KINNELON
STATEMENT OF DUE TO STATE OF NEW JERSEY
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, December 31, 2023 (Due From)		\$	188
Increased by:			
Veteran's Deductions Per Tax Billings	\$	33,750	
Senior Citizen Deductions Per Tax Billings		2,500	
Deductions Allowed by Tax Collector		630	
Deductions Allowed by Tax Collector - Prior Year		<u>250</u>	
			<u>37,130</u>
			37,318
Decreased by:			
Cash Receipts from State of New Jersey	\$	37,493	
Deductions Disallowed by Tax Collector - Prior Year		<u>122</u>	
			<u>37,615</u>
Balance, December 31, 2024 (Due To)		\$	<u>(297)</u>

BOROUGH OF KINNELON
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

<u>Year</u>	Balance, December 31, <u>2023</u>	<u>Levy</u>	<u>Added Taxes</u>	<u>Collections</u>		Senior Citizens' and Veterans' <u>Deductions</u>	Tax Overpayment <u>Applied</u>	Transferred To Tax Title <u>Liens</u>	Taxes Cancelled Remitted or <u>Abated</u>	Balance, December 31, <u>2024</u>
				<u>2023</u>	<u>2024</u>					
2023	\$ 484,885				\$ 459,432	\$ 128	\$ 2,822	\$ 5,430	\$ 17,073	-
2024	-	\$ 61,389,127	\$ 250,083	\$ 342,317	60,773,499	36,880	-	72,228	50,339	\$ 363,947
	<u>\$ 484,885</u>	<u>\$ 61,389,127</u>	<u>\$ 250,083</u>	<u>\$ 342,317</u>	<u>\$ 61,232,931</u>	<u>\$ 37,008</u>	<u>\$ 2,822</u>	<u>\$ 77,658</u>	<u>\$ 67,412</u>	<u>\$ 363,947</u>

Analysis of Property Tax Levy

TAX YIELD

General Property Tax	
Real Property Tax	\$ 61,389,127
Added Taxes	<u>250,083</u>
	<u>\$ 61,639,210</u>

TAX LEVY

Local School Tax	\$ 42,129,496
County Taxes	5,932,283
County Open Space	154,943
Due County for Added Taxes	24,574
Municipal Open Space	105,953
Due Municipal Open Space for Added Taxes	<u>444</u>
	<u>\$ 48,347,693</u>

Local Tax for Municipal Purposes	12,238,760
Local Tax for Municipal Library	821,821
Added Taxes	<u>230,936</u>
	<u>13,291,517</u>
	<u>\$ 61,639,210</u>

BOROUGH OF KINNELON
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE
CURRENT FUND

	Balance, December 31, <u>2023</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2024</u>
Licenses				
Alcoholic Beverage		\$ 10,000	\$ 10,000	
Other		7,390	7,390	
Fees and Permits		152,322	152,322	
Fines and Costs - Municipal Court	\$ 1,572	65,920	64,632	\$ 2,860
Interest and Cost on Taxes		113,365	113,365	
Interest on Investments and Deposits		522,468	522,468	
Cable Television Franchise Fees		44,360	44,360	
Uniform Construction Code Official		150,669	150,669	
Municipal Relief Fund		58,214	58,214	
Energy Receipts Tax		564,648	564,648	
Watershed Moratorium Offset Aid		45,261	45,261	
Garden State Trust Fund	-	254,094	254,094	-
	<u>\$ 1,572</u>	<u>\$ 1,988,711</u>	<u>\$ 1,987,423</u>	<u>\$ 2,860</u>
		Reserves \$ 98,413		
		Cash Receipts <u>1,889,010</u>		
		<u>\$ 1,987,423</u>		

**BOROUGH OF KINNELON
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2023</u>	Realized as Budget <u>Revenue</u>	<u>Receipts</u>	Balance, December 31, <u>2024</u>
Charlotteburg Dam & Reservoir	\$ 2,125			\$ 2,125
Highlands Water Management Grant	123,027			123,027
Morris County Historic Preservation	27,171			27,171
Valley National - Historical Commission Grant	4,140			4,140
SHARE Grant	342			342
Click It or Ticket	600			600
Driver Sober or Get Pulled Over	3,837			3,837
Bicycle Unit Grant	7,695			7,695
Gypsy Moth Spraying	4,476			4,476
PSE&G Energy Saver Program	106,956			106,956
Public Assistance Grant	5,904			5,904
New Jersey Department of Transportation Grant:				
Cutlass Road	47,975			47,975
American Rescue Plan Firefighter Grant	<u>-</u>	<u>\$ 72,000</u>	<u>-</u>	<u>\$ 72,000</u>
	<u>\$ 334,248</u>	<u>\$ 72,000</u>	<u>\$ -</u>	<u>\$ 406,248</u>

STATEMENT OF TAX TITLE LIENS RECEIVABLE

Balance, December 31, 2023	\$ 1,107,812
Increased by:	
Transferred from Taxes Receivable	<u>77,658</u>
	1,185,470
Decreased by:	
Collections	<u>6,927</u>
Balance, December 31, 2024	<u>\$ 1,178,543</u>

BOROUGH OF KINNELON
SCHEDULE OF APPROPRIATION RESERVES

	<u>Balance</u> December 31, <u>2023</u>	<u>Transfers</u>	<u>Cancelled</u> <u>Payables</u> <u>Restored</u>	<u>Total</u> <u>Modified</u> <u>Budget</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>	<u>Overexpended</u>
General Administration							
Other Expenses	\$ 15,754		\$ 140	\$ 15,894	\$ 215	\$ 15,679	
Mayor and Council							
Other Expenses	426		200	626	250	376	
Municipal Clerk's Office							
Other Expenses	17,801		1,483	19,284	1,483	17,801	
Financial Administration							
Salaries and Wages	28,193			28,193		28,193	
Other Expenses	4,047	\$ 3,100	104	7,251	7,092	159	
Webmaster - Other Expenses	694			694		694	
Audit Services							
Other Expenses	-	18,700		18,700	18,687	13	
Information Technology							
Salaries and Wages	67			67		67	
Other Expenses	6,968		80	7,048	1,170	5,878	
Tax Assessment Administration							
Salaries and Wages	1			1		1	
Other Expenses	8,388		2,934	11,322	3,985	7,337	
Legal Services and Costs							
Other Expenses	9,647		14,635	24,282	4,170	20,112	
Engineering Services							
Other Expenses	3,515	8,500	4,300	16,315	8,320	7,995	
Municipal Land Use Law							
Historical Commission							
Salaries and Wages	2,161			2,161		2,161	
Other Expenses	3,266		275	3,541	665	2,876	
Planning Board							
Other Expenses	15,198			15,198	5,858	9,340	
Zoning Board of Adjustment							
Other Expenses	3,789		154	3,943	3,046	897	
Insurance							
General Liability	3,309		3,450	6,759	3,450	3,309	
Workers Compensation Insurance	422			422		422	
Employee Group Health	342,198	(188,000)	1,029	155,227	846	154,381	
Health Benefit Waiver	3,336			3,336		3,336	
Public Safety							
Police Department							
Salaries and Wages	-			-		-	
Other Expenses	1,970	126,000	3,701	131,671	131,671	-	
Police Dispatch/911 :							
Salaries and Wages	10,480			10,480	4,299	6,181	
Office of Emergency Management							
Other Expenses	125			125		125	
Aid to Volunteer Fire Companies							
Other Expenses	10,636	30,000	4,200	44,836	44,836	-	
Aid to Tri-Borough Ambulance Squad							
Other Expenses	7,000	1,700		8,700	8,669	31	
Fire Hydrants							
Other Expenses	2,861			2,861		2,861	
Fire Prevention Bureau/Uniform Fire Safety							
Other Expenses	2,267			2,267		2,267	
Municipal Prosecutor							
Other Expenses	2,375			2,375		2,375	
Streets and Road Maintenance							
Salaries and Wages	115,880			115,880	11,237	104,643	
Other Expenses	16,201		89,202	105,403	98,707	6,696	
Solid Waste Collection							
Salaries and Wages	449			449	319	130	
Other Expenses	153,967		196,738	350,705	210,975	139,730	

BOROUGH OF KINNELON
SCHEDULE OF APPROPRIATION RESERVES

	<u>Reserved</u>	<u>Transfers</u>	<u>Cancelled Payables Restored</u>	<u>Total Modified Budget</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>	<u>Overexpended</u>
Public Building and Grounds							
Salaries and Wages	\$ 2,986			\$ 2,986	\$ 866	\$ 2,120	
Other Expenses	1,082		\$ 6,338	7,420	5,888	1,532	
Vehicle Maintenance							
Other Expenses	5,649		27,655	33,304	13,015	20,289	
Public Health Services							
Other Expenses	19,664		933	20,597	92	20,505	
Environmental Commission							
Salaries and Wages	1,956			1,956		1,956	
Other Expenses	1,195			1,195		1,195	
Animal Control							
Other Expenses	1,000			1,000		1,000	
Maintenance of Parks and Playgrounds							
Board of Recreation Commissioners							
Salaries and Wages	602			602		602	
Other Expenses	6,887		10,286	17,173	16,781	392	
Smoke Rise - Condo Costs							
Other Expenses	83,267		78,733	162,000	136,707	25,293	
Celebration of Public Events							
Other Expenses	10,628			10,628		10,628	
Solid Waste Recycling Landfill and Contingency Taxes						-	
Municipal Court							
Salaries and Wages	1,434			1,434		1,434	
Other Expenses	551		49	600	142	458	
Uniform Construction Code							
Salaries and Wages	1,656			1,656		1,656	
Utilities							
Electricity	27,644			27,644	2,732	24,912	
Street Lighting	5,221			5,221	745	4,476	
Telephone and Telegraph	288		9,900	10,188	(21)	10,209	
Water	32,613			32,613	328	32,285	
Natural Gas	2,452	\$ 2,000		4,452	3,858	594	
Gasoline	38,843	(2,000)		36,843	7,690	29,153	
Landfill Tipping Fees	62,953		68,870	131,823	105,662	26,161	
Police and Firemen's Retirement System	2,000			2,000		2,000	
Public Employee' Retirement System	5,000			5,000	3,285	1,715	
Defined Contribution Retirement Plan	473			473		473	
Social Security System (O.A.S.I.)	8,943			8,943	2,028	6,915	
Unemployment Insurance	1,235			1,235	106	1,129	
Maintenance of Free Library	31,059		85	31,144	31,144	-	
Storm Water Management (N.J.S.A. 40A:4-45.3):	6,055			6,055		6,055	
Reserve for Tax Appeals	5,000			5,000	4,186	814	
Length of Service Awards Program (VSAP)	3,714			3,714		3,714	
Interlocal Health Services Agreement - Pequannock	9,982			9,982		9,982	
Construction Code - Bloomingdale	7,992			7,992		7,992	
Interlocal Dispatch - Butler	24			24		24	
Interlocal Mechanic Services - Bloomingdale	2,100			2,100		2,100	
Interlocal Fire Official - Bloomingdale	4,521	-	3,361	7,882	1,139	6,743	-
	<u>\$ 1,190,060</u>	<u>\$ -</u>	<u>\$ 528,835</u>	<u>\$ 1,718,895</u>	<u>\$ 906,323</u>	<u>\$ 812,572</u>	<u>\$ -</u>
Cash Disbursements					<u>\$ 906,323</u>		

**BOROUGH OF KINNELON
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2023	\$ 528,835
Increased by:	
Transfer from 2024 Budget Appropriations	<u>760,318</u>
	1,289,153
Decreased by:	
Encumbrances Payables Restored to Appropriation Reserves	<u>528,835</u>
Balance, December 31, 2024	<u>\$ 760,318</u>

STATEMENT OF DUE TO STATE OF NEW JERSEY

	Building Surcharge <u>Fees</u>	Marriage License <u>Fees</u>	<u>Total</u>
Balance, December 31, 2023	\$ 12,144	\$ 2,222	\$ 12,144
Increased by:			
Cash Receipts	<u>22,022</u>	<u>1,012</u>	<u>23,034</u>
	34,166	3,234	35,178
Decreased by:			
Cash Disbursements	<u>21,650</u>	<u>987</u>	<u>22,637</u>
Balance, December 31, 2024	<u>\$ 12,516</u>	<u>\$ 2,247</u>	<u>\$ 12,541</u>

**BOROUGH OF KINNELON
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2023	\$ 342,317
Increased by:	
Collection of 2025 Taxes	<u>282,995</u>
	625,312
Decreased by:	
Application to 2024 Taxes	<u>342,317</u>
Balance, December 31, 2024	<u><u>\$ 282,995</u></u>

STATEMENT OF LOCAL SCHOOL DISTRICT TAX PAYABLE

Balance, December 31, 2023	\$ 360,931
Increased by:	
Levy - Calendar Year	<u>42,129,496</u>
	42,490,427
Decreased by:	
Payments	<u>41,736,008</u>
Balance, December 31, 2024	<u><u>\$ 754,419</u></u>

STATEMENT OF COUNTY TAXES PAYABLE

Balance, December 31, 2023	\$ -
Increased by:	
Tax Levy - General	\$ 5,932,283
Tax Levy - Open Space	154,943
Added Taxes (54:4-63.1)	<u>24,574</u>
	<u>6,111,800</u>
	6,111,800
Decreased by:	
Payments	<u>6,111,800</u>
Balance, December 31, 2024	<u><u>\$ -</u></u>

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

	Balance, December 31, <u>2023</u>	Transferred from <u>Appropriations</u>	<u>Expended</u>	Balance, December 31, <u>2024</u>
Drunk Driving Enforcement Fund	\$ 2,390			\$ 2,390
Municipal Alcohol Education Rehabilitation Act	198			198
Municipal Alcohol Education Rehabilitation Act - Local Match	3,705			3,705
Highlands Water Management Grant	99,872			99,872
Domestic Violence	300			300
Storm Water	10,465	\$ 15,000	\$ 19,500	5,965
Recycling Tonnage Grant	80,600	13,047	19,691	73,956
Bicycle Unit	4,576			4,576
Community Policing Donations	65			65
Historical Commission	1,140			1,140
Alcohol Education Rehabilitation Fund	1,457			1,457
PSE&G	2,883			2,883
Clean Communities Grant	98,164	25,270	19,929	103,505
Body Worn Camera Grant	40,235			40,235
Driver Sober or Get Pulled Over	3,837			3,837
Keep Kids Alive	34,517			34,517
Sustainable New Jersey	1,944			1,944
Homeland Security Buffer	11,425			11,425
Gypsy Moth Spraying	4,476			4,476
Gypsy Moth Spraying - Local Match	9,964			9,964
PSE&G Energy Saver Program	106,956			106,956
American Rescue Plan	310,624	517,900	828,524	-
Public Assistance Grant	19,295			19,295
New Jersey Department of Transportation Grant	221,750	150,000		371,750
Water Assistance Grant	802			802
Morris County Heritage Commission	19,052			19,052
Bulletproof Vest Program		2,836		2,836
Body Armor Replacement Fund		8,758	974	7,784
Historic Preservation Grant		360		360
ARP - Firefighter Grant 2023		27,989	27,989	-
ARP - Firefighter Grant 2024		72,000	72,000	-
ARP - Low Income Water Assistance	-	438	438	-
	<u>\$ 1,090,692</u>	<u>\$ 833,598</u>	<u>\$ 989,045</u>	<u>\$ 935,245</u>
		Cash Disbursements	\$ 494,894	
		Encumbrances	<u>494,151</u>	
			<u>\$ 989,045</u>	

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

	Balance, December 31, <u>2023</u>	Appropriated in 2024 <u>Budget</u>	Cash <u>Received</u>	Balance, December 31, <u>2024</u>
Clean Communities Grant	\$ 25,270	\$ 25,270	\$ 28,702	\$ 28,702
Recycling Tonnage Grant	13,047	13,047	12,253	12,253
Historic Preservation Grant	360	360		-
Bullet Proof Vest Program	2,836	2,836		-
Body Armor Replacement Fund	8,758	8,758	3,772	3,772
PEG Grant			4,000	4,000
New Jersey Department of Transportation Grant				-
Fayson Road	150,000	150,000		-
Powderhorn Road				-
Denise Drive				-
Stormwater Management	15,000	15,000		-
American Rescue Plan-Firefighter	27,989	27,989		-
American Rescue Plan-Low Income Water Assistance	438	438		-
American Rescue Plan	<u>517,900</u>	<u>517,900</u>	<u>-</u>	<u>-</u>
	<u>\$ 761,598</u>	<u>\$ 761,598</u>	<u>\$ 48,727</u>	<u>\$ 48,727</u>

EXHIBIT A-18

STATEMENT OF ENCUMBRANCES PAYABLE - GRANT FUND

Balance, December 31, 2023	\$ -
Increased by:	
Transfer from Appropriated Grant Reserve	<u>494,151</u>
Balance, December 31, 2024	<u>\$ 494,151</u>

EXHIBIT A-19

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2023	\$ 7,674
Increased by:	
Current Year Overpayments	<u>37,048</u>
	44,722
Decreased by:	
Overpayments Applied - Delinquent Taxes	\$ 2,822
Cancelled	12,955
Cash Disbursements	<u>18,858</u>
	<u>34,635</u>
Balance, December 31, 2024	<u>\$ 10,087</u>

**BOROUGH OF KINNELON
STATEMENT OF RESERVE FOR PENDING TAX APPEALS**

Balance, December 31, 2023	\$ <u>599,186</u>
Balance, December 31, 2024	\$ <u>599,186</u>

STATEMENT OF RESERVE FOR SALE OF MUNICIPAL ASSETS

Balance, December 31, 2023	\$ <u>58,881</u>
Balance, December 31, 2024	\$ <u>58,881</u>

STATEMENT OF MISCELLANEOUS RESERVES

	Balance December 31, <u>2023</u>	Cash <u>Receipts</u>	Anticipated as Revenue	Balance December 31, <u>2024</u>
Municipal Relief Fund	\$ 58,214		\$ 58,214	
Garden State Trust Fund	40,199		40,199	
Third-Party Lien	<u>5,222</u>	<u>-</u>	<u>-</u>	\$ <u>5,222</u>
	<u>\$ 103,635</u>	<u>\$ -</u>	<u>\$ 98,413</u>	<u>\$ 5,222</u>

STATEMENT OF DUE TO WATER UTILITY OPERATING FUND

Balance, December 31, 2023	\$ 72
Decreased by Payments	<u>72</u>
Balance, December 31, 2024	<u>\$ -</u>

TRUST FUNDS

**BOROUGH OF KINNELON
STATEMENT OF TRUST CASH**

	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>	<u>Municipal Open Space Trust</u>
Balance, December 31, 2023	\$ 67,588	\$ 2,345,914	\$ 116,600
Increased by Receipts:			
Interest on Deposits			\$ 4,144
Escrow and Miscellaneous Reserves		\$ 711,000	
License Fees Collected	\$ 20,342		
Due to State of New Jersey	1,582		
Payroll and Payroll Deductions		5,855,926	
Receipts from Current Fund	-	39,052	-
	<u>21,924</u>	<u>6,605,978</u>	<u>4,144</u>
	89,512	8,951,892	120,744
Decreased by Disbursements:			
Payments to Current Fund	-		
Payments to General Capital Fund			
Payments to State of NJ	1,580		
Animal Control Expenditures	2,191		
Payroll and Payroll Deductions Payable		5,855,926	-
Escrow and Miscellaneous Reserves	-	697,857	-
	<u>3,771</u>	<u>6,553,783</u>	<u>-</u>
Balance, December 31, 2024	<u>\$ 85,741</u>	<u>\$ 2,398,109</u>	<u>\$ 120,744</u>

BOROUGH OF KINNELON
STATEMENT OF ESCROW AND MISCELLANEOUS RESERVES - OTHER TRUST FUND

	Balance, December 31, <u>2023</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2024</u>
Special Escrow Deposits	\$ 466,475	\$ 228	\$ 35,242	\$ 431,461
Developers Deposits - Escrow	235,779	125,479	110,328	250,930
Special Recreation	124,050	378,416	348,210	154,256
Historical Commission	11,696	416		12,112
Community Policing Donation	1,038	40	3	1,075
Storm Recovery	545,506		40,306	505,200
Accumulated Absences	860,559	5,000	34,000	831,559
Parking Offenses Adjudication Act	549	85	16	618
Recycling	31,555	28,316	16,133	43,738
Forfeited Assets	25,229	450		25,679
Uniform Fire Safety Act	5,695	202		5,897
Municipal Alliance	841	4,987	1,449	4,379
Tax Sale Premium	101,532	37,695		139,227
Clerk Special	28,956	15,750	1,000	43,706
K-Fest	459	7,194	6,286	1,367
Public Defender	1,174	1,452		2,626
Flexible Spending	8,687	10,085	7,927	10,845
Police Outside Services	88,965	94,983	96,957	86,991
Planning Board Inspection	6,221	222	-	6,443
	<u>\$ 2,544,966</u>	<u>\$ 711,000</u>	<u>\$ 697,857</u>	<u>\$ 2,558,109</u>

EXHIBIT B-5

STATEMENT OF DUE FROM CURRENT FUND - OTHER TRUST FUND

Balance, December 31, 2023	\$ 199,052
Decreased by:	
Receipts from Current Fund	<u>39,052</u>
Balance, December 31, 2024	<u>\$ 160,000</u>

BOROUGH OF KINNELON
STATEMENT OF DUE TO CURRENT FUND - ANIMAL CONTROL TRUST FUND

Balance, December 31, 2023	\$ 32,674
Increased by:	
Statutory Excess	<u>20,135</u>
Balance, December 31, 2024	<u>\$ 52,809</u>

STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES
ANIMAL CONTROL TRUST FUND

Balance, December 31, 2023	\$ 33,419
Increased by:	
Animal Control Fees - Borough Share	\$ 19,702
Late Fees	<u>640</u>
	<u>20,342</u>
	53,761
Decreased by:	
Statutory Excess	\$ 20,135
Cash Disbursements	<u>2,191</u>
	<u>22,326</u>
Balance, December 31, 2024	<u>\$ 31,435</u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2022	\$ 16,028
2023	<u>15,407</u>
	<u>31,435</u>

STATEMENT OF DUE TO STATE OF NEW JERSEY
ANIMAL CONTROL TRUST FUND

Balance, December 31, 2023	\$ 1,495
Increased by:	
State of New Jersey Fees Collected	<u>1,582</u>
	3,077
Decreased by:	
Payments to State of New Jersey	<u>1,580</u>
Balance, December 31, 2024	<u>\$ 1,497</u>

BOROUGH OF KINNELON
STATEMENT OF PAYROLL AND PAYROLL DEDUCTIONS PAYABLE -
OTHER TRUST FUND

Balance, December 31, 2023	\$ -
Increased by:	
Cash Receipts	<u>5,855,926</u>
	5,855,926
Decreased by:	
Cash Disbursements	<u>5,855,926</u>
Balance, December 31, 2024	<u>\$ -</u>

STATEMENT OF RESERVE FOR OPEN SPACE EXPENDITURES
MUNICIPAL OPEN SPACE TRUST FUND

Balance, December 31, 2023	\$ 280,409
Increased by:	
Interest on Deposits	\$ 4,144
2024 Tax Levy	105,953
Added Tax Levy	<u>444</u>
	<u>110,541</u>
Balance, December 31, 2024	<u>\$ 390,950</u>

STATEMENT OF DUE FROM CURRENT FUND
MUNICIPAL OPEN SPACE TRUST FUND

Balance, December 31, 2023	\$ 163,809
Increased by:	
2024 Tax Levy	\$ 105,953
Added Tax Levy	<u>444</u>
	<u>106,397</u>
Balance, December 31, 2024	<u>\$ 270,206</u>

GENERAL CAPITAL FUND

BOROUGH OF KINNELON
STATEMENT OF GENERAL CAPITAL CASH

Balance, December 31, 2023		\$ 1,608,071
Increased by Receipts:		
Reimbursement on Fully Funded Ordinance	\$ 82,296	
Bond Anticipation Notes Issued	2,885,000	
Premium on Notes Issued	109,710	
Receipts from Current Fund	176,200	
Receipts from Water Utility Capital Fund	702,703	
Capital Improvement Fund	<u>150,000</u>	
		<u>4,105,909</u>
		5,713,980
Decreased by:		
Improvement Authorizations	<u>1,739,184</u>	
		<u>1,739,184</u>
Balance, December 31, 2024		<u>\$ 3,974,796</u>

**BOROUGH OF KINNELON
ANALYSIS OF GENERAL CAPITAL CASH
AS OF DECEMBER 31, 2024**

Capital Improvement Fund	\$ 347,894
Fund Balance	125,427
Encumbrances Payable	1,218,185
Reserve to Pay Debt Service	158,662
Reserve for Cost of Issuance	2,701
Reserve for Housing Rehabilitation	15,550
Due to Water Utility Capital Fund	62,001
Grants Receivable	(2,988,379)
Reserve for Grants Receivable	132,285
Due From Current Fund	(681,852)
Excess Note Proceeds	400,715

Improvement Authorizations:

<u>Ord. No.</u>	<u>Improvement Description</u>	
01-13	Various Improvements	9,700
02-14	Various Improvements	26,444
05-16	Various Improvements	(3,140)
06-16	Improvement of Fayson Lakes Road	13,015
04-17	Acquisition of Real Property	1,600,000
06-17	Acquisition of Real Property	1,100,000
06-18	Improvement of Maple Lake Road	1
07-19	Improvement of Kiel Avenue	(4,299)
10-21	Acquisition of Firefighting Equipment	19,515
11-21	Various Improvements	84,042
13-21	Various Improvements	199,706
03-22	Firefighting Equipment	12,111
10-22	Various Improvements	351,417
03-23	Purchase of Fire Truck	15,477
11-23	Various Improvements	751,312
06-24	Municipal Improvement	260,526
07-24	Improvement of Various Roads	745,780
		<u>\$ 3,974,796</u>

BOROUGH OF KINNELON
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2023	\$5,870,000
Decreased by:	
Budget Appropriation	
Serial Bonds	<u>1,045,000</u>
Balance, December 31, 2024	<u>\$ 4,825,000</u>

BOROUGH OF KINNELON
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. No.	Improvement Description	Balance, December 31, 2023	2024 Authorizations	Grant Receipts	Notes Paid by Budget Appropriation	Balance, December 31, 2024	Analysis of Balance,		
							Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
06-06	Rehab Lake Rickabear	\$ 250,000				\$ 250,000			\$ 250,000
01-13	Various Improvements	800,350			60,000	740,350	623,002		117,348
02-14	Various Improvements	1,057,500			\$ 72,500	985,000	\$ 528,873		456,127
05-16	Various Improvements	5,366				5,366		\$ 3,140	2,226
03-19	Acquisition of Firefighting Vehicle	165,000			25,000	140,000	138,934		1,066
07-19	Improvement of Kiel Avenue	387,000			18,700	368,300	189,274	4,299	174,727
10-21	New Firefighting Equipment	566,000				566,000	566,000		
11-21	Various Improvements	1,304,000			27,900	1,276,100	1,276,100		
03-22	Firefighting Equipment	176,000				176,000	176,000		
10-22	Various Improvements	1,666,000				1,666,000	1,666,000		
03-23	Purchase of Fire Truck	760,000				760,000	760,000		
11-23	Various Improvements	774,250				774,250	774,250		
06-24	Various Improvements		\$ 1,650,000			1,650,000	1,650,000		
07-24	Various Road Improvements	-	1,235,000	\$ 400,715	-	834,285	834,285	-	-
		<u>\$ 7,911,466</u>	<u>\$ 2,885,000</u>	<u>\$ 400,715</u>	<u>\$ 204,100</u>	<u>\$ 10,191,651</u>	<u>\$ 9,182,718</u>	<u>\$ 7,439</u>	<u>\$ 1,001,494</u>
Excess Note Proceeds - Ord 07-24							400,715		
							<u>\$ 9,583,433</u>		
Improvement Authorizations - Unfunded									\$ 3,265,707
Less: Unexpended Proceeds on Bond Anticipation Notes									
Ord. No. 02-14							\$ (26,444)		
Ord. No. 01-13							(9,700)		
Ord. No. 11-21							(19,515)		
Ord. No. 03-22							(84,042)		
Ord. No. 10-22							(351,417)		
Ord. No. 03-23							(15,477)		
Ord. No. 11-23							(751,312)		
Ord. No. 06-24							(260,526)		
Ord. No. 07-24							<u>(745,780)</u>		
									<u>(2,264,213)</u>
									<u>\$ 1,001,494</u>

BOROUGH OF KINNELON
STATEMENT OF GRANTS RECEIVABLE

Balance, December 31, 2023	\$ 2,856,094
Increased by:	
Grant Awards	
NJ Department of Transportation - Ord. 07-24	<u>533,000</u>
	3,389,094
Decreased by:	
Cash Receipts	<u>400,715</u>
Balance, December 31, 2024	<u><u>\$ 2,988,379</u></u>

Analysis of Balance

Reserve for Receivable:	
Ord. 07-24	
Department of Transportation	\$ 132,285
Pledged to Ordinance:	
Ord. 07-19	
Department of Transportation	306,094
Ord. 04-17 and Ord. 06-17	
Morris County Open Space	1,700,000
Morris County Municipal Utility Authority	150,000
Morris County Park Commission	300,000
New Jersey Highlands Council	300,000
Other Sources	<u>100,000</u>
	<u><u>\$ 2,988,379</u></u>

BOROUGH OF KINNELON
STATEMENT OF GENERAL SERIAL BONDS

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2024</u>		<u>Interest Rate</u>		<u>Balance, December 31, 2023</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2024</u>
			<u>Date</u>	<u>Amount</u>						
General Refunding	12/06/09	\$ 6,070,000	03/01/24	\$ 495,000	4.00	%	\$ 495,000		\$ 495,000	
General Improvement	05/11/15	9,100,000	02/01/25	550,000	2.00	%				
			02/01/26	575,000	2.25					
			02/01/27	575,000	2.50					
			02/01/28	600,000	2.75					
			02/01/29	625,000	3.00					
			02/01/30	625,000	3.00					
			02/01/31	625,000	3.00					
			02/01/32	650,000	3.00		<u>5,375,000</u>	<u>-</u>	<u>550,000</u>	<u>\$ 4,825,000</u>
							<u>\$ 5,870,000</u>	<u>\$ -</u>	<u>\$ 1,045,000</u>	<u>\$ 4,825,000</u>

BOROUGH OF KINNELON
STATEMENT OF BOND ANTICIPATION NOTES

Ord. No.	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2023	Increased	Decreased	Balance, December 31, 2024
02-14	Various Improvements	03/11/2016	09/28/2023 09/26/2024	09/27/2024 09/26/2025	5.00% 4.00%	\$ 601,373	\$ 528,873	\$ 601,373	\$ 528,873
01-13	Various Improvements	03/11/2016	09/28/2023 09/26/2024	09/27/2024 09/26/2025	5.00% 4.00%	683,002	623,002	683,002	623,002
03-19	Acquisition of a New Firefighting Vehicle	08/09/2019	09/28/2023 09/26/2024	09/27/2024 09/26/2025	5.00% 4.00%	163,934	138,934	163,934	- 138,934
07-19	Improvement of Kiel Avenue	08/09/2019	09/28/2023 09/26/2024	09/27/2024 09/26/2025	5.00% 4.00%	207,974	189,274	207,974	- 189,274
10-21	Firefighter Equipment	09/21/2022	09/28/2023 09/26/2024	09/27/2024 09/26/2025	5.00% 4.00%	566,000	566,000	566,000	- 566,000
11-21	Various Improvements	10/01/2021	09/28/2023 09/26/2024	09/27/2024 09/26/2025	5.00% 4.00%	1,304,000	1,276,100	1,304,000	- 1,276,100
03-22	Firefighter Equipment	3/25/2022	09/28/2023 09/26/2024	09/27/2024 09/26/2025	5.00% 4.00%	176,000	176,000	176,000	- 176,000
10-22	Various Improvements	9/29/2022	09/28/2023 09/26/2024	09/27/2024 09/26/2025	5.00% 4.00%	1,666,000	1,666,000	1,666,000	- 1,666,000
03-23	Fire Truck	09/28/2023	09/28/2023 09/26/2024	09/27/2024 09/26/2025	5.00% 4.00%	760,000	760,000	760,000	- 760,000
11-23	Various Improvements	09/28/2023	09/28/2023 09/26/2024	09/27/2024 09/26/2025	5.00% 4.00%	774,250	- 774,250	774,250	- 774,250
06-24	Various Improvements	09/26/2024	09/26/2024	09/26/2025	4.00%		1,650,000		1,650,000
07-24	Various Road Improvements	09/26/2024	09/26/2024	09/26/2025	4.00%	-	1,235,000	-	1,235,000
						<u>\$ 6,902,533</u>	<u>\$ 9,583,433</u>	<u>\$ 6,902,533</u>	<u>\$ 9,583,433</u>
						Notes Renewed	\$ 6,698,433	\$ 6,698,433	
						Paid By Budget Appropriation		204,100	
						Notes Issued	<u>2,885,000</u>	-	
							<u>\$ 9,583,433</u>	<u>\$ 6,902,533</u>	

BOROUGH OF KINNELON
STATEMENT OF IMPROVEMENT AUTHORIZATIONS

		2024 Authorizations								
Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2023		Capital Impvt. Fund	Deferred Charges to Future Taxation Unfunded	Encumbrances Restored	Expended	Balance, December 31, 2024	
			Funded	Unfunded					Funded	Unfunded
06-06	Rehab of Lake Reckabear Dam	\$ 262,500		\$ 250,000						\$ 250,000
01-13	Various Improvements	1,467,850		132,348				\$ 5,300		127,048
02-14	Various Improvements	1,955,000		487,771				5,200		482,571
05-16	Various Improvements	658,600		2,226					-	2,226
06-16	Improvement of Fayson Lakes Road	230,000	\$ 13,575					560	\$ 13,015	
04-17	Acquisition of Real Property	1,600,000	1,600,000						1,600,000	
06-17	Acquisition of Real Property	1,100,000	1,100,000						1,100,000	
06-18	Improvement of Maple Lake Road	225,015	1						1	
03-19	Acquisition of New Firefighting Vehicle	500,000		1,066						1,066
07-19	Improvement of Kiel Avenue	950,000		179,027				4,300		174,727
10-21	Acquisition of Firefighting Equipment	595,000		19,515						19,515
11-21	Various Improvements	1,370,000		111,383				27,341		84,042
13-21	Various Improvements	230,000	199,706						199,706	-
03-22	Firefighting Equipment	185,000	6,944	3,933			\$ (63,527)	62,293	12,111	
10-22	Various Improvements	1,750,000		351,417						351,417
03-23	Purchase of Fire Truck	800,000		15,477			(784,523)	784,523		15,477
11-23	Various Improvements	1,350,850	1,220	774,250				24,158		751,312
06-24	Municipal Improvement	1,750,000			\$ 100,000	\$ 1,650,000		1,489,474		260,526
07-24	Improvement of Various Roads	1,300,000	-	-	65,000	1,235,000	-	554,220	-	745,780
			<u>\$ 2,921,446</u>	<u>\$ 2,328,413</u>	<u>\$ 165,000</u>	<u>\$ 2,885,000</u>	<u>\$ (848,050)</u>	<u>\$ 2,957,369</u>	<u>\$ 2,924,833</u>	<u>\$ 3,265,707</u>
								Cash Disbursements	\$ 1,739,184	
								Contracts Payable	<u>1,218,185</u>	
								\$ 2,957,369		

**BOROUGH OF KINNELON
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2023	\$ 848,050
Increased by:	
Charges to Improvement Authorizations	<u>1,218,185</u>
	2,066,235
Decreased by:	
Cancelled	<u>848,050</u>
Balance, December 31, 2024	<u>\$ 1,218,185</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2023	\$ 362,894
Increased by:	
Budget Appropriation	<u>150,000</u>
	512,894
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>165,000</u>
Balance, December 31, 2024	<u>\$ 347,894</u>

STATEMENT OF RESERVE FOR PAYMENT OF BONDS

Balance, December 31, 2023	\$ 176,366
Increased by:	
Reimbursement on Fully Funded Ordinance	<u>82,296</u>
	258,662
Decreased by:	
Anticipated Revenue in Current Fund	<u>100,000</u>
Balance, December 31, 2024	<u>\$ 158,662</u>

**BOROUGH OF KINNELON
STATEMENT OF DUE FROM CURRENT FUND**

Balance, December 31, 2023		\$ 557,337
Increased by:		
Grants Received in Current Fund		<u>400,715</u>
		958,052
Decreased by:		
Anticipated Revenue in Current Fund	\$ 100,000	
Payments from Current Fund	<u>176,200</u>	
		<u>276,200</u>
Balance, December 31, 2024		<u><u>\$ 681,852</u></u>

STATEMENT OF DUE TO/FROM WATER UTILITY CAPITAL FUND

Balance, December 31, 2023 (Due From)	\$ 640,702
Decreased by:	
Payments from Water Utility Capital Fund	<u>702,703</u>
Balance, December 31, 2024 (Due To)	<u><u>\$ (62,001)</u></u>

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, December 31, 2023	Balance, December 31, 2024
Reserve for Cost of Issuance	\$ 2,701	\$ 2,701
Reserve for Housing Rehabilitation	<u>15,550</u>	<u>15,550</u>
	<u><u>\$ 18,251</u></u>	<u><u>\$ 18,251</u></u>

BOROUGH OF KINNELON
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Improvement Description	Balance, December 31, <u>2023</u>	Improvement Authorizations	Bond Anticipation Notes Issued	Balance, December 31, <u>2024</u>
06-06	Rehab Lake Rickabear Dam	\$ 250,000			\$ 250,000
02-14	Various Improvements	441,127			441,127
01-13	Various Improvements	132,348			132,348
05-16	Various Improvements	5,366			5,366
03-19	Acquisition of New Firefighting Vehicle	1,066			1,066
07-19	Improvement of Kiel Avenue	179,026			179,026
06-24	Various Improvements		\$ 1,650,000	\$ 1,650,000	-
07-24	Various Road Improvements	<u>-</u>	<u>1,235,000</u>	<u>1,235,000</u>	<u>-</u>
		<u>\$ 1,008,933</u>	<u>\$ 2,885,000</u>	<u>\$ 2,885,000</u>	<u>\$ 1,008,933</u>

WATER UTILITY FUND

**BOROUGH OF KINNELON
SCHEDULE OF CASH
WATER UTILITY FUND**

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2023	\$ 662,525	\$ 1,261,042
Increased by Receipts:		
Water Rents	\$ 584,774	
Interest on Investments	31,230	
Overpayments	4,070	
Receipts from Sewer Utility Operating Fund	48,046	
Receipts from Current Fund	<u>72</u>	<u>-</u>
	668,192	-
	1,330,717	1,261,042
Decreased by Disbursements		
2024 Budget Appropriations	529,221	
2023 Appropriation Reserves	53,773	
Improvement Authorization Expenditures		\$ 448,008
Payments to General Capital Fund	-	702,703
Accrued Interest on Bonds and Notes	<u>100,691</u>	<u>-</u>
	683,685	1,150,711
Balance, December 31, 2024	<u>\$ 647,032</u>	<u>\$ 110,331</u>

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

	Balance, December 31, <u>2023</u>	2024 <u>Charges</u>	<u>Collections</u>	Balance, December 31, <u>2024</u>
Water Rents	\$ 16,995	\$ 576,364	\$ 584,774	\$ 8,585
	<u>\$ 16,995</u>	<u>\$ 576,364</u>	<u>\$ 584,774</u>	<u>\$ 8,585</u>

STATEMENT OF FIXED CAPITAL
WATER UTILITY CAPITAL FUND

	Balance, December 31, <u>2023</u>	Increased by Operating <u>Budget</u>	Balance, December 31, <u>2024</u>
Steel Water Tank	\$ 109,773	\$ 98,957	\$ 208,730
Meters and Meter Boxes	10,784		10,784
General Equipment	87,735		87,735
Pump House and Pumps	105,032		105,032
Improvement of Water Supply and Distribution	<u>216,036</u>	<u>-</u>	<u>216,036</u>
	<u>\$ 529,360</u>	<u>\$ 98,957</u>	<u>\$ 628,317</u>

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

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	Balance, December 31, <u>2023</u>	Balance, December 31, <u>2024</u>
09-02	Improvement of Water Supply System	\$ 110,000	\$ 110,000
15-04	Improvement of Water Supply System	250,000	250,000
11-07	Improvement of Water Supply System	440,000	440,000
10-08	Acquisition of Vehicular Equipment	55,000	55,000
11-22	Improvement of Water Supply System	<u>2,000,000</u>	<u>2,000,000</u>
		<u>\$ 2,855,000</u>	<u>\$ 2,855,000</u>

STATEMENT OF 2023 APPROPRIATION RESERVES
WATER UTILITY OPERATING FUND

	Balance, December 31, <u>2023</u>	Balance After <u>Modifications</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating:				
Salaries and Wages	\$ 19,589	\$ 19,589	\$ 1,200	\$ 18,389
Other Expenses	85,226	90,430	52,477	37,953
Statutory Expenditures				
Contribution to				
Social Security Insurance	2,230	2,230	88	2,142
Unemployment Insurance	<u>248</u>	<u>248</u>	<u>8</u>	<u>240</u>
	<u>\$ 107,293</u>	<u>\$ 112,497</u>	<u>\$ 53,773</u>	<u>\$ 58,724</u>

**BOROUGH OF KINNELON
STATEMENT OF ENCUMBRANCES PAYABLE
WATER UTILITY OPERATING FUND**

Balance, December 31, 2023	\$ 5,204
Increased by:	
Charged to 2024 Budget Appropriations	<u>12,501</u>
	17,705
Decreased by:	
Restored to Appropriation Reserve	<u>5,204</u>
Balance, December 31, 2024	<u>\$ 12,501</u>

**STATEMENT OF DUE TO WATER UTILITY CAPITAL FUND
WATER UTILITY OPERATING FUND**

Balance, December 31, 2023	\$ <u>65,000</u>
Balance, December 31, 2024	<u>\$ 65,000</u>

**STATEMENT OF ACCRUED INTEREST ON BONDS AND NOTES
WATER UTILITY OPERATING FUND**

Balance, December 31, 2023	\$ 21,957
Increased by:	
Charged to 2024 Budget Appropriations	<u>105,203</u>
	127,160
Decreased by:	
Cash Disbursements	<u>100,691</u>
Balance, December 31, 2024	<u>\$ 26,469</u>

**STATEMENT OF WATER RENT OVERPAYMENTS
WATER UTILITY OPERATING FUND**

Balance, December 31, 2023	\$ 9,293
Increased by:	
Cash Receipts	<u>4,070</u>
Balance, December 31, 2024	<u>\$ 13,363</u>

BOROUGH OF KINNELON
WATER UTILITY CAPITAL FUND
STATEMENT OF IMPROVEMENT AUTHORIZATIONS

66

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	<u>Ordinance</u> <u>Amount</u>	<u>Balance,</u> <u>December 31, 2023</u>		<u>Expended</u>	<u>Balance,</u> <u>December 31, 2024</u>	
			<u>Funded</u>	<u>Unfunded</u>		<u>Funded</u>	<u>Unfunded</u>
09-02	Improvement of Water Supply System	\$ 110,000	\$ 4,883			\$ 4,883	
15-04	Improvement of Water Supply System	250,000	68,131			68,131	
11-07	Improvement of Water Supply System	440,000	5,873			5,873	
10-08	Acquisition of Vehicular Equipment	55,000	6,888			6,888	
11-22	Various Water Improvements	2,000,000	-	\$ 527,059	\$ 448,008	-	\$ 79,051
			<u>\$ 85,775</u>	<u>\$ 527,059</u>	<u>\$ 448,008</u>	<u>\$ 85,775</u>	<u>\$ 79,051</u>

**BOROUGH OF KINNELON
STATEMENT OF CAPITAL IMPROVEMENT FUND
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2023	\$ 35,368
Balance, December 31, 2024	<u>\$ 35,368</u>

**STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION
WATER UTILITY CAPITAL FUND**

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2023</u>	Balance, December 31, <u>2024</u>
11-07	Improvement of Water Supply System	\$ 50,000	\$ 50,000
12-09	Acquisition of Generator	<u>95,500</u>	<u>95,500</u>
		<u>\$ 145,500</u>	<u>\$ 145,500</u>

**STATEMENT OF RESERVE FOR AMORTIZATION
WATER UTILITY CAPITAL FUND**

Balance, December 31, 2023	\$ 1,066,360
Increased by:	
Fixed Capital charges to Capital Outlay	\$ 98,957
Serial Bonds Paid by Operating Budget	<u>30,000</u>
	<u>128,957</u>
Balance, December 31, 2024	<u>\$ 1,195,317</u>

**BOROUGH OF KINNELON
STATEMENT OF BOND ANTICIPATION NOTES
WATER UTILITY CAPITAL FUND**

Ord. No.	<u>Improvement Authorization</u>	Issue of Original Note	Issue	Maturity	Interest Rate	Balance, December 31, 2023	Issued	Matured	Balance, December 31, 2024
11-22	Improvement of Water Supply System	09/29/2022	09/28/2023	09/27/2024	5.00%	\$ 1,904,500		\$ 1,904,500	
			09/26/2024	09/26/2025	4.00%	<u>-</u>	<u>\$ 1,904,500</u>	<u>-</u>	<u>\$ 1,904,500</u>
						<u>\$ 1,904,500</u>	<u>\$ 1,904,500</u>	<u>\$ 1,904,500</u>	<u>\$ 1,904,500</u>

**BOROUGH OF KINNELON
STATEMENT OF SERIAL BONDS PAYABLE
WATER UTILITY CAPITAL FUND**

<u>Purpose</u>	Date of Note	Amount of Original Issue	Outstanding Dec. 31, 2024 Date	Amount	Interest Rate	Balance, December 31, 2023	Matured	Balance, December 31, 2024
Water Improvement Bonds	05/11/15	\$ 458,000	02/01/25	\$ 30,000	2.00%			
			02/01/26	30,000	2.00%			
			02/01/27	30,000	2.25%			
			02/01/28	30,000	2.50%			
			02/01/29	30,000	2.75%			
			02/01/30	30,000	3.00%			
			02/01/31	30,000	3.00%			
			02/01/32	28,000	3.00%	<u>\$ 268,000</u>	<u>\$ 30,000</u>	<u>\$ 238,000</u>
						<u>\$ 268,000</u>	<u>\$ 30,000</u>	<u>\$ 238,000</u>
						Paid by Budget Appropriation	<u>\$ 30,000</u>	

**BOROUGH OF KINNELON
STATEMENT OF RESERVES FOR DEBT SERVICE
WATER UTILITY OPERATING FUND**

Balance, December 31, 2023	\$ <u>13,639</u>
Balance, December 31, 2024	\$ <u>13,639</u>

**STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
WATER UTILITY CAPITAL FUND**

Ord. <u>No.</u>	<u>Improvement Description</u>	Balance, December 31, <u>2023</u>	Balance, December 31, <u>2024</u>
		\$ <u>-</u>	\$ <u>-</u>

SEWER UTILITY FUND

**BOROUGH OF KINNELON
SCHEDULE OF CASH
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2023		\$	735,610
Increased by Receipts:			
Sewer Rents	\$	500,730	
Interest on Investments		42,774	
Overpayments		<u>961</u>	
			<u>544,465</u>
			1,280,075
Decreased by Disbursements			
2024 Budget Appropriations		397,038	
2023 Appropriation Reserves		22,595	
Payments to Water Utility Operating Fund		<u>48,046</u>	
			<u>467,679</u>
Balance, December 31, 2024		\$	<u><u>812,396</u></u>

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

	Balance, December 31, <u>2023</u>	Sewer Billings <u>Levied</u>	<u>Collections</u>	Balance, December 31, <u>2024</u>
Rents	\$ 10,265	\$ 501,641	\$ 500,730	\$ 11,176
	<u>\$ 10,265</u>	<u>\$ 501,641</u>	<u>\$ 500,730</u>	<u>\$ 11,176</u>

STATEMENT OF 2023 APPROPRIATION RESERVES
SEWER UTILITY OPERATING FUND

	Balance, December 31, <u>2023</u>	Balance After <u>Modification</u>	<u>Paid or Charged</u>	Balance <u>Lapsed</u>
Operating:				
Salaries and Wages	\$ 3,044	\$ 3,044		\$ 3,044
Other Expenses	61,945	67,945	\$ 22,595	45,350
Statutory Expenditures				
Contribution to:				
Unemployment Insurance	39	39		39
Social Security System (O.A.S.I.)	<u>327</u>	<u>327</u>	<u>-</u>	<u>327</u>
	<u>\$ 65,355</u>	<u>\$ 71,355</u>	<u>\$ 22,595</u>	<u>\$ 48,760</u>

STATEMENT OF ENCUMBRANCES PAYABLE
SEWER UTILITY OPERATING FUND

Balance, December 31, 2023	\$ 6,000
Increased by:	
Transfer from 2024 Budget Appropriations	<u>12,000</u>
	18,000
Decreased by:	
Encumbrances Payables Restored to Appropriation Reserves	<u>6,000</u>
Balance, December 31, 2024	<u>\$ 12,000</u>

**BOROUGH OF KINNELON
STATEMENT OF OVERPAYMENTS
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2023	\$ 3,860
Increased by:	
Cash Receipts	<u>961</u>
Balance, December 31, 2024	<u><u>\$ 4,821</u></u>

**STATEMENT OF DUE TO WATER UTILITY OPERATING FUND
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2023	\$ 48,046
Decreased by:	
Payments	<u>48,046</u>
Balance, December 31, 2024	<u><u>\$ -</u></u>

PUBLIC ASSISTANCE FUND

BOROUGH OF KINNELON
STATEMENT OF PUBLIC ASSISTANCE CASH

Balance, December 31, 2023 (P.A.T.F.1)	\$ 57,680
Increased by:	
Interest on Deposits	<u>2,050</u>
Balance, December 31, 2024 (P.A.T.F.1)	<u>\$ 59,730</u>

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

Balance, December 31, 2023	\$ 57,680
Increased by:	
Revenues	
Interest on Deposits	<u>2,050</u>
Balance, December 31, 2024	<u>\$ 59,730</u>

**BOROUGH OF KINNELON
MORRIS COUNTY, NEW JERSEY**

PART II

**GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 2024**



DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA
ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, RMA, PSA

DEBRA GOLLE, CPA
MARK SACO, CPA
ROBERT LERCH, CPA, PSA
CHRISTOPHER M. VINCI, CPA, PSA
CHRISTINA CUIFFO, CPA, PSA
JOHN CUIFFO, CPA, PSA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Kinnelon as of and for the year ended December 31, 2024, and the related notes to the financial statements, and have issued our report thereon dated July 31, 2025. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited General Fixed Assets Account Group financial statements.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Kinnelon's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying schedule of findings and responses as item 2024-001.


However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Kinnelon in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

Borough of Kinnelon's Responses to Findings

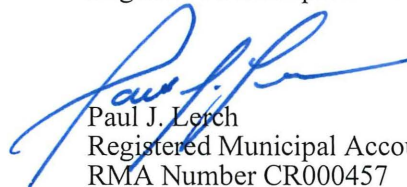
Government Auditing Standards requires the auditor to perform limited procedures on the Borough of Kinnelon's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Borough of Kinnelon's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



LERCH, VINCI & BLISS, LLP
Certified Public Accountants
Registered Municipal Accountants



Paul J. Lerch
Registered Municipal Accountant
RMA Number CR000457

Fair Lawn, New Jersey
July 31, 2025



LERCH, VINCI & BLISS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA
ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, RMA, PSA

DEBRA GOLLE, CPA
MARK SACO, CPA
ROBERT LERCH, CPA, PSA
CHRISTOPHER M. VINCI, CPA, PSA
CHRISTINA CUIFFO, CPA, PSA
JOHN CUIFFO, CPA, PSA

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY U.S. UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Borough of Kinnelon compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Borough of Kinnelon major federal programs for the year ended December 31, 2024. The Borough of Kinnelon major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Borough of Kinnelon complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards, U.S. Uniform Guidance and New Jersey OMB Circular are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Borough of Kinnelon and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Borough of Kinnelon's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulation, rules, and provisions of contracts or grant agreements applicable to the Borough of Kinnelon' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Borough of Kinnelon' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, U.S. Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Borough of Kinnelon' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, U.S. Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Borough of Kinnelon' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Borough of Kinnelon' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the U.S. Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Kinnelon' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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


Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

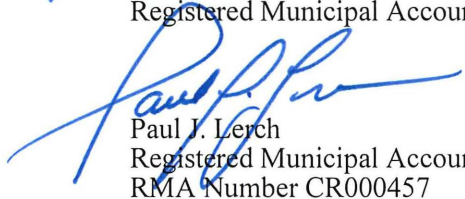
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of U.S. Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by U.S. Uniform Guidance

We have audited the financial statements - regulatory basis of the Borough of Kinnelon, which comprise the balance sheets - regulatory basis of the various funds and account group as of December 31, 2024, and the related statements of operations and changes in fund balance - regulatory basis, statements of revenues - regulatory basis and statements of expenditures - regulatory basis of the various funds for the year then ended and the related notes to the financial statements and have issued our report thereon dated July 31, 2025, which contained a modified opinion on those financial statements prepared in accordance with the regulatory basis of accounting because of the presentation of the unaudited General Fixed Assets account groups financial statements and also contained a modified opinion on those financial statements because they were not prepared in accordance with accounting principles generally accepted in the United States of America. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by U.S. Uniform Guidance and schedule of expenditures of state financial assistance are presented for purposes of additional analysis and are 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. The information 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



LERCH, VINCI & BLISS, LLP
Certified Public Accountants
Registered Municipal Accountants



Paul J. Lerch
Registered Municipal Accountant
RMA Number CR000457

Fair Lawn, New Jersey
July 31, 2025

BOROUGH OF KINNELON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024

<u>Federal Program</u>	<u>State Award Number</u>	<u>AL Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2024 Grant Receipts</u>	<u>Balance, December 31, 2023</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2024</u>	<u>(Memo Only) Cumulative Expenditures</u>
U.S. Department of Treasury (Passed Through New Jersey Department of Consumer Affairs)	012-8030-100-687									
American Rescue Plan Act		21.027	2021	\$ 1,035,800		\$ 310,624	\$ 517,900	\$ 828,524	-	\$ 1,035,800
American Rescue Plan - Firefighter Grant			2023	27,989			27,989	27,989	-	27,989
American Rescue Plan - Firefighter Grant			2024	72,000			72,000	72,000	-	72,000
U.S. Department of Health and Human Services (Passed Through New Jersey Department of Consumer Affairs)										
COVID-19 Low Income Household Water Assistance Program		93.499	2023	13,020		12,582	438	13,020	-	13,020
U.S. Department of Justice Bulletproof Vest Program		16.607	2023	2,836		-	2,836	-	\$ 2,836	
Total Federal Financial Assistance						<u>\$ 323,206</u>	<u>\$ 621,163</u>	<u>\$ 941,533</u>	<u>\$ 2,836</u>	

This schedule is subject to a single audit as defined by U.S. Uniform Guidance

BOROUGH OF KINNELON
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2024

<u>State Grant Program</u>	<u>State Program Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2024 Grant Receipts</u>	<u>Balance, December 31, 2023</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2024</u>	<u>(Memo Only) Cumulative Expenditures</u>
<u>Department of Environmental Protection</u>									
Clean Communities	765-042-4900-004-178910	Prior	\$ 118,544		\$ 98,164		\$ 19,929	\$ 78,235	\$ 40,309
		2023	25,270			\$ 25,270		25,270	-
		2024	28,702	\$ 28,702				-	
Recycling Tonnage	100-042-4910-224-238490	Prior	85,079		80,600		19,691	60,909	24,170
		2023	13,047			13,047		13,047	-
		2024	12,253	12,253				-	
Stormwater Assistance Grant	100-042-4850-099-290400	2023	25,000		10,465	15,000	19,500	5,965	19,035
Total Department of Environmental Protection					189,229	53,317	59,120	183,426	
<u>Department of Health and Human Services</u>									
Alcohol, Education, Rehabilitation Trust Fund	760-046-4240-001	Prior	1,863		1,457	-	-	1,457	406
Total Department of Health and Human Services					1,457	-	-	1,457	
<u>Department of Law and Public Safety</u>									
Body Armor Replacement Fund	718-066-1020-001-090160	2023	8,758			8,758	974	7,784	974
		2024	3,772	3,772				-	
Body Worn Camera Grant	066-1020-100-495	Prior	40,235		40,235			40,235	-
Drive Sober or Get Pulled Over		Prior	3,837		3,837			3,837	-
Drunk Driving Enforcement Fund	066-1110-100-XXX	Prior	2,390		2,390	-	-	2,390	-
Total Department of Law and Public Safety					46,462	8,758	974	54,246	
<u>New Jersey Department of Transportation</u>									
Various Projects - Current Fund	078-6320-480-XXX	Prior	221,750		221,750			221,750	-
Fayson Road - Current Fund	078-6320-480-XXX	2023	150,000		-	150,000	-	150,000	-
Various Projects - General Capital	078-6320-480-XXX	Prior	309,094		309,094			309,094	-
Ordinance 07-24 - General Capital	078-6320-480-XXX	2024	533,000	400,715	-	533,000	400,715	132,285	400,715
Total New Jersey Department of Transportation					530,844	683,000	400,715	813,129	
Total State Financial Assistance					\$ 767,992	\$ 745,075	\$ 460,809	\$ 1,052,258	

This schedule is not subject to a state single audit in accordance with NJ Circular 15-08.

See Accompanying Notes to the Schedule of Expenditures of State Financial Assistance

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

BOROUGH OF KINNELON
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2024

NOTE 1 REPORTING ENTITY

The Borough of Kinnelon (the “Borough”) received and participated in numerous Federal Award and State Financial Assistance programs in the form of cost reimbursement grants and revenue sharing entitlements. The Borough is the reporting entity for these programs. The Borough is defined in Note 1 (A) to the Borough’s Financial Statements.

NOTE 2 BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and state financial assistance (the “Schedules”) present the activity of all federal and state programs of the Borough. All federal awards received directly from federal agencies or passed through other government agencies are included on the schedule of expenditures of federal awards. All state awards received directly from state agencies or passed through other government agencies are included in the schedule of expenditures of state financial assistance. The information in these Schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principals, and audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular Letter 15-08 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Borough conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”) which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for federal awards and state financial assistances through separate funds and accounts which differ from those required by accounting principles generally accepted in the United States of America. The Borough’s summary of significant accounting policies are described in Note 1 to the Borough’s Financial Statements.

NOTE 4 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough’s financial statements. Financial assistance revenues are reported in the Borough’s financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 621,163	\$ 212,075	\$ 833,238
General Capital Fund	<u>-</u>	<u>533,000</u>	<u>533,000</u>
	<u>\$ 621,163</u>	<u>\$ 745,075</u>	<u>\$ 1,366,238</u>

BOROUGH OF KINNELON
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2024

NOTE 5 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Borough's fiscal year and grant program year.

NOTE 6 INDIRECT COST RATE

The Borough has not elected to use the 10 percent de minimis indirect cost rate allowed under the U.S. Uniform Guidance.

**BOROUGH OF KINNELON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

Part I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on financial statements	<u>Modified - Unaudited Fixed Assets</u>
Internal control over financial reporting:	
1) Material weakness(es) identified	_____ yes <u> X </u> no
2) Significant deficiency(ies) that are not considered to be material weakness(es)?	_____ yes <u> X </u> none reported
Noncompliance material to the financial statements noted?	_____ yes <u> X </u> no

Federal Awards Section

Dollar threshold used to determine Type A programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	_____ yes <u> X </u> no
Type of auditors' report on compliance for major programs:	<u>Unmodified</u>
Internal Control over compliance:	
1) Significant Deficiencies identified?	_____ yes <u> X </u> no
2) Were significant deficiencies identified that were not considered to be material weaknesses?	_____ yes <u> X </u> no
Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 15-08?	_____ yes <u> X </u> no

Identification of major programs:

<u>Federal Number</u>	<u>Name of Federal Program</u>
<u>21.027</u>	<u>American Rescue Plan Act</u>

State Awards Section

NOT APPLICABLE

**BOROUGH OF KINNELON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

Part II – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Finding 2024-001

Maintenance of the General Ledger

Our audit revealed that the Borough did not properly maintain their general ledger during the period under audit. There were instances noted where the beginning balances were not in agreement with the prior year annual audit, certain cash transactions were not recorded, and debits/credits were out of balance.

Criteria

N.J.A.C. 5:30-5.7 requires all municipalities in the State of New Jersey to maintain a general ledger to support financial reporting and budgetary compliance.

Condition

The general ledger was not maintained in accordance with the requirements of the N.J.A.C.

Cause

This was primarily due to changing roles and responsibilities in the finance department.

Effect or Potential Effect

An inadequately maintained general ledger increases the risk of misstatements in the financial statements and may hinder the Borough's ability to effectively monitor and manage the financial operations. Furthermore, it may result in non-compliance with state regulation and jeopardize the timely completion of the annual audit.

Recommendation

It is recommended that all financial activity be recorded in the general ledger system, and that the opening balances be in agreement with the prior year's audit balances.

Management's Response

Management has reviewed the recommendation, and corrective action will be taken.

**BOROUGH OF KINNELON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

Part III – Schedule of Federal and State Award Findings and Responses

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Uniform Guidance and New Jersey OMB Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

There are none.

CURRENT YEAR STATE AWARDS

Not Applicable.

**BOROUGH OF KINNELON
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2024**

This section identifies the status of prior-year findings related to the financial statements that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*.

STATUS OF PRIOR YEAR FINDINGS

Finding 2023-001

Conditions

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

The various departments/offices of the Borough are responsible for the issuance of permits and licenses; collection of taxes, permit and license fees; and recording of collections. The Chief Financial Officer is responsible for recording transactions, authorizing disbursements, reconciling cash and receivables, and reconciling the general ledger.

Status

Corrective action has been taken.

**BOROUGH OF KINNELON
MORRIS COUNTY, NEW JERSEY**

**PART III
SUPPORTING DATA
LETTER OF COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2024**

BOROUGH OF KINNELON
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
CURRENT FUND

	<u>Year 2024</u>			<u>Year 2023</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 2,300,000	3.39 %	\$	1,750,000	2.70 %
Miscellaneous - From Other Than Local					
Property Tax Levies	3,840,355	5.67		2,885,599	4.45
Collection of Delinquent Taxes and Tax Title Liens	469,181	0.69		475,387	0.73
Collection of Current Tax Levy	<u>61,152,696</u>	<u>90.25</u>		<u>59,731,549</u>	<u>92.12</u>
Total Income	<u>67,762,232</u>	<u>100.00</u> %		<u>64,842,535</u>	<u>100.00</u> %
EXPENDITURES					
Budget Expenditures					
Municipal Purposes	16,212,237	25.10 %		14,552,354	23.54 %
Local School Taxes	42,129,496	65.23		41,342,516	66.89
County Taxes	6,111,800	9.46		5,792,914	9.37
Municipal Open Space Taxes	106,397	0.16		106,410	0.17
Other Expenditures	<u>30,237</u>	<u>0.05</u>		<u>15,771</u>	<u>0.03</u>
Total Expenditures	<u>64,590,167</u>	<u>100.00</u> %		<u>61,809,965</u>	<u>100.00</u> %
Excess in Revenue	3,172,065			3,032,570	
Fund Balance, January 1	<u>4,809,394</u>			<u>3,526,824</u>	
	7,981,459			6,559,394	
Less Utilization as Anticipated Revenue	<u>2,300,000</u>			<u>1,750,000</u>	
Fund Balance, December 31	<u>\$ 5,681,459</u>			<u>\$ 4,809,394</u>	

BOROUGH OF KINNELON
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
WATER UTILITY OPERATING FUND

	<u>Year 2024</u>			<u>Year 2023</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 448,496	39.93 %	\$	112,560	15.33 %
Collection of Water Rents	584,774	52.06		595,268	81.06
Miscellaneous - From Other Than Water	<u>89,954</u>	<u>8.01</u>		<u>26,534</u>	<u>3.61</u>
Total Income	<u>1,123,224</u>	<u>100.00 %</u>		<u>734,362</u>	<u>100.00 %</u>
EXPENDITURES					
Budget Expenditures					
Operating	543,606	64.61 %		543,606	77.19 %
Deferred Charges and Statutory Expenditures	12,700	1.51		12,700	1.80
Capital Improvement	150,000	17.83		35,000	4.97
Debt Service	<u>135,203</u>	<u>16.07</u>		<u>112,970</u>	<u>16.04</u>
Total Expenditures	<u>841,509</u>	<u>100.00 %</u>		<u>704,276</u>	<u>100.00 %</u>
Excess in Revenue	<u>281,715</u>			<u>30,086</u>	
Statutory Excess to Surplus	281,715			30,086	
Fund Balance, January 1	<u>511,552</u>			<u>594,026</u>	
	793,267			624,112	
Decreased by:					
Utilized in Sewer Operating Budget	<u>448,496</u>			<u>112,560</u>	
Fund Balance, December 31	<u>\$ 344,771</u>			<u>\$ 511,552</u>	

BOROUGH OF KINNELON
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
SEWER UTILITY OPERATING FUND

	<u>Year 2024</u>			<u>Year 2023</u>		
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>	
REVENUE AND OTHER INCOME REALIZED						
Fund Balance Utilized	\$ 95,815	13.93 %	\$	95,815	14.44 %	
Collection of Sewer Rents	500,730	72.77		505,980	76.26	
Miscellaneous - From Other Than Sewer	<u>91,534</u>	<u>13.30</u>		<u>61,739</u>	<u>9.30</u>	
Total Income	<u>688,079</u>	<u>100.00</u> %		<u>663,534</u>	<u>100.00</u> %	
EXPENDITURES						
Budget Expenditures						
Operating	500,000	99.66 %		474,989	99.64 %	
Deferred Charges and Statutory Expenditures	<u>1,700</u>	<u>0.34</u>		<u>1,700</u>	<u>0.36</u>	
Total Expenditures	<u>501,700</u>	<u>100.00</u> %		<u>476,689</u>	<u>100.00</u> %	
Excess in Revenue	<u>186,379</u>			<u>186,845</u>		
Statutory Excess to Surplus	186,379			186,845		
Fund Balance, January 1	<u>615,029</u>			<u>523,999</u>		
	801,408			710,844		
Decreased by:						
Utilized in Sewer Operating Budget	<u>95,815</u>			<u>95,815</u>		
Fund Balance, December 31	<u>\$ 705,593</u>			<u>\$ 615,029</u>		

BOROUGH OF KINNELON
COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<u>Tax Rate</u>	<u>\$2.897</u>	<u>\$2.837</u>	<u>\$2.747</u>
<u>Apportionment of Tax Rate</u>			
Municipal	\$.582	\$.572	\$.538
County	.288	.273	.265
Local School	1.989	1.957	1.910
Library	.038	.035	.034

Assessed Valuation

2024	<u>\$2,119,058,500</u>	
2023		<u>\$2,112,905,400</u>
2022		<u>\$2,106,464,900</u>

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2024	\$ 61,639,210	\$ 61,152,696	99.52%
2023	60,330,922	59,731,549	99.01%
2022	58,053,846	57,573,872	99.17%

BOROUGH OF KINNELON
DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>December 31</u>		Amount of Delinquent <u>Taxes</u>	Amount of Tax Title <u>Liens</u>	Total <u>Delinquent</u>	Percentage of <u>Tax Levy</u>
2024	\$	363,947	\$ 1,178,543	\$ 1,542,490	3.91%
2023		484,885	1,107,812	1,592,697	2.64%
2022		349,314	1,103,811	1,453,125	2.50%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

No properties have been acquired in 2024 by foreclosure or deed, as a result of liquidation of tax title liens.

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

<u>Year</u>	<u>Amount</u>
2024	\$1,210,750
2023	1,210,750
2022	1,210,750

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>Year</u>	Balance, <u>December 31</u>	Utilized In Budget of <u>Succeeding Year</u>
<u>Current Fund</u>	2024	\$5,681,459	\$2,490,000
	2023	4,809,394	2,300,000
	2022	3,526,824	1,750,000
 <u>Water Utility Operating Fund</u>	2024	\$344,711	\$225,300
	2023	511,552	448,496
	2022	468,919	112,560
 <u>Sewer Utility Operating Fund</u>	2024	\$705,593	\$58,700
	2023	615,029	95,815
	2022	523,999	95,815

**BOROUGH OF KINNELON
OFFICIALS IN OFFICE AND SURETY BONDS**

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
James J. Freda	Mayor	
Anthony Chirido	Councilman	
Cynthia Frank	Councilwoman	
J. Eric Harritz	Councilman	
Sean Mabey	Councilman	
Vincent Russo	Councilman	
William Yago	Councilman	
Craig Ambrosio	Borough Administrator (As of 9/1/24)	
Robert Benecke	Chief Financial Officer (1/1/24-6/30/24)	
Jennifer Stillman	Treasurer (1/1/24-6/30/24)	\$1,000,000
	Temporary Chief Financial Officer (6/30/24-12/31/24)	
Judith O'Brien	Tax Collector	\$1,000,000
Leigh Irwin	Deputy Tax and Utilities Collector	

All bonds were examined and were properly executed.

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

BOROUGH OF KINNELON LETTER OF COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

Prior Year Findings Unresolved

During the review of purchase orders, several instances were noted where purchases were made prior to the preparation and approval of purchase orders. It is recommended that the purchase orders are prepared and approved prior to the purchase of goods or services to ensure the availability of funds.

Current Year Findings

It was noted during our audit that a fixed asset inventory ledger is not being actively maintained. It is recommended that consideration be given to engage an outside consultant to maintain a fixed asset inventory report. Prior to the issuance of our audit a vendor has been contracted to perform the services.

It was noted during our audit of general capital that there are several large outstanding grants receivables pledged to inactive ordinances. It is recommended that inactive grants receivables and capital ordinances be reviewed for validity and cancelled if necessary.

It was noted during our audit of contracts that vendor pricing documentation is not being retained related to purchases made through state contracts and cooperative purchasing agreements. It is recommended that awarded vendor pricing and other supporting documentation be retained when purchasing through state contracts and cooperative purchasing agreements.

CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED FOR NJS 40A:11-4

NJS 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. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500.

The threshold permitted by the State of New Jersey is \$17,500 unless the Borough has a qualified purchasing agent. If the Borough's purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c. 198 (c.40A:11-9), the Borough may establish a bid threshold up to \$44,000. The Borough does not have a qualified purchasing agent.

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year.

The minutes indicate bids were requested by public advertising for the following items:

- Boonton Ave. Recreation Park Tennis Courts
- Replacement of Roofs at Kinnelon Borough Hall and Kinnelon Library
- Kinnelon Museum
- Solid Waste and Bulk Collection
- Recycling Curbside

The minutes indicate that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for "Professional Services" per NJS 40A:11-5.

**BOROUGH OF KINNELON
LETTER OF COMMENTS AND RECOMMENDATIONS**

CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED FOR NJS 40A:11-4 (Continued)

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

Our examination of expenditures did not reveal any instances where expenditures exceeded the bid threshold of \$17,500 "for the performance of any work, or the furnishing or hiring of any materials or supplies," other than those where bids had not been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJS 40A:11-6.

DELINQUENT TAXES AND TAX TITLE LIENS

The last tax sale was held on October 29, 2024.

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 three years.

<u>Year</u>	<u>Number of Liens</u>
2024	56
2023	55
2022	55

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

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 non-payment of taxes or assessments on or before the date when they would become delinquent.

The Governing Body on January 4, 2024 adopted the following resolution authorizing interest to be charged on delinquent taxes:

"NOW, THEREFORE BE IT RESOLVED by the Mayor and Council of the Borough of Kinnelon that it does hereby fix the rate of interest to be charged for the non-payment of taxes or assessments to be eight (8%) per annum on the first \$1,500 delinquency and 18 percent (18%) per annum on any amount in excess of \$1,500 from the date of delinquency(s) to date of payment, providing however, that payments made during the first ten days of delinquency shall not be subject to interest charges."

WHEREAS, recently enacted Assembly Bill No. 4425 and Senate Bill No. 2579 have been signed into law effective March 29, 1995 and April 4, 1992 respectively amending NJSA 54:4-67 and,

WHEREAS, the Mayor and Council of the Borough of Kinnelon are desirous of enacting the following changes with respect to the aforementioned bills:

Interest now charged on a property tax delinquency shall be calculated on the sum of all taxes from year to year and not calculated on a yearly basis.

**BOROUGH OF KINNELON
LETTER OF COMMENTS AND RECOMMENDATIONS**

COLLECTION OF INTEREST ON DELINQUENT TAXES AND ASSESSMENTS (Continued)

An additional penalty of 6% will be added on the amount of a property tax delinquency in excess of \$10,000.

In regard to Tax Sale Certificates, when taxes, interest and cost shall exceed the sum of \$5,000, an additional sum shall be equal to 4% of the amount paid. When that sum exceeds \$10,000, such additional sum shall be equal to 6% of amount paid. This shall also apply to all existing certificates held by the Borough on the effective date of this act. NOW, THEREFORE, BE IT RESOLVED, that the Mayor and Council of the Borough of Kinnelon, County of Bergen, State of New Jersey, hereby authorize the Tax Collector to implement the above stated changes.

It appears from an examination of the Collector's records that interest was collected in accordance with the foregoing resolutions.

SUGGESTIONS TO MANAGEMENT

- Review payout policy of sick time with legal council as it relates to the State Comptroller's office \$15K lifetime limitation.
- Bank reconciliations should be reviewed to clear old outstanding checks, deposits in transit, and miscellaneous reconciling items.
- Old grants receivable and unspent appropriated grant reserves in the current fund should be reviewed for validity and cancelled if necessary.
- The Edmunds system should be updated to accurately reflect current balances of appropriated grant reserves and remaining ordinance balances in capital accounts as of year-end.
- Improvement authorizations in the General Capital Fund and Water Utility Capital Fund be reviewed and old inactive ordinances be cancelled.
- Interfund balances should be cleared annually
- Foreclosed properties owned by the Borough should be reviewed and considered for sale or auction.

APPRECIATION

We desire to express our appreciation to the Borough Administrator and other Borough Staff who assisted us during the course of our audit.

**BOROUGH OF KINNELON
RECOMMENDATIONS**

It is recommended that:

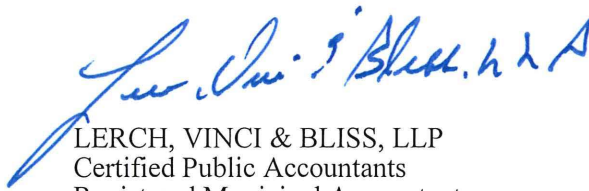
- * 1. The purchase orders are prepared and approved prior to the purchase of goods or services to ensure the availability of funds.
2. All financial activity be recorded in the general ledger system, and that the opening balances be in agreement with the prior year's audit balances.
3. Consideration be given to engage an outside consultant to maintain a fixed asset inventory report. Prior to the issuance of our audit a vendor has been contracted to perform the services.
4. Inactive grants receivables and capital ordinances be reviewed for validity and cancelled if necessary.
5. Awarded vendor pricing and other supporting documentation be retained when purchasing through state contracts and cooperative purchasing agreements.

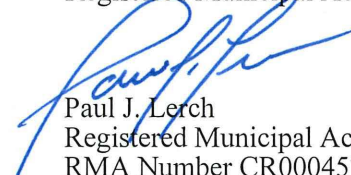
Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior year recommendations. Corrective action was taken on all, with the exception of the findings denoted with an asterisk (*)

* * * * *

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


LERCH, VINCI & BLISS, LLP
Certified Public Accountants
Registered Municipal Accountants


Paul J. Lerch
Registered Municipal Accountant
RMA Number CR000457