

Report of Audit
on the
Financial Statements
of the
Borough of Kenilworth
in the
County of Union
New Jersey
for the
Year Ended
December 31, 2018

BOROUGH OF KENILWORTH

INDEX

	<u>PAGES</u>
<u>PART I</u>	
Independent Auditor's Report	1-3
Independent Auditor's 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	4-5

EXHIBITS

Financial Statements - Regulatory Basis

Current Fund:

Balance Sheets - Regulatory Basis	"A"
Statements of Operations and Change in Fund Balance - Regulatory Basis	"A-1"
Statement of Revenues - Regulatory Basis for the Year Ended December 31, 2018	"A-2"
Statement of Expenditures - Regulatory Basis Year Ended December 31, 2018	"A-3"

Trust Fund:

Balance Sheets - Regulatory Basis	"B"
Statement of Fund Balance - Regulatory Basis - Assessment Trust Fund	"B-1"

General Capital Fund:

Balance Sheets - Regulatory Basis	"C"
Statement of Fund Balance - Regulatory Basis	"C-1"

Public Assistance Trust Fund:

Balance Sheets - Regulatory Basis	"E"
-----------------------------------	-----

General Fixed Assets Account Group:

Balance Sheets - Regulatory Basis	"F"
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PAGES

Notes to Financial Statements	6-42
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BOROUGH OF KENILWORTH

INDEX (CONTINUED)

Supplementary Schedules - All Funds

EXHIBITS

Current Fund:

Schedule of Cash - Treasurer - Grant Fund	"A-4"
Schedule of Cash - Collector	"A-5"
Schedule of Due State of New Jersey for Senior Citizens and Veterans Deductions	"A-6"
Schedule of Taxes Receivable and Analysis of Property Tax Levy	"A-7"
Schedule of Tax Title Liens	"A-8"
Schedule of Property Acquired for Taxes (at Assessed Valuation)	"A-9"
Schedule of Revenue Accounts Receivable	"A-10"
Schedule of 2017 Appropriation Reserves	"A-11"
Schedule of Change Funds	"A-12"
Schedule of Interfunds	"A-13"
Schedule of Reserve for LOSAP Contributions	"A-14"
Schedule of Reserve for Revaluation	"A-15"
Schedule of Prepaid Taxes	"A-16"
Schedule of Tax Overpayments	"A-17"
Schedule of County Taxes Payable	"A-18"
Schedule of Local District School Tax Payable	"A-19"
Schedule of Reserve for Grants - Appropriated	A-20"
Schedule of Accounts Payable	"A-21"
Schedule of Reserve for Purchase of Video Equipment	"A-22"
Schedule of Reserves for Grants - Unappropriated - Grant Fund	"A-23"
Schedule of Grants Receivable - Grant Fund	"A-24"
Schedule of Reserve for Tax Map	A-25"
Schedule of Deferred Charges	"A-26"
Schedule of Interfunds - Grant Fund	"A-27"
Schedule of Encumbrances Payable	"A-28"
Schedule of Reserve for Elevator Inspection Agency Fee	"A-29"
Schedule of Reserve for Tax Appeals	"A-30"
Schedule of Reserve for Master Plan	"A-31"

Trust Fund:

Schedule of Cash - Treasurer	"B-2"
Analysis of Cash - Assessment Fund	"B-3"
Schedule of Reserve for Animal Control Fund Expenditures	"B-4"
Schedule of Due State of New Jersey for Animal Control Fees	"B-5"
Schedule of Assessments Receivable	"B-6"
Schedule of Reserve for State Unemployment Insurance (per N.J.S. 43:21-3 et seq.)	"B-7"
Schedule of Miscellaneous Deposits	"B-8"
Schedule of Due to General Capital Fund - Assessment Fund	"B-9"
Schedule of Reserve for Payroll Deductions Payable	"B-10"
Schedule of Due Current Fund - Other	"B-11"
Schedule of Due Grant Fund - Other	"B-12"
Schedule of Due Current Fund - Animal Control	"B-13"
Schedule of Due Current Fund - Assessment Receivable	"B-14"
Schedule of Due Current Fund – Trust Other	"B-15"
Schedule of Assessment Bond Anticipation Notes	"B-16"

BOROUGH OF KENILWORTH

I N D E X (CONTINUED)

EXHIBITS

General Capital Fund:

Schedule of Capital Cash - Treasurer	"C-2"
Analysis of Capital Cash	"C-3"
Schedule of Due Current Fund	"C-4"
Schedule of Deferred Charges to Future Taxation-Funded	"C-5"
Schedule of Deferred Charges to Future Taxation-Unfunded	"C-6"
Schedule of Capital Improvement Fund	"C-7"
Schedule of Improvement Authorizations	"C-8"
Schedule of General Serial Bonds	"C-9"
Schedule of Bond Anticipation Notes	"C-10"
Schedule of Contract Payable	C-11"
Schedule of Due Grant Fund	"C-12"
Schedule of Due Assessment Fund	"C-13"
Schedule of Reserve for Debt Service	"C-14"
Schedule of Prospective Assessments Raised by Taxation	"C-15"
Schedule of Due Trust Other Fund	"C-16"
Schedule of Grants Receivable	"C-17"
Schedule of Bonds and Notes Authorized but not Issued	"C-18"

Public Assistance Trust Fund:

Schedule of Public Assistance Cash - Treasurer	"E-1"
Schedule of Public Assistance Cash and Reconciliation per N.J.S.A. 40A:5-5	"E-2"
Schedule of Public Assistance Cash and Reconciliation as of December 31, 2018	"E-3"
Schedule of Public Assistance Revenues for the Year Ended December 31, 2018	"E-4"
Schedule of Public Assistance Expenditures for the Year Ended December 31, 2018	"E-5"
Schedule of Reserve for Public Assistance for the Year Ended December 31, 2018	"E-6"
Schedule of Reserve for Community Fund for the Year Ended December 31, 2018	"E-7"

PART II

	<u>PAGES</u>
Statistical Data	43-45
Officials in Office and Surety Bonds	46
General Comments and Recommendations	47-50

BOROUGH OF KENILWORTH

PART I

INDEPENDENT AUDITOR'S REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES AND DATA

REPORTS 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

FINANCIAL STATEMENTS – REGULATORY BASIS - ALL FUNDS

NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS

SUPPLEMENTARY SCHEDULES - ALL FUNDS

YEAR ENDED DECEMBER 31, 2018 AND 2017



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Kenilworth
County of Union
Kenilworth, New Jersey 07033

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various individual funds and account group of the Borough of Kenilworth, as of December 31, 2018 and 2017, the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various individual funds for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the regulatory financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough of Kenilworth's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Kenilworth's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the regulatory financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 of the regulatory financial statements, the regulatory financial statements are prepared by the Borough of Kenilworth on the basis of the financial reporting provisions 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 requirements of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the various individual funds and account group of the Borough of Kenilworth as of December 31, 2018 and 2016, the results of its operations and changes in fund balance for the years then ended, the statement of revenues or statement of expenditures for the year ended December 31, 2018.

Opinion on Regulatory Basis of Accounting

In our opinion, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets of the various individual funds and account group as of December 31, 2018 and 2017, the regulatory basis statement of operations and changes in fund balance for the years then ended and the regulatory basis statement of revenues and expenditures and changes in fund balance for the year ended December 31, 2018 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

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Other Matters

Other Information

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

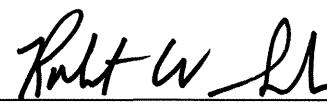
The supplemental information and data listed above and also listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the regulatory financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory financial statements or to the regulatory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and data listed in the table of contents are fairly stated, in all material respects, in relation to the regulatory financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2019 on our consideration of the Borough of Kenilworth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Kenilworth's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS



REGISTERED MUNICIPAL ACCOUNTANT NO. 439

July 25, 2019



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300 Fax 908-789-8535

E-mail info@scnco.com

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

The Honorable Mayor and Members
of the Borough Council
Borough of Kenilworth
County of Union
Kenilworth, New Jersey 07033

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory financial statements of the various individual funds and the account group of the Borough of Kenilworth, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements, and have issued our report thereon dated July 25, 2019. Our report disclosed that, as described in Note 1 to the financial statements, the Borough of Kenilworth prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

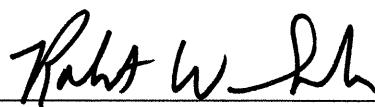
Compliance and Other Matters

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

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 Kenilworth'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 Kenilworth's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS


REGISTERED MUNICIPAL ACCOUNTANT NO. 439

July 25, 2019

CURRENT FUND

BOROUGH OF KENILWORTH

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>		BALANCE DECEMBER 31, 2018	BALANCE DECEMBER 31, 2017
<u>ASSETS</u>				
Current Fund				
Cash	A-4	\$ 5,452,638.42	\$ 6,287,813.89	
Cash - Change Fund	A-12	250.00	250.00	
Due State of New Jersey - Senior Citizens and Veterans Deductions	A-6	6,473.71	9,018.24	
		\$ 5,459,362.13	\$ 6,297,082.13	
Receivables with Full Reserves:				
Delinquent Property Taxes Receivable	A-7	\$ 378,870.90	\$ 412,218.17	
Tax Title Liens Receivable	A-8	3,353.10	33,940.76	
Property Acquired for Taxes - Assessed Value	A-9	157,200.00	157,200.00	
Revenue Accounts Receivable	A-10	8,627.86	11,359.98	
Interfunds Receivable	A-13	46,662.25	41,972.49	
Prepaid Local School Tax	A-2	357,034.00	420,401.90	
	A	\$ 951,748.11	\$ 1,077,093.30	
Deferred Charges:				
Overexpenditure of Appropriations	A-26	\$	\$	5,014.67
Overexpenditure of Appropriation Reserves	A-26			7,441.05
Special Emergency N.J.S.A. 40A:4-55	A-26	\$ 45,000.00	\$ 60,000.00	
		\$ 45,000.00	\$ 72,455.72	
		\$ 6,456,110.24	\$ 7,446,631.15	
Grant Fund:				
Cash	A-4	\$ 371,804.57	\$ 282,636.02	
Grants Receivable	A-24	996,911.93	643,802.54	
Interfunds Receivable	A-27	420,845.79	354,555.66	
		\$ 1,789,562.29	\$ 1,280,994.22	
		\$ 8,245,672.53	\$ 8,727,625.37	

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

BOROUGH OF KENILWORTH

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>		BALANCE DECEMBER 31, 2018	BALANCE DECEMBER 31, 2017
Liabilities:				
Appropriation Reserves	A-3:A-11	\$ 503,610.84	\$ 899,482.40	
Accounts Payable	A-21	50,933.78	44,752.28	
Encumbrances Payable	A-28	216,171.39	258,635.82	
Prepaid Taxes	A-16	174,515.23	808,881.24	
Interfunds Payable	A-13	852,724.87	554,318.49	
County Taxes Payable	A-18	12,773.10	31,122.95	
Reserve for LOSAP Contribution	A-14	40,104.59	40,104.59	
Reserve for Elevator Inspection Agency Fee	A-29	34,949.00	34,949.00	
Reserve for Tax Map	A-25	4,826.88	4,826.88	
Reserve for Revaluation	A-15	8,525.50	8,525.50	
Reserve for Master Plan	A-31	59,237.50	59,237.50	
Reserve for Tax Appeals	A-30	92,304.26	102,083.39	
Reserve for Purchase of Video Equipment	A-22	2,304.79	2,304.79	
		\$ 2,052,981.73	\$ 2,849,224.83	
Reserve for Receivables	A	951,748.11	1,077,093.30	
Fund Balance	A-1	3,451,380.40	3,520,313.02	
		\$ 6,456,110.24	\$ 7,446,631.15	
Grant Fund:				
Reserve for:				
Grants-Appropriated	A-20	1,638,158.49	1,157,663.42	
Grants-Unappropriated	A-23			
Interfunds Payable	A-27	6,281.01	6,281.01	
Encumbrances Payable	A-28	145,122.79	117,049.79	
		1,789,562.29	1,280,994.22	
		\$ 8,245,672.53	\$ 8,727,625.37	

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

BOROUGH OF KENILWORTHCURRENT FUNDSTATEMENTS OF OPERATIONS AND CHANGE
IN FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>	YEAR ENDED DECEMBER 31, 2018	YEAR ENDED DECEMBER 31, 2017
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	A-2	\$ 1,670,689.06	\$ 1,581,766.06
Miscellaneous Revenue Anticipated	A-2	3,497,338.67	3,113,978.85
Receipts From Delinquent Taxes	A-2	445,853.77	317,783.11
Receipts From Current Taxes	A-2	39,769,702.81	39,648,986.50
Non-Budget Revenue	A-2	77,864.35	144,473.08
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	719,036.27	985,613.31
Statutory Excess Dog License Fund	A-13	3,412.56	3,226.00
<u>Total Income</u>		<u>\$ 46,183,897.49</u>	<u>\$ 45,795,826.91</u>
<u>EXPENDITURES</u>			
Budget Appropriations:			
Operations Within "CAPS"	A-3	\$ 11,051,790.00	\$ 11,090,855.67
Deferred Charges and Statutory Expenditures-Municipal	A-3	1,414,072.03	1,328,822.98
Operations Excluded From "CAPS"	A-3	2,309,490.65	1,938,894.03
Capital Improvement Fund	A-3	100,000.00	80,000.00
Municipal Debt Service	A-3	1,206,876.58	1,129,979.94
Deferred Charges	A-3	15,000.00	15,000.00
County Taxes	A-18	7,555,715.80	7,592,500.45
County Share of Added and Omitted Taxes	A-18	12,773.10	31,122.95
Local District School Tax	A-19	20,544,920.00	20,404,173.00
Reserve for Prepaid Local School Taxes	A-19	357,034.00	420,401.90
Interfunds Advanced		4,689.76	10,744.79
Refund of Prior Year Revenue	A-4	9,779.13	
<u>Total Expenditures</u>		<u>\$ 44,582,141.05</u>	<u>\$ 44,042,495.71</u>
Excess in Revenue		\$ 1,601,756.44	\$ 1,753,331.20
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year			5,014.67
Statutory Excess to Fund Balance		\$ 1,601,756.44	\$ 1,758,345.87
Fund Balance, January 1	A	\$ 3,520,313.02	\$ 3,343,733.21
Decreased by:		\$ 5,122,069.46	\$ 5,102,079.08
Utilized as Anticipated Revenue	A-1:A-2	1,670,689.06	1,581,766.06
Fund Balance, December 31	A	\$ 3,451,380.40	\$ 3,520,313.02

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

BOROUGH OF KENILWORTH

CURRENT FUND

**STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

			<u>ANTICIPATED</u>			
	REF.		BUDGET	SPECIAL N.J.S. 40A:4-87	REALIZED	EXCESS/ DEFICIT
Fund Balance Appropriated	A-1	\$ 1,670,689.06		\$ 1,670,689.06		
Miscellaneous:						
Licenses:						
Alcoholic Beverage	A-10	\$ 19,000.00	\$ 18,900.00	\$ 18,900.00	\$ 18,900.00	\$ (100.00)
Other	A-2	\$ 28,000.00		\$ 29,306.00		\$ 1,306.00
Fees and Permits:						
Other	A-2	\$ 55,200.00		\$ 145,189.86		\$ 89,989.86
Fines and Costs-Municipal Court	A-10	\$ 180,000.00		\$ 366,610.08		\$ 186,610.08
Interest and Costs on Taxes	A-5:A-10	\$ 57,000.00		\$ 117,921.50		\$ 60,921.50
Interest on Investments	A-10	\$ 4,000.00		\$ 43,138.63		\$ 39,138.63
Cable T.V. Franchise Tax	A-10	\$ 124,600.80		\$ 126,330.83		\$ 1,730.03
Uniform Construction Code Fees	A-2	\$ 210,000.00		\$ 215,712.60		\$ 5,712.60
Trailer Storage Fees	A-10	\$ 5,900.00		\$ 6,600.00		\$ 700.00
Uniform Fire Safety Act - Local Fees	A-10	\$ 13,900.00		\$ 45,779.00		\$ 31,879.00
Consolidated Municipal Property Tax Relief Act	A-10	\$ 5,272.00		\$ 5,272.00		
Energy Receipts Tax	A-10	\$ 990,916.00		\$ 990,916.00		
Alcohol Education Rehabilitation Fund	A-24		\$ 146.46		\$ 146.46	
Municipal Alliance	A-24	\$ 25,470.00		\$ 25,470.00		
Clean Communities Program	A-24		\$ 14,242.20		\$ 14,242.20	
Body Armor Replacement Fund	A-24	\$ 18,255.00		\$ 18,255.00		
UC Heart Grant	A-24		\$ 1,500.00		\$ 1,500.00	
Recycling Tonnage Grant	A-24	\$ 16,640.99		\$ 16,640.99		
Union County Senior Focus	A-24		\$ 23,400.00		\$ 23,400.00	
Union County Kids Recreation	A-24		\$ 50,000.00		\$ 50,000.00	
UC Infrastructure Grant	A-24		\$ 75,000.00		\$ 75,000.00	
CDBG Handyman	A-24	\$ 1,700.00		\$ 1,700.00		
CDBG Social Services	A-24	\$ 12,000.00		\$ 12,000.00		
CDBG Curbing	A-24	\$ 20,000.00		\$ 20,000.00		
Federal Bulletproof Vest	A-24		\$ 2,655.00		\$ 2,655.00	
Greening Union County	A-24		\$ 3,000.00		\$ 3,000.00	
Department of Transportation Grant	A-24	\$ 470,000.00		\$ 470,000.00		
Union County Recycling	A-24		\$ 9,000.00		\$ 9,000.00	
Uniform Fire Safety Act	A-10	\$ 33,000.00		\$ 47,618.69		\$ 14,618.69
Hotel Occupancy Tax	A-10	\$ 100,000.00		\$ 107,194.68		\$ 7,194.68
Prepaid School Tax	A	\$ 347,000.00		\$ 420,401.90		\$ 73,401.90
Outside Police Duty Administrative Fees	A-10	\$ 13,000.00		\$ 15,370.25		\$ 2,370.25
Outside Police Duty Use of Vehicles Fees	A-10	\$ 22,000.00		\$ 27,225.50		\$ 5,225.50
School Resource Officer	A-10	\$ 47,000.00		\$ 24,841.50		\$ (22,158.50)
	A-1	\$ 2,819,854.79	\$ 178,943.66	\$ 3,497,338.67	\$ 498,540.22	
Receipts From Delinquent Taxes	A-1	\$ 250,000.00		\$ 445,853.77		\$ 195,853.77
Property Tax for Support of Municipal Budget						
Appropriations-Local Tax for Municipal Purposes	A-2:A-7	\$ 11,548,420.81		\$ 12,055,539.74		\$ 507,118.93
Minimum Library Tax	A-2:A-7	\$ 469,559.17		\$ 469,559.17		
		\$ 12,017,979.98		\$ 12,525,098.91		\$ 507,118.93
<u>Budget Totals</u>		\$ 16,758,523.83	\$ 178,943.66	\$ 18,138,980.41	\$ 1,201,512.92	
Non-Budget Revenues	A-1:A-2			\$ 77,864.35		\$ 77,864.35
		\$ 16,758,523.83	\$ 178,943.66	\$ 18,216,844.76	\$ 1,279,377.27	

REF. A-3 A-3

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

BOROUGH OF KENILWORTH

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

REF.

Allocation of Current Tax Collections:		
Collections on a Cash Basis	A-7	\$ 39,769,702.81
Allocated to:		
School and County Taxes		<u>28,084,603.90</u>
Support of Municipal Budget Appropriations		\$ 11,685,098.91
Add: Appropriation Reserve for Uncollected Taxes	A-3	<u>840,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	\$ <u>12,525,098.91</u>
Licenses:		
Clerk	A-10	\$ 6,750.00
Board of Health	A-10	<u>22,556.00</u>
	A-2	\$ <u>29,306.00</u>
Fees and Permits Other:		
Police Department	A-10	\$ 4,202.25
Fire Department	A-10	<u>10,830.00</u>
Street Opening	A-10	<u>80,375.00</u>
Planning Board	A-10	<u>10,800.00</u>
Building/Zoning	A-10	<u>35,105.61</u>
Board of Health	A-10	<u>2,447.00</u>
Clerk	A-10	<u>1,430.00</u>
	A-2	\$ <u>145,189.86</u>
Construction Code Fees	A-10	\$ 216,640.00
Less: Refunds	A-4	<u>927.40</u>
	A-2	\$ <u>215,712.60</u>

ANALYSIS OF NON-BUDGET REVENUE

Miscellaneous Revenue Not Anticipated:		
Industrial Waste Charge		\$ 3,058.00
Interlocal PERS Reimbursement		<u>4,946.90</u>
Senior Citizens and Veterans Due State - Administrative Fee		<u>1,320.63</u>
Miscellaneous		<u>68,538.82</u>
	A-2:A-4	\$ <u>77,864.35</u>

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

BOROUGH OF KENILWORTH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>OPERATIONS WITHIN "CAPS"</u>	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
<u>GENERAL GOVERNMENT</u>					
Mayor and Council:					
Salaries and Wages	\$ 3,750.00	\$ 3,750.00	\$ 3,750.00	\$	
Other Expenses	11,000.00	13,000.00	12,037.00	963.00	\$
Municipal Clerk:					
Salaries and Wages	175,000.00	175,000.00	174,011.33	988.67	
Other Expenses	46,850.00	51,850.00	50,143.25	1,706.75	
Tax and Finance Office:					
Salaries and Wages	205,500.00	205,500.00	203,091.05	2,408.95	
Other Expenses	56,540.00	53,540.00	47,007.47	6,532.53	
Audit Services	37,000.00	37,000.00	29,325.00	7,675.00	
Assessment of Taxes:					
Salaries and Wages	33,500.00	33,800.00	33,720.19	79.81	
Other Expenses	12,725.00	12,725.00	210.00	12,515.00	
Payroll and Human Resources:					
Other Expenses	27,000.00	27,000.00	26,166.45	833.55	
Public Defender:					
Salaries and Wages	100.00	100.00		100.00	
Other Expenses	4,500.00	4,500.00		4,500.00	
Legal Services and Costs:					
Other Expenses - Retainer	35,990.00	35,990.00	35,990.00		
Other Expenses	70,000.00	110,000.00	94,029.16	15,970.84	
Engineering Services and Costs:					
Salaries and Wages	100.00	100.00		100.00	
Other Expenses	80,000.00	80,000.00	78,968.75	1,031.25	
Other Expenses - Retainer	55,500.00	55,500.00	21,387.50	34,112.50	
Municipal Court:					
Salaries and Wages	190,000.00	150,000.00	138,223.95	11,776.05	
Other Expenses	18,000.00	18,000.00	11,708.22	6,291.78	
Public Grounds and Buildings:					
Salaries and Wages	1,000.00	1,000.00		1,000.00	
Other Expenses	123,800.00	123,800.00	100,500.25	23,299.75	
Planning Board:					
Salaries and Wages	6,000.00	6,000.00	5,200.00	800.00	
Other Expenses	18,550.00	25,550.00	22,427.13	3,122.87	
Shade Tree Commission:					
Other Expenses	63,000.00	93,000.00	93,000.00		
Insurance:					
Other Insurance	489,000.00	489,000.00	487,476.30	1,523.70	
Employee Group Health Insurance	2,306,088.00	2,316,088.00	2,314,709.63	1,378.37	
Health Benefit Waiver	15,000.00	19,000.00	16,835.42	2,164.58	
Unemployment Compensation Insurance	100.00	100.00		100.00	
<u>PUBLIC SAFETY</u>					
Fire:					
Salaries and Wages	7,100.00	7,100.00	7,095.41	4.59	
Other Expenses	337,182.00	337,182.00	327,610.62	9,571.38	
Fire Prevention Bureau:					
Salaries and Wages	101,890.00	101,890.00	91,840.14	10,049.86	
Other Expenses	7,200.00	7,200.00	7,156.72	43.28	
Construction Code Official:					
Salaries and Wages	105,000.00	105,000.00	99,524.21	5,475.79	
Other Expenses	4,450.00	4,450.00	2,053.80	2,396.20	

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

BOROUGH OF KENILWORTH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

OPERATIONS WITHIN "CAPS"	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>PUBLIC SAFETY (CONTINUED)</u>					
Building Inspector:					
Salaries and Wages	\$ 34,000.00	34,000.00	\$ 27,109.59	\$ 6,890.41	\$
Other Expenses	1,000.00	1,000.00		1,000.00	
Plumbing Inspector:					
Salaries and Wages	17,000.00	17,000.00	14,964.98	2,035.02	
Other Expenses	1,000.00	1,000.00		1,000.00	
Electrical Inspector:					
Salaries and Wages	18,000.00	18,000.00	14,194.64	3,805.36	
Other Expenses	1,000.00	1,000.00		1,000.00	
Fire Protection Official:					
Salaries and Wages	20,000.00	20,000.00	14,020.37	5,979.63	
Other Expenses	1,000.00	1,000.00		1,000.00	
Zoning Enforcement Officer:					
Salaries and Wages	14,500.00	14,500.00	14,000.00	500.00	
Other Expenses	400.00	400.00	95.49	304.51	
Police:					
Salaries and Wages	3,080,000.00	3,140,000.00	3,138,715.21	1,284.79	
Other Expenses	202,150.00	197,150.00	194,634.55	2,515.45	
Traffic Control and School Guards:					
Salaries and Wages	187,500.00	171,500.00	170,820.13	679.87	
Other Expenses	47,400.00	20,400.00	17,001.06	3,398.94	
Emergency Management Services:					
Salaries and Wages	4,100.00	4,100.00	4,000.00	100.00	
Other Expenses	20,000.00	20,000.00	19,864.93	135.07	
First Aid Organization Contribution					
Municipal Prosecutor:					
Salaries and Wages	100.00	1,300.00	1,250.00	50.00	
Other Expenses	16,000.00	14,800.00	13,750.00	1,050.00	
<u>STREETS AND ROADS</u>					
Road Repairs and Maintenance:					
Salaries and Wages	870,000.00	802,000.00	767,410.83	34,589.17	
Other Expenses	143,800.00	123,800.00	116,632.96	7,167.04	
Snow Removal:					
Other Expenses	1,000.00	21,000.00	20,500.00	500.00	
<u>SANITATION</u>					
Garbage and Trash:					
Salaries and Wages	263,000.00	263,000.00	246,871.19	16,128.81	
Other Expenses	53,800.00	45,800.00	40,954.61	4,845.39	
Recycling:					
Other Expenses	279,150.00	259,150.00	240,443.54	18,706.46	
Sewer System:					
Other Expenses	32,000.00	27,600.00	21,120.50	6,479.50	
<u>HEALTH AND WELFARE</u>					
Board of Health:					
Salaries and Wages	70,000.00	70,000.00	61,821.72	8,178.28	
Other Expenses	27,755.00	27,755.00	24,589.08	3,165.92	
Dog Regulation:					
Other Expenses	13,270.00	13,270.00	10,130.40	3,139.60	
Administration of Public Assistance:					
Salaries and Wages	17,000.00	17,000.00	16,431.60	568.40	
Other Expenses	2,350.00	2,350.00	1,124.54	1,225.46	

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

BOROUGH OF KENILWORTH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>OPERATIONS WITHIN "CAPS" (CONTINUED)</u>	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
<u>RECREATION AND EDUCATION</u>					
Parks and Playgrounds:					
Salaries and Wages	\$ 35,000.00	35,000.00	\$ 25,925.70	\$ 9,074.30	\$
Other Expenses	31,100.00	31,100.00	29,290.41	1,809.59	
Senior Citizens Director:					
Salaries and Wages	9,400.00	9,500.00	9,476.67	23.33	
Other Expenses	8,500.00	8,500.00	8,073.50	426.50	
Senior Citizens Transportation:					
Salaries and Wages	20,000.00	20,000.00	14,579.57	5,420.43	
Other Expenses	3,000.00	3,000.00	1,527.52	1,472.48	
Parks:					
Other Expenses	7,000.00	7,000.00	6,708.00	292.00	
Celebration of Public Events, Anniversary or Holiday:					
Other Expenses	30,000.00	30,000.00	28,682.41	1,317.59	
Beautification:					
Other Expenses	2,000.00	2,000.00	750.00	1,250.00	
<u>UNCLASSIFIED</u>					
Retirement and Accumulated Leave Compensation	100.00	20,100.00	20,000.00	100.00	
<u>UTILITIES</u>					
Other Utilities	295,000.00	205,000.00	180,676.46	24,323.54	
Street Lighting	122,000.00	172,000.00	169,685.89	2,314.11	
Fire Hydrant Services	142,000.00	142,000.00	108,290.93	33,709.07	
Solid Waste Disposal	295,000.00	298,000.00	283,161.63	14,838.37	
<u>TOTAL OPERATIONS (INCLUDING CONTINGENT) WITHIN "CAPS"</u>	\$ 11,101,790.00	\$ 11,051,790.00	\$ 10,649,479.56	\$ 402,310.44	\$
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>					
Deferred Charges:					
Overexpenditure of Appropriation Reserves	\$ 7,441.05	\$ 7,441.05	\$ 7,441.05	\$	\$
Overexpenditure of Appropriation	5,014.67	5,014.67	5,014.67		
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	325,000.00	325,000.00	295,781.37	29,218.63	
Police and Firemen's Retirement System of NJ	738,000.00	748,000.00	738,000.00	10,000.00	
State Unemployment Insurance	20,000.00	20,000.00	20,000.00		
Public Employees' Retirement System	300,616.31	300,616.31	300,616.31		
DCRP	8,000.00	8,000.00	5,918.23	2,081.77	
<u>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"</u>	\$ 1,404,072.03	\$ 1,414,072.03	\$ 1,372,771.63	\$ 41,300.40	\$
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</u>	\$ 12,505,862.03	\$ 12,465,862.03	\$ 12,022,251.19	\$ 443,610.84	\$
<u>OTHER OPERATIONS-EXCLUDED FROM "CAPS"</u>					
Rahway Valley Sewerage Authority - Share of Costs	\$ 908,922.00	908,922.00	\$ 908,922.00	\$	\$
Maintenance of Free Public Library	529,559.00	529,559.00	529,559.00		
Reserve for Tax Appeals	60,000.00	60,000.00	60,000.00		
LOSAP	60,000.00	60,000.00		60,000.00	
Municipal Alliance Grant:					
County Share	18,255.00	18,255.00	18,255.00		
Local Share	8,000.00	8,000.00	8,000.00		
Recycling Tonnage Grant	16,640.99	16,640.99	16,640.99		
Union County Level the Playing Field	25,470.00	25,470.00	25,470.00		
Federal Bulletproof Vest (N.J.S.A. 40A:4-87 \$2,655.00)		2,655.00	2,655.00		
Union County Senior Focus (N.J.S.A. 40A:4-87 \$23,400.00)		23,400.00	23,400.00		
Clean Communities Grant (N.J.S.A. 40A:4-87 \$14,242.20)		14,242.20	14,242.20		
Greening Union County (N.J.S.A. 40A:4-87 \$3,000.00)		3,000.00	3,000.00		
Union County Heart (N.J.S.A. 40A:4-87 \$1,500.00)		1,500.00	1,500.00		
Union County KIDS Trust (N.J.S.A. 40A:4-87 \$50,000.00)		50,000.00	50,000.00		
Union County Recycling (N.J.S.A. 40A:4-87 \$9,000.00)		9,000.00	9,000.00		
Union County Infrastructure (N.J.S.A. 40A:4-87 \$75,000.00)		75,000.00	75,000.00		
Alcohol Education Rehabilitation Fund (N.J.S.A. 40A:4-87 \$146.46)		146.46	146.46		
C.D.B.G. Social Services	12,000.00	12,000.00	12,000.00		
C.D.B.G. Handyman	1,700.00	1,700.00	1,700.00		
C.D.B.G. ADA Curbing	20,000.00	20,000.00	20,000.00		
N.J. DOT	470,000.00	470,000.00	470,000.00		
<u>TOTAL OPERATIONS-EXCLUDED FROM "CAPS"</u>	\$ 2,130,546.99	\$ 2,309,490.65	\$ 2,249,490.65	\$ 60,000.00	\$

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

BOROUGH OF KENILWORTH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	APPROPRIATIONS	EXPENDED	UNEXPENDED		
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	BALANCE CANCELED
<u>CAPITAL IMPROVEMENT FUND</u>	\$ 60,000.00	100,000.00	\$ 100,000.00	\$	\$
<u>MUNICIPAL DEBT SERVICE EXCLUDED FROM "CAPS"</u>					
Payment of Bond Principal	876,000.00	876,000.00	876,000.00		
Payment of Bond Anticipation Notes and Capital Notes	112,100.00	112,100.00	112,100.00		
Interest on Bonds	133,437.50	133,437.50	133,437.50		
Interest on Notes	85,577.31	85,577.31	85,339.08		238.23
<u>TOTAL MUNICIPAL DEBT SERVICE EXCLUDED FROM "CAPS"</u>	1,207,114.81	1,207,114.81	1,206,876.58		238.23
<u>DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"</u>					
Deferred Charges:					
Special Emergency Authorizations - 5 Years	15,000.00	15,000.00	15,000.00		
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"</u>	3,412,661.80	3,631,605.46	3,571,367.23	60,000.00	238.23
<u>SUB-TOTAL GENERAL APPROPRIATIONS RESERVE FOR UNCOLLECTED TAXES</u>	15,918,523.83	16,097,467.49	15,593,618.42	503,610.84	238.23
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL</u>	\$ 16,758,523.83	\$ 16,937,467.49	\$ 16,433,618.42	\$ 503,610.84	\$ 238.23

REF. A-2 A-1 A:A-1

Appropriation by 40A:4-87	A-2	\$ 178,943.66	
Budget	A-3	<u>\$ 16,758,523.83</u>	
		\$ 16,937,467.49	
Grants Appropriated	A-20	\$ 751,009.65	
Reserve for Uncollected Taxes	A-2	840,000.00	
Encumbrances Payable	A-28	216,171.39	
Reserve for Tax Appeals	A-30	60,000.00	
Deferred Charge	A-26	27,455.72	
Disbursed	A-4	<u>\$ 15,047,103.77</u>	
Less: REIMBURSED	A-4	\$ 16,941,740.53	
		<u>508,122.11</u>	
		\$ 16,433,618.42	

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

TRUST FUND

BOROUGH OF KENILWORTH

TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	BALANCE DECEMBER 31, 2018	BALANCE DECEMBER 31, 2017
<u>ASSETS</u>			
Assessment Fund:			
Cash	B-2:B-3	\$ 119,852.87	\$ 100,108.71
Assessment Receivable	B-14	\$ 35,354.52	\$ 53,703.53
		\$ <u>155,207.39</u>	\$ <u>153,812.24</u>
Animal Control Fund:			
Cash	B-2	\$ 23,898.20	\$ 20,573.05
		\$ <u>23,898.20</u>	\$ <u>20,573.05</u>
Other Funds:			
Cash	B-2	\$ 908,879.21	\$ 981,128.65
Due Federal and State Grant Fund	B-12	\$ 6,281.01	\$ 6,281.01
Other Receivable	B-16	\$ 1,908.15	\$ 12,910.65
		\$ <u>917,068.37</u>	\$ <u>1,000,320.31</u>
		\$ <u>1,096,173.96</u>	\$ <u>1,174,705.60</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Assessment Fund:			
Due General Capital Fund	B-9.	\$ 133,107.91	\$ 76,207.91
Due Current Fund	B-15	\$ 18,395.15	\$ 17,000.00
Bond Anticipation Notes	B-17		\$ 56,900.00
Fund Balance	B-1	\$ 3,704.33	\$ 3,704.33
		\$ <u>155,207.39</u>	\$ <u>153,812.24</u>
Animal Control Fund:			
Due Current Fund	B-13	\$ 13,318.80	\$ 9,906.25
Due State of New Jersey	B-5		\$ 3.40
Reserve for Expenditures	B-4	\$ 10,579.40	\$ 10,663.40
		\$ <u>23,898.20</u>	\$ <u>20,573.05</u>
Other Funds:			
Due Current Fund	B-11	\$ 12,445.79	\$ 15,066.24
Reserve For:			
State Unemployment Insurance	B-7	\$ 43,709.04	\$ 48,533.66
Miscellaneous Deposits	B-8	\$ 839,395.85	\$ 853,868.02
Payroll Deductions Payable	B-10	\$ 21,517.69	\$ 82,852.39
		\$ <u>917,068.37</u>	\$ <u>1,000,320.31</u>
		\$ <u>1,096,173.96</u>	\$ <u>1,174,705.60</u>

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

"B-1"

BOROUGH OF KENILWORTH

TRUST FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS
ASSESSMENT TRUST FUND

REF.

Balance, December 31, 2017 and December 31, 2018	B	\$ <u>3,704.33</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

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GENERAL CAPITAL FUND

BOROUGH OF KENILWORTHGENERAL CAPITAL FUNDBALANCE SHEETS - REGULATORY BASIS

			BALANCE DECEMBER 31, 2018	BALANCE DECEMBER 31, 2017
		REF.		
<u>ASSETS</u>				
Cash	C-2:C-3		\$ 479,790.22	\$ 1,226,232.10
Due Assessment Trust Fund	C-13		133,107.91	76,207.91
Grants Receivable	C-17		470,000.00	
Due Current Fund	C-4		735,629.08	503,512.83
Prospective Assessments Raised by Taxation	C-15		2,600.00	1,600.00
Deferred Charges to Future Taxation:				
Funded	C-5		8,549,000.00	5,575,000.00
Unfunded	C-6		2,055,280.31	4,738,380.31
			<u>\$ 12,425,407.52</u>	<u>\$ 12,120,933.15</u>

LIABILITIES, RESERVES AND FUND BALANCE

Due Grant Fund	C-12	\$ 303,750.00	\$ 303,750.00
Due Trust Other	C-16	2,502.50	
General Serial Bonds	C-9	8,549,000.00	5,575,000.00
Bond Anticipation Notes	C-10		3,366,172.00
Improvement Authorizations:			
Funded	C-8	522,120.05	26,999.82
Unfunded	C-8	758,101.20	1,593,592.01
Reserve for Debt Service	C-14	55,290.23	55,290.23
Reserve for Prospective Assessments Raised by Taxation	C-15	2,600.00	1,600.00
Capital Improvement Fund	C-7	66,118.81	31,118.81
Contracts Payable	C-11	1,854,989.78	863,639.90
Fund Balance	C-1	310,934.95	303,770.38
		<u>\$ 12,425,407.52</u>	<u>\$ 12,120,933.15</u>

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

BOROUGH OF KENILWORTH
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>	
Balance, December 31, 2017	C	\$ 303,770.38
Increased by:		
Premium on Bond Anticipation Notes Issued	C-2	\$ 7,164.57
		<u>\$ 310,934.95</u>
Balance, December 31, 2018	C	<u>\$ 310,934.95</u>

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

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PUBLIC ASSISTANCE TRUST FUND

"E"

BOROUGH OF KENILWORTH

PUBLIC ASSISTANCE TRUST FUND

BALANCE SHEETS - STATUTORY BASIS

	REF.	BALANCE DECEMBER <u>31, 2018</u>	BALANCE DECEMBER <u>31, 2017</u>
<u>ASSETS</u>			
Cash- Public Assistance		\$ 10,964.19	\$ 11,484.92
Cash- Community Fund		<u>4,044.87</u>	<u>4,693.72</u>
	E-1	\$ <u>15,009.06</u>	\$ <u>16,178.64</u>
<u>LIABILITIES</u>			
Reserve for Public Assistance		\$ 10,964.19	\$ 11,484.92
Reserve for Community Fund		<u>4,044.87</u>	<u>4,693.72</u>
	E-1	\$ <u>15,009.06</u>	\$ <u>16,178.64</u>

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

GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF KENILWORTH

GENERAL FIXED ASSETS ACCOUNT GROUP

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2018	BALANCE DECEMBER 31, 2017
General Fixed Assets:		
Land	\$ 4,631,700.00	\$ 4,631,700.00
Buildings	2,005,100.00	2,005,100.00
Machinery and Equipment	<u>6,658,870.23</u>	<u>6,286,046.05</u>
<u>Total General Fixed Assets</u>	<u>\$ 13,295,670.23</u>	<u>\$ 12,922,846.05</u>
Investments in General Fixed Assets	<u>\$ 13,295,670.23</u>	<u>\$ 12,922,846.05</u>

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

NOTES TO FINANCIAL STATEMENTS

BOROUGH OF KENILWORTH

NOTES TO FINANCIAL STATEMENTS FISCAL YEAR ENDED DECEMBER 31, 2018 AND 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Kenilworth is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough.

Except as noted below, the financial statements of the Borough of Kenilworth include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Kenilworth, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Kenilworth do not include the operations of the local Board of Education, inasmuch as their activities are administered by a separate board.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes three fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Borough of Kenilworth conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Borough of Kenilworth are organized on the basis of funds and an account group which is different from the fund structure required by U.S. GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services the Borough accounts for its financial transactions through the following individual funds and account group:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

Current Fund - resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund - receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

Public Assistance Fund - 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 - utilized to account for property, land, buildings and equipment that has been acquired by other governmental funds.

C. Basis of Accounting

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

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

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Federal and State grants are realized as revenue when anticipated in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

Encumbrances - Contractual orders, at December 31, are reported as expenditures through the establishment of encumbrances payable. Under GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

Foreclosed Property - 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 in the General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as a revenue in a future budget. GAAP requires such proceeds to be recorded as a revenue in the year of sale.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as non-expendable personal and real property having a physical existence, a useful life of more than one year and an acquisition cost of \$5,000.00 or more per unit. Public domain ("Infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. The Borough has developed a fixed assets accounting and reporting system based on an inspection and appraisal prepared by the Borough.

Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Estimated historical cost for land acquired before 1986 is the assessed value determined at the last revaluation prior to December 31, 1985.

General fixed assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Asset Account Group rather than in a governmental fund. No depreciation has been provided on general fixed assets or reported in the financial statements.

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

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

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions - In June 2012, the Governmental Accounting Standards Board (GASB) approved Statement No. 68 Accounting and financial reporting for pensions administered by state and local government employers. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities.

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

Under GAAP, municipalities are required to recognize the pension liability in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Position area of the balance sheet.

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c)(2) requires municipalities to disclose GASB 68 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 68.

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)

The Governmental Accounting Standards Board (GASB) has issued Statement no. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. It also requires the State of New Jersey to calculate and allocate to each participating member, for note disclosure purposes only, the OPEB net liability of New Jersey Health Benefits Local Government Retiree Plan (the Plan). The statement does not alter the amount of funds that must be budgeted for OPEB payment under existing state law.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Under GAAP, municipalities are required to recognize the OPEB liability in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 75. The liability required to be displayed by GASB 75 is displayed as a separate line item in the Unrestricted Net Position area of the balance sheet.

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the OPEB liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c) (2) requires municipalities to disclose GASB 75 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 75.

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

The Borough considers change funds, cash in banks, deposits in the New Jersey Cash Management Fund and Certificates of Deposit as cash and cash equivalents.

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

The Borough of Kenilworth had the following cash and cash equivalents at December 31, 2018:

<u>Fund Type</u>	<u>Bank Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
		<u>Additions</u>	<u>Deletions</u>
Current Fund	\$5,581,780.96	\$161,925.10	\$291,067.64
Federal State Grant Fund	371,505.07	299.50	371,804.57
Assessment Trust Fund	119,852.87		119,852.87
Animal Control Trust Fund	23,898.20		23,898.20
Other Trust Fund	979,082.73	\$29,179.67	908,879.21
General Capital Fund	479,790.22		479,790.22
Public Assistance Fund	<u>15,009.06</u>		<u>15,009.06</u>
	<u>\$7,570,919.11</u>	<u>\$191,404.27</u>	<u>\$390,450.83</u>
			<u>\$7,371,872.55</u>

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2018, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$250,000.00 was covered by Federal Depository Insurance, and \$7,320,919.11 was covered under the provisions of NJGUDPA.

B. Investments

The purchase of investments by the Borough are strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Local Government Services of the Department of Community Affairs for investment by Local Units;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 c.52:18A-90.4); or

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 P.L. 1970, c.236 c.17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

The Borough of Kenilworth's investment activities during the year were in accordance with the above New Jersey Statute.

NOTE 3: MUNICIPAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the regulatory period of usefulness. All 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, shall mature and be paid off within ten years or financed by the issuance of bonds.

SUMMARY OF MUNICIPAL DEBT (EXCLUDING CURRENT OPERATING DEBT AND TYPE II SCHOOL DEBT)

	<u>YEAR 2018</u>	<u>YEAR 2017</u>	<u>YEAR 2016</u>
<u>Issued:</u>			
General:			
Bonds and Notes	\$ 8,549,000.00	\$ 8,941,172.00	\$ 9,081,500.00
Assessment:			
Bonds and Notes	56,900.00	8,500.00	8,500.00
Total Issued	8,549,000.00	8,998,072.00	9,090,000.00
Less Funds Temporarily Held to Reserve for Debt Service	55,290.23	55,290.23	55,290.23
Pay Bonds and Notes	55,107.91	26,671.23	26,671.23
Net Debt Issued	\$ 8,493,709.77	\$ 8,887,673.86	\$ 9,063,328.77
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	\$ 1,975,411.84	\$ 1,314,775.00	\$ 643,300.00
Assessment:			
Bonds and Notes	49,400.00	55,641.22	18,533.31
Net Bonds and Notes Issued and and Authorized but not issued	\$ 10,518,521.61	\$ 10,258,090.08	\$ 9,725,162.08

SUMMARY OF REGULATORY DEBT CONDITION
(ANNUAL DEBT STATEMENT AS OF DECEMBER 31, 2018)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a regulatory net debt of .730%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Local School District Debt	\$ 10,915,000.00	\$ 10,915,000.00	\$ -0-
General Debt	10,573,811.84	55,290.23	10,518,521.61
	\$ 21,488,811.84	\$ 10,970,290.23	\$ 10,518,521.61

NET DEBT \$10,518,521.61 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.A. 40A:2-2, AS AMENDED, \$1,441,409,199.33 EQUALS .730%.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

BORROWING POWER UNDER N.J.S.40A:2-6 AS AMENDED

Equalized Valuation Basis* - December 31, 2018	\$1,441,409,199.33
3-1/2 of Equalized Valuation Basis	50,449,321.98
Net Debt	<u>10,518,521.61</u>
Remaining Borrowing Power	<u>\$39,930,800.37</u>

*Equalized Valuation Basis is the average of the equalized valuation of real estate, including improvements and the assessed valuation of Class II Railroad Property of the Borough of Kenilworth for the last three (3) preceding years.

LONG TERM

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR BONDED DEBT ISSUED AND OUTSTANDING AS OF DECEMBER 31, 2018

YEAR	GENERAL CAPITAL		
	PRINCIPAL	INTEREST	TOTAL
2019	\$ 975,000.00	\$ 214,497.50	\$ 1,189,497.50
2020	1,000,000.00	189,797.50	1,189,797.50
2021	1,024,000.00	164,597.50	1,188,597.50
2022	915,000.00	138,937.50	1,053,937.50
2023	915,000.00	116,387.50	1,031,387.50
2024	940,000.00	93,837.50	1,033,837.50
2025	940,000.00	70,231.25	1,010,231.25
2026	940,000.00	46,012.50	986,012.50
2027	450,000.00	27,000.00	477,000.00
2028	450,000.00	13,500.00	463,500.00
	<u>8,549,000.00</u>	<u>1,074,798.75</u>	<u>9,623,798.75</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

The General Improvement Bonds are comprised of the following issue:

General Serial Bonds:

<u>ISSUE</u>	<u>OUTSTANDING BALANCE DECEMBER 31, 2018</u>
\$3,850,000.00 in 2018 General Improvement Bonds, due in annual remainings installments ranging between \$225,000.00 and \$450,000.00 through August 15, 2028 at an interest rates between 2.00% and 3.00%	\$3,850,000.00
\$3,249,000.00 in 2007 General Improvement Bonds, due in remaining installments ranging between \$259,000.00 and \$260,000.00 through November 15, 2021 at an interest rate of 4.00%.	\$779,000.00
\$5,600,000.00 in 2013 General Improvement Bonds, due in remaining installments of \$490,000.00 through March 2026 at interest rates between 1.50% and 2.25%.	<u>\$3,920,000.00</u>
	<u>\$8,549,000.00</u>

NOTE 4: FUND BALANCES APPROPRIATED

Fund balance at December 31, 2018 which was appropriated and included as anticipated revenue in its own fund for the year ending December 31, 2018 was as follows:

Current Fund	\$1,800,689.06
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NOTE 5: PROPERTY TAXES

Property Taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and payable in four installments on February 1, May 1, August 1 and November 1. The Borough bills and collects its own property taxes and also the taxes for the county and the local school district. The collections and remittance of county and school taxes are accounted for in the Current Fund. Borough property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund.

Taxes collected in advance and recorded as cash liabilities in the financial statements are as follows:

	BALANCE <u>DECEMBER 31, 2018</u>	BALANCE <u>DECEMBER 31, 2017</u>
Prepaid Taxes	\$ 174,515.23	\$ 808,881.24

NOTE 6: PENSION PLANS

Substantially all eligible employees participate in the Public Employees' Retirement System (PERS), or the Police, Firemen's Retirement System (PFRS) or the Defined Contribution Retirement System (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System, Police and Firemen's Retirement System and Consolidated Police and Firemen's Pension Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at www.nj.gov/treasury/pensions/annrpts.shtml.

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

Police and Firemen's Retirement System (PFRS) - The Police and Firemen's Retirement System (PFRS) was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A, to provide retirement, death, and disability benefits to its members. The PFRS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially, all full-time county and municipal police or firemen or officer employees with police powers appointed after June 30, 1944.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:36. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service credit, in which case, benefits would begin the first day of the month after the member attains normal retirement age.

NOTE 6: PENSION PLANS

Vesting and Benefit Provisions (Continued)

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:36. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service.

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately vested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully vested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer. Employees are required to contribute 5.5% of their base salary and employers contribute 3.0%.

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group life insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. During 2018, PERS provides for employee contributions of 7.50% of employees' base salary.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. For the fiscal year 2018, the State contributed an amount less than the actuarially determined amount. During 2018, PFRS provides for employee contributions of 10.00% of employees' base salary.

The Borough's share of pension, which is based upon the annual billings received from the state, amounted to \$1,038,616.51 for 2018, \$965,796.00 for 2017 and \$968,242.35 for 2016.

Certain Borough employees are also covered by the Federal Insurance Contribution Act.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB #68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 "Accounting and Financial Reporting for Public Employees Pensions" which requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) of the participating municipality as of December 31, 2018. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, any unfunded net pension liability of the municipality, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year's budget and no liability is accrued at December 31, 2018.

Public Employees Retirement System (PERS)

At June 30, 2018, the State reported a net pension liability of \$6,162,044.00 for the Borough's proportionate share of the total net pension liability. The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Borough's proportion was 0.0312960900 percent, which was an decrease of 0.0007527203 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the State recognized an actuarially determined pension expense of \$285,189.00 for the Borough of Kenilworth's proportionate share of the total pension expense. The pension expense recognized in the Borough's financial statement based on the April 1, 2018 billing was \$296,898.00.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	\$ 31,773.00	\$ 117,511.00
Changes of assumptions	1,970,294.00	1,015,403.00
Net difference between projected and actual earnings on pension plan investments	57,800.00	
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>460,700.00</u>	<u>221,658.00</u>
	<u>\$ 2,520,567.00</u>	<u>\$ 1,354,572.00</u>

Other local amounts reported by the State as the Borough's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
<u>June 30,</u>	
2019	(\$5,040.40)
2020	(\$107,021.40)
2021	(\$472,410.40)
2022	(\$415,860.40)
2023	<u>(\$165,662.40)</u>
	<u><u>(\$1,165,995.00)</u></u>

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which rolled forward to June 30, 2018. These actuarial valuations used the following assumptions:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Inflation	2.25 Percent	2.25 Percent
Salary Increases (based on age)		
Through 2026	1.65-4.15 Percent	1.65-4.15 Percent
Thereafter	2.65-5.15 Percent	2.65-5.15 Percent
Investment Rate of Return	7.00 Percent	7.00 percent

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

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

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018 and June 30, 2017) 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 the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 5.66% and 5.00% as of June 30, 2018 and June 30, 2017, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% for both June 30, 2018 and June 30, 2017 and a municipal bond rate of 3.87% and 3.58% for June 30, 2018 and June 30, 2017 respectively based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2018		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
Borough's proportionate share of the pension liability	<u>4.66%</u>	<u>5.66%</u>	<u>6.66%</u>
	\$7,748,060.00	\$6,162,044.00	\$4,831,478.00

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>

Police and Firemen's Retirement System (PFRS)

At June 30, 2018, the State reported a net pension liability of \$10,649,097.00 for the Borough of Kenilworth's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Borough's proportion was 0.0786977036 percent, which was an decrease of 0.0046903877 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the State recognized an actuarially determined pension expense of \$717,518.0. The pension expense recognized in the Borough's financial statement based on the April 1, 2018 billing was \$738,000.00.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Inflow of Resources	Deferred Outflow of Resources
Differences between expected and actual experience	\$ 44,068.00	\$ 108,341.00
Changes of assumptions	2,729,180.00	914,082.00
Net difference between projected and actual earnings on pension plan investments	58,260.00	
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	<u>754,013.00</u>	<u>197,111.00</u>
	<u><u>\$ 3,585,521.00</u></u>	<u><u>\$ 1,219,534.00</u></u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2019	\$ (19,797.40)
2020	(420,103.40)
2021	(975,074.40)
2022	(665,812.40)
2023	<u>(285,199.40)</u>
	<u><u>\$ (2,365,987.00)</u></u>

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which rolled forward to June 30, 2018. This actuarial valuation used the following assumptions:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Inflation	2.25 Percent	2.25 Percent
Salary Increases (based on age)		
Through 2026	2.10-8.98 Percent	2.10-8.98 Percent
Thereafter	3.10-9.98 Percent	3.10-9.98 Percent
Investment Rate of Return	7.00 Percent	7.00 Percent

Preretirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scales thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018 and June 30, 2017) 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 the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2018 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 6.51% and 6.14% as of June 30, 2018 and June 30, 2017 respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% for both June 30, 2018 and June 30, 2017 and a municipal bond rate of 3.87% and 3.58% as of June 30, 2018 and June 30, 2017 respectively based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Discount Rate (Continued)

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2018		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
Borough's proportionate share of the PFRS pension liability	<u>5.51%</u>	<u>6.51%</u>	<u>7.51%</u>
	\$14,252,494.00	\$10,649,097.00	\$7,676,950.00

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Special Funding Situation

In accordance with N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.c. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.c. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed by the State on behalf of the Borough under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity. Since the Borough does not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the Borough related to this legislation.

At June 30, 2018 and 2017, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,446,504.00 and \$1,441,941.00.00 respectively.

At June 30, 2018, the Borough's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Borough's Proportionate Share of Net Pension Liability	\$10,649,097.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Borough	<u>1,446,504.00</u>
	<u><u>\$12,095,601.00</u></u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

NOTE 7: COMPENSATED ABSENCES

Under the existing policy of the Borough, employees are allowed to accumulate unused sick pay over the life of their working careers which may be taken as time off or paid at a later date. Certain employees are also entitled to Terminal Pay upon retirement. The accumulated cost of such unpaid compensation is not required to be reported in the financial statements as presented but is estimated by the Borough to be approximately \$749,857.62. The Borough annually appropriates the amounts that are required to be paid in that year's budget.

NOTE 8: LITIGATION

The Borough Attorney's letter did not indicate any litigation, claims or contingent liabilities that are either not covered by the Borough's insurance carrier or would have a material financial impact on the Borough.

NOTE 9: CONTINGENT LIABILITIES

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

NOTE 10: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough participates in a self insurance program through the Garden State Municipal Joint Insurance Fund covering each of those risks of loss. The Fund is operated in accordance with regulations of the New Jersey Department of Insurance and the Division of Local Government Services of the Department of Community Affairs. The Borough's contribution to the Fund for claim payments are based on actuarial assumption determined by the Fund's actuary. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough.

NOTE 10: RISK MANAGEMENT (CONTINUED)

New Jersey Unemployment Compensation Insurance - The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. Below is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the Borough's expendable trust fund for the current and previous two years:

Calendar <u>Year</u>	Borough/Employee <u>Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$30,752.50	\$208.42	35,785.54	\$43,709.04
2017	24,112.76	44.89	27,554.43	48,533.66
2016	24,623.65	23.43	31,347.52	51,930.44

NOTE 11: DEFERRED COMPENSATION PLAN

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Borough employees, permits them to defer a portion of their salaries until future years. The Borough does not make any contribution to the Plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Borough's Plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plan are held in trust, in annuity contracts or custodial accounts.

The Plan is administered by the Lincoln National Life Insurance Company.

The accompanying financial statements do not include the Borough's Deferred Compensation Plan activities.

NOTE 12: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$46,662.25	\$852,724.88
Federal and State Grant Fund	420,845.79	6,281.01
Assessment Fund		151,503.06
Animal Control Fund		13,318.80
Trust Other Fund	8,783.51	14,948.29
General Capital Fund	<u>868,736.99</u>	<u>306,252.50</u>
	<u>\$1,345,028.54</u>	<u>\$1,345,028.54</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were made.

NOTE 13: LENGTH OF SERVICE AWARDS PROGRAM

During 2001, the Borough of Kenilworth adopted ordinance 2000-17 establishing a Length of Service Awards Program for the members of the Kenilworth Fire Department and the Kenilworth First Aid Squad pursuant to N.J.S.A. 40A: 14-183 et seq.

Under this program, each volunteer of the Kenilworth Fire Department and First Aid Squad that performs the minimum amount of service will have an annual amount of \$1,150.00 deposited into a tax deferred income account that will earn interest for the volunteer. The Borough's costs amounted to \$57,500.00 during 2018.

The accompanying financial statements do not include the Borough's Length of Service Awards Program activities. The Borough's Length of Service Awards Program's financial statements are continued in a separate review report, as required by state regulations.

NOTE 14: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2018, the following deferred charges are shown on the balance sheets of the various funds:

	BALANCE DECEMBER 31, 2018	2019 BUDGET APPROPRIATION	BALANCE TO SUCCEEDING YEARS
Current Fund: Special Emergency (40A:4-55)-Master Plan	<u>\$60,000.00</u>	<u>\$15,000.00</u>	<u>\$45,000.00</u>
	<u>\$60,000.00</u>	<u>\$15,000.00</u>	<u>\$45,000.00</u>

NOTE 15: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” which is effective for fiscal years beginning after June 15, 2017. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. OPEB obligations are non-pension benefits that the municipality has contractually or otherwise agreed to provide employees once they have retired and, in most instances, will be for retirement health, prescription and dental insurance coverage.

Under current New Jersey budget and financial reporting requirements, the municipality is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis or to accrue funds, create a trust or issue debt to finance their other post-employment benefit liability. Additionally, the municipality is not required to recognize any long-term obligations resulting from OPEB on their financial statements.

Plan Description and Benefits Provided

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits.

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Plan Description and Benefits Provided (Continued)

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees.

Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations' agreement.

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

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Contributions

The Borough's contributions to SHBP for the years ended December 31, 2018, 2017 and 2016 were \$834,319.84, \$834,319.84 and \$808,191.38 respectively, which equaled the required contributions for each year.

Total OPEB Liability

At June 30, 2018, the Plan reported a liability of \$13,766,101.00 for the Borough's proportionate share of the collective net OPEB liability. The total OPEB liability measured as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018.

The Borough's proportion of the OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018.

At June 30, 2018, the Borough's proportion was 0.087869 percent, which was an increase of 0.002180 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the State reported OPEB expense of \$535,771.00. This OPEB expense was based on the OPEB plans June 30, 2018 measurement date.

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	-	\$2,795,009
Changes of assumptions	-	3,491,952
Net difference between projected and actual earnings on OPEB plan investments	\$7,275	-
Changes in proportion		986,164
	<u>\$7,275</u>	<u>\$7,273,125</u>

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Other local amounts reported by the State as the Borough's proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the State's actuarially calculated pension expense as follows:

Year Ended	
<u>June 30,</u>	<u>Amount</u>
2019	(\$1,119,322)
2020	(\$1,119,322)
2021	(\$1,119,322)
2022	(\$1,120,090)
2023	(\$1,121,332)
Total Thereafter	<u>(\$1,666,462)</u>
	<u>(\$7,265,850)</u>

Actuarial Assumptions and Other Inputs

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Inflation rate	2.50%	2.50%
Salary increases*.		
Through 2026	1.65% to 8.98%	1.65% to 8.98%
Thereafter	2.65% to 9.98%	2.65% to 9.98%

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

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

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

Certain actuarial assumptions used in the July 1, 2016 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan — the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

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

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Sensitivity of the Borough's Proportionate Share of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability associated with the Borough as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the OPEB liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2018		
	1.00%	At Discount Rate (3.87)	1.00% Increase (4.87%)
Borough's proportionate share of the OPEB Liability	\$16,341,355	\$13,766,101	\$11,723,385

Sensitivity of the Borough's Proportionate Share of the OPEB Liability to Changes in Healthcare Trends

The following presents the total OPEB liability associated with the Borough as of June 30, 2018, calculated using the healthcare trend rate as disclosed above as well as what the OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2018		
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Borough's proportionate share of the OPEB Liability	\$11,321,287	\$13,766,101	\$17,012,785

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Special Funding Situation

The Borough, by resolution of the governing body, has elected to provide postretirement medical coverage to certain employees under the provisions of Chapter 330, P.L. 1997.

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge.

The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation.

At June 30, 2018 and 2017, the State's proportionate share of the net OPEB liability attributable to the Borough for the special funding situation is \$5,466,878.00 and \$7,497,359.00 respectively.

At June 30, 2018, the Borough's and State of New Jersey's proportionate share of the OPEB liability were as follows:

Borough's proportionate share of the OPEB Liability	\$13,766,101
State of New Jersey's proportionate share of OPEB Liability associated with the Borough	<u>5,466,878</u>
	<u><u>\$19,232,979</u></u>

NOTE 14: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey State Health Benefits Local Government Retired Employees Plan. The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

NOTE 16: SCHOOL TAXES

Local School Taxes have been raised and liabilities deferred by statute, resulting in the school taxes prepaid set forth in the Current Fund as follows:

		LOCAL SCHOOL TAX	
	BALANCE DECEMBER <u>31, 2018</u>	BALANCE DECEMBER <u>31, 2017</u>	
Balance of Tax	\$9,901,023.50	\$9,866,460.60	
Deferred	<u>10,258,057.50</u>	<u>10,286,862.50</u>	
Tax Payable(Prepaid)	<u>(\$357,034.00)</u>	<u>(\$420,401.90)</u>	

NOTE 17: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after the financial statement date through July 25, 2019 which is the date the financial statements were available to be issued. Based upon this evaluation, the Borough has determined that there are no subsequent events needed to be disclosed.

BOROUGH OF KENILWORTH
SUPPLEMENTARY SCHEDULES – ALL FUNDS
YEAR ENDED DECEMBER 31, 2018

BOROUGH OF KENILWORTHCURRENT FUND / GRANT FUNDSCHEDULE OF CASH-TREASURER

	<u>REF.</u>		<u>CURRENT FUND</u>	<u>GRANT FUND</u>
Balance, December 31, 2017	A		\$ 6,287,813.89	\$ 282,636.02
Increased by Receipts:				
Collector	A-5	\$ 39,714,862.47		
Senior Citizens and Veterans Deductions -	A-6	66,031.52		
State of New Jersey	A-2	77,864.35		
Miscellaneous Revenue Not Anticipated	A-10	2,216,933.02		
Revenue Accounts Receivable	A-24	388,426.66		
State Aid Receivable	A-13:A-27	15,383.44		
Interfunds	A-3	313,668.96		
Appropriation Refunds	A-11	508,122.11		
Appropriation Reserve Refunds	Contra	31,651.89		
Petty Cash		250.00		
			\$ 42,929,384.32	\$ 403,810.10
			\$ 49,217,198.21	\$ 686,446.12
Decreased by Disbursements:				
2018 Appropriations	A-3	\$ 15,047,103.77		
2017 Appropriation Reserves	A-11	464,552.34		
Accounts Payable	A-21			
Interfunds	A-13:A-27	24,539.78		73,673.57
County Taxes	A-18	7,586,838.75		
Local District School Taxes	A-19	20,481,552.10		
Reserve for Outside Liens				
Reserve for Tax Overpayments	A-17	79,237.39		
Reserve for Tax Appeals	A-30	69,779.13		
Petty Cash	Contra	250.00		
Refund of Construction Code Fees	A-2	927.40		
Refund of Prior Year Revenue	A-1	9,779.13		
Reserve for Grants - Appropriated	A-20			
			\$ 43,764,559.79	\$ 240,967.98
Balance, December 31, 2018	A		\$ 5,452,638.42	\$ 314,641.55
			\$ 5,452,638.42	\$ 371,804.57

"A-5"

BOROUGH OF KENILWORTH

CURRENT FUND

SCHEDULE OF CASH-COLLECTOR

REF.

Increased by Receipts:

Taxes Receivable	A-7	\$ 39,307,047.88
Senior Citizens Disallowed by Collector	A-6	2,000.00
Revenue Accounts Receivable	A-2:A-10	117,921.50
Prepaid Taxes	A-16	174,515.23
Tax Title Liens Collected	A-8	34,140.47
Tax Overpayments	A-17	79,237.39
		\$ 39,714,862.47

Decreased by Disbursements:

Payment to Treasurer	A-4	\$ 39,714,862.47
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BOROUGH OF KENILWORTH

CURRENT FUND

SCHEDULE OF DUE STATE OF NEW JERSEY
FOR SENIOR CITIZENS AND VETERANS DEDUCTIONS

REF.

Balance, December 31, 2017 (Due From)	A	\$	9,018.24
Increased by:			
Senior Citizens and Veterans per Tax Duplicate		\$	66,250.00
Senior Citizens Deduction Allowed by Collector			<u>1,000.00</u>
			<u>67,250.00</u>
			<u>76,268.24</u>
Decreased by:			
Senior Citizens Deductions Disallowed by Collector		\$	2,000.00
Prior Year	A-5		1,763.01
Current Year			<u>66,031.52</u>
Received from the State of New Jersey-Treasurer	A-4		<u>69,794.53</u>
Balance, December 31, 2018 (Due From)	A	\$	<u>6,473.71</u>

CALCULATION OF STATE'S SHARE OF
2018 SENIOR CITIZENS AND VETERANS DEDUCTIONS

Senior Citizens and Veterans:	
Per Tax Duplicate	\$ 66,250.00
Allowed by Collector	<u>1,000.00</u>
<u>67,250.00</u>	
Less: Senior Citizens Deductions Disallowed by Collector	<u>1,763.01</u>
	\$ <u>65,486.99</u>

BOROUGH OF KENILWORTH

CURRENT FUND

SCHEDULE II OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAXES

ANALYSIS OF 2018 PROPERTY TAX LEVY

<u>TAX YIELD</u>				
General Purpose Tax				
Added Taxes				
<u>TAX LEVY</u>				
Local District School Tax (Abstract)				
County Tax (Abstract)				
Due County for Added Taxes (54:4-63.1 et seq.)				
<u>Total County Taxes</u>				
Local Tax for Municipal Purposes (Abstract)				
Minimum Library tax				
Add: Additional Tax Levied				
Local Tax for Municipal Purposes Levied				

"A-8"

BOROUGH OF KENILWORTH

CURRENT FUND

SCHEDULE OF TAX TITLE LIENS

REF.

Balance, December 31, 2017	A	\$ 33,940.76
Increased by:		
Transfer From Taxes Receivable	A-7	3,552.81
		\$ 37,493.57
Decreased by:		
Collected	A-5	34,140.47
Balance, December 31, 2018	A	\$ 3,353.10

"A-9"

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)

Balance, December 31, 2017 and December 31, 2018	A	\$ 157,200.00
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BOROUGH OF KENILWORTH

CURRENT FUNDSCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

<u>REF.</u>	<u>BALANCE DECEMBER 31, 2017</u>	<u>ACCRUED IN 2018</u>	<u>BALANCE DECEMBER 31, 2018</u>	
			<u>COLLECTOR</u>	<u>COLLECTED BY TREASURER</u>
Energy Receipts Tax				
Clerk:				
Licenses:				
Alcoholic Beverage				
Other	A-2	\$ 18,900.00	\$ 18,900.00	\$ 18,900.00
Fees and Permits	A-2	6,750.00		6,750.00
Board of Health:	A-2	1,430.00		1,430.00
Fees and Permits	A-2	2,447.00		2,447.00
Licenses	A-2	22,556.00		22,556.00
Municipal Court:				
Fines and Costs	A-2	363,877.96		366,610.08
Police Department:				
Fees and Permits	A-2	4,202.25		4,202.25
Fire Department:				
Fees and Permits	A-2	10,830.00		10,830.00
Planning Board				
Fees and Permits	A-2	10,800.00		10,800.00
Street Opening Permits	A-2	80,375.00		80,375.00
Building/Zoning Miscellaneous Fees	A-2	35,105.61		35,105.61
Consolidated Municipal Property Tax Relief Act	A-2	5,272.00		5,272.00
Energy Receipts Tax	A-2	990,916.00		990,916.00
Uniform Fire Safety Act - Local Fees	A-2	45,779.00		45,779.00
Uniform Fire Safety Act	A-2	47,618.69		47,618.69
Cable TV Franchise Tax	A-2	126,330.83		126,330.83
Uniform Construction Code Fees	A-2	216,640.00		216,640.00
Trailer Storage Fees	A-2	6,600.00		6,600.00
Interest on Investments	A-2	43,138.63		43,138.63
Interest and Costs on Taxes	A-2	117,921.50		117,921.50
Hotel Occupancy Tax	A-2	107,194.68		107,194.68
Outside Police Duty Administrative Fees	A-2	15,370.25		15,370.25
Outside Police Duty Use of Vehicles Fees	A-2	27,225.50		27,225.50
School Resource Officer	A-2	24,841.50		24,841.50
	<u>\$ 11,359.98</u>	<u>\$ 2,332,122.40</u>	<u>\$ 117,921.50</u>	<u>\$ 2,216,933.02</u>
<u>REF.</u>	<u>A</u>		<u>A-5</u>	<u>A-4</u>
				<u>A</u>

BOROUGH OF KENILWORTH

CURRENT FUND

SCHEDULE OF 2017 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2017	BALANCE AFTER <u>TRANSFER</u>	PAID OR <u>CHARGED</u>	BALANCE <u>LAPSED</u>
<u>SALARIES AND WAGES</u>				
Mayor and Council	\$ 8.31	\$ 8.31	\$	8.31
Municipal Clerk	69.72	69.72		69.72
Financial Administration (Tax and Finance)	9,188.75	9,188.75	187.50	9,001.25
Assessment of Taxes	440.99	440.99		440.99
Traffic Control/Crossing Guards	11,367.19	11,367.19		11,367.19
Engineering Services	1,000.00	1,000.00		1,000.00
Prosecutor	1,000.00	1,000.00		1,000.00
Road Repairs and Maintenance	31,541.60	31,541.60	13,354.28	18,187.32
Fire Prevention	1,823.15	1,823.15	375.00	1,448.15
Public Buildings and Grounds	1,000.00	1,000.00		1,000.00
Planning Board	1,800.00	1,800.00		1,800.00
Building Inspector	5,750.40	5,750.40		5,750.40
Plumbing Inspector	1,614.24	1,614.24		1,614.24
Electrical Inspector	2,300.43	2,300.43	140.00	2,160.43
Fire Protection Official (Sub Code)	1,068.90	1,068.90	210.00	858.90
Zoning Enforcement Officer	1,333.12	1,333.12		1,333.12
Construction Code Official	546.38	546.38		546.38
Board of Health	1,503.75	1,503.75		1,503.75
Administration of Public Assistance	390.59	390.59		390.59
Parks and Playgrounds	9,486.20	9,486.20		9,486.20
Police	129,408.19	87,408.19	18,836.29	68,571.90
Emergency Management Services	100.00	100.00		100.00
Senior Citizen Transportation	769.13	769.13	567.91	201.22
Senior Citizen Director	196.29	196.29		196.29
Garbage and Trash	9,154.46	9,154.46	4,990.70	4,163.76
Municipal Court	47,443.90	47,443.90		47,443.90
Public Defender	4,140.00	4,140.00		4,140.00

BOROUGH OF KENILWORTH

CURRENT FUND

SCHEDULE OF 2017 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2017	BALANCE AFTER TRANSFER	PAID OR CHARGED	BALANCE LAPSED
<u>OTHER EXPENSES</u>				
Municipal Clerk	\$ 11,736.40	\$ 12,061.43	\$ 365.33	\$ 11,696.10
Mayor and Council	2,361.89	2,443.88	69.12	2,374.76
Financial Administration (Tax and Finance)	6,306.47	7,743.23	3,574.25	4,168.98
Traffic Control/ Crossing Guards	804.20	41,700.30	40,896.10	804.20
Assessment of Taxes	9,146.06	12,491.91	3,345.85	9,146.06
Payroll and Human Resources	2,254.75	3,181.75	504.00	2,677.75
Audit	8,250.00	8,250.00		8,250.00
Administration of Public Assistance	1,282.29	1,302.29	313.05	989.24
Legal :				
Other Expenses - Retainer	2,294.97	11,996.64	10,271.27	1,725.37
Other Expenses	2,956.06	4,651.56	3,211.68	1,439.88
Engineering Services and Cost	4,443.23	17,495.73	14,155.00	3,340.73
Planning Board	2,194.84	2,217.75	22.91	2,194.84
Shade Tree Commission	14,936.00	24,936.00		24,936.00
Road Repairs and Maintenance	8,555.52	37,521.68	27,804.32	9,717.36
Garbage and Trash	3,830.68	32,939.90	22,911.62	10,028.28
Municipal Court	1,227.33	1,776.99	449.66	1,327.33
Group Insurance	168,696.60	168,696.60	(11,536.83)	180,233.43
Other Insurance	325.90	325.90		325.90
Health Benefit Waiver	17,261.64	17,261.64		17,261.64
Fire	10,357.71	15,145.07	13,264.89	1,880.18
Recycling	22,700.02	50,508.60	21,344.00	29,164.60
Public Buildings and Grounds	22,215.24	26,014.69	2,960.07	23,054.62
Unemployment Compensation	20,000.00	20,000.00		20,000.00
Retirement and Accumulated Leave Compensation	100.00	100.00		100.00
Construction Code Official	2,509.75	2,541.55	31.80	2,509.75
Building Inspector	100.00	100.00		100.00
Plumbing Inspector	100.00	100.00		100.00
Electrical Inspector	100.00	100.00		100.00
Fire Protection Official	18.05	18.05		18.05
Zoning Enforcement	200.00	200.00		200.00
Sewer System	13,882.89	18,482.89	1,360.00	17,122.89
Parks and Playgrounds	2,143.47	9,269.98	6,640.96	2,629.02
Parks	8,435.60	8,435.60		8,435.60
Dog and Cat Regulation	2,932.32	2,932.32		2,932.32
Fire Prevention	2,500.00	2,500.00		2,500.00
Police	647.41	61,266.28	35,503.26	25,763.02
Emergency Management Services	3,607.90	15,850.68	12,242.78	3,607.90
Snow Removal	500.00	500.00		500.00

BOROUGH OF KENILWORTH

CURRENT FUND

SCHEDULE OF 2017 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2017	BALANCE AFTER <u>TRANSFER</u>	PAID OR <u>CHARGED</u>	BALANCE <u>LAPSED</u>
Board of Health	\$ 4,858.11	\$ 5,720.70	\$ 1,987.85	\$ 3,732.85
Senior Citizen Transportation	1,897.93	1,897.93		1,897.93
Senior Citizens Director	226.22	226.22		226.22
Celebration of Public Events, Anniversary or Holiday	8,256.05	8,568.01	8,191.10	376.91
Beautification	48.00	1,011.42	452.00	559.42
Solid Waste Disposal	4,742.39	7,142.39		7,142.39
Other Utilities	58,169.54	54,103.97	51,904.70	2,199.27
Street Lighting		29,017.72	22,523.32	6,494.40
Fire Hydrant Service	13,287.01	23,287.01		23,287.01
Social Security System	3,932.94	3,932.94	(5,803.21)	9,736.15
PERS	31,195.16	31,195.16		31,195.16
DCRP	2,679.66	2,679.66	130.91	2,548.75
Maintenance of Free Public Library	53,828.51	53,828.51	53,828.51	
Length of Service Award Program	<u>60,000.00</u>	<u>60,000.00</u>	<u>57,500.00</u>	<u>2,500.00</u>
	<u>\$ 899,482.40</u>	<u>\$ 1,158,118.22</u>	<u>\$ 439,081.95</u>	<u>\$ 719,036.27</u>

<u>REF.</u>	A	A-4	A-1
Appropriation Reserves	A-11	\$ 899,482.40	
Transferred from Encumbrances Payable	A-28	<u>258,635.82</u>	
		<u>\$ 1,158,118.22</u>	
Disbursements	A-4	\$ \$ 464,552.34	
Accounts Payable	A-21	<u>6,181.50</u>	
		<u>\$ 470,733.84</u>	
Less: Refunds	A-4	<u>31,651.89</u>	
		<u>\$ \$ 439,081.95</u>	

"A-12"

BOROUGH OF KENILWORTH

CURRENT FUND

SCHEDULE OF CHANGE FUNDS

REF.

Balance, December 31, 2017 and
December 31, 2018

A

\$ 250.00

Municipal Court
Collector

\$ 150.00
 100.00

\$ 250.00

BOROUGH OF KENILWORTH

CURRENT FUND

SCHEDULE OF INTERFUNDS

<u>REF.</u>	<u>TOTAL</u>	<u>TRUST OTHER FUND</u>	<u>ASSESSMENT TRUST</u>	<u>GRANT FUND</u>	<u>CAPITAL</u>	<u>ANIMAL CONTROL FUND</u>
Balance, December 31, 2017						
Due From						
Due To						
A	\$ 41,972.49	\$ 15,066.24	\$ 17,000.00	\$ 50,805.66	\$ 503,512.83	\$ 9,906.25
	<u>554,318.49</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Receipts						
A-4	313,668.96	14,020.33		67,532.38	232,116.25	
A-27	8,000.00			8,000.00		
Other						
Disbursements						
A-4	24,539.78	13,902.38	1,395.15	9,242.25		
A-1	<u>3,412.56</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Animal Control Excess						
Balance, December 31, 2018						
Due From						
Due To						
A	\$ 46,662.25	\$ 14,948.29	\$ 18,395.15	\$ 117,095.79	\$ 735,629.08	
	<u>852,724.87</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

"A-14"

BOROUGH OF KENILWORTH

CURRENT FUND

SCHEDULE OF RESERVE FOR LOSAP
CONTRIBUTIONS

REF.

Balance, December 31, 2017 and December 31, 2018	A	\$ <u>40,104.59</u>
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"A-15"

SCHEDULE OF RESERVE FOR
REVALUATION

Balance, December 31, 2017 and December 31, 2018	A	\$ <u>8,525.50</u>
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"A-16"

BOROUGH OF KENILWORTH

CURRENT FUND

SCHEDULE OF PREPAID TAXES

	<u>REF.</u>	
Balance, December 31, 2017	A	\$ 808,881.24
Increased by:		
Collection of 2019 Taxes	A-5	<u>174,515.23</u>
		\$ 983,396.47
Decreased by:		
Applied to 2018 Taxes	A-7	<u>808,881.24</u>
Balance, December 31, 2018	A	\$ <u>174,515.23</u>

"A-17"

SCHEDULE OF TAX OVERPAYMENTS

Increased by:		
Overpayments in 2018	A-5	\$ 79,237.39
Decreased by:		
Refunds	A-4	\$ <u>79,237.39</u>

"A-18"

BOROUGH OF KENILWORTH
CURRENT FUND
SCHEDULE OF COUNTY TAXES PAYABLE

	<u>REF.</u>		
Balance, December 31, 2017		A	\$ 31,122.95
Increased by:			
2018 Tax Levy	A-1:A-7	\$ 7,555,715.80	
Added Taxes (R.S.54:4-63.1 et.seq.)	A-1:A-7	<u>12,773.10</u>	<u>7,568,488.90</u>
			\$ 7,599,611.85
Decreased by:			
Payments	A-4		<u>7,586,838.75</u>
Balance, December 31, 2018		A	\$ <u>12,773.10</u>

"A-19"

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

Balance, December 31, 2017.			
School Tax Deferred		\$ 10,286,862.50	
School Tax Prepaid	A	<u>(420,401.90)</u>	\$ 9,866,460.60
Increased by:			
Levy	A-7		<u>20,516,115.00</u>
			\$ 30,382,575.60
Decreased by:			
Payments	A-4		<u>20,481,552.10</u>
Balance, December 31, 2018			
School Tax Deferred		10,258,057.50	
School Tax Prepaid	A:A-1	<u>(357,034.00)</u>	\$ <u>9,901,023.50</u>
2018 Liability for Local District School Tax:			
Tax Paid		\$ 20,481,552.10	
Tax Prepaid December 31, 2017		<u>(420,401.90)</u>	<u>20,901,954.00</u>
Less: Tax Prepaid December 31, 2018			<u>(357,034.00)</u>
Amount Charged to 2018 Operations	A-1		\$ <u>20,544,920.00</u>

BOROUGH OF KENILWORTH

GRANT FUND

SCHEDULE OF RESERVE GRANTS-APPROPRIATED

	<u>REF.</u>	
Balance, December 31, 2017	A	\$ 1,157,663.42
Increased by:		
Transferred From 2018 Budget Appropriations	A-3	\$ 751,009.65
Transferred From Encumbrances Payable	A-28	<u>117,049.79</u>
		<u>868,059.44</u>
		\$ 2,025,722.86
Decreased by:		
Disbursements	A-4	\$ 240,967.98
Cancellation of Grants	A-24	1,473.60
Encumbrances Payable	A-28	<u>145,122.79</u>
		<u>387,564.37</u>
Balance, December 31, 2018	A	\$ <u>1,638,158.49</u>

ANALYSIS OF BALANCE AS OF DECEMBER 31, 2018

	<u>PROGRAM</u>	<u>AMOUNT</u>
Clean Communities Program		\$ 47,761.38
Alcohol Education Rehabilitation Fund		9,286.76
Federal Bulletproof Vest Program		5,167.51
CDBG Social Services		2,140.35
CDBG Handyman		15.00
Union County Freeholder Initiative-Senior Center		23,400.00
Union County Infrastructure Grant		75,000.00
Union County Infrastructure Grant		19,550.00
NJ Transportation Trust Fund 17'		225,000.00
Drunk Driving Enforcement Fund		4,653.65
Recycling Tonnage Grant		94,665.09
Municipal Alliance		2,011.39
Municipal Alliance-Match		8,127.03
NJ Transportation Trust Fund 17'		405,000.00
Comcast Equipment Grant		30,736.00
Greening Union County		6,000.00
Body Armor Replacement Fund		4,397.10
FEMA Public Assistance		18,116.00
Drive Sober or Get Pulled Over		2,800.00
Union County Kids Recreation		0.20
Union County Kids Recreation		50,000.00
Union County Kids Recreation		45,000.00
Union County Kids Recreation		50,000.00
Union County Recycling		3,000.00
NJDOT		470,000.00
Union County Level The Playing Field		25,470.00
CDBG Social Services '18		9,176.03
CDBG Handyman '18		<u>1,685.00</u>
		\$ <u>1,638,158.49</u>

"A-21"

BOROUGH OF KENILWORTH

CURRENT FUND

SCHEDULE OF ACCOUNTS PAYABLE

REF.

Balance, December 31, 2017	A	\$ 44,752.28
Increased by:		
2017 Appropriation Reserves	A-11	6,181.50
		\$ 50,933.78
Balance, December 31, 2018	A	\$ <u>50,933.78</u>

"A-22"

SCHEDULE OF RESERVE FOR PURCHASE OF VIDEO EQUIPMENT

Balance, December 31, 2017 and December 31, 2018	A	\$ <u>2,304.79</u>
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BOROUGH OF KENILWORTHGRANT FUNDSCHEDULE OF GRANTS RECEIVABLE

	<u>BALANCE DECEMBER 31, 2017</u>	<u>ACCRUED</u>	<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2018</u>
Municipal Alliance Program	\$ 5,779.91	\$ 18,255.00	\$ 17,411.60	\$ 6,623.31
NJ Transportation Trust Fund	225,000.00		168,750.00	56,250.00
Union County Kids Trust Grant Program	29,878.20			29,878.20
Union County Kids Trust Grant Program	45,000.00			45,000.00
Union County Kids Trust Grant Program	50,000.00			50,000.00
Union County Infrastructure Grant	11,562.44			11,562.44
Union County Infrastructure Grant	75,000.00			75,000.00
Hazardous Mitigation Grant	69,000.00			69,000.00
Department of Transportation	46,250.00			46,250.00
Clean Communities		14,242.20	14,242.20	
Federal Bulletproof Vest Program	4,282.51	2,655.00		6,937.51
FEMA Public Assistance	18,116.00	146.46	146.46	18,116.00
Alcohol Education Rehabilitation Fund	3,333.48			3,333.48
Drunk Driving Enforcement Fund				16,640.99
Recycling Tonnage Grant		16,640.99		16,640.99
Union County Freighter Initiative- Senior Center	23,400.00	3,000.00		23,400.00
Greening Union County	3,000.00	12,200.00		6,000.00
Community Development Block Grant-Social Services	12,200.00	2,000.00		12,200.00
Community Development Block Grant-Handyman	2,000.00	20,000.00		2,000.00
Community Development Block Grant-Curing	20,000.00			20,000.00
Union County Recycling		9,000.00	9,000.00	
NUDOT		470,000.00		470,000.00
Union County Level The Playing Field		25,470.00		25,470.00
CDBG Social Services '18		12,000.00		12,000.00
CDBG Handymen '18		20,000.00		20,000.00
CDBG ADA Curbing '19		1,700.00		1,700.00
Union County Infrastructure Grant		75,000.00		75,000.00
Union County Senior Focus		23,400.00		23,400.00
Union County Heart Grant		1,500.00		1,500.00
Union County Kids Trust Grant Program '18		50,000.00		50,000.00
<u>REF.</u>	<u>\$ 643,802.54</u>	<u>\$ 743,009.65</u>	<u>\$ 389,900.26</u>	<u>\$ 996,911.93</u>
	<u>A</u>	<u>A-2</u>		<u>A</u>
Receipts			\$ 388,426.66	
Cancellation of Grants			\$ 1,473.60	
			\$ 389,900.26	

"A-25"

BOROUGH OF KENILWORTH

CURRENT FUND

SCHEDULE OF RESERVE FOR TAX MAP

REF.

Balance, December 31, 2017 and
December 31, 2018

A

\$ 4,826.88

BOROUGH OF KENILWORTH

CURRENT FUND

SCHEDULE OF DEFERRED CHARGES

<u>PURPOSE</u>	<u>BALANCE DECEMBER 31, 2017</u>	<u>RAISED IN 2018 BUDGET</u>	<u>BALANCE DECEMBER 31, 2018</u>
	\$ 60,000.00 5,014.67 7,441.05	\$ 15,000.00 5,014.67 7,441.05	\$ 45,000.00

Current Fund:

Emergency Authorization 40A:4-55 - Master Plan
Overexpenditure of Appropriations
Overexpenditure of Appropriation Reserves

REF.

A

A-3

A

BOROUGH OF KENILWORTHGRANT FUNDSCHEDULE OF INTERFUNDS

	<u>REF.</u>	<u>TOTAL</u>	<u>TRUST OTHER FUND</u>	<u>GENERAL CAPITAL</u>	<u>CURRENT FUND</u>
Balance, December 31, 2017					
Due From	A	\$ 354,555.66	\$ 6,281.01	\$ 303,750.00	\$ 50,805.66
Due To	A				
Receipts	A-4	\$ 15,383.44	\$ 6,141.19	\$	\$ 9,242.25
Disbursements	A-4	73,673.57	6,141.19		67,532.38
Other	A-13	8,000.00			8,000.00
Balance, December 31, 2018					
Due From	A	\$ 420,845.79	\$ 6,281.01	\$ 303,750.00	\$ 117,095.79
Due To	A				

BOROUGH OF KENILWORTH

CURRENT FUND

SCHEDULE OF ENCUMBRANCES PAYABLE

	<u>REF.</u>	<u>FEDERAL AND STATE GRANT FUND</u>	<u>CURRENT FUND</u>
Balance, December 31, 2017	A	\$ 117,049.79	\$ 258,635.82
Increased by:			
Transferred from Current Appropriations	A-3		216,171.39
Transferred from Grants Appropriated	A-20	\$ 145,122.79	\$ 262,172.58
		\$ 262,172.58	\$ 474,807.21
Decreased by:			
Transferred to Grants Appropriated	A-20	117,049.79	
Transferred to Appropriation Reserves	A-11		258,635.82
Balance, December 31, 2018	A	\$ 145,122.79	\$ 216,171.39

"A-29"

BOROUGH OF KENILWORTH

CURRENT FUND

SCHEDULE OF RESERVE FOR ELEVATOR INSPECTION AGENCY FEE

REF.

Balance, December 31, 2017 and December 31, 2018	A	\$ <u>34,949.00</u>
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"A-30"

SCHEDULE OF RESERVE FOR TAX APPEALS

Balance, December 31, 2017	A	\$ 102,083.39
Increased by:		
Transferred from Current Fund Budget Appropriations	A-3	\$ 60,000.00
		\$ 162,083.39
Decreased by:		
Cash Disbursements	A-4	\$ 69,779.13
Balance, December 31, 2018	A	\$ <u>92,304.26</u>

"A-31"

SCHEDULE OF RESERVE FOR MASTER PLAN

Balance, December 31, 2017 and Balance, December 31, 2018	A	\$ <u>59,237.50</u>
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BOROUGH OF KENILWORTH

TRUST FUND

SCHEDULE OF CASH - TREASURER

	<u>REF.</u>	<u>ASSESSMENT</u>	<u>ANIMAL CONTROL</u>	<u>OTHER TRUST</u>
Balance, December 31, 2017	B	\$ 100,108.71	\$ 20,573.05	\$ 981,128.65
Increased by Receipts:				
Animal Control Fees	B-4		5,133.80	
State of New Jersey-Dog License Fees	B-5		955.20	
State Unemployment Insurance	B-7			30,960.92
Miscellaneous Deposits	B-8			587,154.60
Due Current Fund	B-14	1,395.15		7,761.19
Due General Capital	B-9	56,900.00		
Assessments Receivable	B-6	18,349.01		
Other Receivable	B-15			11,002.50
Payroll Deductions Payable	B-10			7,883,500.84
		\$ 76,644.16	\$ 6,089.00	\$ 8,520,380.05
		\$ 176,752.87	\$ 26,662.05	\$ 9,501,508.70
Decreased by Disbursements:				
Expenditures Under R.S.4:19-15.11	B-4	\$	\$ 1,805.25	\$
State of New Jersey Animal Control License Fees	B-5		958.60	
Due Current Fund	B-11			10,381.64
Assessment Notes Payable	B-16	56,900.00		
State Unemployment Insurance	B-7			35,785.54
Miscellaneous Deposits	B-8			601,626.77
Payroll Deductions Payable	B-10			7,944,835.54
		\$ 56,900.00	\$ 2,763.85	\$ 8,592,629.49
Balance, December 31, 2018	B	\$ 119,852.87	\$ 23,898.20	\$ 908,879.21

"B-3"

BOROUGH OF KENILWORTH

TRUST FUND

ANALYSIS OF CASH - ASSESSMENT FUND

	BALANCE DECEMBER <u>31, 2018</u>
Due Current Fund	\$ 18,395.15
Due General Capital Fund	133,107.91
Surplus	3,704.33
Ordinance 15-07	(35,351.92)
Ordinance 11-08	<u>(2.60)</u>
	<u>\$ 119,852.87</u>

REF. B

"B-4"

BOROUGH OF KENILWORTH

TRUST FUND

SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

		<u>REF.</u>	
Balance, December 31, 2017		B	\$ 10,663.40
Increased by:			
Dog License Fees Collected		B-2	\$ 5,133.80
			\$ 15,797.20
Decreased by:			
Statutory excess Due Current Fund		B-13	\$ 3,412.55
Expenditures Under R.S. 4:19-15.11		B-2	\$ 1,805.25
			\$ 5,217.80
Balance, December 31, 2018		B	\$ <u>10,579.40</u>

<u>LICENSE FEES COLLECTED</u>		
<u>YEAR</u>		<u>AMOUNT</u>
2017	\$ 5,178.40	
2016	\$ <u>5,401.00</u>	
	\$ <u>10,579.40</u>	

"B-5"

SCHEDULE OF DUE STATE OF NEW JERSEY FOR
ANIMAL CONTROL FEES

Balance, December 31, 2017		B	\$ 3.40
Increased by:			
Receipts		B-2	\$ 955.20
			\$ 958.60
Decreased by:			
Disbursements		B-2	\$ <u>958.60</u>

BOROUGH OF KENILWORTH

TRUST FUND

SCHEDULE OF ASSESSMENTS RECEIVABLE

BOROUGH OF KENILWORTH

TRUST FUND

SCHEDULE OF RESERVE FOR STATE UNEMPLOYMENT
INSURANCE (PER N.J.S. 43:21-3 ET. SEQ.)

	<u>REF.</u>	
Balance, December 31, 2017	B	\$ 48,533.66
Increased by:		
Cash Receipts	B-2	\$ 30,960.92
		\$ 79,494.58
Decreased by:		
Cash Disbursements	B-2	\$ 35,785.54
Balance, December 31, 2018	B	\$ <u>43,709.04</u>

BOROUGH OF KENILWORTHTRUST FUNDSCHEDULE OF MISCELLANEOUS DEPOSITS

	BALANCE DECEMBER 31, 2017	RECEIPTS	DISBURSEMENTS	BALANCE DECEMBER 31, 2018
Beautification	\$ 3,530.12		\$ 635.00	\$ 2,895.12
U.C Youth Commission	3,037.53			3,037.53
Park Revitalization	165.75			165.75
State Building Surcharge Fees	5,452.00	19,038.00	17,340.00	7,150.00
Tax Sale Premiums	291,200.00	85,000.00	151,600.00	224,600.00
Conservation Funds	88.37			88.37
Performance Deposits	11,625.80		5,000.00	6,625.80
Inflow Infiltration	59,870.27	5,925.00		65,795.27
Traffic Light Maintenance Fund	486.09			486.09
Donations for Police Equipment	7,080.71	14.00	1,036.00	6,058.71
Donations for Police	2,566.50	2,576.00	1,126.67	4,015.83
Forfeited Funds Police-County	120,911.41	281.62	400.00	120,793.03
Due State of New Jersey-Marriage License	325.00	1,225.00	875.00	675.00
POAA	2,074.90	332.00		2,406.90
Recreation Programs	65,003.48	152,489.00	109,763.55	107,728.93
Paving and Sewer Maintenance Escrow	7,482.50			7,482.50
Escrow Deposits	24,706.83	57,571.23	64,271.48	18,006.58
Fire Prevention Penalties	13,000.00	500.00	6,000.00	7,500.00
Municipal Alliance Donations	254.85			254.85
Pride in Kenilworth Donations	380.22	410.00	790.22	
Street Opening Deposits	3,500.00			3,500.00
Escrow Engineer	12,986.00			12,986.00
County Environmental Health Act	864.15			864.15
Maintenance Deposits	375.00			375.00
Insurance Safety Award	2,297.60		351.00	1,946.60
Public Defender	3,896.50	6,802.50	4,620.00	6,079.00
Outside Police Overtime		212,270.25	212,270.25	
Board of Health Clinics	20,974.62			20,974.62
Donations for National Night Out	20.00			20.00
Tase Night	1,814.50			1,814.50
Employee Flex Spending Account	(462.70)	2,220.00	2,273.40	(516.10)
Centennial/Public Events	2,452.12		1,502.12	950.00
Unidentified	1,146.67			1,146.67
Accumulated Absences	145,000.00	20,000.00	21,772.08	143,227.92
Snow Reserve	39,761.23	20,500.00		60,261.23
	<u>\$ 853,868.02</u>	<u>\$ 587,154.60</u>	<u>\$ 601,626.77</u>	<u>\$ 839,395.85</u>

REF.

B

B-2

B-2

B

"B-9"

BOROUGH OF KENILWORTH

TRUST FUND

SCHEDULE OF DUE TO GENERAL CAPITAL FUND-ASSESSMENT FUND

REF.

Balance, December 31, 2017	B	\$	76,207.91
Increased by:			
Cash Receipts	B-2	\$	56,900.00
		\$	<u>133,107.91</u>
Balance, December 31, 2018	B	\$	<u>133,107.91</u>

"B-10"

SCHEDULE OF RESERVE FOR PAYROLL DEDUCTIONS PAYABLE

Balance, December 31, 2017	B	\$	82,852.39
Increased by:			
Employee Payroll Deductions	B-2	\$	7,883,500.84
\$			<u>7,966,353.23</u>
Decreased by:			
Cash Disbursements	B-2		<u>7,944,835.54</u>
Balance, December 31, 2018	B	\$	<u>21,517.69</u>

"B-11"

BOROUGH OF KENILWORTH
TRUST FUND
SCHEDULE OF DUE CURRENT FUND-TRUST OTHER

	<u>REF.</u>	
Balance, December 31, 2017	B	\$ 15,066.24
Increased by:		
Cash Receipts	B-2	7,761.19
		<u>\$ 22,827.43</u>
Decreased by:		
Cash Disbursements	B-2	<u>10,381.64</u>
Balance, December 31, 2018	B	<u>\$ 12,445.79</u>

"B-12"

SCHEDULE OF DUE GRANT FUND-TRUST OTHER

Balance, December 31, 2017 and December 31, 2018	B	<u>\$ 6,281.01</u>
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"B-13"

SCHEDULE OF DUE CURRENT FUND-ANIMAL CONTROL

Balance, December 31, 2017	B	\$ 9,906.25
Increased by:		
Animal Control Excess	B-4	3,412.55
		<u>\$ 13,318.80</u>
Balance, December 31, 2018	B	<u>\$ 13,318.80</u>

"B-14"

BOROUGH OF KENILWORTH

TRUST FUND

SCHEDULE OF DUE CURRENT FUND-ASSESSMENT FUND

REF.

Balance, December 31, 2017	B	\$	17,000.00
Increased by:			
Cash Receipts	B-2		<u>1,395.15</u>
Balance, December 31, 2018	B	\$	<u>18,395.15</u>

"B-15"

SCHEDULE OF OTHER RECEIVABLE-TRUST OTHER

Balance, December 31, 2017	B	\$	12,910.65
Decreased by:			
Cash Receipts	B-2		<u>11,002.50</u>
Balance, December 31, 2018	B	\$	<u>1,908.15</u>

BOROUGH OF KENILWORTH

TRUST FUND

SCHEDEULE OF ASSESSMENT BOND ANTICIPATION NOTES

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF ISSUE OF ORIGINAL NOTE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2017</u>	<u>DECREASED</u>
2015-07	Curbs Various Streets	12/8/17	12/8/17	12/7/18	2.500%	\$ <u>56,900.00</u>	\$ <u>56,900.00</u>

REF.

B-2

BOROUGH OF KENILWORTH
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL CASH - TREASURER

	<u>REF.</u>	
Balance, December 31, 2017	C	\$ 1,226,232.10
Increased by Receipts:		
Capital Improvement Fund	C-7	\$ 100,000.00
General Improvement Serial Bonds	C-6:C-9	3,850,000.00
Due Trust Other Fund	C-16	2,502.50
Premium on Bond Anticipation Notes Issued	C-1	<u>7,164.57</u>
		\$ 3,959,667.07
		<u>5,185,899.17</u>
Decreased by Disbursements:		
Contracts Payable	C-11	\$ 1,163,020.70
Bond Anticipation Notes	C-10	3,254,072.00
Due Current Fund	C-4	232,116.25
Due Assessment Trust Fund	C-13	<u>56,900.00</u>
		\$ 4,706,108.95
Balance, December 31, 2018	C	\$ <u>479,790.22</u>

"C-3"

BOROUGH OF KENILWORTH

GENERAL CAPITAL FUND

ANALYSIS OF CAPITAL CASH

BALANCE
DECEMBER
31, 2018

IMPROVEMENT DESCRIPTION

Fund Balance	\$ 310,934.95
Capital Improvement Fund	66,118.81
Due Current Fund	(735,629.08)
Due Grant Fund	303,750.00
Due Assessment Trust Fund	(133,107.91)
Due Trust Other	2,502.50
Contracts Payable	1,854,989.78
Grants Receivable	(470,000.00)
Reserve for Debt Service	55,290.23
Improvement Authorizations - Funded as Set Forth on "C-8"	522,120.05
Improvement Authorizations - Expended as Set Forth on "C-6"	<u>(1,297,179.11)</u>
	\$ <u>479,790.22</u>

REF.

C

BOROUGH OF KENILWORTH

GENERAL CAPITAL FUND

SCHEDULE OF DUE CURRENT FUND

REF.

Balance, December 31, 2017	C	\$ 503,512.83
Increased by:		
Cash Disbursed	C-2	\$ 232,116.25
		\$ <u>735,629.08</u>

BOROUGH OF KENILWORTH

GENERAL CAPITAL FUND

SCHEDULE OF DEFERRED CHARGES
TO FUTURE TAXATION - FUNDED

REF.

Balance, December 31, 2017	C	\$ 5,575,000.00
Increased by:		
General Improvement Serial Bonds	C-2:C-6	\$ 3,850,000.00
		\$ 9,425,000.00
Decreased by:		
2018 Budget Appropriations to Pay Bonds	C-9	876,000.00
Balance, December 31, 2018	C	\$ 8,549,000.00

BOROUGH OF KENILWORTH

GENERAL CAPITAL FUND

**SCHEDULE OF DEFERRED CHARGES TO FUTURE
TAXATION-UNFUNDED**

ANALYSIS OF BALANCE
DECEMBER 31, 2018

"C-7"

BOROUGH OF KENILWORTH

GENERAL CAPITAL FUND

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>	
Balance, December 31, 2017	C	\$ 31,118.81
Increased by:		
2018 Budget Appropriation	C-2	\$ 100,000.00
		<u>131,118.81</u>
Decreased by:		
Appropriation to Finance Improvement Authorizations	C-8	<u>65,000.00</u>
Balance, December 31, 2018	C	<u>\$ 66,118.81</u>

BOROUGH OF KENILWORTH

GENERAL CAPITAL FUND

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

BOROUGH OF KENILWORTH

GENERAL CAPITAL FUND

SCHEDULE II OF GENERAL SERIAL BONDS

BOROUGH OF KENILWORTH

GENERAL CAPITAL FUND

SCHEDULE OF BOND ANTICIPATION NOTES

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	DATE OF ISSUE OF ORIGINAL NOTE	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE DECEMBER 31,	
						2017	2017
13-05	Various Capital Improvements or Purposes	12/12/14	12/9/16	12/7/18	2.500%	\$ 521,143.00	\$ 521,143.00
13-09	Various Capital Improvements or Purposes	12/12/14	12/9/16	12/7/18	2.500%	\$ 322,370.00	\$ 322,370.00
14-06	Various Capital Improvements or Purposes	12/12/14	12/9/16	12/7/18	2.500%	\$ 557,309.00	\$ 557,309.00
15-04	Various Capital Improvements or Purposes	12/11/15	12/9/16	12/7/18	2.500%	\$ 728,600.00	\$ 728,600.00
16-02	Various Capital Improvements or Purposes	12/9/16	12/9/16	12/7/18	2.500%	\$ 458,500.00	\$ 458,500.00
17-05	Various Capital Improvements or Purposes	12/8/17	12/8/17	12/7/18	2.500%	\$ 650,000.00	\$ 650,000.00
17-12	Improvements to Dimario Park and Other Parks	12/8/17	12/8/17	12/7/18	2.500%	\$ 128,250.00	\$ 128,250.00
						\$ <u>3,366,172.00</u>	\$ <u>3,366,172.00</u>
						REF. C	
						Paid by Budget Appropriation	\$ 112,100.00
						Disbursements	\$ 3,254,072.00
							\$ <u>3,366,172.00</u>

"C-11"

BOROUGH OF KENILWORTH
GENERAL CAPITAL FUND
SCHEDULE OF CONTRACTS PAYABLE

	<u>REF.</u>	
Balance, December 31, 2017	C	\$ 863,639.90
Increased by:		
Charges to Improvement Authorizations	C-8	<u>2,154,370.58</u>
		<u>\$ 3,018,010.48</u>
Decreased by:		
Cash Disbursements	C-2	<u>1,163,020.70</u>
Balance, December 31, 2018	C	<u>\$ 1,854,989.78</u>

"C-12"

SCHEDULE OF DUE GRANT FUND

Balance, December 31, 2017 and December 31, 2018	C	<u>\$ 303,750.00</u>
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"C-13"

BOROUGH OF KENILWORTH

GENERAL CAPITAL FUND

SCHEDULE OF DUE ASSESSMENT FUND

REF.

Balance, December 31, 2017	C	\$ 76,207.91
Increased by:		
Cash Disbursements	C-2	<u>56,900.00</u>
Balance, December 31, 2018	C	\$ <u>133,107.91</u>

"C-14"

SCHEDULE OF RESERVE FOR DEBT SERVICE

Balance, December 31, 2017 and December 31, 2018	C	\$ <u>55,290.23</u>
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BOROUGH OF KENILWORTH

GENERAL CAPITAL FUND

SCHEDULE OF PROSPECTIVE ASSESSMENTS RAISED BY TAXATION

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DECEMBER 31, 2017</u>	<u>2018 AUTHORIZATIONS</u>	<u>BALANCE DECEMBER 31, 2018</u>
2016-07	Construction of Curbing - Various Streets	\$ 1,600.00	\$ 1,000.00	\$ 2,600.00
		<u>\$ 1,600.00</u>	<u>\$ 1,000.00</u>	<u>\$ 2,600.00</u>
		REF.	C	C

"C-16"

BOROUGH OF KENILWORTH

GENERAL CAPITAL FUND

SCHEDULE OF DUE TRUST OTHER FUND

REF.

Increased by:

Cash Receipts

C-6

\$ 2,502.50

Balance, December 31, 2018 (Due to)

C

\$ 2,502.50

"C-17"

BOROUGH OF KENILWORTH

GENERAL CAPITAL FUND

SCHEDULE OF GRANTS RECEIVABLE

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>2018 AUTHORIZATIONS</u>	<u>BALANCE DECEMBER 31, 2018</u>
2018-19	New Jersey Department of Transportation	\$ 470,000.00	\$ 470,000.00
		\$ 470,000.00	\$ 470,000.00

REF.

C-8

C

BOROUGH OF KENILWORTH

GENERAL CAPITAL FUND

SCHEDULE OF BONDS AND NOTES AUTHORIZED
BUT NOT ISSUED

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DECEMBER 31, 2018</u>
	<u>General Improvements</u>	
13-05	Various Improvements or Purposes	287.00
13-09	Various Improvements or Purposes	\$ 1,740.00
14-06	Various Improvements or Purposes	619.00
15-04	Various Improvements or Purposes	2,226.00
16-02	Various Improvements or Purposes	725.00
17-05	Various Improvements or Purposes	713,250.00
18-09	Various Improvements or Purposes	1,260,000.00
	<u>Local Improvements</u>	
11-08	Construction of Curbs-Roosevelt Lane	25,241.22
15-07	Construction of Curbing- Various Streets	1,792.09
17-09	Construction of Curbs-Various Streets	30,400.00
18-11	Installation of Granite Block Curbing	<u>19,000.00</u>
		\$ <u>2,055,280.31</u>

BOROUGH OF KENILWORTH

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF PUBLIC ASSISTANCE CASH-TREASURER

		P.A.T.F. I <u>REF.</u>	P.A.T.F. II <u>ACCOUNT</u>	FUND <u>TOTAL</u>
Balance December 31, 2017		E \$ 2,155.31	\$ 9,329.61	\$ 11,484.92
Increased by Receipts:				
State Aid		\$	\$ 1,500.00	\$ 1,500.00
Interest			\$ 51.27	\$ 51.27
<u>Total Receipts</u>		\$	\$ 1,551.27	\$ 1,551.27
		\$ 2,155.31	\$ 10,880.88	\$ 13,036.19
Decreased by Disbursements:				
Public Assistance - 2018		\$	\$ 2,072.00	\$ 2,072.00
Balance December 31, 2018		E \$ 2,155.31	\$ 8,808.88	\$ 10,964.19

BOROUGH OF KENILWORTH

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF PUBLIC ASSISTANCE CASH AND
RECONCILIATION PER N.J.S.A. 40A:5-5

REF.

Balance, December 31, 2018	E-1	\$	10,964.19
Increased by Receipts:			
Cash Receipts Record			29,728.94
\$ 40,693.13			
Decreased by Disbursements:			
Cash Disbursements Record:			
2019 Assistance	\$ 1,531.30		1,531.30
\$ 39,161.83			
Balance, May 31, 2019	\$		

<u>Reconciliation, May 31, 2019</u>	<u>P.A.T.F. I</u>	<u>P.A.T.F. II</u>	
	<u>ACCOUNT</u>	<u>ACCOUNT</u>	<u>TOTAL</u>
Balance on Deposit per Statement of:			
PNC Bank			
Account # 80-3937-2772	\$ 37,006.52	\$	37,006.52
Account # 80-4333-7283	\$ 37,006.52	\$ 2,155.31	2,155.31
	\$ 37,006.52	\$ 2,155.31	\$ 39,161.83
Less: Outstanding Checks (Per List on File)			
Balance, May 31, 2019	\$ 37,006.52	\$ 2,155.31	\$ 39,161.83

BOROUGH OF KENILWORTH
PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF PUBLIC ASSISTANCE CASH AND
RECONCILIATION AS OF DECEMBER 31, 2018

	REF.	
Balance December 31, 2018	E-1	\$ 11,484.92
Increased by:		
Cash Receipts		\$ 1,551.27
		\$ 13,036.19
Decreased by:		
Cash Disbursements:		\$ 2,072.00
Public Assistance - 2018		
Balance December 31, 2018	E-1	\$ 10,964.19

<u>Reconciliation, December 31, 2018</u>	<u>P.A.T.F. I ACCOUNT</u>	<u>P.A.T.F. II ACCOUNT</u>	<u>TOTAL</u>
Balance on Deposit per Statement of:			
PNC Bank			
Account # 80-3937-2772	\$ 2,155.31	\$ 2,155.31	\$ 2,155.31
Account # 80-4333-7283	\$ 8,808.88	\$ 8,808.88	\$ 8,808.88
	\$ 2,155.31	\$ 8,808.88	\$ 10,964.19
Less: Outstanding Checks (Per List on File)			\$ -
Balance December 31, 2018	\$ 2,155.31	\$ 8,808.88	\$ 10,964.19

"E-4"

BOROUGH OF KENILWORTH

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF PUBLIC ASSISTANCE REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>P.A.T.F. II</u>	<u>FUND TOTAL</u>
State Aid Payments	\$ 1,500.00	\$ 1,500.00
Less: Refund to the State	<u>-0-</u>	<u>-0-</u>
<u>Net State Aid Payments</u>	<u>\$ 1,500.00</u>	<u>\$ 1,500.00</u>
Interest Earned	\$ 51.27	\$ 51.27
 <u>TOTAL REVENUE (P.A.T.F.)</u>	 <u>\$ 51.27</u>	 <u>\$ 51.27</u>
 <u>TOTAL RECEIPTS</u>	 <u>\$ 1,551.27</u>	 <u>\$ 1,551.27</u>

"E-5"

SCHEDULE OF PUBLIC ASSISTANCE EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2018

Current Year Assistance (Reported):

Maintenance Payments	\$ 2,072.00	\$ 2,072.00
<u>Total Reported</u>	<u>\$ 2,072.00</u>	<u>\$ 2,072.00</u>
<u>TOTAL DISBURSEMENTS (P.A.T.F.)</u>	<u>\$ 2,072.00</u>	<u>\$ 2,072.00</u>

BOROUGH OF KENILWORTH

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF RESERVE FOR PUBLIC ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2018

	REF.	
Balance, December 31, 2017	E-1	\$ 11,484.92
Increased by Receipts:		
Other		\$ 1,551.27
		\$ 13,036.19
Decreased by Disbursements:		
Public Assistance		\$ 2,072.00
Balance, December 31, 2018		\$ 10,964.19
Analysis of Balance		
P.A.T.F. I		\$ 2,155.31
P.A.T.F. II		\$ 8,808.88
		\$ 10,964.19

PUBLIC ASSISTANCE TRUST FUND

SCHEDULE OF RESERVE FOR COMMUNITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	REF.	
Balance, December 31, 2017	E-1	\$ 4,693.72
Increased by Receipts:		
Other- Donations		\$ 800.00
		\$ 5,493.72
Decreased by Disbursements:		
Other- Goodwill Expenditures		\$ 1,448.85
Balance, December 31, 2018		\$ 4,044.87

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PART II

BOROUGH OF KENILWORTH

STATISTICAL DATA

LIST OF OFFICIALS

COMMENTS AND RECOMMENDATION

YEAR ENDED DECEMBER 31, 2018

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

	YEAR 2018		YEAR 2017	
	AMOUNT	%	AMOUNT	%
<u>REVENUE AND OTHER INCOME REALIZED</u>				
Fund Balance Utilized	\$ 1,670,689.06	3.62%	\$ 1,581,766.06	3.45%
Miscellaneous - From Other Than Local Property Tax Levies	4,297,651.85	9.31%	4,247,291.24	9.27%
Collection of Delinquent Taxes and Tax Title Liens	445,853.77	0.97%	317,783.11	0.69%
Collection of Current Tax Levy	<u>39,769,702.81</u>	<u>86.11%</u>	<u>39,648,986.50</u>	<u>86.58%</u>
Total Income	\$ 46,183,897.49	100.00%	\$ 45,795,826.91	100.00%
<u>EXPENDITURES</u>				
Budget Expenditures:				
Municipal Purposes	\$ 16,097,229.26	36.11%	\$ 15,583,552.62	35.38%
County Taxes	7,568,488.90	16.98%	7,623,623.40	17.31%
Local School Taxes	20,544,920.00	46.08%	20,404,173.00	46.33%
Other Expenditures	<u>371,502.89</u>	<u>0.83%</u>	<u>431,146.69</u>	<u>0.98%</u>
Total Expenditures	\$ 44,582,141.05	100.00%	\$ 44,042,495.71	100.00%
Excess in Revenue	\$ 1,601,756.44		\$ 1,758,345.87	
Adjustments to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute				
Deferred Charges to Budget of Succeeding Year			5,014.67	
Statutory Excess to Fund Balance	<u>4,297,651.85</u>		<u>4,242,276.57</u>	
Fund Balance, January 1	<u>3,520,313.02</u>		<u>3,343,733.21</u>	
	<u>\$ 5,122,069.46</u>		<u>\$ 5,102,079.08</u>	
Less: Utilization as Anticipated Revenue	<u>1,670,689.06</u>		<u>1,581,766.06</u>	
Fund Balance, December 31	\$ 3,451,380.40		\$ 3,520,313.02	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Tax Rate	<u>\$ 4.908</u>	<u>\$ 4.974</u>	<u>\$ 4.795</u>
Apportionment of Tax Rate:			
Municipal	\$ 1.414	\$ 1.376	\$ 1.345
Library	0.057	0.057	0.057
County	0.900	0.902	0.900
County Open Space, Recreation and Historical Preservation	0.025	0.025	0.025
Local School	<u>2.512</u>	<u>2.614</u>	<u>2.468</u>

Assessed Valuations:

2018	<u>\$ 816,824,870.00</u>
2017	<u>\$ 818,577,667.00</u>
2016	<u>\$ 820,060,908.00</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.

YEAR	TAX LEVY	CURRENTLY		PERCENTAGE OF COLLECTION
		CASH COLLECTIONS		
2018	\$ 40,175,884.92	\$ 39,769,702.81		98.98%
2017	40,074,496.76	39,648,986.50		98.93%
2016	39,427,384.39	39,095,993.06		99.15%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>DEC. 31ST. YEAR</u>	<u>AMOUNT OF TAX TITLE LIENS</u>	<u>AMOUNT OF DELINQUENT TAXES</u>	<u>TOTAL DELINQUENT</u>	<u>PERCENTAGE OF TAX LEVY</u>
2018	\$ 3,353.10	\$ 378,870.90	\$ 382,224.00	0.95%
2017	33,940.76	412,218.17	446,158.93	1.11%
2016	29,383.57	317,783.11	347,166.68	0.88%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

No properties have been acquired in 2018 by foreclosure or deed, as a result of liquidation of tax title liens.

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

<u>YEAR</u>	<u>AMOUNT</u>
2018	\$ 157,200.00
2017	157,200.00
2016	157,200.00

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>YEAR</u>	<u>BALANCE DECEMBER 31,</u>	<u>UTILIZED IN BUDGET OF SUCCEEDING</u>
			<u>YEAR</u>
Current Fund	2018	\$ 3,451,380.40	\$ 1,800,689.06
	2017	3,520,313.02	1,670,689.06
	2016	3,343,733.21	1,581,766.06
	2015	2,923,395.20	1,344,766.06
	2014	2,367,285.59	1,078,700.00

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>
Anthony DeLuca	Mayor	*
Kay Ceceri	Councilwoman	*
Lawrence Clementi	Councilman	*
Peter Corvelli	Councilman	*
Brian Joho	Councilman	*
Gerry Laudati	Councilman	*
Nicholas Mascaro	Councilman	*
Joseph Delorio	Chief Financial Officer	*
Jill Goode	Tax Collector	*
Laura Reinertsen	Borough Clerk	*
Frank Capece	Borough Attorney	*
Paul Parsons	Tax Assessor	*
Mark Cassidy/Jon Rosenbluth	Magistrate	\$1,000,000.00
Anne Tucker	Court Administrator	\$1,000,000.00
Eileen Keating	Court Admin. 8/13/18	\$1,000,000.00
Paulette Drogan	Welfare Director	*
Enrique Lamela	Prosecutor	*

All bonds were examined and were properly executed.

*Blanket Bond \$1,000,000.00 Employee Dishonesty Coverage Fidelity & Deposit Company

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GENERAL COMMENTS AND RECOMMENDATION

GENERAL COMMENTS

CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED FOR (N.J.S.A. 40A:11-4)

“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 by the governing body of the contracting unit 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 the amount set forth in, or the amount calculated by the Governor pursuant to Section 3 of P.L. 1971, c. 198 (C.40A:11-3), except by contract or agreement.”

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A. 40A:11-4 is \$17,500.00 or up to \$40,000.00 if the entity has a Qualified Purchasing Agent. The Borough appointed a Qualified Purchasing Agent and has elected to increase its bid threshold to \$40,000.00.

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

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

Road Improvements
Disposal Services
Retaining Wall
Recycling
Sweeper

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 or any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

Our audit of expenditures did not reveal any individual payments, contracts or agreements in excess of \$17,500.00 “for the performance of any work or the furnishing or hiring of any material or supplies,” other than those where bids had been previously sought by public advertisement or where resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

The minutes indicate that resolutions authorizing contracts or agreements for “Professional Services” per N.J.S.A. 40A:11-5 were advertised during 2018 for the following professional services:

Engineering Services	Borough Auditor
Legal Services	Bonding Attorney

COLLECTION OF INTEREST AND PENALTY ON DELINQUENT TAXES AND ASSESSMENTS

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

The governing body on January 3, 2018 adopted the following resolution authorizing interest to be charged on delinquent taxes and assessments:

"BE IT RESOLVED by the Governing Body of the Borough of Kenilworth that the rate of interest on delinquent taxes and assessments owed to the said Borough of Kenilworth, be and it hereby is set at eight percent (8%) on the first One Thousand Five Hundred Dollars (\$1,500.00) of taxes due and eighteen percent (18%) of any amount in excess of One Thousand Five Hundred Dollars (\$1,500.00). Such interest shall not be charged, however, on payments made within ten (10) days from the due date."

"BE IT FURTHER RESOLVED there will be a six percent (6%) penalty on delinquency of Ten Thousand Dollars (\$10,000.00) or more at the end of the calendar year."

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

DELINQUENT TAXES AND TAX TITLE LIENS

The last tax sale was held on December 12, 2018 and was complete.

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

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

<u>YEAR</u>	<u>NUMBER OF LIENS</u>
2018	1
2017	2
2016	2

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.

VERIFICATION OF DELINQUENT TAXES AND OTHER CHARGES

A confirmation of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, consisting of verification notices as follows:

<u>TYPE</u>	
Payment of 2019 Taxes	25
Payment of 2018 Taxes	25
Delinquent Taxes	25

OTHER COMMENTS

Interfund Balances

Transactions invariably occur in one fund which results in a corresponding entry to be made in another fund, thus creating interfund balances. Reference to the various balance sheets show the interfund balances remaining at year end. As a general rule all interfund balances should be closed out before the end of the year.

It is the Borough's policy to review and liquidate all interfund balances on a periodic basis.

Treasurer

Several adjustments needed to be made to the Current/Grant Fund General Ledger to properly reflect account balances.

RECOMMENDATION

* That the Current/Grant Fund General Ledger be completely maintained.

*Prior Year Recommendation

