

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

**REPORT OF AUDIT
DECEMBER 31, 2014**

TOWNSHIP OF KNOWLTON

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PART I

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2014

AUDITORS' REPORTS



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements-regulatory basis, which comprise the comparative balance sheets-regulatory basis of the various funds of the Township of Knowlton, County of Warren, State of New Jersey (the "Township"), as of December 31, 2014 and 2013, and the related comparative statements of operations and changes in fund balance-regulatory basis for the years then ended, and the related statement of revenues-regulatory basis, and statement of expenditures-regulatory basis of the various funds, and the related notes to the financial statements for the year ended December 31, 2014, which collectively comprise the Township's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

-Continued-

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

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

As described in Note 1 to the financial statements, the Township prepares its financial statements in conformity with regulatory basis accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the Township's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, or the results of its operations and changes in its fund balances for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements-regulatory basis referred to above present fairly, in all material respects, the financial position-regulatory basis of the various funds of the Township, as of December 31, 2014 and 2013, and the results of operations and changes in fund balance-regulatory basis of such funds for the years then ended and the statement of revenues-regulatory basis and statement of expenditures-regulatory basis of the various funds for the years then ended, in conformity with accounting principals and practices as described in Note 1 to the financial statements.

Other Matters

Report on Supplementary Information

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

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

-Continued-

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2015, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

ARDITO & CO., LLP



Frenchtown, New Jersey
April 30, 2015



Certified Public Accountant
Registered Municipal Accountant No.524
ARDITO & CO., LLP
Frenchtown, New Jersey
April 30, 2015

FINANCIAL STATEMENTS

CURRENT FUND
COMPARATIVE BALANCE SHEET

A
Sheet 1

ASSETS	<u>REF.</u>	<u>BALANCE</u> <u>12/31/14</u>	<u>BALANCE</u> <u>12/31/13</u>
Cash And Cash Equivalents:			
Cash - Treasurer	A-4	\$ 1,013,031	\$ 898,814
Cash - State Cash Management Fund	A-4	<u>27,433</u>	<u>27,418</u>
Subtotal		<u>1,040,464</u>	<u>926,232</u>
Receivables And Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-6	384,016	578,342
Tax Title Liens Receivable	A-7	376,982	200,385
Property Acquired For Taxes-Assessed Valuation	A-8	664,500	664,500
Revenue Accounts Receivable	A-9	6,303	5,713
Local School Taxes - Prepaid	A-15	164,388	-
Amount Due From Other Trust	B	20,000	-
Amount Due From Dog Fund	B	2,904	-
Amount Due From Sewer Utility Fund	D	-	70,769
Amount Due From Public Assistance Fund	E	<u>6,000</u>	<u>6,000</u>
Subtotal		<u>1,625,093</u>	<u>1,525,709</u>
Deferred Charges:			
Emergency Authorizations	A-3	<u>35,000</u>	<u>43,000</u>
Sub-Total Current Fund		<u>2,700,557</u>	<u>2,494,941</u>
Federal And State Grant Fund:			
Cash	A-4	105,659	126,355
Amount Due to Current Fund	A	-	29,460
Federal/State Grants Receivable	A-19	<u>768,878</u>	<u>743,512</u>
Subtotal		<u>874,537</u>	<u>899,327</u>
TOTAL ASSETS		<u>\$ 3,575,094</u>	<u>\$ 3,394,268</u>

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

CURRENT FUND
COMPARATIVE BALANCE SHEET

A
Sheet 2

	<u>REF.</u>	<u>BALANCE</u> <u>12/31/14</u>	<u>BALANCE</u> <u>12/31/13</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities:			
Appropriation Reserves	A-3:10	\$ 140,317	\$ 40,513
Amount Due From Grants Fund	A	-	29,460
Amount Due To Payroll Fund	H	5,206	-
Due to State of New Jersey-Marriage Licenses	A	660	250
Taxes Collected In Advance	A-12	52,151	89,927
Tax Overpayments	A-13	35,822	21,066
County Tax Payable	A-14	2,022	3,819
Local School Taxes	A-15	-	19,279
Regional High School Taxes Payable	A-16	22,353	40,040
Amount Due To Other Trust Fund - Municipal Open Space	A-17	85	85
Amount Due To State Of New Jersey For Senior Citizens and Veterans Deductions	A-18	853	853
Subtotal		<u>259,469</u>	<u>245,292</u>
Reserve For Receivables And Other Assets	A	1,625,093	1,525,709
Fund Balance	A-1	<u>815,995</u>	<u>723,940</u>
Subtotal		<u>2,700,557</u>	<u>2,494,941</u>
Federal And State Grant Fund:			
Reserve For Small Cities	A-21	52,041	52,041
Reserve For State Grants - Appropriated	A-20	820,468	845,785
Reserve For State Grants - Unappropriated	A-22	<u>2,028</u>	<u>1,501</u>
Subtotal		<u>874,537</u>	<u>899,327</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 3,575,094</u>	<u>\$ 3,394,268</u>

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

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE

		YEAR	YEAR
REVENUE AND OTHER INCOME REALIZED	REF.	2014	2013
Fund Balance Utilized	A-2	\$ 196,900	\$ 373,642
Miscellaneous Revenue Anticipated	A-2	1,262,832	1,011,441
Receipts From Delinquent Taxes	A-2	423,292	435,909
Receipts From Current Taxes	A-2	7,935,560	7,829,283
Non-Budget Revenues	A-2	51,771	58,178
Other Credits To Income:			
Interfund Returns	D	70,769	9,186
Grants Canceled	A-20		50,127
Prepaid School Taxes Returned	A-15		10,721
Sale of Municipal Property	A-4		30,000
Canceled Reserves	A-4		5,748
Unexpended Balance of Appropriation Reserves	A-10	<u>29,083</u>	<u>25,486</u>
TOTAL INCOME		<u>9,970,207</u>	<u>9,839,721</u>
EXPENDITURES			
Budget and Emergency Appropriations:			
Operations Within "Caps":			
Salaries and Wages	A-3	572,690	560,789
Other Expenses	A-3	861,159	764,813
Deferred Charges and Statutory Expenditures	A-3	138,407	190,624
Operations Excluded from "CAPS":			
Salaries and Wages	A-3	1,730	1,691
Other Expenses	A-3	391,598	382,344
Capital Improvements	A-3	50,000	25,000
Deferred Charges and Statutory Expenditures	A-3		-
Municipal Debt Service	A-3	302,065	330,151
County Taxes	A-14	2,366,763	2,314,222
Amount Due County For Added and Omitted Taxes	A-14	2,022	3,819
Local District School Taxes	A-15	2,850,388	2,663,483
Regional School Tax	A-16	2,107,028	2,142,402
Municipal Open Space Tax	A-17	51,827	52,078
Grants Canceled	A-20	-	79,586
Refund Prior Year Revenues	A-4	575	-
Interfund Advances	B	<u>20,000</u>	<u>-</u>
TOTAL EXPENDITURES		<u>9,716,252</u>	<u>9,511,002</u>
Excess (Deficit) Revenue Over Expenditures		253,955	328,719
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-3	<u>35,000</u>	<u>43,000</u>
Statutory Excess To Fund Balance		288,955	371,719
Fund Balance January 1	A	<u>723,940</u>	<u>725,863</u>
		1,012,895	1,097,582
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>196,900</u>	<u>373,642</u>
Fund Balance December 31	A	<u>\$ 815,995</u>	<u>\$ 723,940</u>

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

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 1

	<u>REF.</u>	<u>ANTICIPATED</u> <u>BUDGET</u>	<u>N.J.S. 40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS OR</u> <u>DEFICIT</u>
Anticipated Surplus-Cash Surplus	A-1	\$ 196,900		\$ 196,900	
Miscellaneous Revenues					
LOCAL REVENUES:					
Liquor Licenses-Clerk	A-9	3,790		4,267	\$ 477
Other Fees and Permits	A-9	8,800		7,904	(896)
Municipal Court Fines and Costs	A-9	126,500		131,046	4,546
Interest and Costs On Taxes	A-5	90,000		112,671	22,671
TOTAL LOCAL REVENUES		<u>229,090</u>		<u>255,888</u>	<u>26,798</u>
STATE AID REVENUES:					
Energy Receipts Tax	A-9	264,368		264,368	
Reserve for Garden State Trust Fund	A-9	23,118		23,118	
TOTAL STATE AID REVENUES		<u>287,486</u>		<u>287,486</u>	

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

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 2

	<u>REF.</u>	<u>ANTICIPATED</u> <u>BUDGET</u>	<u>N.J.S. 40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS OR</u> <u>DEFICIT</u>
FEDERAL AND STATE GRANT REVENUES:					
Municipal Alliance on Alcoholism and Drug Abuse	A-20	3,916		3,916	
NJDEP Grant	A-20		\$ 350,000	350,000	
Wastewater Grant	A-20		10,000	10,000	
Clean Communities Grant	A-20	9,876		9,876	
Recycling Tonnage Grant	A-20	1,501		1,501	
Total Special Items Of Revenues		15,293	360,000	375,293	
Special Items Of Revenue Anticipated With Prior Written Consent of Local Government Services- Other Special Items:					
Cell Tower Lease	A-9	90,000		91,818	1,818
General Capital Fund Balance	A-9	250,000		250,000	
NJ Hotel Tax	A-9	3,900		2,347	(1,553)
		343,900		344,165	265
TOTAL MISCELLANEOUS REVENUES	A-2	875,769	360,000	1,262,832	27,063
RECEIPTS FROM DELINQUENT TAXES	A-6:7	362,500		423,292	60,792
Amount To be Raised by Taxes For Support Of Municipal Budget:					
Local Tax For Municipal Purposes	A-2	1,061,584		1,275,233	213,649
Total General Revenues		2,496,753	360,000	3,158,257	301,504
Non-Budget Revenues:					
Other Non-Budget Revenues	A-2			51,771	51,771
		\$ 2,496,753	\$ 360,000	\$ 3,210,028	\$ 353,275

A-3

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

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 3

REF.

ANALYSIS OF REALIZED REVENUES

Allocation Of Current Tax Collections:

Revenue from Collections		\$ 7,912,060
State of New Jersey, Senior Citizens and Veterans Deductions		<u>23,500</u>
	A-1	7,935,560

Allocated To:

School, County, and Open Space Taxes	A-6	<u>7,213,640</u>
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Deficiency Supported by Municipal Revenues		721,920
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Add (Decreased) by: Appropriation "Reserve For Uncollected Taxes"	A-3	<u>553,313</u>
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Amount For Support Of Municipal Budget Appropriations	A-2	<u>\$ 1,275,233</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 4

ANALYSIS OF NON-BUDGET REVENUES

REF.

Miscellaneous Revenue Not Anticipated:

Treasurer:

Sr Cit. Admin Fee		\$	470	
Clerk			37	
In Lieu Taxes			2,163	
Zoning Fees			2,409	
FEMA			9,093	
LEA Rebate			10,282	
Sale of Auction			3,450	
Miscellaneous			21,405	
Interest on Investments	A-4		<u>2,462</u>	\$ <u>51,771</u>

\$ 51,771

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

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 1

<u>OPERATIONS-Within "CAPS"</u>	<u>APPROPRIATION</u>	<u>EXPENDED</u>	<u>RESERVED</u>	<u>CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>	
		<u>MODIFICATION</u>	<u>CHARGED</u>	
GENERAL GOVERNMENT FUNCTIONS:				
Human Resources (Personnel):				
Education Program for Employees	\$ 500	\$ 500	\$ 90	\$ 410
Mayor and Council:				
Salaries and Wages	12,580	12,580	12,580	
Other Expenses	7,500	7,500	1,675	5,825
Municipal Clerk:				
Salaries and Wages	90,000	90,000	80,537	9,463
Other Expenses	25,000	22,474	16,135	6,339
Financial Administration (Treasury):				
Salaries and Wages	24,000	24,000	23,676	324
Other Expenses	27,000	27,000	26,060	940
Audit Services:				
Other Expenses	21,902	21,902	21,852	50
Computerized Data Processing:				
Other Expenses	5,000	5,000	2,227	2,773
Revenue Administration (Tax Collection):				
Salaries and Wages	24,500	24,900	24,897	3
Other Expenses	3,570	3,770	3,747	23
Tax Assessment Administration:				
Salaries and Wages	20,900	20,900	20,885	15
Other Expenses	1,703	1,903	1,870	33
Legal Services (Legal Dept.):				
Other Expenses	63,050	63,050	36,796	26,254
Engineering Services:				
Other Expenses	30,000	24,000	17,471	6,529
Historical Sites Office:				
Other Expenses	2,500	2,500	2,401	99

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

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 2

<u>OPERATIONS-Within "CAPS"</u>	<u>APPROPRIATION</u>		<u>EXPENDED</u>	
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED CANCELLED</u>
LAND USE ADMINISTRATION:				
Planning Board:				
Salaries and Wages	7,400	7,400	7,381	19
Other Expenses	5,000	5,000	2,217	2,783
Zoning Board of Adjustment:				
Salaries and Wages	7,400	7,400	7,381	19
Other Expenses	3,089	3,089	2,007	1,082
Zoning Officer:				
Salaries and Wages	10,450	10,450	8,803	1,647
Other Expenses			0	
CODE ENFORCEMENT AND ADMINISTRATION:				
Uniform Construction Code Enforcement Functions:				
Fire Prevention Bureau:				
Salaries and Wages	6,075	6,075	3,491	2,584
Other Expenses	860	1,060	1,044	16

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

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 3

<u>OPERATIONS-Within "CAPS"</u>	<u>APPROPRIATION</u>	<u>EXPENDED</u>	<u>RESERVED</u>	<u>CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	
INSURANCE:				
Unemployment Insurance	3,100	3,100	2,809	291
General Liability Insurance	101,000	103,006	103,006	
Employee Group Insurance	146,000	146,000	137,928	8,072
PUBLIC SAFETY FUNCTIONS:				
Office of Emergency Management:				
Salaries and Wages	10,000	10,000	5,335	4,665
Other Expenses	3,000	3,000	2,384	616
Aid to Volunteer Fire Companies	52,000	52,000	52,000	
Contribution to First Aid Organizations	15,000	2,600	0	2,600
Municipal Prosecutor's Office:				
Other Expenses	11,750	11,750	9,950	1,800
PUBLIC WORKS FUNCTIONS:				
Streets and Road Maintenance:				
Salaries and Wages	180,000	180,000	169,012	10,988
Other Expenses-(Emergency Appropriation \$35,000)	160,000	189,100	187,991	1,109
Solid Waste Collection(Recycling Program):				
Salaries and Wages	6,120	6,120	3,067	3,053
Other Expenses	5,000	5,000	2,070	2,930
Buildings and Grounds:				
Salaries and Wages	7,180	7,180	6,892	288
Other Expenses	25,885	31,885	31,876	9
Vehicle Maintenance (Including Police Vehicles):				
Other Expenses	7,500	19,500	18,972	528

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

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 4

<u>OPERATIONS-Within "CAPS"</u>	<u>APPROPRIATION</u>	<u>EXPENDED</u>	<u>RESERVED</u>	<u>CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	
HEALTH AND HUMAN SERVICES FUNCTIONS:				
Environmental Health Services:				
Other Expenses	300	300	20	280
Animal Control Services:				
Salaries and Wages	6,150	6,150	6,042	108
Other Expenses	400	400	-	400
Contribution to Social Services Agencies:				
Senior Citizens Centers	9,000	9,000	9,000	
PARK AND RECREATION FUNCTIONS:				
Recreation Services and Programs:				
Salaries and Wages	14,535	14,535	14,174	361
Other Expenses	15,400	16,620	16,620	
OTHER COMMON OPERATING FUNCTIONS:				
(Unclassified):				
Celebration of Public Events	2,000	2,000	0	2,000
UTILITY EXPENSES AND BULK PURCHASES:				
Electricity	10,750	10,750	7,941	2,809
Street Lighting	12,800	12,800	10,230	2,570
Telephone (excluding equipment acquisition)	16,500	16,500	15,726	774
Gas (natural or propane)	11,000	11,000	10,215	785
Fuel Oil	7,500	11,500	10,003	1,497
Gasoline			0	

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

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 5

	<u>APPROPRIATION</u>		<u>EXPENDED</u>	
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED CANCELED</u>
MUNICIPAL COURT:				
Salaries and Wages	145,000	145,000	144,393	607
Other Expenses	14,000	14,600	14,446	154
Total Operations - Within "CAPS "	1,398,849	1,433,849	1,317,325	116,524
Detail:				
Salaries and Wages	572,290	572,690	538,546	34,144
Other Expenses	826,559	861,159	778,779	82,380
DEFERRED CHARGES AND STATUTORY EXPENDITURES Within "CAPS":				
Deferred Charges:				
Emergency Appropriations	43,000	43,000	43,000	
Statutory Expenditures :				
Social Security System (O.A.S.I.)	46,000	46,000	41,962	4,038
Contribution to PERS	49,407	49,407	44,657	4,750
Total Deferred Charges and Statutory Expenditures-within "CAPS"	138,407	138,407	129,619	8,788
Total General Appropriations for Municipal Purposes Within "CAPS"	1,537,256	1,572,256	1,446,944	125,312
OPERATIONS-EXCLUDED from " CAPS"				
Employee Insurance			0	
Police Dispatch/911:				
Salaries and Wages	1,730	1,730	1,725	5
Total Other Operations-Excluded from "CAPS"	1,730	1,730	1,725	5

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

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 6

	<u>APPROPRIATION</u>	<u>EXPENDED</u>	<u>RESERVED</u>	<u>CANCELLED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	
Public and Private Programs Offset by Revenues- Excluded from "CAPS"				
Matching Share for Grants	15,000	15,000		15,000
Clean Communities Program:				
Other Expenses	9,876	9,876	9,876	
Municipal Drug Alliance Program:				
State Share	3,916	3,916	3,916	
Local Share	1,305	1,305	1,305	
Recycling Tonnage Grant:				
Other Expenses	1,501	1,501	1,501	
NJ Dept Environ Protection:				
Other Expenses		350,000	350,000	
Wastewater Grant:				
Other Expenses		10,000	10,000	
Total Public and Private Programs Offset by Revenues-Excluded from "CAPS"	31,598	391,598	376,598	15,000
Total Operations-Excluded from "CAPS"	33,328	393,328	378,323	15,005
Detail:				
Salaries and Wages	1,730	1,730	1,725	
Other Expenses	31,598	391,598	376,598	15,000
Capital Improvements-Excluded from "CAPS":				
Capital Improvement Fund	50,000	50,000	50,000	
Total Capital Improvements	50,000	50,000	50,000	
Municipal Debt Service-Excluded from "CAPS":				
Payment of Notes	293,615	293,615	273,276	\$ 20,339
Payment of Interest on Bonds	19,500	19,500	19,049	451
Green Trust Loan Program:				
Loan Payments for Principal and Interest	9,741	9,741	9,740	1
Total Municipal Debt Service	322,856	322,856	302,065	- 20,791

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

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 7

	<u>APPROPRIATION</u>		<u>EXPENDED</u>		
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	<u>CANCELED</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	406,184	766,184	730,388	15,005	20,791
Subtotal General Appropriations	1,943,440	2,338,440	2,177,332	140,317	20,791
Reserve For Uncollected Taxes	553,313	553,313	553,313		
TOTALS	\$ 2,496,753	\$ 2,891,753	\$ 2,730,645	\$ 140,317	\$ 20,791

A-2

A

A-1

Appropriation(40A:4-87)	\$ 360,000
Emergency Appropriation	35,000
Budget	<u>2,496,753</u>
	<u>\$ 2,891,753</u>

REF.

Reserve for State Grants	A-20	\$ 375,293
Capital Improvement Fund	C	50,000
Reserve for Encumbrances	A-11	1,752,039
Reserve for Uncollected Taxes	A-2	<u>553,313</u>
		<u>\$ 2,730,645</u>

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

TRUST FUND
COMPARATIVE BALANCE SHEET

B

ASSETS	<u>REF.</u>	<u>BALANCE</u> <u>12/31/14</u>	<u>BALANCE</u> <u>12/31/13</u>
Dog License Fund:			
Cash and Cash Equivalents	B-2	\$ 16,710	\$ 11,460
Total Dog License Fund		<u>16,710</u>	<u>11,460</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-2	1,010,573	888,183
Amount Due from Current Fund	B-6	<u>85</u>	<u>85</u>
Total Other Trust Funds		<u>1,010,658</u>	<u>888,268</u>
TOTAL ASSETS		<u>\$1,027,368</u>	<u>\$ 899,728</u>

LIABILITIES, RESERVES AND FUND BALANCE

Dog License Fund:			
Reserve for Dog Fund Expenditures	B-3	\$ 13,803	\$ 11,456
Amount Due State of New Jersey	B-4	3	4
Amount Due Current Fund	B-5	<u>2,904</u>	<u>-</u>
Total Dog License Fund		<u>16,710</u>	<u>11,460</u>
Other Trust Fund:			
Amount Due to Current Fund	B-6	20,000	-
Reserve for Tax Lien and Premium Deposits	B-7	365,103	267,910
Reserve for Driveway Bond Deposits	B-8	23,586	23,556
Reserve for Escrow Trust Deposits	B-9	9,467	9,475
Reserve for Public Defender Deposits	B-10	9,779	11,266
Reserve for Open Space Tax Trust	B-11	399,403	413,244
Reserve for Developers Escrow Trust Deposits	B-12	89,840	92,095
Reserve for COAH Deposits	B-13	79,981	56,523
Reserve for DUI Deposits	B-14	1,066	1,781
Reserve for Housing Rehabilitation	B-15	<u>12,433</u>	<u>12,418</u>
Total Other Trust Fund		<u>1,010,658</u>	<u>888,268</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$1,027,368</u>	<u>\$ 899,728</u>

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

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

C

ASSETS	<u>REF.</u>	<u>BALANCE</u> <u>12/31/14</u>	<u>BALANCE</u> <u>12/31/13</u>
Cash and Cash Equivalents	C-2	\$ 536,247	\$ 613,256
Deferred Charges to Future Taxation:			
Funded	C-4	-	9,596
Unfunded	C-5	<u>1,298,687</u>	<u>1,512,952</u>
TOTAL ASSETS		<u>\$1,834,934</u>	<u>\$2,135,804</u>

LIABILITIES, RESERVES AND FUND BALANCE

Capital Improvement Fund	C-6	155,323	111,223
Green Acres Trust Loan Program	C-7	0	9,596
Bond Anticipation Notes	C-8	1,186,322	1,389,187
Reserve for:			
Debt Service	C-9	1,979	1,979
Recreation Fund	C-9	1,400	1,400
Fire Protection Fund	C-9	580	580
Improvement Authorizations:			
Funded	C-10	10,368	4,468
Unfunded	C-10	195,684	84,093
Fund Balance	C-1	<u>283,278</u>	<u>533,278</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$1,834,934</u>	<u>\$2,135,804</u>

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

GENERAL CAPITAL FUND
SCHEDULE OF FUND BALANCE

C-1

	<u>REF.</u>	
Balance December 31, 2013	C	\$ 533,278
Decreased by:		
Anticipated as Revenue in Current Fund Budget	C-3	<u>250,000</u>
Balance December 31, 2014	C	<u>\$ 283,278</u>

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

SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET

D

ASSETS	<u>REF.</u>	<u>BALANCE</u> <u>12/31/14</u>	<u>BALANCE</u> <u>12/31/13</u>
Operating Fund:			
Cash and Cash Equivalents	D-4	\$ 327,950	\$ 363,899
TOTAL ASSETS		<u>\$ 327,950</u>	<u>\$ 363,899</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Operating Fund:			
Liabilities:			
Appropriation Reserve	D-3:10	56,953	46,379
Amount Due Current Fund	D-7	-	70,769
Reserve for Repairs & Deficiencies	D-9	<u>184,213</u>	<u>168,818</u>
		241,166	285,966
Fund Balance	D-1	<u>86,784</u>	<u>77,933</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 327,950</u>	<u>\$ 363,899</u>

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

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

D-1

REVENUE AND OTHER INCOME REALIZED	<u>REF.</u>	<u>YEAR</u> <u>12/31/14</u>	<u>YEAR</u> <u>12/31/13</u>
Surplus Anticipated	D-2	\$ 23,000	\$ 5,000
Rents	D-2	207,341	261,341
Operating Deficit - Current Fund	D-2:7	-	25,760
Non-Budget Revenues	D-2	320	402
Other Credits To Income:			
Unexpended Balance of Appropriation Reserves	D-10	46,190	974
Interfund Returns	D-3	-	-
Total Income		<u>276,851</u>	<u>293,477</u>
EXPENDITURES			
Operating	D-3	<u>245,000</u>	<u>308,871</u>
Total Expenditures		<u>245,000</u>	<u>308,871</u>
Excess (Deficit) Revenue Over Expenditures		31,851	(15,394)
Balance January 1	D	<u>77,933</u>	<u>98,327</u>
Decreased by:			
Utilization as Anticipated Revenue	D-1	23,000	5,000
Balance December 31	D	<u>\$ 86,784</u>	<u>\$ 77,933</u>

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

SEWER UTILITY FUND
STATEMENT OF REVENUES

D-2

	<u>REF.</u>	<u>ANTICIPATED BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
Anticipated Surplus-Cash Surplus	D-1	\$ 23,000	\$ 23,000	
Rents	D-5	222,000	207,341	\$ (14,659)
Other Revenues:				
Other Non-Budget Revenues	D-2		320	320
Total Sewer Utility Revenue		<u>\$ 245,000</u>	<u>\$ 230,661</u>	<u>\$ (14,339)</u>

REF.

D-3

D-1

ANALYSIS OF NON-BUDGET REVENUES

REF.

Miscellaneous Revenue Not Anticipated:

Interest on Investments

D-4

\$ 320

\$ 320

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

SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES

D-3

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>	
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>
Salaries and Wages	\$ 8,000	\$ 8,000		\$ 8,000
Other Expenses:				
Other Expenses	39,000	39,000	\$ 10,670	28,330
Other Expenses-Contractual	198,000	198,000	177,377	20,623
Total Sewer Utility Appropriations	<u>\$ 245,000</u>	<u>\$ 245,000</u>	<u>\$ 188,047</u>	<u>\$ 56,953</u>

REF.

D-2

D-4

D

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

PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET

E

ASSETS	REF.	BALANCE 12/31/14	BALANCE 12/31/13
Cash and Cash Equivalents	E-1	\$ 6,583	\$ 6,923
TOTAL ASSETS		<u>\$ 6,583</u>	<u>\$ 6,923</u>

LIABILITIES AND RESERVES

Amount Due Current Fund	\$ 6,000	\$ 6,000
Reserve for Public Assistance	583	923
TOTAL LIABILITIES AND RESERVES	<u>\$ 6,583</u>	<u>\$ 6,923</u>

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

GENERAL FIXED ASSETS
STATEMENT OF GENERAL FIXED ASSETS
DECEMBER 31, 2014

F

	<u>BALANCE</u> <u>12/31/14</u>	<u>BALANCE</u> <u>12/31/13</u>
General Fixed Assets:		
Land	\$ 2,971,338	\$ 2,971,338
Buildings	1,058,694	1,058,694
Improvements Other Than Buildings	366,713	366,713
Machinery and Equipment	2,875,287	2,875,287
Total General Fixed Assets	<u><u>\$ 7,272,032</u></u>	<u><u>\$ 7,272,032</u></u>
Investment In General Fixed Assets	<u><u>\$ 7,272,032</u></u>	<u><u>\$ 7,272,032</u></u>

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

GENERAL LONG-TERM DEBT
STATEMENT OF GENERAL LONG-TERM DEBT
DECEMBER 31, 2013

	G	
	BALANCE	BALANCE
	<u>12/31/14</u>	<u>12/31/13</u>
OTHER DEBTS:		
Amount to be Provided for Retirement of General Long-Term Debt	\$ 30,000	\$ 30,000
Total Amount Available and to be Provided for General Long-Term Debt	<u>\$ 30,000</u>	<u>\$ 30,000</u>
 LONG-TERM LIABILITIES:		
Compensated Absences Payable	\$ 30,000	\$ 30,000
Total General Long-Term Liabilities	<u>\$ 30,000</u>	<u>\$ 30,000</u>

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

PAYROLL AGENCY FUND
COMPARATIVE BALANCE SHEET

H

ASSETS	<u>BALANCE</u> <u>12/31/14</u>	<u>BALANCE</u> <u>12/31/13</u>
Cash and Cash Equivalents	\$ 28,626	\$ 50,301
Due Current Fund	5,206	
TOTAL ASSETS	<u>\$ 33,832</u>	<u>\$ 50,301</u>

LIABILITIES AND RESERVES

Imprest Balances	\$ 33,832	\$ 50,301
TOTAL LIABILITIES AND RESERVES	<u>\$ 33,832</u>	<u>\$ 50,301</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Description of Funds

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

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

Current Fund

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

Trust Funds

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

General Capital Fund

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Description of Funds (Continued)

Sewer Operating and Capital Fund

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

Public Assistance Fund

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

General Fixed Assets Account Group

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

C. Basis of Accounting

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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

Foreclosed Property--Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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

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

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

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

Note 2: CASH AND CASH EQUIVALENTS

Deposits:

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 2: CASH AND CASH EQUIVALENTS (Continued)

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

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

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

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the municipality's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2014, all of the municipality's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The municipality does not have a policy for custodial credit risk.

As of December 31, 2014, cash and cash equivalents of the municipality consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Total</u>
Checking	<u>\$ 3,045,379</u>	<u>\$ 3,045,379</u>

The carrying amount of the municipality's cash and cash equivalents at December 31, 2014, was \$3,045,379 and the bank balance was \$3,044,593. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$334,476 was covered by federal depository insurances and \$2,710,117 was covered by collateral pool.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 2: CASH AND CASH EQUIVALENTS (Continued)

Investments

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

In order to maximize liquidity, the municipality utilizes the New Jersey Cash Management Fund ("NJCMF") as its sole investments. The NJCMF is administered by the New Jersey Department of Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At December 31, 2014, the municipality's balance was \$ 27,433

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

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

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

Note 3: LONG-TERM DEBT

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: LONG-TERM DEBT (Continued)

The Township debt is summarized as follows:

	Beginning Balance	Issued	Paid	Ending Balance
Long Term Debt:				
Bond Anticipation Notes	\$ 1,389,187	\$ 123,500	\$ 326,365	\$ 1,186,322
Green Acres Loan Programs	9,596		9,596	-
Compensated absences payable				None
Total Long-Term Debt	\$ 1,398,783	123,500	\$ 335,961	\$ 1,186,322

Summary of Municipal Debt

	YEAR <u>2014</u>	YEAR <u>2013</u>	YEAR <u>2012</u>
Issued			
General:			
Bonds and Notes	\$ 1,186,322	\$ 1,398,783	\$ 1,561,163
Total Deductions	NONE	NONE	NONE
Net Debt Issued	1,186,322	1,398,783	1,561,163
<u>Authorized But Not Issued</u>			
Total Authorized But Not Issued	112,365	123,765	210,805
Net Bonds and Notes Issued and Authorized But Not Issued			
	\$ 1,298,687	\$ 1,522,548	\$ 1,771,968

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.42%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	None	None	
Regional School District Debt	None	None	
General Debt	\$ 1,298,687	-	\$ 1,298,687
	\$ 1,298,687	\$ -	\$ 1,298,687

Net Debt \$ 1,298,687 Divided by Equalized Valuation Basis per
N.J.S.A. 40A:2-2 as amended, \$ 308,889,752 equals 0.420%

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 10,811,141
Net Debt	1,298,687
Remaining Borrowing Power	<u>\$ 9,512,454</u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: LONG-TERM DEBT (Continued)

Bond Anticipation Notes

The Township has outstanding at December 31, 2014, a bond anticipation note in the amount of \$1,186,322 payable to PNC Bank, N.A. This note matures on April 27, 2015. The interest rate on the note was 0.86%. Principal and interest on these notes are paid from the current fund budget of the Township and the open space trust fund.

	<u>Debt Outstanding</u>
Total General Capital Loans-Above	<u>\$1,186,322</u>

Note 4: GENERAL FIXED ASSETS

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

	<u>Balance 1/1/14</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance 12/31/14</u>
Land	\$ 2,971,338	-		\$ 2,971,338
Buildings	1,058,694	-	-	1,058,694
Improvements Other Than Building	366,713	-	-	366,713
Equipment	2,875,287	-	-	2,875,287
	<u>\$ 7,272,032</u>	-	-	<u>\$ 7,272,032</u>

Note 5: FUND BALANCES APPROPRIATED

Fund Balances at December 31, 2014, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2015, were as follows:

Current Fund	\$265,457
Sewer Utility Fund	\$23,000

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2014, the Township recorded the following deferred charges which are included in the following budgets:

	<u>Balance</u> <u>12/31/13</u>	<u>Raised in</u> <u>2014</u> <u>Budget</u>	<u>Added</u> <u>2014</u>	<u>Balance to</u> <u>Succeeding</u> <u>Budgets</u>
Emergency Appropriations Approved	\$ 43,000	\$ 43,000	\$ 35,000	\$ 35,000
	<u>\$ 43,000</u>	<u>\$ 43,000</u>	<u>\$ 35,000</u>	<u>\$ 35,000</u>

The appropriations in the 2015 Budget are not less than that required by statute.

Note 7: SCHOOL TAXES

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

	TOTAL DEFERRED TAX <u>12/31/14</u>	LOCAL DISTRICT <u>SCHOOL TAX</u> BALANCE <u>12/31/14</u>	BALANCE <u>12/31/13</u>	TOTAL DEFERRED TAX <u>12/31/13</u>	REGIONAL <u>HIGH SCHOOL TAX</u> BALANCE <u>12/31/14</u>	BALANCE <u>12/31/13</u>
Balance of Tax		\$ 1,133,333	\$ 1,317,000		\$ 1,053,494	\$ 1,071,181
Deferred		<u>1,297,721</u>	<u>1,297,721</u>		<u>1,031,141</u>	<u>1,031,141</u>
Tax Payable		<u>\$ (164,388)</u>	<u>\$ 19,279</u>		<u>\$ 22,353</u>	<u>\$ 40,040</u>
Tax Deferred	<u>\$ 2,328,862</u>			<u>\$ 2,328,862</u>		

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 8: PENSIONS

Description of Plans - All required employees of the Township are covered by the Public Employees' Retirement System which has been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, obligations of the System will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

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

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

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

Significant Legislation - Legislation enacted during the year ended June 30, 1997, (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Township's normal contributions to the Fund may be reduced based on the revaluation of assets.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 8: PENSIONS (Continued)

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

<u>Three-Year Trend Information for PERS</u>			
Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>Funding</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
2014	\$44,657	100%	-0-
2013	\$51,776	100%	-0-
2012	\$54,937	100%	-0-

Note 9: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2013, there were 100,134 retirees receiving post-retirement medical benefits, and the State contributed \$1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 10: ACCRUED SICK AND VACATION BENEFITS

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

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

Note 11: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

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

Note 12: OTHER REQUIRED DISCLOSURES

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

- A. Summary disclosures of debt service requirements for all types of outstanding debt. This requirement is met by Note 3.
- B. Summary disclosures of changes in general fixed assets by major asset class. This requirement is met by Note 4.
- C. Summary disclosures of changes in general long-term debt. This requirement is met by Note 3.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 12: OTHER REQUIRED DISCLOSURES (Continued)

- D. Excesses of expenditures over appropriations in individual funds. There were no excess of expenditures over appropriations in any of the individual funds where budgets were required or employed as a management control device.
- E. Deficit fund balances or retained earnings balances of individual funds. There were no deficits in fund balances or retained earnings in any of the individual funds, except as noted in Note 6.
- F. Individual fund interfund receivable and payable balances. All interfund receivable and payable balances outstanding at the beginning of the fiscal period were fully liquidated during the fiscal period, with the following exceptions outstanding at December 31, 2014:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Current Fund	\$ 28,904	\$ 5,291
Dog Fund	-	2,904
Public Assistance Fund	-	6,000
Other Trust Funds	85	20,000
Payroll Agency Trust Fund	<u>5,206</u>	<u>-</u>
	<u>\$ 34,195</u>	<u>\$ 34,195</u>

Note 13: RISK FINANCING

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

Note 14: OTHER POST-RETIREMENT BENEFITS

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 14: OTHER POST-RETIREMENT BENEFITS - (Continued)

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

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb-43-sept2013.pdf.

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

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

The Knowlton Township contributions to SHBP for the years ended December 31, 2014, 2013, and 2012, were \$34,566, \$40,081, and \$20,742 respectively, which equaled the required contributions for each year. There were approximately one retired participant eligible at December 31, 2014, 2013, and 2012.

PART I I
SUPPLEMENTARY INFORMATION

CURRENT FUND SCHEDULES

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

A-4

	<u>REF.</u>	<u>CURRENT FUND</u>		<u>GRANTS</u>
Balance December 31, 2013	A	\$ 926,232		\$ 126,355
Increased by Receipts:				
Miscellaneous Revenue Not Anticipated	A-2	\$ 51,771		
Interfund Returns - Grant Collector	A-5	146,188	\$ 175,000	
Revenue Accounts Receivable	A-9	8,425,003		
Senior Citizens/Veterans Deductions	A-18	774,868		
Interfund Returns - Sewer	D	23,500		
Amount Due Payroll Fund	H	70,769		
Federal/State Grant Funds	A-19:22	5,206		
		<u>(2,568)</u>	<u>350,994</u>	<u>525,994</u>
		9,494,737		
		10,420,969		652,349
Decreased by Disbursements:				
Interfund Advances - Grant	A	175,000	146,188	
Amount Due Other Trust Fund	B	20,000		
Prior Year Appropriation Reserve	A-10	11,430		
Reserve for Encumbrances	A-11	1,755,871		
County Taxes	A-14	2,370,582		
Local District School Tax	A-15	2,869,667		
Regional District School Tax	A-16	2,124,715		
Transfer to Municipal Open Space Trust	A-17	51,827		
Federal/State Grant Funds	A-20	1,413	400,502	546,690
		<u>9,380,505</u>	<u>400,502</u>	<u>546,690</u>
Balance December 31, 2014	A	<u>\$ 1,040,464</u>		<u>\$ 105,659</u>

CURRENT FUND
SCHEDULE OF CASH - COLLECTOR

A-5

REF.

Received:

Interest and Costs on Taxes	A-2	\$ 112,671	
Taxes Receivable	A-6	8,227,526	
Tax Titile Liens	A-7	16,695	
Tax Overpayments	A-13	15,960	
2015 Prepaid Taxes	A-12	<u>52,151</u>	<u>\$ 8,425,003</u>

Decreased by Disbursements:

Payments to Treasurer	A-4		<u>\$ 8,425,003</u>
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CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

A-7

	<u>REF.</u>		
Balance December 31, 2013	A		\$ 200,385
Increased by:			
Transfers from Taxes Receivable	A-6	\$ 123,474	
Added		12,972	
Interest and Costs		<u>58,921</u>	<u>195,367</u>
			<u>395,752</u>
Decreased by:			
Canceled		2,075	
Payments Received	A-5	<u>16,695</u>	<u>18,770</u>
Balance December 31, 2014	A		<u><u>\$ 376,982</u></u>

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

A-8

	<u>REF.</u>	
Balance December 31, 2013	A	<u>\$ 664,500</u>
Balance December 31, 2014	A	<u>\$ 664,500</u>

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

A-9

	<u>REF.</u>	<u>BALANCE</u> <u>12/31/13</u>	<u>ACCRUED</u> <u>IN 2014</u>	<u>COLLECTED</u> <u>BY</u> <u>TREASURER</u>	<u>BALANCE</u> <u>12/31/14</u>
Clerk:					
Licenses:					
Alcoholic Beverages	A-2		\$ 4,267	\$ 4,267	
Other Fees and Licenses	A-2		7,904	7,904	
Municipal Court:					
Fines and Costs	A-2	\$ 5,713	131,636	131,046	\$ 6,303
Energy Receipts Tax	A-2		264,368	264,368	
Reserve for Garden State Trust	A-2		23,118	23,118	
Cell Tower Lease	A-2		91,818	91,818	
Capital Fund Balance	A-2		250,000	250,000	
NJ Hotel Tax	A-2		2,347	2,347	
Totals		<u>\$ 5,713</u>	<u>\$ 775,458</u>	<u>\$ 774,868</u>	<u>\$ 6,303</u>
REF.		A		A-4	A

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2013

A-10

	<u>BALANCE</u>	<u>BALANCE</u>	<u>PAID OR</u>	<u>BALANCE</u>
	<u>12/31/12</u>	<u>AFTER</u>	<u>CHARGED</u>	<u>LAPSED</u>
Mayor and Council:				
Other Expenses	\$ 19	-		-
Municipal Clerk:				
Other Expenses	778	\$ 138	\$ 138	-
Financial Admin:				
Other Expenses	228	390	390	-
Computerized Data Processing:				
Other Expenses	111	-	-	-
Legal Services:				
Other Expenses	19,884	15,883	2,115	\$ 13,768
Engineering Services:				
Other Expenses	328	-	-	-
Planning Board:				
Other Expenses	-	367	367	-
Zoning Officer:				
Other Expenses	7	158	158	-
Road Maintenance:				
Other Expenses	-	5,994	5,994	-
Solid Waste:				
Other Expenses	49	49	49	-
Buildings and Grounds:				
Other Expenses	-	125	125	-
Vehicle Maintenance:				
Other Expenses	1,117	298	298	-
Recreation:				
Other Expenses	-	212	212	-
Electricity	539	502	502	-
Street Lighting	1,488	-	-	-
Fuel Oil	650	698	698	-
Gasoline	-	282	282	-
Municipal Court:				
Other Expenses	-	102	102	-
Other Accounts - No Change	15,315	15,315		15,315
TOTALS	\$ 40,513	\$ 40,513	\$ 11,430	\$ 29,083

REF.

A

A-4

A-1

CURRENT FUND
SCHEDULE OF RESERVE FOR ENCUMBRANCES

A-11

REF.

Increased by:

Additions/Canceled		\$ 3,832	
Transfer from Current Year Appropriations	A-3	<u>1,752,039</u>	<u>\$ 1,755,871</u>
			1,755,871

Decreased by:

Cash Disbursements	A-4		<u>\$ 1,755,871</u>
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CURRENT FUND
SCHEDULE OF TAXES COLLECTED IN ADVANCE

A-12

	<u>REF.</u>	
Balance December 31, 2013	A	\$ 89,927
Increased by:		
2015 Taxes Collected in Advance	A-5	<u>52,151</u> 142,078
Decreased by:		
Applied to 2014 Taxes Receivable	A-6	<u>89,927</u>
Balance December 31, 2014	A	<u>\$ 52,151</u>

CURRENT FUND
SCHEDULE OF TAX OVERPAYMENTS

A-13

	<u>REF.</u>	
Balance December 31, 2013	A	\$ 21,066
Increased by:		
Added	A-5	<u>15,960</u>
		37,026
Decreased by:		
Applied	A-6	<u>1,204</u>
Balance December 31, 2014	A	<u>\$ 35,822</u>

CURRENT FUND
SCHEDULE OF COUNTY TAXES PAYABLE

A-14

	<u>REF.</u>		
Balance December 31, 2013	A	\$	3,819
Increased by:			
2014 Levy:			
County Taxes	A-1:6	\$	2,064,884
County Library Taxes	A-1:6		163,802
County Open Space Tax	A-1:6		138,077
Prior Year Added and Omitted Taxes	A-1:6		<u>2,022</u>
			<u>2,368,785</u>
			2,372,604
Decreased by:			
Payments	A-4		<u>2,370,582</u>
Balance December 31, 2014	A	\$	<u><u>2,022</u></u>

CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

A-15

	<u>REF.</u>		
Balance December 31, 2013:			
School Tax Payable	A	\$ 19,279	
School Tax Deferred		<u>1,297,721</u>	\$ 1,317,000
Increased by:			
Levy - School Year July 1, 2014 to June 30, 2015	A-6		<u>2,686,000</u>
			4,003,000
Decreased by:			
Payments	A-4		<u>2,869,667</u>
Balance December 31, 2014:			
School Tax Payable	A	(164,388)	
School Tax Deferred		<u>1,297,721</u>	<u>\$ 1,133,333</u>
2014 Liability for Local District School Tax:			
Tax Paid			\$ 2,869,667
Tax Payable 12/31/14			<u>1,133,333</u>
			4,003,000
Add -- Prepaid School Tax			164,388
Less -- Tax Payable 12/31/13			<u>1,317,000</u>
Amount Charged to 2014 Operations	A-1		<u>\$ 2,850,388</u>

CURRENT FUND
SCHEDULE OF REGIONAL DISTRICT SCHOOL TAX PAYABLE

A-16

REF.

Balance December 31, 2013:

School Tax Payable	\$ 40,040	
School Tax Deferred	<u>1,031,141</u>	\$ 1,071,181

Increased by:

Levy - School Year July 1, 2014 to June 30, 2015	A-6	<u>2,107,028</u>
		3,178,209

Decreased by:

Payments	A-4	<u>2,124,715</u>
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Balance December 31, 2014:

School Tax Payable	A	22,353
School Tax Deferred		<u>1,031,141</u>
		<u>\$ 1,053,494</u>

2014 Liability for Local District School Tax:

Tax Paid		\$ 2,124,715
Tax Payable 12/31/14		<u>1,053,494</u>
		3,178,209

Less -- Tax Payable 12/31/13		<u>1,071,181</u>
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Amount Charged to 2014 Operations

	A-1	<u>\$ 2,107,028</u>
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CURRENT FUND
SCHEDULE OF MUNICIPAL OPEN SPACE TAX

A-17

	<u>REF.</u>	
Balance December 31, 2013	A	\$ 85
Increased by:		
Levy - 2014	A-6	<u>51,827</u>
		51,912
Decreased by:		
Transfer to Municipal Open Space Trust Fund	A-4	<u>51,827</u>
Balance December 31, 2014	A	<u>\$ 85</u>

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

A-18

	<u>REF.</u>		
Balance December 31, 2013	A	\$	853
Increased by:			
Senior Citizens Deductions Disallowed by Tax Collector			
Received in Cash From State	A-4	\$ <u>23,500</u>	<u>23,500</u>
			24,353
Decreased by:			
Senior Citizens Deductions per Tax Billings		3,500	
Veterans Deductions per Tax Billings		19,750	
Senior Citizens Deductions Allowed by Tax Collector		<u>250</u>	<u>23,500</u>
Balance December 31, 2014	A	\$	<u>853</u>

CURRENT FUND
SCHEDULE OF FEDERAL/STATE GRANTS RECEIVABLE

A-19

<u>PURPOSE</u>	<u>BALANCE</u> <u>12/31/13</u>	<u>RECEIVABLE</u>	<u>RECEIVED</u>	<u>BALANCE</u> <u>12/31/14</u>
Clean Community Program		\$ 9,876	\$ 9,876	
NJ DOT - Guide Rails	\$ 11,498			\$ 11,498
NJDEP Grant		350,000	105,000	245,000
Wastewater Grant		10,000		10,000
Open Space - Green Acres	325,000			325,000
Municipal Alliance Program	988	3,916	4,904	-
State Historic Grant	107,799		51,655	56,144
Warren County Preservation Grant	290,727		169,501	121,226
DCA-Recreation for Individuals With Disabilities	7,500		7,490	10
Totals	\$ 743,512	\$ 373,792	\$ 348,426	\$ 768,878
REF.	A	A-2	A-4	A

CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR STATE GRANTS

A-20

	<u>BALANCE</u> <u>12/31/13</u>	<u>TRANSFER</u> <u>FROM</u> <u>2014 BUDGET</u> <u>APPROPRIATIONS</u>	<u>ADDED TO</u> <u>2014 BUDGET</u> <u>APPROPRIATIONS</u> <u>N.J.S. 40A:4-87</u>	<u>EXPENDED</u>	<u>BALANCE</u> <u>12/31/14</u>
Clean Communities Program	\$ 34,156	\$ 9,876		\$ 9,011	\$ 35,021
Municipal Alliance Program - State	345	3,916		4,261	-
Municipal Alliance Program - Local	202	1,305		1,507	-
Warren County Historic Grant	36,603			1,813	34,790
Wastewater Grant	-		\$ 10,000		10,000
NJDEP Grant	-		350,000		350,000
NJDOT Grant - Guide Rails	18,163				18,163
State Historic Grant	123,492			104,573	18,919
NJ Clean Energy Grant	6,617				6,617
Open Space Grant - Green Acres	325,000				325,000
Recycling Tonnage Grant	2,324	1,501		3,825	-
Warren County Preservation Grant	298,883			276,925	21,958
Totals	\$ 845,785	\$ 16,598	\$ 360,000	\$ 401,915	\$ 820,468
	A	A-3	A-3	A-4	A

CURRENT FUND
SCHEDULE OF RESERVE FOR SMALL CITIES PROGRAM

A-21

	<u>REF.</u>	
Balance December 31, 2013	A	\$ 52,041
Balance December 31, 2014	A	<u>\$ 52,041</u>

CURRENT FUND
SCHEDULE OF UNAPPROPRIATED RESERVES FOR STATE GRANTS

A-22

	<u>BALANCE</u> <u>12/31/13</u>	TRANSFER To 2014 BUDGET <u>APPROPRIATIONS</u>	<u>RECEIVED</u>	<u>BALANCE</u> <u>12/31/14</u>
Recycling Grant	\$ 1,501	\$ 1,501	\$ 1,328	\$ 1,328
Clean Communities			700	700
Totals	<u>1,501</u>	<u>1,501</u>	<u>\$ 2,028</u>	<u>\$ 2,028</u>
	A	A-21	A-4	A

TRUST FUND SCHEDULES

TRUST FUND
SCHEDULE OF CASH - TREASURER

B-2

		<u>DOG</u>	
	<u>REF.</u>	<u>LICENSES</u>	<u>OTHER</u>
Balance December 31, 2013	B	\$ 11,460	\$ 888,183
Increased by Receipts:			
Dog License Fees	B-3	8,563	
State Dog License Fees	B-4	1,033	
Amount Due Current Fund/General Capital Fund	B-5:6	12,020	20,000
Tax Lien and Premium Deposits	B-7		187,999
Driveway Bond Deposits	B-8		30
Escrow Trust Deposits	B-9		4
Public Defender Deposits	B-10		2,113
Open Space Deposits	B-11		79,375
Escrow Deposits	B-12		5
COAH Deposits	B-13		29,569
DUI Deposits	B-14		2
Housing Rehabilitation Deposits	B-15		15
Total Receipts		<u>21,616</u>	<u>319,112</u>
		<u>33,076</u>	<u>1,207,295</u>
Decreased by Disbursements:			
Administrative Expenses	B-3	3,332	
State Dog License Fees	B-4	1,034	
Amount Due Current Fund	B-5:6	12,000	
Tax Lien and Premium Redemptions	B-7		90,806
Escrow Trust Disbursements	B-9		12
Public Defender Payments	B-10		3,600
Open Space Payments	B-11		93,216
Escrow Trust Refunds	B-12		2,260
COAH Payments	B-13		6,111
DUI Refunds	B-14		717
Total Disbursements		<u>16,366</u>	<u>196,722</u>
Balance December 31, 2014	B	<u>\$ 16,710</u>	<u>\$ 1,010,573</u>

TRUST FUND
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

B-3

	<u>REF.</u>	
Balance December 31, 2013	B	\$11,456
Increased by:		
Dog License Fees Collected	B-2	<u>8,563</u> 20,019
Decreased by:		
Statutory Excess Due Current Fund	B-5	\$ 2,884
Administrative Expenses	B-2	<u>3,332</u> <u>6,216</u>
Balance December 31, 2014	B	<u>\$13,803</u>

DOG FEES COLLECTED

CY 2012		\$ 5,730
CY 2013		<u>8,073</u>
		<u>\$13,803</u>

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

B-4

	<u>REF.</u>	
Balance December 31, 2013	B	\$ 4
Increased by:		
Collected in 2014:		
State Board of Health Fees	B-2	<u>\$ 1,033</u>
		1,037
Decreased By:		
Payments	B-2	<u>1,034</u>
Balance December 31, 2014	B	<u>\$ 3</u>

TRUST FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND
DOG LICENSE FUND

B-5

REF.

Increased by:

Interfund Advanced	B-2	\$ 12,000	
Interest Credits	B-2	20	
Statutory Excess	B-3	<u>2,884</u>	<u>\$ 14,904</u>
			14,904

Increased by:

Interfund Returned	B-2		<u>12,000</u>
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Balance December 31, 2014	B		<u>\$ 2,904</u>
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TRUST FUND
SCHEDULE OF AMOUNT DUE OTHER FUNDS
OTHER TRUST FUND

B-6

	<u>REF.</u>	DUE TO/(FROM) CURRENT <u>FUND</u>
Balance December 31, 2013	B	\$ (85)
Increased by:		
Interfunds Advanced	B-2	<u>20,000</u> <u>19,915</u>
Balance December 31, 2014	B	<u>\$ 19,915</u>

ANALYSIS OF BALANCE

Tax Liens	\$ 20,000
Municipal Open Space	<u>(85)</u>
	<u>\$ 19,915</u>

TRUST FUND
SCHEDULE OF RESERVE FOR TAX LIEN REDEMPTIONS AND PREMIUMS

B-7

	<u>REF.</u>		
Balance December 31, 2013	B		\$ 267,910
Increased by:			
Premium Deposits	B-2	\$103,100	
Interest Credits	B-2	547	
Outside Lien Deposits	B-2	<u>84,352</u>	<u>187,999</u>
			455,909
Increased by:			
Tax Premiums Returned	B-2	90,100	
Outside Lien Redemptions	B-2	<u>706</u>	<u>90,806</u>
Balance December 31, 2014	B		<u>\$ 365,103</u>

ANALYSIS OF BALANCE

Tax Sale Premiums			\$ 117,060
Outside Tax Liens			<u>248,043</u>
			<u>\$ 365,103</u>

TRUST FUND
SCHEDULE OF RESERVE FOR DRIVEWAY BOND DEPOSITS
TRUST DEPOSITS

B-8

	<u>REF.</u>	
Balance December 31, 2013	B	\$ 23,556
Increased by:		
Bond Deposits	B-2	<u> 30</u> 23,586
Balance December 31, 2014	B	<u>\$ 23,586</u>

TRUST FUND
SCHEDULE OF RESERVE FOR ESCROW TRUST FUND DEPOSITS

B-9

	<u>REF.</u>	
Balance December 31, 2013	B	\$ 9,475
Increased by:		
Escrow Deposits	B-2	<u>4</u> 9,479
Refunded by:		
Service Charges	B-2	<u>12</u>
Balance December 31, 2014	B	<u>\$ 9,467</u>

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

B-10

	<u>REF.</u>	
Balance December 31, 2013	B	\$ 11,266
Increased by:		
Public Defender Deposits	B-2	<u>2,113</u> 13,379
Decreased by:		
Payments	B-2	<u>3,600</u>
Balance December 31, 2014	B	<u><u>\$ 9,779</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR MUNICIPAL OPEN SPACE DEPOSITS

	B	B-11
Balance December 31, 2013	B	\$ 413,244
Increased by:		
2014 Tax Levy	B-2	\$ 51,827
Interfund Advances	B-2	
Soft Cost Reimbursement	B-2	27,313
Interest Credits	B-2	<u>235</u>
		<u>79,375</u>
		492,619
Decreased by:		
Open Space Debt Service	B-2	53,089
Liquidate Interfund	B-2	20,164
Payments - Open Space Expenditures	B-2	<u>19,963</u>
		<u>93,216</u>
Balance December 31, 2014	B	<u>\$ 399,403</u>

TRUST FUND
SCHEDULE OF RESERVE FOR DEVELOPERS ESCROW DEPOSITS

B-12

	<u>REF.</u>	
Balance December 31, 2013	B	\$ 92,095
Increased By:		
Escrow Deposits	B-2	<u> 5</u> 92,100
Decreased by:		
Escrow Payments	B-2	<u> 2,260</u>
Balance December 31, 2014	B	<u>\$ 89,840</u>

TRUST FUND
SCHEDULE OF RESERVE FOR COAH DEPOSITS

B-13

	<u>REF.</u>		
Balance December 31, 2013	B	\$	56,523
Increased By:			
Interest Credits	B-2	\$	73
COAH Deposits	B-2	<u>29,496</u>	<u>29,569</u>
			86,092
Decreased By:			
COAH Payments - Administrative Costs	B-2		<u>6,111</u>
Balance December 31, 2014	B	\$	<u>79,981</u>

TRUST FUND
SCHEDULE OF RESERVE FOR DUI DEPOSITS

B-14

	<u>REF.</u>	
Balance December 31, 2013	B	\$ 1,781
Increased By:		
Deposits	B-2	<u>2</u> 1,783
Decreased by:		
Refunds	B-2	<u>717</u>
Balance December 31, 2014	B	\$ <u>1,066</u>
Frelinghuysen		\$ 1,065
Hardwick		<u>1</u> <u>\$ 1,066</u>

TRUST FUND
SCHEDULE OF RESERVE FOR HOUSING REHABILITATION

B-15

	<u>REF.</u>	
Balance December 31, 2013	B	\$ 12,418
Increased By:		
Interest Credits	B-2	<u>15</u> 12,433
Balance December 31, 2014	B	<u>\$ 12,433</u>

GENERAL CAPITAL FUND SCHEDULES

GENERAL CAPITAL FUND
SCHEDULE OF CASH -TREASURER

C-2

	<u>REF.</u>		
Balance December 31, 2013	C		\$ 613,256
Increased by Receipts:			
Interfund Returned	C-3	\$ 498,200	
Interest Credits	C-3	<u>300</u>	<u>498,500</u>
			1,111,756
Decreased by Disbursements:			
Interfund Advanced	C-3	575,000	
Improvements Authorizations Paid	C-10	<u>509</u>	<u>575,509</u>
Balance December 31, 2014	C		<u>\$ 536,247</u>

GENERAL CAPITAL FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND

C-3

REF.

Increased by:

Bond Anticipation Note Proceeds Received in Current Fund	C-8	\$ 123,500	
Interfunds Advanced	C-2	575,000	
Current Fund Budget Appropriation- Capital Improvement Fund	C-6	<u>50,000</u>	<u>\$ 748,500</u>
			748,500

Decreased by:

Fund Balance Due Current - Anticipated as Revenue	C-1	250,000	
Interfunds Returned	C-2	498,200	
Accrued Interest Payable	C-2	<u>300</u>	<u>\$ 748,500</u>

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

	C-4
	<u>REF.</u>
Balance December 31, 2013	C \$ 9,596
Decreased by:	
2014 Budget Appropriations	C-7 \$ <u>9,596</u>

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

C-5

ANALYSIS OF BALANCE

ORDINANCE DATE	ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE 12/31/13	2014 AUTHORIZATIONS	NOTES PAID BY BUDGET APPROPRIATION	BALANCE 12/31/14	DEBT AUTHORIZED NOT ISSUED	DEBT ISSUED
9/26/02	02-14	Acquisition of Development Rights for Farm Preservation	\$ 265			\$ 265	\$ 265	
4/12/04	04-5	Acquisition of Dump Truck	9,000		\$ 9,000	-		
4/12/04	04-2	Acquisition of Land for Open Space Purposes	120,000		120,000	-		
12/11/06	06-13	Guard Rails, Loader, Blower, Road Resurface, Carpet, Copier, Fire Pumper	385,748		96,438	289,310		\$ 289,310
12/11/07	07-15	Guard Rails, Flail Mower, Pick-up & plow, Spreader, Ambulance, Phone System,, Rec. Mower, Imps to Rec. Bldg, Paving Co-op	239,188		47,838	191,350		191,350
6/8/09	09-02	Open Space Preservation-Buchman Farm	424,711		53,089	371,622		371,622
	12-07	Court Office, Rec. Furniture, Two Generators, Various Office Equipment, Various Road Resurfacing, HVAC for Municipal Building	210,540			210,540		210,540
	13-05	Acquisition of B/L 16/11 for Municipal Purposes and Installation of Septic System	123,500			123,500		123,500
	14-04	Improvements to Township Roads		\$ 112,100		112,100	112,100	
			\$ 1,512,952	\$ 112,100	\$ 326,365	\$ 1,298,687	\$ 112,365	\$ 1,186,322

REF.

C

C-10

C-8

C

C-8

Current Fund	\$ 273,276
Open Space Trust Fund	53,089
	<u>\$ 326,365</u>

GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

C-6

	<u>REF.</u>	
Balance December 31, 2013	C	\$111,223
Increased by:		
Current Fund Budget Appropriation	C-3	<u>50,000</u>
		161,223
Decreased by:		
Improvement Authorizations funded	C-10	<u>5,900</u>
Balance December 31, 2014	C	<u><u>\$155,323</u></u>

GENERAL CAPITAL FUND
SCHEDULE OF GREEN ACRES TRUST LOAN PROGRAM

C-7

<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>BALANCE 12/31/13</u>	<u>DECREASED</u>	<u>BALANCE 12/31/14</u>
Green Acres #2 - Phase Two	11-15-96	\$ 150,000	11-15-14	\$ 9,596	2.0%	\$ 9,596	\$ 9,596	-
						\$ 9,596	\$ 9,596	-
REF.						C	C-4	C

GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES

C-8

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	DATE OF ORIGINAL NOTE	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE 12/31/13	INCREASED	DECREASED	BALANCE 12/31/14
04-05	Acquisition of Dump Truck	5/12/04	4/28/14	4/27/15	0.860%	\$ 9,000		\$ 9,000	-
04-02	Acquisition of Land for Open Space Purposes	5/12/04	4/28/14	4/27/15	0.860%	120,000		120,000	-
06-13	Guard Rails, Loader, Blower, Road Resurface, Carpet, Copier, Fire Pumper	5/7/07	4/28/14	4/27/15	0.860%	385,748		96,438	\$ 289,310
07-15	Guard Rails, Flail Mower, Pick-up & plow, Spreader, Ambulance, Phone System,, Rec. Mower, Imps to Rec. Bldg, Paving Co-op	5/6/08	4/28/14	4/27/15	0.860%	239,188		47,838	191,350
09-02	Open Space Preservation - Buchman Farm	7/30/09	4/28/14	4/27/15	0.860%	424,711		53,089	371,622
12-07	Court Office, Rec. Furniture, Two Generators, Various Office Equipment, Various Road Resurfacing, HVAC for Municipal Building	4/29/13	4/28/14	4/27/15	0.860%	210,540			210,540
13-05	Acquisition of B/L 16/11 for Municipal Purposes and Installation of Septic System	4/28/14	4/28/14	4/27/15	0.860%		\$ 123,500		123,500
						\$ 1,389,187	\$ 123,500	\$ 326,365	\$ 1,186,322
REF.						C	C-3	C-5	C

GENERAL CAPITAL FUND
SCHEDULE OF VARIOUS RESERVES

C-9

<u>DESCRIPTION</u>	<u>BALANCE</u> <u>12/31/13</u>	<u>BALANCE</u> <u>12/31/14</u>
Debt Service	\$ 1,979	\$ 1,979
Recreation Fund	1,400	1,400
Fire Protection Fund	<u>580</u>	<u>580</u>
	<u>\$ 3,959</u>	<u>\$ 3,959</u>
REF.	C	C

GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

C-10

<u>IMPROVEMENT DESCRIPTION</u>	<u>ORDINANCE NO.</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>BALANCE 12/31/13</u>		<u>DEFERRED CHARGES</u>	<u>CAPITAL IMP. FUND</u>	<u>PAID OR CHARGED</u>	<u>BALANCE 12/31/14</u>	
				<u>FUNDED</u>	<u>UNFUNDED</u>				<u>FUNDED</u>	<u>UNFUNDED</u>
Acquisition of Dump Truck	04-5	4/12/04	95,000		\$ 1,886				\$	1,886
Guard Rails, Flail Mower, Pick-up & plow, Spreader, Ambulance, Phone System,, Rec. Mower, Imps to Rec. Bldg, Paving Co-op	07-15	12/11/07	453,200		22,556					22,556
Replacement of Office Equipment & Recreation Lighting	11-09	6/13/11	7,000	\$ 2,664				\$	2,664	
Tanks for DPW Vehicles	11-13	12/12/11	12,000	1,804					1,804	
Court Office, Rec. Furniture, Two Generators, Various Office Equipment, Various Road Resurfacing, HVAC for Municipal Building	12-07	9/10/12	221,100		32,009					32,009
Acquisition of B/L 16/11 for Municipal Purposes and Installation of Septic System	13-05	7/23/13	130,000		27,642			\$ 509		27,133
Improvements to Township Roads	14-04	6/26/14	118,000			\$ 112,100	\$ 5,900		5,900	112,100
				\$ 4,468	\$ 84,093	\$ 112,100	\$ 5,900	\$ 509	\$ 10,368	\$ 195,684
REF.				C	C	C-5	C-6	C-2	C	C

SEWER UTILITY FUND

SEWER UTILITY FUND
SCHEDULE OF CASH - TREASURER

D-4

	<u>REF.</u>		<u>OPERATING</u>
Balance December 31, 2013	D		\$ 363,899
Increased by Receipts:			
Collector	D-5	\$ 222,736	
Interfund Advances	D-7	400,000	
Interest on Investment income	D-2	<u>320</u>	<u>623,056</u>
			986,955
Decreased by Disbursements:			
Interfund Returns	D-7	470,769	
2013 Appropriation Reserve	D-19	189	
2014 Appropriations	D-3	<u>188,047</u>	<u>659,005</u>
Balance December 31, 2014	D		<u>\$ 327,950</u>

SEWER UTILITY FUND
SCHEDULE OF CASH - COLLECTOR

D-5

REF.

Increased by Receipts:

Consumer Accounts Receivable

D-6 \$ 222,736

Decreased by Disbursements:

Payment to Treasurer

D-4 \$ 222,736

SEWER UTILITY FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

D-6

REF.

Increased by:

Sewer Rents/Fees Levied - Current Year:

 Pass Through Charges to Sewer Provider - Contractual

\$ 222,736

222,736

Decreased by:

Collection

D-5

\$ 222,736

SEWER UTILITY FUND
SCHEDULE OF DUE CURRENT FUND

D-7

	<u>REF.</u>	
Balance December 31, 2013	D	\$ 70,769
Increased by:		
Interfunds Advanced from Current Fund	D-4	<u>400,000</u>
		470,769
Decreased by:		
Interfunds Returned to Current Fund	D-4	<u>\$ 470,769</u>

SEWER UTILITY FUND
SCHEDULE OF RESERVE FOR REPAIRS AND DEFICIENCIES

D-8

	<u>REF.</u>	
Balance December 31, 2013	D	\$ 168,818
Increased by:		
User Fees - Current	D-6	<u>15,395</u>
Balance December 31, 2014	D	<u>\$ 184,213</u>

SEWER UTILITY FUND
SCHEDULE OF APPROPRIATION RESERVES - 2013

D-9

	<u>BALANCE</u> <u>12/31/13</u>	<u>BALANCE</u> <u>AFTER</u> <u>TRANSFERS</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
Other Expense	\$ 46,379	\$ 46,379	\$ 189	\$ 46,190
TOTALS	<u>\$ 46,379</u>	<u>\$ 46,379</u>	<u>189</u>	<u>\$ 46,190</u>
REF.		D	D-4	D-1

PUBLIC ASSISTANCE FUND SCHEDULES

PUBLIC ASSISTANCE FUND
SCHEDULE OF CASH - TREASURER

E-1

	<u>REF.</u>	P.A.T.F. <u>#2</u>	<u>FUND TOTAL</u>
Balance December 31, 2013	E	\$ 6,923	\$ 6,923
Decreased by Disbursements			
2014 Public Assistance		340	340
		<u>340</u>	<u>340</u>
Balance December 31, 2014	E	<u>\$ 6,583</u>	<u>\$ 6,583</u>

SCHEDULE OF GENERAL FIXED ASSETS

GENERAL FIXED ASSETS
SCHEDULE OF ADDITIONS AND DELETIONS
DECEMBER 31, 2014

F-1

	<u>BALANCE</u> <u>12/31/13</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/14</u>
General Fixed Assets:				
Land	\$ 2,971,338		-	\$ 2,971,338
Buildings	1,058,694		-	1,058,694
Improvements Other Than Buildings	366,713		-	366,713
Machinery and Equipment	2,875,287		-	2,875,287
Total General Fixed Assets	<u>\$ 7,272,032</u>	-	-	<u>\$ 7,272,032</u>
 Investment In General Fixed Assets	 <u>\$ 7,272,032</u>	 -	 -	 <u>\$ 7,272,032</u>

**PART III
SUPPLEMENTARY INFORMATION**

General Comments

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

Schedule of Federal/State Awards

Status of Prior Audit Findings

Schedule of Findings and Responses

GENERAL COMMENTS

Scope of Audit

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

Contracts and Agreements Requiring Advertisement for Bids

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

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

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in the contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the governing body without public advertising for bids and bidding therefore, except that the governing body may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending before the Legislature as section 15 of this bill) of section 9 of P.L.1971,c.198(C.40A:11-9) the governing body may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (i) of paragraph (a) of subsection (1) of Section 5 of P.L.1971, C.198(C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.
- c. Commencing in the fifth year after the year in which P.L.1999,c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.18A:18A-2(pending before the Legislature as section 50 of this bill), and shall round the adjustment to the nearest \$1,000. The Governor shall notify all municipal units of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made.

N.J.S.A.40A:11-4 (as amended) states, "Every contract or agreement for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law."

Effective July 1, 2012, the bid threshold in accordance with N.J.S.A.40A:11-3(c) (as amended) is increased to \$36,000 for Qualified Purchasing Agents (QPA), and \$17,500 for units without QPA's.

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

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

The system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not determine whether any clear-cut violations existed.

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

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body, on January 6, 2014, adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

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

The governing body, on January 6, 2014 adopted a resolution enabling the \$10,000 delinquency penalty provisions.

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

Delinquent Taxes and Tax Title Liens

The delinquent taxes at December 31, 2014, include real property taxes from the 2014 tax levy and prior years' tax levies. The prior year balances are from bankrupt properties.

The last tax sale was held on December 4, 2014 and was complete.

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

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

<u>Year</u>	<u>Number of Liens</u>
2014	31
2013	28
2012	40

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

Verification of Delinquent Taxes and Other Charges

Verification notices were mailed to confirm balances as of November 10, 2014. The items that were returned were compared to and are in agreement with the Township's records. For items not returned, alternative procedures were performed.

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

Type of Receivable - Real Property Tax
Date of Circulars - November 10, 2014

<u>Verification Type</u>	<u>Request Form</u>	<u>Total No. of Items</u>	<u>Total No. of Circular</u>	<u>Total No. Returned</u>
2014 Property Tax	Positive	1,778	60	21
2015 Property Tax	Positive	1,778	60	21
2014 Delinquent Tax	Negative	477	25	8

Technical Accounting Directives

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

<u>Requirement</u>	FY 2014 Required	
	<u>Yes</u>	<u>No</u>
A. General Ledger Accounting System	X	
B. Encumbrance Accounting	X	
C. Purchase Order System	X	
D. Fixed Asset Accounting and Reporting System	X	

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

REVENUE AND OTHER INCOME REALIZED

	<u>YEAR 2014</u>	<u>%</u>	<u>YEAR 2013</u>	<u>%</u>
Fund Balance Utilized	\$ 196,900	1.97%	\$ 373,642	3.80%
Miscellaneous - From Other Than				
Local Property Tax Levies	1,414,455	14.19%	1,200,887	12.20%
Collection of Delinquent Taxes and				
Tax Title Liens	423,292	4.25%	435,909	4.43%
Collection of Current Tax Levy	<u>7,935,560</u>	<u>79.59%</u>	<u>7,829,283</u>	<u>79.57%</u>
Total Income	<u>9,970,207</u>	<u>100.00%</u>	<u>9,839,721</u>	<u>100.00%</u>

EXPENDITURES

Budget Expenditures:				
Municipal Purposes	2,317,649	23.85%	2,255,412	23.71%
County Taxes	2,368,785	24.38%	2,318,041	24.37%
Local and Regional Taxes	4,957,416	51.02%	4,805,885	50.53%
Municipal Open Space Tax	51,827	0.53%	52,078	0.55%
Other Expenditures	<u>20,575</u>	<u>0.21%</u>	<u>79,586</u>	<u>0.84%</u>

Total Expenditures	<u>\$9,716,252</u>	<u>100.00%</u>	<u>\$9,511,002</u>	<u>100.00%</u>
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Excess (Deficit) Revenue Over Expenditures	253,955		328,719	
--	---------	--	---------	--

Adjustments to Income Before Fund Balance:

Expenditures Included Above Which are by Statute

Deferred Charges to Budget of Succeeding Year	<u>35,000</u>		<u>43,000</u>	
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Statutory Excess To Fund Balance	288,955		371,719	
----------------------------------	---------	--	---------	--

Fund Balance January 1	723,940		725,863	
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Less:

Utilization as Anticipated Revenue	<u>196,900</u>		<u>373,642</u>	
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Fund Balance December 31	<u>\$ 815,995</u>		<u>\$ 723,940</u>	
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Comparative Schedule of Tax Rate Information

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Tax Rate</u>	<u>\$3.188</u>	<u>\$3.178</u>	<u>\$3.152</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	\$0.408	\$0.410	\$0.400
Municipal Open Space Tax	\$0.019	\$0.020	\$0.020
County	\$0.914	\$0.894	\$0.926
Local School	\$1.035	\$1.028	\$1.013
Regional High School	\$0.812	\$0.827	\$0.793

Assessed Valuation:

<u>Year</u>	<u>Amount</u>
2014	\$259,562,412
2013	\$259,134,753
2012	\$259,965,217

Comparison of Tax Levies and Collection Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2014	\$8,282,152	\$7,935,560	95.81%
2013	\$8,248,738	\$7,829,283	94.91%
2012	\$8,214,418	\$7,732,824	94.13%

Delinquent Taxes and Tax Title Liens

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

<u>Dec.31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2014	\$376,982	\$384,016	\$760,998	9.19%
2013	\$200,385	\$578,342	\$778,727	9.44%
2012	\$293,010	\$606,462	\$899,472	10.95%

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2014 by foreclosure or deed as a result of liquidation of tax title liens.

Comparative Schedule of Fund Balances

<u>Current Fund</u>		Utilized
	Balance	<u>In Budget of Succeeding Year</u>
<u>Year</u>	<u>December 31</u>	<u>Regular</u>
2014	\$ 815,995	\$ 265,457
2013	\$ 723,940	\$ 196,900
2012	\$ 725,863	\$ 373,642
2011	\$ 562,055	\$ 215,724
2010	\$ 309,123	\$ 226,642

Officials in Office and Surety Bonds

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name Of Corporate Surety</u>
Ronald Farber	Mayor		
Scott Odorizzi	Committeeperson		
Rene Mathez	Committeeperson		
Adele Starrs	Committeeperson		
Kathy Cuntala	Committeeperson		
Lisa K. Patton	Municipal Clerk	\$1,000,000	PAIC Joint Insurance Fund
Evan Howell	Collector; Tax Search Officer	\$1,000,000	PAIC Joint Insurance Fund

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

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

<u>Collector</u>		<u>Court</u>	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2014	\$100,122	2014	\$32,121

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

All the bonds were examined and were properly executed.



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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Governments Services, Department of Community Affairs, State of New Jersey, the regulatory-basis financial statements of the Township of Knowlton in the County of Warren, State of New Jersey, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Township of Knowlton's basic financial statements, and have issued our report thereon dated April 30, 2015, which indicated that the financial statements have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

-Continued-

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

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

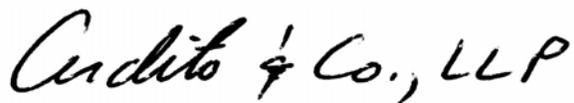
Compliance and Other Matters

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

Purpose of this Report

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

ARDITO & CO., LLP



Frenchtown, New Jersey
April 30, 2015



Certified Public Accountant
Registered Municipal Accountant No.524
ARDITO & CO., LLP
Frenchtown, New Jersey
April 30, 2015

SCHEDULE OF FEDERAL/STATE AWARDS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

FEDERAL GRANTOR/ PROGRAM TITLE	ACCOUNT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD	FUND REF.	CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 1/1/14	RECEIPTS PROGRAM	OTHER	DISBURSEMENTS	CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 12/31/14
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>									
Community Development Block Grant Passed thru the State of New Jersey	14.228	N/A	N/A	A	\$ 52,041				\$ 52,041
Totals					<u>\$ 52,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 52,041</u>

Note: This Schedule was not subject to an audit in accordance with OMB Circular A-133

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

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

STATE GRANTOR/ PROGRAM TITLE	ACCOUNT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD	FUND REF.	CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 1/1/14	RECEIPTS PROGRAM	OTHER	DISBURSEMENTS	CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 12/31/14
<u>DEPT. OF COMMUNITY AFFAIRS</u>									
Municipal Alliance Program	N/A	\$ 4,616	2014	A		\$ 4,616		\$ 3,916	\$ 700
N.J.S.40A:11-5(a)		3,916	2013	A	\$ (219)	564		345	-
		3,916	2012	A	(424)	424			-
Recreation for Individuals With Disabilities		7,500	2013	A	(7,500)	7,490			(10)
<u>DEPT. OF ENVIR. PROTECTION</u>									
Solid Waste Admin.-Clean Communities Program	4900-765-178900	9,876	2014	A		9,876			9,876
		11,345	2013	A	11,345				11,345
		9,663	2012	A	5,955				5,955
		9,846	2011	A	9,846			2,001	7,845
		10,053	2010	A	7,010			7,010	-
DEP Grant	N/A	350,000	2014	A		105,000			105,000
<u>DEPT. OF TRANSPORTATION</u>									
NJDOT - Guide Rails		130,000	2010	A	6,665				6,665
<u>DEPT. OF HUMAN SERVICES</u>									
Payments to Municipalities for Cost of General Assistance (State Share)	75050-150-158010-60	N/A	N/A	E	6,923			340	6,583
<u>OTHER STATE AIDS</u>									
Recycling Grant		2,324	2012	A	2,324			2,324	-
Recycling Grant		1,501	2013	A	1,501			1,501	-
Recycling Grant		1,328	2014	A		1,328			1,328
NJ Clean Energy Grant		6,617	2012	A	6,617				6,617
Warren County State Historic Grant		299,000	2007	A	36,603			1,813	34,790
Warren County State Historic Grant		150,000	2012	A	15,693	51,655		104,573	(37,225)
Warren County Preservation Grant		357,081	2012/2013	A	8,156	169,501		276,925	(99,268)
Open Space Green Acres		325,000	2013	A					
TOTAL STATE ASSISTANCE					\$ 110,495	\$ 350,454	\$ -	\$ 400,748	\$ 60,201

Note: This Schedule was not subject to an audit in accordance with NJOMB Circular 04-04.

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

TOWNSHIP OF KNOWLTON

NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2014

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal and State Awards are presented using the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of federal OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organizations. However, the Township was not subject to the single audit provisions of Federal OMB Circular A-133 or New Jersey OMB Circular NJOMB 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid for 2014 as grant expenditures were less than the single audit thresholds of \$500,000, identified in the Circulars.

NOTE 3. RELATIONSHIP TO THE FINANCIAL STATEMENTS

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

STATUS OF PRIOR AUDIT FINDINGS

STATUS OF PRIOR AUDIT FINDINGS

CY Occurrence

- 2013-1(*) I suggest that the tax lien redemption amount should be resolved and funds returned to the appropriate outside parties or Township funds. Also a detail of tax lien trust deposits by tax sale certificate should be maintained.
STATUS - Finding is reported in CY 2014 and further corrective action required.
- 2013-2(*) I suggest that the tax overpayment balances be liquidated and applied to current taxes or returned to the appropriate taxpayer.
STATUS - Finding is reported in CY 2014 and further corrective action required.
- 2013-3(*) I suggest that controls are strengthened to ensure employees are enrolled in the New Jersey State Pension System.
STATUS - Finding is reported in CY 2014 and further corrective action required.
- 2013-4(*) I suggest that the Township maintain a zero dollar imprest payroll account.
STATUS - Finding is reported in CY 2014 and further corrective action required.
- 2013-5(*) I suggest that aged tax receivables are collected or placed for tax sale, and any bankrupt properties be foreclosed or removed from the tax rolls.
STATUS - Finding is reported in CY 2014 and further corrective action required.
- 2013-6(*) I suggest that all statutory means, including foreclosure, should be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis.
STATUS - Finding is reported in CY 2014 and further corrective action required.

(*) Finding is Repeated in Current Year.

SCHEDULE OF FINDINGS AND RESPONSES
GENERAL FINDINGS

SCHEDULE OF FINDINGS AND RESPONSES

GENERAL FINDINGS

YEAR ENDED DECEMBER 31, 2014

Summary of Auditor's Results

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

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

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

The Township was not subject to the single audit provisions of Federal OMB Circular A-133 and New Jersey OMB Circular NJOMB 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid for 2014 as grant expenditures were less than the single audit thresholds of \$500,000, identified in the Circulars.

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

Finding

Outside Tax Title Liens:

2014-1(*) A formal detail of tax lien redemption trust deposits by tax sale certificate number or block and lot does not exist. Based on auditor's analysis, approximately \$25,000 in pre-12/31/99 balances exist, and a total balance of \$248,048 is unsupported with appropriate detail.

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

Tax Overpayments:

2014-2(*) Over \$21,000 in tax overpayment balances exist from calendar years 2000 through 2009.

I suggest that these balances be liquidated in 2015.

Payroll:

2014-3 (*) One employee is not enrolled in the New Jersey State Pension Program.

I suggest that controls are strengthened to ensure employees are enrolled in the New Jersey State Pension System.

2014-4 (*) \$28,626 in excess/idle cash remains in the Payroll Account.

I suggest that the Township transfer excess funds back to the current fund budget, and maintain a zero dollar imprest payroll account.

(*) Prior Year Finding

SCHEDULE OF FINDINGS AND RESPONSES

GENERAL FINDINGS (Continued)

Ref.#

Taxes Receivable:

2014-5(*) I noted \$82,450 in aged tax receivables older than one year as of December 31, 2014. \$54,341 of this receivable balance is older than three years.

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

2014-6(*) Over \$376,982 of tax title liens remain outstanding as of December 31, 2014. Property tax levies on these properties are added to liens in excess of \$30,000 annually, of which the township has to bear the full cost of the related school and county tax levies.

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

(*) Prior Year Finding