

TOWNSHIP OF KNOWLTON

COUNTY OF WARREN

REPORT OF AUDIT

2017

*NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF KNOWLTON

COUNTY OF WARREN

REPORT OF AUDIT

2017

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TOWNSHIP OF KNOWLTON

PART I

REPORT ON AUDIT AND FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2017



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Independent Auditors' Report

The Honorable Mayor and Members
 of the Township Council
 Township of Knowlton
 Knowlton, New Jersey

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* - of the various funds of the Township of Knowlton, in the County of Warren (the "Township") as of and for the year ended December 31, 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws 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.

Auditors' 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, 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 from 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 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.

The Honorable Mayor and Members
of the Township Council
Township of Knowlton
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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, the financial statements are prepared by the Township on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a 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 described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund and account group of the Township as of December 31, 2017, or the changes in financial position or where applicable, cash flows thereof for the year then ended.

Basis for Qualified Opinion

The Township's general fixed assets account group is stated at historical cost or estimated historical cost in the accompanying financial statements. We were unable to obtain sufficient evidence to support the cost of the fixed assets of the general fixed assets account group. As more fully described in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. Therefore, based upon the underlying accounting records, we have not audited the general fixed assets account group.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects on the December 31, 2017 financial statements of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds of the Township of Knowlton as of December 31, 2017, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the year then ended on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Other Matters

The financial statements of the Township as of December 31, 2016 were audited by other auditors whose report dated April 30, 2017 expressed an unmodified opinion on those statements.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Township's financial statements.

The Honorable Mayor and Members
of the Township Council
Township of Knowlton
Page 3

The supplementary data schedules listed in the table of contents and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the various fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the various fund financial statements or to the various fund financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

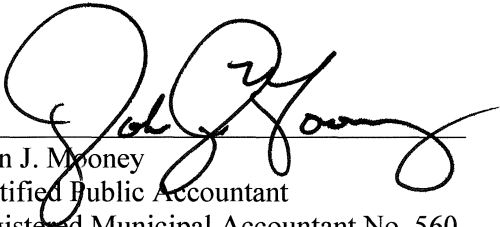
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2018 on our consideration of the Township of Knowlton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Knowlton's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
June 8, 2018

NISI VOCCIA LLP

NISIVOCCIA LLP



John J. Mooney
Certified Public Accountant
Registered Municipal Accountant No. 560

TOWNSHIP OF KNOWLTON
COUNTY OF WARREN
2017
CURRENT FUND

TOWNSHIP OF KNOWLTON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2017	2016
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Cash - Treasurer	A-4	\$ 1,826,468.50	\$ 1,753,599.96
Due from State of New Jersey:			
Veterans and Senior Citizens Deductions		1,288.18	1,538.18
		1,827,756.68	1,755,138.14
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-6	430,377.23	415,014.12
Tax Title Liens Receivable	A-7	472,926.75	452,915.66
Property Acquired for Taxes		664,500.00	664,500.00
Revenue Accounts Receivable	A-8	15,287.28	8,407.16
Due from:			
Animal Control Fund	B	5,856.88	4,170.00
General Capital Fund	C	324,952.71	171,773.82
		1,913,900.85	1,716,780.76
Total Receivables and Other Assets With Full Reserves			
Total Regular Fund		3,741,657.53	3,471,918.90
Federal and State Grant Fund:			
Cash	A-4A	55,669.11	959.06
Federal and State Grants Receivable	A-12	667,091.97	692,291.97
Due from Current Fund	A	0.40	1,234.00
		722,761.48	694,485.03
Total Federal and State Grant Fund			
<u>TOTAL ASSETS</u>		<u>\$ 4,464,419.01</u>	<u>\$ 4,166,403.93</u>

TOWNSHIP OF KNOWLTON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	Ref.	December 31,	
		2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-9	\$ 231,749.55	\$ 189,351.00
Encumbered	A-3;A-9	4,800.00	5,500.00
Total Appropriation Reserves		236,549.55	194,851.00
Prepaid Taxes		321,795.96	145,474.00
Tax Overpayments		2,237.66	47,610.96
County Taxes Payable		4,739.14	9,474.15
Local School District Taxes Payable	A-10	127,762.00	127,762.00
Regional High School Taxes Payable	A-11	264,550.48	191,551.96
Due Federal and State Grant Fund	A	0.40	1,234.00
Due Other Trust Fund	B	16,633.98	15,658.89
		<u>974,269.17</u>	<u>733,616.96</u>
Reserve for Receivables and Other Assets	A	1,913,900.85	1,716,780.76
Fund Balance	A-1	853,487.51	1,021,521.18
Total Regular Fund		<u>3,741,657.53</u>	<u>3,471,918.90</u>
Federal and State Grant Fund:			
Appropriated Reserves	A-13	492,666.37	603,130.24
Unappropriated Reserves	A-14	9,905.20	8,279.13
Reserve for Encumbrances			964.50
Due to Other Trust Fund	B	72,111.16	72,111.16
Due to Animal Control Fund	B	10,000.00	10,000.00
Due to General Capital Fund	C	138,078.75	
Total Federal and State Grant Fund		<u>722,761.48</u>	<u>694,485.03</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 4,464,419.01</u>	<u>\$ 4,166,403.93</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF KNOWLTON
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	Ref.	Year Ended December 31,	
		2017	2016
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$	385,000.00	\$ 341,801.00
Miscellaneous Revenue Anticipated		666,871.61	763,702.00
Receipts from:			
Delinquent Taxes		352,004.24	288,855.00
Current Taxes		8,457,303.72	8,298,936.00
Nonbudget Revenue		118,578.67	46,672.00
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		136,864.46	70,799.00
Interfunds Returned		175,943.82	2.00
Total Income		<u>10,292,566.52</u>	<u>9,810,767.00</u>
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes		1,931,893.19	1,721,926.00
County Taxes		2,366,547.25	2,326,245.00
Amount Due County for Added and Omitted Taxes		4,739.14	9,474.00
Local School District Taxes		2,793,225.00	2,793,225.00
Regional School Tax		2,591,424.00	2,445,427.00
Municipal Open Space Tax		51,825.66	52,037.00
Interfunds Advanced		330,809.59	171,821.00
Refund of Prior Year Revenue		5,136.36	9,766.00
Total Expenditures		<u>10,075,600.19</u>	<u>9,529,921.00</u>
Statutory Excess to Fund Balance		216,966.33	280,846.00
<u>Fund Balance</u>			
Balance January 1		1,021,521.18	1,082,476.18
		1,238,487.51	1,363,322.18
Decreased by:			
Utilized as Anticipated Revenue		<u>385,000.00</u>	<u>341,801.00</u>
Balance December 31	A	<u>\$ 853,487.51</u>	<u>\$ 1,021,521.18</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF KNOWLTON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 385,000.00		\$ 385,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	3,800.00		4,337.41	\$ 537.41
Fees and Permits	8,800.00		18,044.10	9,244.10
Fines and Costs:				
Municipal Court	137,000.00		146,376.51	9,376.51
Interest and Costs on Taxes	62,741.00		77,619.26	14,878.26
Energy Receipts Tax	264,368.00		264,368.00	
Garden State Preservation Trust Fund	23,118.00		23,118.00	
Cell Tower Lease	125,000.00		109,998.40	15,001.60 *
Hotel Tax	1,275.00		1,825.74	550.74
Radon Grant		\$ 2,000.00	2,000.00	
Clean Communities Grant		12,571.19	12,571.19	
Municipal Alliance Grant		4,113.00	4,113.00	
Warren County Arts Grant		2,500.00	2,500.00	
Total Miscellaneous Revenue	626,102.00	21,184.19	666,871.61	19,585.42
Receipts from Delinquent Taxes	319,000.00		352,004.24	33,004.24
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	1,028,930.49		1,149,691.82	120,761.33
Budget Totals	2,359,032.49	21,184.19	2,553,567.67	173,350.99
Nonbudget Revenue	\$ 2,359,032.49	\$ 21,184.19	\$ 2,672,146.34	\$ 291,929.66

TOWNSHIP OF KNOWLTON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Allocation of Current Tax Collections

Revenue from Collection of Current Taxes	\$ 8,457,303.72
Allocated to County and School Taxes	7,755,935.39
Balance for Support of Municipal Budget	701,368.33
Add: Appropriation - Reserve for Uncollected Taxes	448,323.49
Realized for Support of Municipal Budget	\$ 1,149,691.82

Analysis of Delinquent Tax Collections:

Delinquent Taxes	\$ 337,171.53
Tax Title Liens	14,832.71
	\$ 352,004.24

Analysis of Nonbudget Revenue

Miscellaneous Revenue Not Anticipated:

Treasurer:	
Planning and Zoning	\$ 2,850.00
Zoning Officer	615.00
Interest on Investments	12,264.17
LEA Deposits	300.30
Fire Prevention Bureau	1,741.00
Senior & Veterans Deduction Administrative Fee	365.00
FEMA Storm Reimbursement	18,610.54
Other Miscellaneous Revenues	58,836.37
	\$ 95,582.38
Tax Collector Miscellaneous Revenue	16,612.63
Federal and State Grant Fund Interest Earned	332.93
Animal Control - Statutory Excess Due Current Fund	5,856.88
Other Trust Fund - Escrow Reserve Interest Earned	22.96
General Capital Fund Interest Earned	170.89
	\$ 118,578.67

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF KNOWLTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operations - Within "CAPS"				
GENERAL GOVERNMENT:				
Mayor and Council:				
Salaries & Wages	\$ 10,040.00	\$ 12,440.00	\$ 12,308.28	\$ 131.72
Other Expenses	3,000.00	3,000.00	2,837.67	162.33
Administration (Municipal Clerk):				
Salaries & Wages	65,000.00	54,400.00	38,243.10	16,156.90
Other Expenses:	35,000.00	35,000.00	20,035.32	14,964.68
Financial Administration:				
Salaries & Wages	40,000.00	40,300.00	40,300.00	
Other Expenses	32,000.00	32,000.00	7,973.08	24,026.92
Audit	21,000.00	21,000.00	21,000.00	
Computer Services	2,500.00	2,500.00	1,140.00	1,360.00
Tax Assessment Administration:				
Salaries & Wages	22,025.00	22,025.00	21,753.23	271.77
Other Expenses	1,500.00	1,500.00	645.54	854.46
Revenue Administration (Tax Collection):				
Salaries & Wages	25,705.00	26,605.00	26,319.81	285.19
Other Expenses	5,100.00	5,100.00	4,094.30	1,005.70
Legal Services and Costs:				
Other Expenses:				
Miscellaneous Other Expenses	102,000.00	102,000.00	91,913.82	10,086.18
Engineering Services and Costs:				
Other Expenses	45,000.00	30,300.00	18,000.00	12,300.00
Historic Sites Office:				
Other Expenses:	2,500.00	2,500.00	2,495.96	4.04

TOWNSHIP OF KNOWLTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operations - Within "CAPS" (continued)				
GENERAL GOVERNMENT (continued):				
Municipal Land Use Law (N.J.S.A. 40:55D-1):				
Planning Board:				
Salaries & Wages	\$ 7,800.00	\$ 7,800.00	\$ 7,687.22	\$ 112.78
Other Expenses	5,000.00	5,000.00	2,266.54	2,733.46
Municipal Land Use Law (N.J.S.A. 40:55D-1):				
Zoning Board of Adjustment:				
Salaries & Wages	7,800.00	7,800.00	7,687.22	112.78
Other Expenses	3,100.00	3,100.00	1,316.83	1,783.17
Zoning Officer:				
Salaries & Wages	10,500.00	12,300.00	11,549.46	750.54
PUBLIC SAFETY:				
Fire:				
Contribution to Fire Companies	52,000.00	52,000.00	52,000.00	
Emergency Management Services:				
Salaries & Wages	7,650.00	7,650.00	5,928.78	1,721.22
Other Expenses	3,000.00	3,000.00	1,996.70	1,003.30
Municipal Prosecutor's Office:				
Other Expenses	13,000.00	14,000.00	13,500.00	500.00

TOWNSHIP OF KNOWLTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operations - Within "CAPS" (continued)				
STREETS AND ROADS:				
Road Repairs and Maintenance:				
Salaries & Wages	\$ 197,000.00	\$ 199,500.00	\$ 199,500.00	
Other Expenses	240,000.00	240,000.00	161,918.58	\$ 78,081.42
Solid Waste Collection (Recycling Program)				
Salaries & Wages	6,500.00	6,500.00	6,405.55	94.45
Other Expenses	5,000.00	5,000.00	2,088.50	2,911.50
Building and Grounds				
Salaries & Wages	7,600.00	7,600.00	7,465.59	134.41
Other Expenses	30,000.00	30,000.00	7,898.96	22,101.04
Vehicle Maintenance				
Other Expenses	25,000.00	25,000.00	13,317.43	11,682.57
HEALTH AND WELFARE:				
Animal Control:				
Salaries & Wages	7,500.00	7,500.00	7,405.54	94.46
Other Expenses	200.00	200.00		200.00
Environmental Health Services				
Other Expenses	500.00	500.00	369.98	130.02
Contributions to Social Services Agencies				
Contribution to Senior Citizens Center	9,000.00	9,000.00	9,000.00	

TOWNSHIP OF KNOWLTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operations - Within "CAPS" (continued)				
RECREATION AND EDUCATION:				
Recreation Services and Programs:				
Salaries & Wages	\$ 18,000.00	\$ 18,000.00	\$ 14,822.34	\$ 3,177.66
Other Expenses	14,000.00	14,500.00	14,463.75	36.25
Other Common Operating Functions:				
Celebration of Public Events	1,000.00	4,300.00	4,245.32	54.68
Utility Expenses and Bulk Purchases:				
Electricity	9,500.00	9,500.00	7,811.20	1,688.80
Street Lighting	11,000.00	11,000.00	10,154.19	845.81
Telephone	18,000.00	18,000.00	14,879.17	3,120.83
Gas	9,000.00	9,000.00	6,053.66	2,946.34
Fuel Oil	5,000.00	5,000.00	2,757.15	2,242.85
Municipal Court:				
Salaries & Wages	155,550.00	157,550.00	153,069.60	4,480.40
Other Expenses	15,000.00	15,000.00	12,480.99	2,519.01
Insurance:				
Other Premiums	94,000.00	94,000.00	93,379.00	621.00
Unemployment Insurance	3,700.00	3,700.00	165.58	3,534.42
Employee Group Health	145,000.00	155,600.00	155,556.67	43.33
Uniform Construction Code:				
Fire Prevention Bureau:				
Salaries & Wages	6,500.00	6,500.00	6,251.44	248.56
Other Expenses	1,250.00	1,250.00	1,021.15	228.85

TOWNSHIP OF KNOWLTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operations - Within "CAPS" (continued)				
Total Operations within "CAPS"	\$ 1,557,020.00	\$ 1,557,020.00	\$ 1,325,474.20	\$ 231,545.80
Detail:				
Salaries & Wages	595,170.00	594,470.00	566,697.16	27,772.84
Other Expenses	961,850.00	962,550.00	758,777.04	203,772.96
STATUTORY EXPENDITURES:				
Contribution to:				
Public Employees Retirement System	59,697.00	59,697.00	59,697.00	
Social Security (FICA)	45,000.00	45,000.00	45,000.00	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	104,697.00	104,697.00	104,697.00	
Total General Appropriations for Municipal Purposes Within "CAPS"	1,661,717.00	1,661,717.00	1,430,171.20	231,545.80
Operations - Excluded from "CAPS"				
Police Dispatch 9/11:				
Salaries & Wages	2,000.00	2,000.00	1,796.25	203.75
Total Other Operations - Excluded from "CAPS"	2,000.00	2,000.00	1,796.25	203.75

TOWNSHIP OF KNOWLTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operations - Excluded from "CAPS" (Cont'd)				
Public and Private Programs Offset by Revenue:				
Radon Grant (N.J.S.A. 40A:4-87 + \$2,000.00)		\$ 2,000.00	\$ 2,000.00	
Clean Communities Grant (N.J.S.A. 40A:4-87 + \$12,571.19)		12,571.19	12,571.19	
Municipal Alliance Grant (N.J.S.A. 40A:4-87 + \$4,113.00)		4,113.00	4,113.00	
Warren County Arts Grant (N.J.S.A. 40A:4-87 + \$2,500.00)		2,500.00	2,500.00	
Total Public and Private Programs Offset by Revenues		21,184.19	21,184.19	
Total Operations - Excluded from "CAPS"	\$ 2,000.00	23,184.19	22,980.44	\$ 203.75
Operations - Excluded from "CAPS" (continued):				
Detail:				
Other Expenses	2,000.00	23,184.19	22,980.44	
Capital Improvements - Excluded from "CAPS":				
Capital Improvement Fund	15,000.00	15,000.00	15,000.00	
Purchase of Sickle Bar Mower	40,000.00	40,000.00	40,000.00	
Total Capital Improvements Excluded from "CAPS"	55,000.00	55,000.00	55,000.00	

TOWNSHIP OF KNOWLTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Deferred Charges - Municipal - Excluded from "CAPS":				
Ordinance 13-05 Purchase of Land for Municipal Purposes	\$ 17,642.86	\$ 17,642.86	\$ 17,642.86	
Ordinance 06-13 Various Improvements	96,434.00	96,434.00	96,434.00	
Ordinance 12-07 Various Improvements	30,077.14	30,077.14	30,077.14	
Ordinance 07-15 Recreation Building and Paving	47,838.00	47,838.00	47,838.00	
Total Deferred Charges - Municipal - Excluded from "CAPS"	191,992.00	191,992.00	191,992.00	
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	248,992.00	270,176.19	269,972.44	\$ 203.75
Subtotal General Appropriations Reserve for Uncollected Taxes	1,910,709.00	1,931,893.19	1,700,143.64	231,749.55
	448,323.49	448,323.49	448,323.49	
Total General Appropriations	\$ 2,359,032.49	\$ 2,380,216.68	\$ 2,148,467.13	\$ 231,749.55

Ref. A

TOWNSHIP OF KNOWLTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 2,359,032.49	
Added by N.J.S.A. 40A:4-87		21,184.19	
		<u>\$ 2,380,216.68</u>	
Reserve for Uncollected Taxes			\$ 448,323.49
Cash Disbursed			1,440,815.89
Due to Federal and State Grant Fund			21,184.19
Due to General Capital Fund			246,992.00
Encumbrances	A		4,800.00
			<u>2,162,115.57</u>
Less: Appropriation Refunds			13,648.44
			<u>\$ 2,148,467.13</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF KNOWLTON
COUNTY OF WARREN
2017
TRUST FUNDS

TOWNSHIP OF KNOWLTON
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
<u>ASSETS</u>	<u>Ref.</u>	2017	2016
Animal Control Fund:			
Cash and Cash Equivalents	B-4	\$ 1,078.88	\$ 326.06
Due Federal and State Grant Fund	A	10,000.00	10,000.00
Due General Capital Fund	C	10,000.00	10,000.00
		21,078.88	20,326.06
Other Trust Funds:			
Cash and Cash Equivalents	B-4	486,932.40	463,769.75
Due Current Fund	A	16,633.98	15,658.11
Due Federal and State Grant Fund	A	72,111.16	72,111.16
Due General Capital Fund	C	148,984.50	293,984.50
		724,662.04	845,523.52
<u>TOTAL ASSETS</u>		\$ 745,740.92	\$ 865,849.58

TOWNSHIP OF KNOWLTON
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2017	2016
 <u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due NJ State Board of Health		\$	12.60
Due Current Fund	A	\$ 5,856.88	4,170.00
Due Sewer Utility Operating Fund	D	1,000.00	1,000.00
Reserve for Animal Control Fund Expenditures	B-5	14,222.00	15,143.46
		21,078.88	20,326.06
 Other Trust Funds:			
Reserve for:			
Parking Offenses Adjudication Act		36.00	32.00
Driveway Bond Deposit		23,971.58	23,723.44
Courtland Estates Escrow		9,480.74	9,476.00
Developers Escrow Trust		100,637.95	91,336.04
Developers Fee Trust		11,957.96	11,957.96
Open Space Trust Fund		195,594.25	339,861.18
COAH		136,935.95	125,137.34
Public Defender		11,850.65	9,813.48
Tax Lien and Premium Deposits		233,113.07	233,113.07
DUI Trust Fund		1,083.89	1,073.01
		724,662.04	845,523.52
Total Other Trust Funds		724,662.04	845,523.52
 <u>TOTAL LIABILITIES AND RESERVES</u>		\$ 745,740.92	\$ 865,849.58

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF KNOWLTON
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF KNOWLTON
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

TOWNSHIP OF KNOWLTON
ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF KNOWLTON
COUNTY OF WARREN
2017
GENERAL CAPITAL FUND

TOWNSHIP OF KNOWLTON
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2017	2016
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 11,761.70	\$ 9,872.11
NJ Department of Transportation Grant Receivable		61,921.25	200,000.00
Due Federal and State Grant Fund	A	138,078.75	
Deferred Charges to Future Taxation:			
Unfunded	C-4	1,407,330.00	1,699,322.00
<u>TOTAL ASSETS</u>		<u>\$ 1,619,091.70</u>	<u>\$ 1,909,194.11</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Improvement Authorizations:			
Funded	C-5	\$ 11,145.88	\$ 4,467.88
Unfunded	C-5	282,904.87	438,231.48
Due Current Fund	A	324,952.71	171,773.82
Due Other Trust - Open Space Reserve	B	143,984.50	288,984.50
Due Other Trust - Public Defender Reserve	B	5,000.00	5,000.00
Due Animal Control Fund	B	10,000.00	10,000.00
Due Sewer Utility Operating Fund	D	330,600.00	366,600.00
Due to Payroll Account		60,000.00	60,000.00
Capital Improvement Fund	C-6	187,373.83	177,373.83
Reserve for:			
To Pay Debt Service		1,978.60	1,978.60
Recreation Facilities		1,400.00	1,400.00
Fire Protection Fund		580.00	580.00
DPW Equipment		40,000.00	
Encumbrances		170,893.31	159,526.00
Capital Fund Balance	C-1	48,278.00	223,278.00
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 1,619,091.70</u>	<u>\$ 1,909,194.11</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF KNOWLTON
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 223,278.00
Decreased by:		
Appropriated to Fund Improvement Authorization		<u>175,000.00</u>
Balance December 31, 2017	C	<u>\$ 48,278.00</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF KNOWLTON
COUNTY OF WARREN
2017
SEWER UTILITY FUND

TOWNSHIP OF KNOWLTON
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2017	2016
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	E-4	\$ 168.57	\$ 9,489.06
Due from Animal Control Fund	B	1,000.00	1,000.00
Due from General Capital Fund	C	330,600.00	366,600.00
Total Operating Fund		331,768.57	377,089.06
<u>TOTAL ASSETS</u>		\$ 331,768.57	\$ 377,089.06
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Appropriation Reserves:			
Unencumbered	E-3; E-6	\$ 23,141.99	\$ 47,757.06
Reserve for Repairs & Deficiencies		155,929.49	215,003.00
Fund Balance	E-1	152,697.09	114,329.00
Total Operating Fund		331,768.57	377,089.06
<u>TOTAL LIABILITIES, RESERVES, AND FUND BALANCE</u>		\$ 331,768.57	\$ 377,089.06

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF KNOWLTON
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN UTILITY OPERATING FUND BALANCE - REGULATORY BASIS

	Ref.	<u>Year Ended December 31,</u>	
		<u>2017</u>	<u>2016</u>
<u>Revenue and Other Income Realized</u>			
Surplus Anticipated		\$ 23,000.00	\$ 23,000.00
Sewer Rents		235,236.33	207,341.00
Non-Budget Revenues		374.70	88.00
Other Credits to Income:			
Unexpected Balance of Appropriation Reserves		47,757.06	44,289.00
Total Income		<u>306,368.09</u>	<u>274,718.00</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operating		<u>245,000.00</u>	<u>245,000.00</u>
Total Expenditures		<u>245,000.00</u>	<u>245,000.00</u>
Excess in Revenue		61,368.09	29,718.00
<u>Fund Balance</u>			
Balance January 1		<u>114,329.00</u>	<u>107,611.00</u>
		175,697.09	137,329.00
Decreased by:			
Utilization as Anticipated Revenue		<u>23,000.00</u>	<u>23,000.00</u>
Balance December 31	E	<u>\$ 152,697.09</u>	<u>\$ 114,329.00</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF KNOWLTON
SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess/ Deficit*</u>
Surplus Anticipated	\$ 23,000.00	\$ 23,000.00	
Sewer Rents	222,000.00	235,236.33	\$ 13,236.33
	<u>245,000.00</u>	<u>258,236.33</u>	<u>13,236.33</u>
Nonbudget Revenue		374.70	374.70
	<u>\$ 245,000.00</u>	<u>\$ 258,611.03</u>	<u>\$ 13,611.03</u>
 <u>Analysis of Nonbudget Revenue</u>			
Interest Income		<u>\$ 374.70</u>	

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF KNOWLTON
SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	Appropriations		Expended by	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operating:				
Salaries and Wages	\$ 8,000.00	\$ 8,000.00		\$ 8,000.00
Other Expenses	237,000.00	237,000.00	\$ 221,858.01	15,141.99
	\$ 245,000.00	\$ 245,000.00	\$ 221,858.01	\$ 23,141.99
<u>Ref.</u>		Cash Disbursed	\$ 215,320.92	E
		Cash Disbursed in Current Fund	6,537.09	
			\$ 221,858.01	

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF KNOWLTON
COUNTY OF WARREN
2017
GENERAL FIXED ASSETS ACCOUNT GROUP
(UNAUDITED)

TOWNSHIP OF KNOWLTON
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(UNAUDITED)

	December 31,	
	2017	2016
<u>ASSETS</u>		
Land	\$ 2,971,338.00	\$ 2,971,338.00
Buildings	1,058,694.00	1,058,694.00
Improvements Other Than Building	366,713.00	366,713.00
Machinery and Equipment	3,034,813.00	3,034,813.00
<u>TOTAL ASSETS</u>	\$ 7,431,558.00	\$ 7,431,558.00
 <u>RESERVES</u>		
Investments in General Fixed Assets	\$ 7,431,558.00	\$ 7,431,558.00
<u>TOTAL RESERVES</u>	\$ 7,431,558.00	\$ 7,431,558.00

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, 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 of Knowlton, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Township of Knowlton do not include the operations of the Volunteer Fire and First Aid Squads.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Township of Knowlton conform to the accounting practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such 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:

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

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

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 1 - Summary of Significant Accounting Policies (Cont'd)

B. Description of Funds (Cont'd)

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

Sewer Utility Operating Fund - Account for the operations of the municipally owned sewer utility.

General Fixed Assets Account Group (Unaudited) - These accounts were established with estimated values of land, buildings and certain fixed assets of the Township as discussed in Note 1E.

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The more significant accounting policies in New Jersey follow.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the operating funds when it is received and in the capital funds when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality which are susceptible of accrual are recorded as receivables with offsetting reserves.

Expenditures are charged to operations generally based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

TOWNSHIP OF KNOWLTON
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2017
 (Continued)

Note 1 - Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Had the Township's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when awarded and inventories would not be reflected as expenditures at the time of purchase, investments would generally be stated at fair value and the Township's net pension liability and related deferred inflows and outflows would be recorded.

The cash basis of accounting is followed in the Trust Funds.

D. Deferred Charges to Future Taxation

The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means that debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, or collecting a grant. The unfunded deferred charge may also be funded by selling bonds or by issuing loans or entering into capital lease agreements.

E. Other significant accounting policies include:

Management Estimates – The preparation of financial statements required management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit and short-term investments with original maturities of three months or less.

Investments - Investments are stated at cost.

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

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 1 - Summary of Significant Accounting Policies (Cont'd)

E. Other significant accounting policies include (Cont'd):

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.

Grants Receivable - Grants receivable represent the total grant awards less amounts collected to date. Because the amount of grant funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

Allowance for Uncollectible Accounts - No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

General Fixed Assets (Unaudited) - General fixed assets are recorded at cost except for land and buildings, which are recorded at estimated historical cost. Infrastructure assets are not included in fixed assets; maintenance and minor parts and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided on general fixed assets. The total value recorded for general fixed assets is offset by a reserve called "Investments in General Fixed Assets". When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund, General Capital Fund and Sewer Utility Capital Fund. The values recorded in the General Fixed Assets Account Group and the Current, Sewer, and Capital Funds may not always agree due to differences in valuation methods, timing or recognition of assets and the recognition of infrastructures. Fixed assets are reviewed for impairment.

F. Budget/Budgetary Control

Annual appropriated budgets are usually prepared in the first quarter for current operating, utility, and open space trust funds. The budgets are submitted to the governing body and the State Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in NJSA 40A. All budget amendments/transfers must be approved by the Township during the year.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 2 - Long-Term Debt

The Local Bond Law governs the issuance of bonds to finance general Township capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Township are general obligation bonds. The Township's full faith and credit and taxing power have been pledged to the payment of general obligation debt principal and interest.

Summary of Municipal Debt

	<u>December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authorized but not Issued:			
General Capital:			
Bonds and Notes	\$ 1,407,330.00	\$ 1,699,322.00	\$ 1,490,822.00
Less:			
General:			
Reserve to Pay Debt Service	<u>1,978.60</u>	<u>1,978.60</u>	<u>1,978.60</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 1,405,351.40</u>	<u>\$ 1,697,343.40</u>	<u>\$ 1,488,843.40</u>

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.457%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	<u>\$ 1,407,330.00</u>	<u>\$ 1,978.60</u>	<u>\$ 1,405,351.40</u>
	<u>\$ 1,407,330.00</u>	<u>\$ 1,978.60</u>	<u>\$ 1,405,351.40</u>

Net Debt: \$1,405,351.40 divided by Average Equalized Valuations of \$307,327,280.33 of Real Property = 0.457%.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 2 - Long-Term Debt (Cont'd)

<u>Borrowing Power Under N.J.S. 40A:2-6 As Amended</u>	
3-1/2% Average Equalized Valuation of Real Property	\$ 10,756,454.81
Net Debt	<u>1,405,351.40</u>
Remaining Borrowing Power	<u>\$ 9,351,103.41</u>
<u>Calculation of "Self-Liquidating Purpose", Sewer Utility Per N.J.S. 40A:2-45</u>	
Cash Receipts from Fees, Rents or Other Charges for Year	\$ 258,611.03
Deductions:	
Operating and Maintenance Costs	<u>245,000.00</u>
Excess in Revenue	<u>\$ 13,611.03</u>

Footnote: If there is an "excess in revenue", all such utility debt is deductible. If there is a "deficit", then utility debt is not deductible to the extent of 20 times such deficit amount, or the total amount of debt service for that fund, whichever is less.

The foregoing information is in agreement with the Annual Debt Statement as filed by the Chief Financial Officer.

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$1,668,072 at June 30, 2017. See Note 4 for further information on the PERS.

Note 3 - Fund Balances Appropriated

The amount of fund balance at December 31, 2017 which was included in the budgets for the year ending December 31, 2018 is \$320,000 for the Current Fund and \$58,000 for the Sewer Utility Operating Fund.

Note 4 - Pension Plans

Substantially all of the Township's employees participate in a contributory, defined benefit public employee retirement system, The Public Employee's Retirement System (PERS) of New Jersey.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
 (Continued)

Note 4 - Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions/financial-reports.shtml.

Benefits Provided

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
 (Continued)

Note 4 - Pension Plans (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$59,697 for 2017.

The employee contribution rate was 7.20% effective July 1, 2016 and increased to 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2017, the Township's liability was \$1,668,072 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the Township's proportion was 0.0072%, which was an increase of 0.0008% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Township recognized actual pension expense in the amount of \$59,697.

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 4 - Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

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

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 4 - Pension Plans (Cont'd)

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

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

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.95% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 4 - Pension Plans (Cont'd)

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

Sensitivity of the Township's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Township's proportionate share of the collective net pension liability as of June 30, 2017 calculated using the discount rate as disclosed below, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
Township's proportionate share of the Net Pension Liability	\$ 2,069,356	\$ 1,668,072	\$ 1,333,752

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

Note 5 - Accrued Sick, Vacation, and Compensatory Time Off

The Township of Knowlton permits employees to accrue a limited amount of unused sick and vacation pay, which may be taken as time off or paid at a later date at an agreed-upon rate. The Township maintains records for their employees who are allowed to accrue unused sick, and vacation time. The maximum liability for the eight eligible employees would be \$59,617.88. This amount, as directed by accounting requirements of the Division of Local Government Services, is not reported as an expenditure or liability. Such compensation would be included in the Township's budget operating expenditures in the year it is paid.

Note 6 - Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6 - Selected Tax Information (Cont'd)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax Rate	\$ 3.415	\$ 3.341	\$ 3.300
<u>Apportionment of Tax Rate</u>			
Municipal	\$ 0.397	\$ 0.398	\$ 0.410
County	0.917	0.900	0.902
Local School	1.081	1.079	1.060
Regional School	1.001	0.944	0.908
Local Open Space	0.019	0.020	0.020
<u>Assessed Valuations</u>			
2017	<u>\$ 258,630,607.00</u>		
2016		<u>\$ 258,855,698.00</u>	
2015			<u>\$ 258,508,659.00</u>

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2017	\$ 8,849,855.24	\$ 8,457,303.72	95.56%
2016	8,683,262.00	8,298,936.00	95.57%
2015	8,552,292.00	8,227,715.00	96.20%

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 7 - Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments are stated at cost. The Township classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 7 - Cash and Cash Equivalents (Cont'd)

GASB requires disclosure of the level of custodial credit risk assumed by the Township in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Township ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Township limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed below and on the following page.

Custodial Credit Risk – The Township's policy with respect to custodial credit risk requires that the Township ensures that Township funds are only deposited in financial institutions in which New Jersey municipalities are permitted to invest their funds.

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 (FDIC), or by any other agency of the United States that insures deposits made in public depositories. Municipalities also are permitted to deposit public funds in the State of New Jersey Cash Management Fund.

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

The market value of the collateral must equal 5% of the average daily balance of collected public funds on deposit, and in addition

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

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

Investments

New Jersey statutes permit the Township to purchase the following types of securities:

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

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 7 - Cash and Cash Equivalents (Cont'd)

Investments (Cont'd)

- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281(C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

(Continued)

Note 7 - Cash and Cash Equivalents (Cont'd)

Investments (Cont'd)

As of December 31, 2017, cash and cash equivalents of the Township of Knowlton consisted of the following:

<u>Fund</u>	<u>Checking Accounts</u>	<u>NJ Cash Manage- ment Fund</u>	<u>Totals</u>
Current	\$ 1,798,661.09	\$ 27,807.41	\$ 1,826,468.50
Federal and State Grant	55,669.11		55,669.11
Animal Control	1,078.88		1,078.88
Other Trust	486,932.40		486,932.40
General Capital	11,761.70		11,761.70
Sewer Utility Operating	168.57		168.57
	<u>\$ 2,354,271.75</u>	<u>\$ 27,807.41</u>	<u>\$ 2,382,079.16</u>

The carrying amount of the Township's cash and cash equivalents at December 31, 2017, was \$2,382,079.16 and the bank balance was \$2,012,117.60. The \$27,807.41 in the NJ Cash Management Fund is uninsured and unregistered.

The Township held no investments during the year.

Note 8 - Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Health Benefits are provided to employees through the State of New Jersey health benefits plan.

Property and Liability Insurance

The Township of Knowlton is currently a member of the Statewide Insurance Coverage Fund (the "Fund"). The Fund provides their members with Liability, Property and Workers' Compensation Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self-administered group of governmental entities established for the purpose of providing low-cost insurance coverage for respective members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of the Fund, the Township could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 8 - Risk Management (Cont'd)

Property and Liability Insurance (Cont'd)

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as the individual assessment relates to the total assessment of the membership body.

The December 31, 2017 audit report of the Statewide Insurance Coverage Fund has not been filed as of the date of this audit. Selected, summarized financial information as of December 31, 2016 for the Fund is as follows:

Total Assets	\$ 46,196,539
Net Position	\$ 9,047,661
Total Revenue	\$ 28,868,244
Total Expenses	\$ 25,148,277
Change in Net Position	\$ 3,719,967
Members Dividends	\$ -0-

Financial statements for the Fund are available at the offices of the Fund's Executive Director:

Statewide Insurance Coverage Fund
Public Entity Group Administrative Services
One Sylvan Way
Parsippany, NJ 07054
(862) 260-2050

Note 9 - Open Space Trust Fund

The Township created an Open Space Trust Fund with a tax levy of \$.02 per \$100 of assessed valuation. The funds collected are used to acquire and maintain open space property in the Township. As of December 31, 2017, the balance in the Open Space Trust Fund was \$195,594.25.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 10 - Fixed Assets (Unaudited)

The following is a summarization of the activity of the Township of Knowlton's fixed assets for the year ended December 31, 2017:

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Land	\$ 2,971,338.00			\$ 2,971,338.00
Buildings and Improvements	1,425,407.00			1,425,407.00
Equipment	3,034,813.00			3,034,813.00
	<u>\$ 7,431,558.00</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,431,558.00</u>

Note 11 - Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2017:

<u>Fund</u>	<u>Interfund</u> <u>Receivable</u>	<u>Interfund</u> <u>Payable</u>
Current	\$ 330,809.59	\$ 16,634.38
Federal and State Grant	0.40	220,189.91
Animal Control	20,000.00	6,856.88
Other Trust	237,729.64	
General Capital	138,078.75	814,537.21
Sewer Utility Operating	331,600.00	
	<u>\$ 1,058,218.38</u>	<u>\$ 1,058,218.38</u>

The interfund receivable in the Current Fund is for statutory excess due from the Animal Control Fund and a prior year interfund due from General Capital. The interfund receivable in the Federal and State Grant Fund is for a small adjustment due from the Current Fund. The interfund receivable in the Animal Control Fund due from the General Capital Fund is for prior year activity. The interfund receivable in the Other Trust Fund due from the General Capital Fund is mainly for prior year activity. The interfund receivable in the General Capital Fund is for grant receipts due from Federal and State Grant Fund. The interfund receivable in the Sewer Utility Operating fund due from the General Capital Fund is mainly due to prior year activity. The interfund receivable in the Payroll Account due from General Capital Fund is due to prior year activity.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 12 - Contingent Liabilities

The Township is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury and various contract disputes.

The Township vigorously contests these lawsuits and believes the ultimate resolution will not have a material adverse effect on their financial position. At this time there it has been indicated to us that there is litigation against the Township which the Township anticipates that the settlement would not exceed \$50,000.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Township as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Township officials expect such amounts, if any, to be immaterial.

Note 13 - Local School District Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district. Local District Tax has been raised and liabilities deferred by statutes (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:

	Local School Tax	
	Balance 12/31/2016	Balance 12/31/2017
Balance of Tax	\$ 127,762.00	\$ 127,762.00
Deferred	1,297,721.00	1,297,721.00
Taxes Payable	\$ 1,425,483.00	\$ 1,425,483.00

Note 14 - Regional School District Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district. Regional District Tax has been raised and liabilities deferred by statutes (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:

	Regional School Tax	
	Balance 12/31/2016	Balance 12/31/2017
Balance of Tax	\$ 191,551.96	\$ 264,550.48
Deferred	1,031,141.14	1,031,141.14
Taxes Payable	\$ 1,222,693.10	\$ 1,295,691.62

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 15 - Economic Dependency

The Township of Knowlton receives a substantial amount of support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Township's programs and activities.

SUPPLEMENTARY DATA

TOWNSHIP OF KNOWLTON
SCHEDULE OF OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2017

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

Name	Title	Amount of		Name of Corporate or Personal Surety
		Bond		
Adele Starrs	Mayor			
Kathy Cuntala	Deputy Mayor			
Debra Shipps	Member of Council			
Frank Van Horn	Member of Council			
Ronald Farber	Member of Council			
Kristen Kolb Shipps	Clerk	\$	1,000,000	* Statewide Insurance Fund
Christine Rolef	Chief Financial Officer		1,000,000	* Statewide Insurance Fund
Evan Howell	Tax Collector; Tax Search Officer		1,000,000	* Statewide Insurance Fund
Richard Motyka	Tax Assessor		1,000,000	* Statewide Insurance Fund
Dominick C. Santini	Magistrate		1,000,000	* Statewide Insurance Fund
Rosanne McPartland	Court Administrator/Violations Clerk		1,000,000	* Statewide Insurance Fund

* There is a bond that covers the Chief Financial Officer, the Magistrate and all other public employees in the amount of \$1,000,000 through the Statewide Insurance Fund

All bonds were examined and were properly executed.

TOWNSHIP OF KNOWLTON
COUNTY OF WARREN
2017
CURRENT FUND

TOWNSHIP OF KNOWLTON
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2016	A	\$ 1,753,599.96
Increased by Receipts:		
Tax Collector Account	\$ 9,067,011.70	
Revenue Accounts Receivable	568,068.16	
Miscellaneous Revenue Not Anticipated	95,582.38	
Due from State of New Jersey:		
Veterans' and Senior Citizens' Deductions	18,250.00	
Due to Federal and State Grant Fund:		
Interfund Advanced	0.40	
Interest Earned	332.93	
Unappropriated Grant Receipts	1,626.07	
Federal and State Grants Receivable	46,384.19	
Due Other Trust Fund:		
POAA	4.00	
Public Defender	9,000.00	
COAH	25,812.24	
Developer's Escrow	82,049.33	
Due Animal Control Fund:		
Interfund Returned	4,170.00	
Due General Capital Fund:		
Interfund Advanced	50,000.00	
Due Sewer Utility Operating Fund:		
Sewer Rents Collected	235,236.33	
Interfund Advanced	66,300.76	
Appropriation Refunds	13,648.44	
	10,283,476.93	10,283,476.93
		12,037,076.89
Decreased by Disbursements:		
2017 Appropriation Expenditures	1,440,815.89	
2016 Appropriation Reserve Expenditures	57,986.54	
Local School District Taxes	2,793,225.00	
Regional School District Taxes	2,518,425.48	
County Taxes	2,376,021.40	
Tax Overpayments Refunded	50,523.19	
Refund of Prior Year Revenue	5,136.36	
Due from Federal and State Grant Fund:		
Prior Year Interfund Returned	1,234.00	
Federal and State Grants Receivable	46,384.19	
Unappropriated Grant Receipts	1,626.07	
Due Other Trust Fund:		
Open Space	51,825.66	
Escrow	81,055.28	
Public Defender	9,000.00	
COAH	25,812.24	
Due General Capital Fund:		
Capital Improvement Fund	15,000.00	
DPW Equipment Reserve	40,000.00	
Interfund Advanced	395,000.00	
Due Sewer Utility Operating Fund:		
Interfund Returned	295,000.00	
Sewer Appropriations	6,537.09	
	10,210,608.39	10,210,608.39
Balance December 31, 2017	A	\$ 1,826,468.50

TOWNSHIP OF KNOWLTON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF CASH

Balance December 31, 2016		\$ 959.06
Increased by Receipts:		
Due to Current:		
Interest Earned	\$ 332.93	
Grants Receivable	46,384.19	
Unappropriated Grant Receipts	1,626.07	
Prior Year Interfund Returned	1,234.00	
Due General Capital Fund:		
NJ Department of Transportation Grant Receivable	138,078.75	
		<u>187,655.94</u>
		188,615.00
Decreased by Disbursements:		
Due to Current		
Interfund Advanced	0.40	
Interest Earned	332.93	
Appropriated Reserves	132,612.56	
		<u>132,945.89</u>
Balance December 31, 2017		<u><u>\$ 55,669.11</u></u>

TOWNSHIP OF KNOWLTON
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
FOR THE YEAR ENDED DECEMBER 31, 2017

Increased by Receipts:

Taxes Receivable	\$ 8,630,751.25	
2018 Prepaid Taxes	321,795.96	
Tax Title Lien Redemptions	6,118.36	
Interest and Costs on Taxes	77,619.26	
Tax Overpayments	5,399.89	
Assignment of Tax Title Lien to Outside Lien Holder	8,714.35	
Miscellaneous	<u>16,612.63</u>	
		\$ 9,067,011.70

Decreased by:

Payments to Treasurer		<u><u>\$ 9,067,011.70</u></u>
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TOWNSHIP OF KNOWLTON
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2016	2017 Levy	2016	2017	Overpayments Applied	State of NJ Veterans' and Senior Citizens' Deductions	Cancellations	Trans- ferred to Tax Title Liens	Balance Dec. 31, 2017
2004	\$ 3,878.01								\$ 3,878.01
2005	4,634.19								4,634.19
2006	4,933.17								4,933.17
2007	5,115.88								5,115.88
2008	5,252.08								5,252.08
2009	5,446.42								5,446.42
2010	5,393.27								5,393.27
2011	5,313.54								5,313.54
2012	5,235.47								5,235.47
2013	2,639.33								2,639.33
2014	6,583.22								6,583.22
2015	10,472.54								10,612.30
2016	350,117.00								11,207.02
	415,014.12								76,243.90
2017		\$ 8,849,855.24	\$ 145,474.00	8,293,579.72	\$ 250.00	\$ 18,000.00	7,184.50	31,233.69	354,133.33
		\$ 8,849,855.24	\$ 145,474.00	\$ 8,630,751.25	\$ 250.00	\$ 18,000.00	\$ 7,044.74	\$ 32,972.14	\$ 430,377.23

Ref. A

Analysis of 2017 Property Tax Levy

General Purpose Tax	\$ 8,832,239.21
Added Taxes (54.4-63.1 et seq.)	17,616.03
	<u>\$ 8,849,855.24</u>
Tax Levy:	
Local School District Taxes	\$ 2,793,225.00
Regional School District Taxes	2,591,424.00
County Taxes:	
County Taxes	\$ 2,366,547.25
Added and Omitted Taxes	4,739.14
	<u>2,371,286.39</u>
	<u>7,755,935.39</u>
Local Tax for Municipal Purposes	1,028,930.49
Municipal Open Space Tax	51,825.66
Add: Additional Tax Levied	13,163.70
	<u>1,093,919.85</u>
	<u>\$ 8,849,855.24</u>

TOWNSHIP OF KNOWLTON
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>		
Balance December 31, 2016	A	\$	452,915.66
Increased by:			
2016 Taxes Transferred From Taxes Receivable		\$	1,738.45
2017 Taxes Transferred From Taxes Receivable			31,233.69
Interest and Costs on Tax Title Lien Sale			1,871.66
			<u>34,843.80</u>
			487,759.46
Decreased by:			
Tax Title Liens Redeemed			6,118.36
Assignment of Tax Title Lien to Outside Lien Holder			8,714.35
			<u>14,832.71</u>
Balance December 31, 2017	A	\$	<u><u>472,926.75</u></u>

TOWNSHIP OF KNOWLTON
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2016	Accrued in 2017	Collected by Treasurer	Balance Dec. 31, 2017
Clerk:				
ABC Licenses		\$ 4,337.41	\$ 4,337.41	
Fees and Permits		18,044.10	18,044.10	
Municipal Court:				
Fines and Courts	\$ 8,407.16	153,256.63	146,376.51	\$ 15,287.28
New Jersey Hotel Tax		1,825.74	1,825.74	
Cell Tower Lease		109,998.40	109,998.40	
Energy Receipts Taxes		264,368.00	264,368.00	
Garden State Pilot		23,118.00	23,118.00	
	<u>\$ 8,407.16</u>	<u>\$ 574,948.28</u>	<u>\$ 568,068.16</u>	<u>\$ 15,287.28</u>

Ref.

A

A

TOWNSHIP OF KNOWLTON
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Balance Dec. 31, 2016	Balance After Modification	Paid or Charged	Balance Lapsed
Mayor and Council:				
Salaries and Wages	\$ 58.24	\$ 58.24		\$ 58.24
Other Expenses	1,462.86	1,462.86	\$ 40.00	1,422.86
Administration (Municipal Clerk):				
Salaries and Wages	10,912.39	912.39		912.39
Other Expenses:	243.62	243.62	230.87	12.75
Financial Administration (Treasury):				
Salaries and Wages	166.45	166.45		166.45
Other Expenses	4,566.07	4,566.07	579.25	3,986.82
Computerized Data Processing:				
Other Expenses	1,157.50	1,157.50	180.00	977.50
Financial Administration (Tax Collection):				
Salaries and Wages	169.43	169.43		169.43
Other Expenses	22.92	22.92	5.00	17.92
Assessment of Taxes:				
Salaries and Wages	156.66	156.66		156.66
Miscellaneous Other Expenses	802.70	802.70	555.22	247.48
Legal Services:				
Miscellaneous Other Expenses	398.17	12,398.17	10,184.55	2,213.62
Engineering Services and Costs:				
Other Expenses	12,365.58	12,365.58		12,365.58
Historical Sites Office:				
Other Expenses	813.27	813.27	308.32	504.95
Planning Board:				
Salaries and Wages	48.66	48.66		48.66
Other Expenses	3,532.83	3,532.83	488.50	3,044.33
Zoning Board of Adjustment:				
Salaries and Wages	48.66	48.66		48.66
Other Expenses	2,053.83	2,053.83		2,053.83
Fire Prevention Bureau:				
Salaries and Wages	97.44	97.44		97.44
Other Expenses	17.00	17.00		17.00
Emergency Management Services:				
Salaries and Wages	2,333.44	2,333.44		2,333.44
Other Expenses	1,180.12	1,180.12		1,180.12
Municipal Prosecutor:				
Other Expenses	1,350.00	1,350.00	500.00	850.00
Streets and Roads:				
Salaries and Wages	13,040.97	8,540.97	3,983.21	4,557.76
Other Expenses	68,569.57	68,569.57	1,918.19	66,651.38

TOWNSHIP OF KNOWLTON
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Balance</u> <u>After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Solid Waste Collection (Recycling Program):				
Salaries and Wages	\$ 4.48	\$ 4.48		\$ 4.48
Other Expenses	2,929.50	2,929.50	\$ 48.46	2,881.04
Buildings and Grounds:				
Salaries and Wages	41.44	41.44		41.44
Other Expenses	2,383.74	4,383.74	3,959.94	423.80
Vehicle Maintenance:				
Other Expenses	5,075.49	5,075.49	659.32	4,416.17
Environmental Health Services:				
Other Expenses	263.59	263.59		263.59
Animal Control:				
Salaries and Wages	20.41	20.41		20.41
Other Expenses	400.00	400.00		400.00
Recreation Services and Programs:				
Salaries and Wages	3,899.40	3,899.40		3,899.40
Other Expenses	1,660.01	1,660.01	1,660.00	0.01
Celebration of Public Events	1,000.00	1,000.00		1,000.00
Utility Expenses and Bulk Purchases:				
Electricity	1,748.57	1,748.57	528.07	1,220.50
Street Lighting	1,262.82	1,262.82		1,262.82
Telephone	74.67	74.67		74.67
Gas	4,407.17	4,407.17	1,144.95	3,262.22
Fuel Oil	3,219.50	3,219.50		3,219.50
Municipal Court:				
Other Expenses	2.15	502.15	93.42	408.73
Statutory Expenditures:				
Public Employment Retirement System (PERS)	30.01	30.01		30.01
Social Security (O.A.S.I.)	2,528.84	2,528.84		2,528.84
Insurance:				
Unemployment Compensation Insurance	2.97	2.97		2.97
General Liability	1,616.00	1,616.00		1,616.00
Employee Group Health	30,919.86	30,919.86	30,919.27	0.59
Police Dispatch/911:				
Salaries and Wages	26.00	26.00		26.00
Matching Share for Grants	5,766.00	5,766.00		5,766.00
	<u>\$ 194,851.00</u>	<u>\$ 194,851.00</u>	<u>\$ 57,986.54</u>	<u>\$ 136,864.46</u>
<u>Analysis of Balance December 31, 2016</u>				
		<u>Ref.</u>		
Unencumbered	\$ 189,351.00	A		
Encumbered	5,500.00	A		
	<u>\$ 194,851.00</u>			

TOWNSHIP OF KNOWLTON
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE

	<u>Ref.</u>	
Balance December 31, 2016:		
Local School Tax Payable	A	\$ 127,762.00
Local School Tax Deferred		1,297,721.00
		1,425,483.00
Increased by:		
Levy - School Year July 1, 2017 through June 30, 2018		2,793,225.00
		4,218,708.00
Decreased by:		
Payments to Local School District		2,793,225.00
		\$ 1,425,483.00
Balance December 31, 2017:		
Local School Tax Payable	A	\$ 127,762.00
Local School Tax Deferred		1,297,721.00
		\$ 1,425,483.00

TOWNSHIP OF KNOWLTON
CURRENT FUND
SCHEDULE OF REGIONAL SCHOOL DISTRICT TAXES PAYABLE

	<u>Ref.</u>	
Balance December 31, 2016:		
Regional School Tax Payable	A	\$ 191,551.96
Regional School Tax Deferred		1,031,141.14
		1,222,693.10
Increased by:		
Levy - School Year July 1, 2017 through June 30, 2018		2,591,424.00
		3,814,117.10
Decreased by:		
Payments to Regional School District		2,518,425.48
		\$ 1,295,691.62
Balance December 31, 2017:		
Regional School Tax Payable	A	\$ 264,550.48
Regional School Tax Deferred		1,031,141.14
		\$ 1,295,691.62

TOWNSHIP OF KNOWLTON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE

	Balance Dec. 31, 2016	2017 Budget Revenue Realized	Cash Receipts	Balance Dec. 31, 2017
Clean Communities Program				
Radon Grant		\$ 12,571.19	\$ 12,571.19	\$ 2,000.00
Municipal Alliance Grant		2,000.00		
New Jersey Department of Transportation:		4,113.00	4,113.00	
Guide Rails Grant	\$ 11,498.20			11,498.20
NJDEP Grant	245,000.00			245,000.00
Wastewater Grant	10,000.00			10,000.00
Open Space - Green Acres Grant	325,000.00			325,000.00
Warren County Arts Grant	875.00	2,500.00	500.00	2,875.00
Warren County Preservation Grant	29,328.77			29,328.77
Warren County Preservation Grant - Electrical	70,580.00		29,200.00	41,380.00
Department of Community Affairs:				
Recreation for Individuals with Disability Grant	10.00			10.00
	<u>\$ 692,291.97</u>	<u>\$ 21,184.19</u>	<u>\$ 46,384.19</u>	<u>\$ 667,091.97</u>

Ref.

A

A

TOWNSHIP OF KNOWLTON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVES

	Balance Dec. 31, 2016	Prior Year Encumbrances Returned	Transferred from 2017 Budget Appropriations	Prior Year Encumbrances Payable	Cash Disbursed	Balance Dec. 31, 2017
Clean Communities Program	\$ 34,318.79	\$	\$ 12,571.19	\$	\$ 12,741.36	\$ 34,148.62
Radon Grant			2,000.00		1,999.50	0.50
Municipal Alliance Grant	3,389.00		4,113.00		4,113.00	3,389.00
Municipal Alliance - Local Share	1,234.00				1,234.00	
Warren County Historic Preservation Grant	33,932.60				308.21	33,624.39
NJDEP Grant	58,561.48	\$ 964.50		\$ 964.50	54,312.85	4,248.63
New Jersey Department of Transportation:						
Guide Rails Grant	18,162.50					18,162.50
State Historic Grant	9,952.44					9,952.44
New Jersey Clean Energy Grant	6,616.97					6,616.97
Open Space Grant - Green Acres	325,000.00					325,000.00
Warren County Arts Grant	54.64		2,500.00		2,554.64	
Warren County Preservation Grant - Electrical	66,352.32				55,349.00	11,003.32
Warren County Preservation Grant	2,896.00					2,896.00
Reserve for Small Cities	43,624.00					43,624.00
	<u>\$ 604,094.74</u>	<u>\$ 964.50</u>	<u>\$ 21,184.19</u>	<u>\$ 964.50</u>	<u>\$ 132,612.56</u>	<u>\$ 492,666.37</u>

Ref. A

A

Appropriated Reserve	A	\$ 603,130.24
Encumbrances Reserve	A	964.50
		<u>\$ 604,094.74</u>

TOWNSHIP OF KNOWLTON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF UNAPPROPRIATED RESERVES

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Recycling Tonnage Grant	\$ 4,127.23	\$ 1,626.07	\$ 5,753.30
Municipal Alliance	3,452.97		3,452.97
Clean Communities Grant	698.93		698.93
	<u>\$ 8,279.13</u>	<u>\$ 1,626.07</u>	<u>\$ 9,905.20</u>
<u>Ref.</u>	A		A
		<u>\$ 1,626.07</u>	
		<u>Received in Current Fund</u>	

TOWNSHIP OF KNOWLTON
COUNTY OF WARREN
2017
TRUST FUNDS

TOWNSHIP OF KNOWLTON
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>		<u>Other Trust Funds</u>
Balance December 31, 2016	B	\$ 326.06		\$ 463,769.75
Increased by Receipts:				
Municipal Licensing Fees		\$ 6,433.60		
Due State Board of Health		894.60		
Due Current Fund:				
Interest Earned			\$ 22.96	
COAH			25,812.24	
Open Space Levy			51,825.66	
Public Defender			9,000.00	
Developers Escrow Trust			117,744.98	
Driveway Bond Deposits			248.14	
Courtland Estates Escrow			4.74	
Open Space			3,907.41	
COAH			861.90	
Public Defender			20.17	
Affordable Housing			124.47	
DUI Trust Fund			10.88	
Interest Earned		<u>13.44</u>		
		<u>7,341.64</u>		<u>209,583.55</u>
		<u>7,667.70</u>		<u>673,353.30</u>
Decreased by Disbursements:				
Expenditures under R.S. 4:19 - 15.11		1,511.62		
Due Current Fund:				
Prior Year Statutory Excess		4,170.00		
Developers Escrow Trust			109,437.90	
Open Space			5,000.00	
COAH			15,000.00	
Public Defender			6,983.00	
Due General Capital Fund:				
Interfund Returned			50,000.00	
Due to State Board of Health		<u>907.20</u>		
		<u>6,588.82</u>		<u>186,420.90</u>
Balance December 31, 2017	B	<u>\$ 1,078.88</u>		<u>\$ 486,932.40</u>

TOWNSHIP OF KNOWLTON
ANIMAL CONTROL FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>	
Balance December 31, 2016	B	\$ 15,143.46
Increased by:		
2017 Dog License Fees Collected		\$ 6,433.60
Interest Earned		13.44
		6,447.04
		21,590.50
Decreased by:		
Expenditures under R.S.4:19-15.11:		
Cash Disbursements		1,511.62
Statutory Excess Due Current Fund		5,856.88
		7,368.50
Balance December 31, 2017	B	\$ 14,222.00

License Fees Collected

<u>Year</u>	<u>Amount</u>
2016	\$ 7,641.00
2015	6,581.00
	14,222.00
Maximum Allowable Reserve	\$ 14,222.00

TOWNSHIP OF KNOWLTON
COUNTY OF WARREN
2017
GENERAL CAPITAL FUND

TOWNSHIP OF KNOWLTON
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 9,872.11
Increased by Receipts:		
Due Current Fund:		
Interfund Advanced	\$ 395,000.00	
Capital Improvement Fund	15,000.00	
Reserve for DPW Equipment	40,000.00	
Interest Earned	170.89	
Due Open Space Trust Fund:		
Interfund Returned	<u>50,000.00</u>	
		<u>500,170.89</u>
		<u>510,043.00</u>
Decreased by Disbursements:		
Improvement Authorization Expenditures	412,281.30	
Due Current Fund:		
Interfund Returned	50,000.00	
Due Sewer Utility Operating Fund:		
Interfund Returned	<u>36,000.00</u>	
		<u>498,281.30</u>
Balance December 31, 2017	C	<u><u>\$ 11,761.70</u></u>

TOWNSHIP OF KNOWLTON
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance/(Deficit) Dec. 31, 2016	Receipts			Disbursements			Transfers		Balance/(Deficit) Dec. 31, 2017
		Budget		Miscellaneous	Improvement Authorizations	Miscellaneous	From	To		
		Appropriation								
Fund Balance	\$ 223,278.00									\$ 48,278.00
Capital Improvement Fund	177,373.83	\$ 15,000.00				\$ 175,000.00				187,373.83
NJ Department of Transportation Grant Receivable	(200,000.00)					5,000.00				(61,921.25)
Due Current Fund	171,773.82		\$ 395,170.89		\$ 50,000.00	191,992.00		\$ 138,078.75		324,952.71
Due Federal and State Grant Fund						138,078.75				(138,078.75)
Due Animal Control Fund	10,000.00									10,000.00
Due Municipal Open Space Fund	288,984.50		50,000.00			195,000.00				143,984.50
Due Public Defender	5,000.00									5,000.00
Due Sewer Operating Fund	366,600.00				36,000.00					330,600.00
Due Payroll Account	60,000.00									60,000.00
Reserve for:										
Encumbrances	159,526.00					159,526.00		170,893.31		170,893.31
DPW Equipment		40,000.00								40,000.00
Fire Protection Fund	580.00									580.00
Recreation Facilities	1,400.00									1,400.00
To Pay Debt Service	1,978.60									1,978.60
Ordinance Date										
02-14	Acquisition of Development Rights for Farm Preservation	(265.00)								(265.00)
04-05	Acquisition of Dump Truck	1,886.00								1,886.00
06-13	Guard Rails, Loader, Blow, Road Resurface, Carpet, Copier, & Fire Pump	(192,872.00)						96,434.00		(96,438.00)
07-15	Various Capital Equipment	(120,956.66)						47,838.00		(73,118.66)
09-02	Open Space Preservation - Buchman Farm	(318,533.00)						195,000.00		(123,533.00)
11-09	Various Improvements	2,664.02								2,664.02
11-13	Tanks for DPW Vehicles	1,803.86								1,803.86
12-07	Various Improvements	(202,285.60)						30,077.14		(172,208.46)
13-05	Purchase of Land and Septic Improvement	(114,267.49)						17,642.86		(96,624.63)
14-04	Improvement to Township Roads	(89,069.11)								(112,100.00)
15-05	Acquisition of Dump Truck	(133,950.00)					23,030.89			(133,950.00)
15-06	Acquisition of Fire Truck and Refurbishment of Fire Apparatus	(237,026.00)					\$ 159,526.00			(237,026.00)
16-08	Improvements to Various Roads	146,248.34						65,916.12		(8,500.00)
17-02	Purchase of DPW Truck							47,963.00		(45,938.00)
17-03	Improvements to Various Roads							28,634.38		(26,609.38)
17-05	Construction of New Salt Shed							5,348.92		6,678.00
		\$ 9,872.11	\$ 55,000.00	\$ 445,170.89	\$ 86,000.00	\$ 1,035,490.06	\$ 1,035,490.06	\$ 1,035,490.06	\$ 1,035,490.06	\$ 11,761.70

TOWNSHIP OF KNOWLTON
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Improvement Description	Ordinance Number	Date	Amount	2017 Authorizations										
				Balance December 31, 2016		Prior Year Encumbrances Returned	Capital Improvement Fund Balance	Capital Fund Balance	Deferred Charges to Future Taxation Unfunded	Paid or Charged	Balance December 31, 2017			
				Funded	Unfunded						Funded	Unfunded		
Acquisition of Dump Truck	04-05	4/12/2004	\$ 95,000.00	\$ 1,886.00								\$ 1,886.00		
Various Improvements	07-15	12/11/2007	453,200.00	22,555.34								22,555.34		
Various Improvements	11-09	6/13/2011	7,000.00	\$ 2,664.02								\$ 2,664.02		
Tanks for DPW Vehicles	11-13	12/12/2011	12,000.00	1,803.86								1,803.86		
Various Improvements	12-07	9/10/2012	221,100.00	8,254.40								8,254.40		
Purchase of Land and Septic Improvement	13-05	7/23/2013	130,000.00	9,232.51								9,232.51		
Improvement to Township Roads	14-04	6/26/2014	118,000.00	23,030.89								\$ 23,030.89		
Acquisition of Dump Truck	15-05	6/8/2015	160,000.00	18,050.00	\$159,526.00							159,526.00		
Acquisition of Fire Truck and Refurbishment of Fire Apparatus	15-06	6/8/2015	250,000.00	474.00								474.00		
Improvements to Various Roads	16-08	5/26/2016	430,000.00	354,748.34								154,748.34		
Purchase of DPW Truck	17-02	5/25/2017	50,000.00			\$ 2,500.00			\$ 47,500.00			48,438.00		
Improvements to Various Roads	17-03	5/25/2017	50,000.00			2,500.00			47,500.00			29,109.58		
Construction of New Salt Shed	17-05	9/11/2017	175,000.00			\$ 175,000.00						168,322.00		
				\$ 4,467.88	\$438,231.48	\$159,526.00	\$ 5,000.00	\$ 175,000.00	\$ 95,000.00	\$ 583,174.61	\$ 11,145.88	\$ 282,904.87		
Ref.				C	C				Cash Disbursements	\$ 412,281.30	C	C		
									Reserve for Encumbrances	170,893.31				
										\$ 583,174.61				

TOWNSHIP OF KNOWLTON
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 177,373.83
Increased By:		
2017 Budget Appropriation		<u>15,000.00</u>
		192,373.83
Decreased By:		
Appropriated to Finance Improvement Authorizations		<u>5,000.00</u>
Balance December 31, 2017	C	<u><u>\$ 187,373.83</u></u>

TOWNSHIP OF KNOWLTON
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

TOWNSHIP OF KNOWLTON
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

TOWNSHIP OF KNOWLTON
GENERAL CAPITAL FUND
SCHEDULE OF LOANS PAYABLE
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

TOWNSHIP OF KNOWLTON
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Date	Improvement Description	Balance	2017	Funded by	Funded by	Balance
			Dec. 31, 2016	Authorizations	Budget Appropriation	Open Space Trust Fund	Dec. 31, 2017
02-14	9/26/2002	Acquisition of Development Rights for Farm Preservation	\$ 265.00				\$ 265.00
06-13	12/11/2006	Guard Rails, Loader, Blow, Road Resurface, Carpet, Copier, & Fire Pump	192,872.00		\$ 96,434.00		96,438.00
07-15	12/11/2007	Various Capital Equipment	143,512.00		47,838.00		95,674.00
09-02	6/8/2009	Open Space Preservation - Buchman Farm	318,533.00			\$ 195,000.00	123,533.00
12-07	9/10/2012	Various Improvements	210,540.00		30,077.14		180,462.86
13-05	7/23/2013	Purchase of Land and Septic Improvement	123,500.00		17,642.86		105,857.14
14-04	6/26/2014	Improvement to Township Roads	112,100.00				112,100.00
15-05	6/8/2015	Acquisition of Dump Truck	152,000.00				152,000.00
15-06	6/8/2015	Acquisition of Fire Truck and Refurbishment of Fire Apparatus	237,500.00				237,500.00
16-08	5/26/2016	Improvements to Various Roads	208,500.00				208,500.00
17-02	5/25/2017	Purchase of DPW Truck		\$ 47,500.00			47,500.00
17-03	5/25/2017	Improvements to Various Roads		47,500.00			47,500.00
			<u>\$ 1,699,322.00</u>	<u>\$ 95,000.00</u>	<u>\$ 191,992.00</u>	<u>\$ 195,000.00</u>	<u>\$ 1,407,330.00</u>

TOWNSHIP OF KNOWLTON
COUNTY OF WARREN
2017
SEWER UTILITY FUND

TOWNSHIP OF KNOWLTON
SEWER UTILITY FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Sewer Operating</u>
Balance December 31, 2016	E	\$ 9,489.06
Increased by Receipts:		
Due from Current Fund - Interfund Returned		
Interfund Returned	\$	295,000.00
Due from General Capital Fund - Interfund Returned		
Interfund Returned		36,000.00
Interest Income		374.70
		<u>331,374.70</u>
		<u>340,863.76</u>
Decreased by Disbursements:		
2017 Appropriation Expenditures		215,320.92
Due to Current Fund:		
Interfund Advanced		66,300.76
Reserve for Repairs and Deficiencies		59,073.51
		<u>340,695.19</u>
Balance December 31, 2017	E	<u>\$ 168.57</u>

TOWNSHIP OF KNOWLTON
SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2017

Ref.

Increased by:

Sewer Rents Levied

\$ 235,236.33

Decreased by:

Collected in Current Fund

235,236.33

TOWNSHIP OF KNOWLTON
SEWER UTILITY OPERATING FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Balance</u> <u>After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Other Expenses	\$ 47,757.06	\$ 47,757.06		\$ 47,757.06
	<u>\$ 47,757.06</u>	<u>\$ 47,757.06</u>	<u>\$ -0-</u>	<u>\$ 47,757.06</u>

Ref.

Balance December 31, 2016:

Unencumbered	E	<u>\$ 47,757.06</u>
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TOWNSHIP OF KNOWLTON

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2017

TOWNSHIP OF KNOWLTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017

Name of Federal Agency or Department	Name of Program	C.F.D.A. Account Number	Account Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures	Amount Paid to Subrecipients
				From	To					
U.S. Department of Homeland Security (Passed through the Department of Law and Public Safety)	Severe Winter Storm & Snow Storm	97.036	100-066-1200-	01/22/16	12/31/17	\$ 18,610.54	\$ 18,610.54	* \$ 18,610.54	*	
			B80-068460					18,610.54	18,610.54	
Total U.S. Department of Homeland Security										
U.S. Department of Transportation: (Passed through New Jersey Department of Transportation)	Local Municipal Aid; NJTPA	20.205	480-078-6320-	05/26/16	12/31/18	200,000.00	138,078.75	124,748.34	200,000.00	
			AMF-609166					138,078.75	124,748.34	200,000.00
Total Department of Transportation										
Total Federal Awards							\$ 156,689.29	\$ 143,358.88	\$ 218,610.54	\$ -0-

* - Expended in a Prior Year

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF KNOWLTON
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 YEAR ENDED DECEMBER 31, 2017

Name of State Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures
			From	To				
Department of Environmental Protection	Clean Communities	765-042-4900-	01/01/14	12/31/17	\$ 5,879.79	\$ 5,879.79	\$ 5,879.79	
		004-178910	01/01/15	12/31/18	13,642.00	6,861.57	6,861.57	
			01/01/17	12/31/18	12,571.19		\$ 12,571.19	
	Total Clean Communities Grant				12,571.19	12,741.36	12,741.36	
	Recycling Tonnage Grant	765-042-4900- 224-238490	01/01/17	12/31/18	1,626.07			
	Total Recycling Tonnage Grant				1,626.07			
	NJ Department of Environmental Protection Grant	N/A	01/01/14	12/31/18	350,000.00	54,312.85	345,751.37	
	Total NJDEP Grant					54,312.85	345,751.37	
	Radon Grant	N/A	01/01/17	12/31/18	2,000.00	1,999.50	1,999.50	
	Total Radon Grant					1,999.50	1,999.50	
	Total Department of Environmental Protection				14,197.26	69,053.71	360,492.23	
Department of Treasury: Passed through the County of Warren: Governor's Council on Alcoholism and Drug Abuse	Municipal Alliance to Prevent Alcoholism and Drug Abuse	N/A	01/01/16	12/31/17	4,113.00	4,113.00	4,113.00	
	Total Municipal Alliance Grant				4,113.00	4,113.00	4,113.00	
Total Department of Treasury					4,113.00	4,113.00	4,113.00	
Total State Awards					\$ 18,310.26	\$ 73,166.71	\$ 364,605.23	

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF KNOWLTON
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2017

A. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) include the federal and state grant activity of the Township of Knowlton under programs of the federal and state governments for the year ended December 31, 2017. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Township, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Township.

B. BASIS OF ACCOUNTING

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Township has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

C. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

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 Auditors' Report

The Honorable Mayor and Members
 of the Township Council
 Township of Knowlton
 Knowlton, New Jersey

We have audited, 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 (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - *regulatory basis* - of the various funds of the Township of Knowlton, in the County of Warren (the "Township") as of and for the year ended December 31, 2017, and the related notes to the financial statements and have issued our report thereon dated June 8, 2018. These financial statements have been prepared in conformity with accounting principles prescribed or permitted by the Division, to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. That qualified report also indicated that we did not audit the general fixed assets account group.

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.

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 Township'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.

The Honorable Mayor and Members
of the Township Council
Township of Knowlton
Page 2

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2017-01 and 2017-02, that we consider to be significant deficiencies.

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*.

The Township's Responses to the Findings

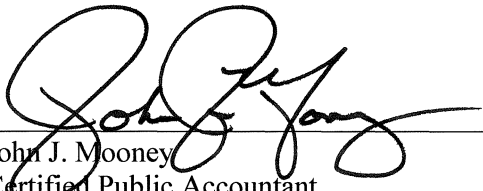
The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Mount Arlington, New Jersey
June 8, 2018

NISIVOCIA LLP
NISIVOCIA LLP



John J. Mooney
Certified Public Accountant
Registered Municipal Accountant No. 560

TOWNSHIP OF KNOWLTON
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the Township's financial statements, prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as the general fixed assets account group was not audited.
- Significant deficiencies disclosed during the audit of the financial statements are reported in the *Independent Auditors' 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*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Township which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Township was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08 for the year ended December 31, 2017 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

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

- The audit disclosed the following significant deficiencies required to be reported under Generally Accepted Government Auditing Standards:

Finding 2017-1

Segregation of Duties

Criteria

Concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Condition

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

The various departments/offices of the Township are responsible for the issuance of permits and licenses; collections of taxes and permit and license fees; and recording of collections. Also, the reconciliation of bank accounts, the preparation of the general ledger including recording cash receipts and disbursements for the various funds are performed by one person with limited oversight review.

TOWNSHIP OF KNOWLTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards (Cont'd)

- The audit disclosed the following significant deficiencies required to be reported under Generally Accepted Government Auditing Standards:

Finding 2017-1 (Cont'd)

Segregation of Duties

Cause

This is due, in part, to the limited number of personnel of the Township and the decentralized nature of governmental collection procedures.

Effect of Potential Effect

Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time.

Management's Response

The finding was evaluated, however due to budgetary constraints no resolution can be made at this time.

Finding 2017-2

Fixed Asset Accounting and Reporting System

Criteria

A fixed assets accounting and reporting system is required to be in compliance with the New Jersey Administrative Code Accounting Requirements.

Condition

The Township does not maintain a fixed assets accounting and reporting system. A fixed assets accounting and reporting system would be used to identify assets held by the Township, their cost, acquisition date, location and other pertinent information.

Cause

Sufficient Township personnel and/or financial resources are not available to perform the initial inventory of the Township's fixed assets.

TOWNSHIP OF KNOWLTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards (Cont'd)

- The audit disclosed the following significant deficiencies required to be reported under Generally Accepted Government Auditing Standards:

Finding 2017-2 (Cont'd)

Fixed Asset Accounting and Reporting System

Effect or Potential Effect

The Township is not in compliance with the New Jersey Administrative Code Accounting Requirements. Township fixed assets records are not available which could be possibly used to aid in the planning for replacement of assets.

Management's Response

The finding was evaluated, however, due to budgetary constraints, no resolution can be made at this time.

Findings and Questioned Costs for Federal Awards:

- Not applicable – Federal award expenditures are less than the single audit threshold

Findings and Questioned Costs for State Awards:

- Not applicable – State award expenditures are less than the single audit threshold

TOWNSHIP OF KNOWLTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

The Township did not have any prior year audit findings relating to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards.

TOWNSHIP OF KNOWLTON

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

TOWNSHIP OF KNOWLTON
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required Advertisement for Bids

N.J.S.A. 40A:11-3 states:

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or 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. of Section 9 of P.L. 1971, C.198 (N.J.S.A. 40A:11-9), the governing body of the contracting unit 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 subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, C.198 (N.J.S.A. 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. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, C.440 takes effect, 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 section 2 of P.L. 1971, C.198 (N.J.S.A. 40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S.A. 40A: 11-4 states: "Every contract awarded by the contracting agent 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 of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective July 1, 2015 and thereafter the bid threshold in accordance with N.J.S.A. 40A:11-3 is \$17,500, and with a qualified purchasing agent the threshold may be up to \$40,000.

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where questions arise 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 indicated that bids were requested by public advertising per N.J.S.A. 40A:11-4. The minutes also indicated that resolutions were adopted and advertised authorizing the awarding of contracts for "Professional Services" and "Extraordinary Unspecifiable Services" per N.J.S.A. 40A:11-5.

TOWNSHIP OF KNOWLTON
COMMENTS AND RECOMMENDATIONS
(Continued)

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

Collection of Interest on Delinquent Taxes and Assessments

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

The following resolutions were adopted in 2017:

BE IT RESOLVED by the Mayor and Council of the Township of Knowlton, Warren County, New Jersey, that the rate of interest charges on delinquent taxes or utilities in this Township shall be as follows:

On all delinquents to and including December 31, 2017, at the rate or rates heretofore governing, and on all delinquents on and after January 1, 2017 at the rate of 8% per annum for and upon the first \$1,500 of the delinquency and at the rate of 18% per annum for and upon any amount of the delinquency in excess of \$1,500; and that a grace period of 10 days will be allowed on taxes due February 1, May 1, August 1, and November 1. If taxes are not paid by the 10th, interest shall be charged from the due date.

BE IT RESOLVED, that the collector of the Township be and is hereby directed to collect interest on all taxes and utilities accordingly.

It appears from our testing that interest was charged in accordance with the above resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 15, 2017.

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>
2017	34
2016	32
2015	30

During our review of delinquent taxes and tax title liens, it was noted that, a formal detail of tax lien redemptions trust deposits by tax sale certificate was not completed with appropriate detail. It was also noted that there are several years of taxes receivable that have not gone to tax sale and there are aged tax title liens that have not been foreclosed on. Furthermore, no backup could be provided for the amount recorded for Property Acquired for Taxes in the general ledger. It was noted that tax monthly collection reports were not reconciled to cash collections per the Treasurer on a monthly basis. The Township is attempting to identify and create a detailed analysis of tax sale premiums and outside liens, and to locate documentation for previous balances of Property Acquired for Taxes, therefore, no recommendation is deemed necessary at this time. It is recommended that tax receivables are collected or held for lien sale and that dated tax title liens be foreclosed on and that tax monthly collection reports be reconciled to cash collections per the Treasurer on a monthly basis.

TOWNSHIP OF KNOWLTON
COMMENTS AND RECOMMENDATIONS
(Continued)

Delinquent Taxes and Tax Title Liens (Cont'd)

Management Response

The Township will make every effort to reconcile monthly tax collection reports with Treasurer's records. Long overdue taxes will also be collected or sent to tax sale, and older liens will be foreclosed on.

Municipal Court

The transactions for the year 2017 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Balance Dec. 31,	Receipts	Disbursements	Balance Dec. 31,
State of New Jersey	\$ 24,172.88	\$287,311.67	\$291,179.93	\$ 20,304.62
Municipality:				
Fines and Fees	5,533.62	66,055.83	66,508.07	5,081.38
Public Defender		1,200.00	1,200.00	
Conditional Discharge		300.00	225.00	75.00
Fish and Game	200.00	200.00	400.00	
Forest and Parks	75.00	50.00	125.00	
Restitution	50.00	163.00	213.00	
County Fines	130.50	1,006.50	1,037.00	100.00
Cash Bail	4,000.00	5,494.00	6,896.00	2,598.00
	<u>\$ 34,162.00</u>	<u>\$361,781.00</u>	<u>\$367,784.00</u>	<u>\$ 28,159.00</u>

New Jersey Administrative Code Accounting Requirements

The Division of Local Government Services has established three (3) accounting requirements which are prescribed in the New Jersey Administrative Code. They are as follows:

1. Maintenance of an encumbrance accounting system.
2. Fixed asset accounting and reporting system.
3. General ledger accounting system.

The Township maintains an encumbrance accounting system and a general ledger accounting system for most funds. The Township does not maintain a fixed asset accounting and reporting system. It is recommended that the Township establish and maintain a fixed asset accounting and reporting system and that consideration be given to engaging an independent appraisal company to completely inventory the fixed assets of the Township.

TOWNSHIP OF KNOWLTON
COMMENTS AND RECOMMENDATIONS
(Continued)

New Jersey Administrative Code Accounting Requirements (Cont'd)

Management Response

The Township will make every effort to establish and maintain a fixed asset accounting and reporting system.

Outside Offices

During our review of outside offices, it was noted that a receipt ledger is not maintained for recreation, clerk or zoning department fees. It is recommended that a cash receipts ledger be maintained for all outside offices.

Management Response

The Township will maintain a cash receipts ledger for all outside offices.

Treasurer's Records

Although there was an effort made to liquidate all the prior year interfunds and limit the amount of interfund activity, there is still a large number of interfund balances at year end. It is recommended that a continuing effort be made to limit the number of interfunds at year end.

Management Response

The Township will make every effort to limit interfund balances at year end.

Deposits

During our review of cash receipts, it was noted that cash receipts are not always deposited within forty-eight hours of receipt. It is recommended that cash receipts be deposited within forty-eight hours of receipt.

Management Response

The Township will begin to make deposits within forty-eight hours of receipt.

Animal Control

During our review of animal control licenses, it was noted that unused licenses were not retained in accordance with New Jersey's record retention laws. It is recommended that unused dog licenses be retained in accordance with New Jersey's record retention laws.

Management Response

The Township will retain all records in accordance with New Jersey's record retention laws.

TOWNSHIP OF KNOWLTON
COMMENTS AND RECOMMENDATIONS
(Continued)

Recreation Department

During our review of the Recreation Department, it was noted that checks made out to Knowlton Township for the annual Easter Egg Hunt, which is run by the Township, were deposited into the Knowlton Township Recreation Foundation bank account. All Township sponsored events should be accounted for through the Township Recreation Trust account. All funding to support these events is to be posted and deposited within forty-eight hours of receipt. Further, all expenditures relating to these events should be expended from the Township Recreation Trust Fund account. All expenditures from the Recreation Trust account are to follow purchasing laws as established by New Jersey State Statute. It is recommended that checks written to Knowlton Township, Knowlton Township Recreation, Knowlton Recreation or any variations therein, and donations made for Township sponsored events be deposited into the Township's Recreation Trust bank account within forty-eight hours of their receipt by a Township representative.

The Recreation Department runs several events during the year, including: Easter Egg Hunt, Halloween Trick or Treat, and two movies in the park. We noted during our audit fieldwork that certain supplies are purchased by the Recreation Director without prior approval or certification of funds and subsequently the Director is reimbursed for these expenses. This does not comply with New Jersey governmental purchasing standards. It is recommended that purchases for Recreation Department events be performed in accordance with New Jersey purchasing laws and purchase orders are utilized for the expenses. It is recommended that there be limited of out of pocket expenses on a going forward basis.

It was noted that Township athletic fields may or may not have been rented for private resident parties in the past. No deposits were made to the Township's accounts for field or facility rentals. It is recommended that a formal, written policy be developed and implemented for rental of Township athletic fields and facilities.

It was noted that though the Knowlton Recreation Foundation uses the concession stand at Tunnel Field, it is not charged for the usage or scheduled with the Township offices. We have not been provided with information to determine if the Township would be liable for any injuries or incidents that might occur at the concession stand by Foundation members or the public. It is recommended that the Township seek an opinion from their insurance carrier specifically about the concession stand, to determine if any injuries sustained within the concession stand are covered by the Township policy or if the Foundation needs to have an insurance policy.

It was noted that for 2017, a Recreation Trust Account had not been established. However, in 2018, a Dedication by Rider was submitted to the State and a Recreation Trust Account was established. No further recommendation is deemed warranted.

Management Response

The Township will make every effort to ensure that checks written for the Knowlton Township recreation department are deposited into the Township's Recreation Trust bank account within forty-eight hours of receipt, that purchases for the Recreation Department events be performed in accordance with New Jersey purchasing laws and purchase orders are utilized, that a formal written policy is developed and implemented for the rental of Township athletic fields and facilities, and that the Township seek opinion from insurance carriers specifically about the concession stand policy.

TOWNSHIP OF KNOWLTON
COMMENTS AND RECOMMENDATIONS
(Continued)

Federal and State Grant Receivables

During our review of Federal and State Grant Fund, it was noted that a number of grants receivable and reserve balances are several years old. It is recommended that a review of the federal and state grants receivable and appropriated grant reserves be conducted to identify those grants which will be collected and disbursed, and which grants should be canceled.

Management Response

A review of all federal and state grants receivable and appropriated reserves will be performed to ensure that only active receivables and reserve balances are being carried forward.

General Capital Improvement Authorizations

During our review of General Capital improvement authorizations, it was noted that there are several older ordinances with unexpended balances. It is recommended that all Improvement Authorization balances be reviewed for possible cancellation.

Management Response

The Township will make every effort to review all improvement authorization balances in order to cancel any balances on completed projects.

Management Suggestions

During our review of the state and federal grant fund it was noted that there are several older outstanding grant balances that have been idle for several years. We suggest that management review these balances for collectability. Deficit cash balances for General Capital Ordinances over 5 years old should be cancelled if no action is to be taken.

Status of Prior Year Recommendations

The prior year recommendation regarding a trust escrow and payroll agency general ledger accounting system was resolved in the current year. The recommendation regarding the issuance of settlement taxes was resolved in the current year.

TOWNSHIP OF KNOWLTON
SUMMARY OF RECOMMENDATIONS

It is recommended that:

- 1) Segregation of duties for the various departments/offices of the Township be reviewed in order to improve internal control.
- 2) Tax receivables are collected or held for lien sale and that dated tax title liens be foreclosed on.
- 3) Tax monthly collection reports be reconciled to cash collections per the Treasurer on a monthly basis.
- 4) The Township establish and maintain a fixed asset accounting and reporting system and that consideration be given to engaging an independent appraisal company to completely inventory the fixed assets of the Township.
- 5) A cash receipts ledger be maintained for all outside offices.
- 6) A continuing effort be made to limit the number of interfunds at year end.
- 7) Cash receipts be deposited within forty-eight hours of receipt.
- 8) Unused dog licenses be retained in accordance with New Jersey's record retention laws.
- 9) Checks written to Knowlton Township, Knowlton Township Recreation, Knowlton Recreation or any variations therein, and donations made for Township sponsored events be deposited into the Township's Recreation Trust bank account within forty-eight hours of their receipt by a Township representative, that purchases for Recreation Department events be performed in accordance with New Jersey purchasing laws and purchase orders are utilized for the expenses, that there be limited of out of pocket expenses on a going forward basis, that a formal, written policy be developed and implemented for rental of Township athletic fields and facilities, and that the Township seek an opinion from their insurance carrier specifically about the concession stand, to determine if any injuries sustained within the concession stand are covered by the Township policy or if the Foundation needs to have an insurance policy.
- 10) A review of the federal and state grants receivable and appropriated grant reserves be conducted to identify those grants which will be collected and disbursed, and which grants should be canceled.
- 11) All improvement authorization balances be reviewed for possible cancellation.

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