

TOWNSHIP OF KNOWLTON

COUNTY OF WARREN

REPORT OF AUDIT

2019

*NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF KNOWLTON

COUNTY OF WARREN

REPORT OF AUDIT

2019

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TOWNSHIP OF KNOWLTON

PART I

REPORT ON AUDIT AND FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2019



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Independent Member
BKR International

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 years ended December 31, 2019 and 2018, 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 audits. We conducted our audits 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 audits 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
Page 2

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, 2019 and 2018, or the changes in financial position or where applicable, cash flows thereof for the years 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, 2019 and 2018 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, 2019 and 2018, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years 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.

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

Other Matters

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 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.

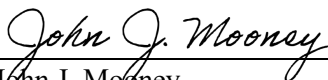
The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to 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 August 5, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Knowlton's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
August 5, 2020

NISIVOCIA LLP



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

TOWNSHIP OF KNOWLTON
COUNTY OF WARREN
2019
CURRENT FUND

TOWNSHIP OF KNOWLTON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2019</u>	<u>2018</u>
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Cash - Treasurer	A-4	\$ 2,303,925.97	\$ 2,028,678.53
Due from State of New Jersey:			
Veterans and Senior Citizens Deductions		2,107.60	1,538.18
		<u>2,306,033.57</u>	<u>2,030,216.71</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-6	436,093.66	399,635.60
Tax Title Liens Receivable	A-7	261,562.38	523,068.94
Property Acquired for Taxes		898,200.00	664,500.00
Revenue Accounts Receivable	A-8	3,382.10	15,757.15
Due from:			
Animal Control Fund	B	9,119.28	
General Capital Fund	C	90,000.00	
		<u>1,698,357.42</u>	<u>1,602,961.69</u>
Total Receivables and Other Assets With Full Reserves			
		<u>4,004,390.99</u>	<u>3,633,178.40</u>
Federal and State Grant Fund:			
Cash and Cash Equivalents	A-4A	144,417.97	39,600.19
Federal and State Grants Receivable	A-12	380,175.47	626,150.47
Due from Current Fund	A	169,598.42	31,997.19
		<u>694,191.86</u>	<u>697,747.85</u>
Total Federal and State Grant Fund			
		<u>\$ 4,698,582.85</u>	<u>\$ 4,330,926.25</u>
<u>TOTAL ASSETS</u>			

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

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2019</u>	<u>2018</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-9	\$ 154,556.49	\$ 129,591.35
Encumbered	A-3;A-9	2,566.66	
Total Appropriation Reserves		157,123.15	129,591.35
Prepaid Taxes		95,115.42	88,200.15
Tax Overpayments		2,062.23	5,716.07
County Taxes Payable		15,252.09	10,835.85
Local School District Taxes Payable	A-10	109,140.34	127,762.00
Regional High School Taxes Payable	A-11	384,212.44	347,537.98
Due Federal and State Grant Fund	A	169,598.42	31,997.19
Due Other Trust Fund	B	100,138.97	45,164.78
Due Sewer Utility Operating Fund	E		6,831.47
Due Payroll Account		21,745.67	
Due State of New Jersey - Marriage License Fees		100.00	100.00
Reserve for Sale of Municipal Assets		90,000.00	6,550.00
Reserve for Third Party Liens		10,367.53	10,367.53
		<u>1,154,856.26</u>	<u>810,654.37</u>
Reserve for Receivables and Other Assets	A	1,698,357.42	1,602,961.69
Fund Balance	A-1	1,151,177.31	1,219,562.34
Total Regular Fund		<u>4,004,390.99</u>	<u>3,633,178.40</u>
Federal and State Grant Fund:			
Appropriated Reserves	A-13	453,480.91	475,122.40
Unappropriated Reserves	A-14	5,951.83	2,435.54
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	152,647.96	138,078.75
Total Federal and State Grant Fund		<u>694,191.86</u>	<u>697,747.85</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 4,698,582.85</u>	<u>\$ 4,330,926.25</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,	
		2019	2018
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$	370,000.00	\$ 320,000.00
Miscellaneous Revenue Anticipated		694,932.70	616,201.91
Receipts from:			
Delinquent Taxes		294,504.43	341,460.69
Current Taxes		8,648,511.84	8,600,257.74
Nonbudget Revenue		122,627.04	48,282.66
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		79,077.80	171,309.26
Interfunds Returned			330,809.59
Total Income		<u>10,209,653.81</u>	<u>10,428,321.85</u>
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes		1,917,598.35	1,849,254.05
County Taxes		2,196,544.64	2,276,715.94
Amount Due County for Added and Omitted Taxes		15,252.09	10,835.85
Local School District Taxes		2,793,225.00	2,793,225.00
Regional School Tax		2,830,748.00	2,757,399.00
Municipal Open Space Tax		52,014.44	51,935.62
Interfunds Advanced		99,119.28	
Refund of Prior Year Revenue		3,537.04	2,881.56
Total Expenditures		<u>9,908,038.84</u>	<u>9,742,247.02</u>
Statutory Excess to Fund Balance		301,614.97	686,074.83
<u>Fund Balance</u>			
Balance January 1		<u>1,219,562.34</u>	<u>853,487.51</u>
		1,521,177.31	1,539,562.34
Decreased by:			
Utilized as Anticipated Revenue		<u>370,000.00</u>	<u>320,000.00</u>
Balance December 31	A	<u>\$ 1,151,177.31</u>	<u>\$ 1,219,562.34</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, 2019

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 370,000.00		\$ 370,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	4,000.00		4,288.30	\$ 288.30
Fees and Permits	1,000.00		312.54	687.46 *
Fines and Costs:				
Municipal Court	95,000.00		186,761.72	91,761.72
Interest and Costs on Taxes	65,000.00		72,560.43	7,560.43
Energy Receipts Tax	264,368.00		264,368.00	
Garden State Preservation Trust Fund	23,118.00		23,118.00	
Cell Tower Lease	105,000.00		120,533.91	15,533.91
Hotel Tax	2,000.00		1,065.15	934.85 *
Clean Communities Grant		\$ 13,396.65	13,396.65	
Reserve for Sale of Municipal Assets	6,550.00		6,550.00	
Reserve to Pay Debt Service	1,978.00		1,978.00	
Total Miscellaneous Revenue	568,014.00	13,396.65	694,932.70	113,522.05
Receipts from Delinquent Taxes	335,000.00		294,504.43	40,495.57 *
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	1,092,846.07		1,218,684.21	125,838.14
Budget Totals	2,365,860.07	13,396.65	2,578,121.34	198,864.62
Nonbudget Revenue	\$ 2,365,860.07	\$ 13,396.65	\$ 2,700,748.38	\$ 321,491.66

TOWNSHIP OF KNOWLTON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Allocation of Current Tax Collections

Revenue from Collection of Current Taxes	\$	8,648,511.84
Allocated to County, School and Open Space Taxes		7,887,784.17
Balance for Support of Municipal Budget		760,727.67
Add: Appropriation - Reserve for Uncollected Taxes		457,956.54
Realized for Support of Municipal Budget	\$	1,218,684.21

Analysis of Nonbudget Revenue

Miscellaneous Revenue Not Anticipated:

Treasurer:

Planning and Zoning	\$	699.00	
Clerk		42.00	
Zoning Officer		995.00	
Interest on Investments		31,771.84	
Trailer Court Fees		9,092.00	
Insurance Refund		8,994.50	
Senior & Veterans Deduction Administrative Fee		310.00	
Other Miscellaneous Revenues		48,538.07	
	\$		100,442.41
Tax Collector Miscellaneous Revenue			8,421.10
Federal and State Grant Fund Interest Earned			1,614.01
Animal Control Fund - Statutory Excess Due Current Fund			9,119.28
Other Trust Fund - Escrow Reserve Interest Earned			5.99
Other Trust Fund - Interest Earned			1,099.76
General Capital Fund Interest Earned			1,924.49
	\$		122,627.04

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, 2019

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations - Within "CAPS"					
GENERAL GOVERNMENT:					
Mayor and Council:					
Salaries & Wages	\$ 16,925.00	\$ 16,925.00	\$ 14,598.17	\$ 2,326.83	
Other Expenses	3,000.00	3,000.00	2,044.22	955.78	
Administration (Municipal Clerk):					
Salaries & Wages	58,750.00	53,750.00	51,438.63	2,311.37	
Other Expenses:	27,000.00	19,450.00	16,578.52	2,871.48	
Financial Administration:					
Salaries & Wages	21,000.00	42,250.00	41,864.94	385.06	
Other Expenses	32,000.00	32,500.00	32,437.72	62.28	
Audit	21,500.00	21,500.00	16,500.00	5,000.00	
Computer Services	2,000.00	2,000.00	1,312.50	687.50	
Tax Assessment Administration:					
Salaries & Wages	22,650.00	22,650.00	22,409.98	240.02	
Other Expenses	1,500.00	1,500.00	843.41	656.59	
Revenue Administration (Tax Collection):					
Salaries & Wages	31,875.00	28,875.00	27,144.65	1,730.35	
Other Expenses	8,000.00	8,000.00	7,547.33	452.67	
Legal Services and Costs:					
Other Expenses	60,000.00	60,000.00	43,551.58	16,448.42	
Engineering Services and Costs:					
Other Expenses	30,000.00	25,000.00	18,727.00	6,273.00	
Historic Sites Office:					
Other Expenses	2,500.00	2,500.00	2,299.39	200.61	

TOWNSHIP OF KNOWLTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

<p>Operations - Within "CAPS" (continued) GENERAL GOVERNMENT (continued): Municipal Land Use Law (N.J.S.A. 40:55D-1): Planning Board: Salaries & Wages Other Expenses Zoning Board of Adjustment: Salaries & Wages Other Expenses Zoning Officer: Salaries & Wages Council on Affordable Housing: Salaries & Wages</p>	<table border="0"> <thead> <tr> <th style="text-align: center;">Appropriations</th> <th colspan="2" style="text-align: center;">Expended By</th> <th rowspan="2" style="text-align: center;">Unexpended Balance Cancelled</th> </tr> <tr> <th style="text-align: center;">Budget</th> <th style="text-align: center;">Budget After Modification</th> <th style="text-align: center;">Paid or Charged</th> <th style="text-align: center;">Reserved</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">\$ 8,025.00</td> <td style="text-align: right;">\$ 8,025.00</td> <td style="text-align: right;">\$ 7,920.03</td> <td style="text-align: right;">\$ 104.97</td> <td></td> </tr> <tr> <td style="text-align: right;">4,500.00</td> <td style="text-align: right;">4,500.00</td> <td style="text-align: right;">4,001.99</td> <td style="text-align: right;">498.01</td> <td></td> </tr> <tr> <td style="text-align: right;">8,025.00</td> <td style="text-align: right;">8,025.00</td> <td style="text-align: right;">7,920.03</td> <td style="text-align: right;">104.97</td> <td></td> </tr> <tr> <td style="text-align: right;">2,800.00</td> <td style="text-align: right;">2,800.00</td> <td style="text-align: right;">2,398.21</td> <td style="text-align: right;">401.79</td> <td></td> </tr> <tr> <td style="text-align: right;">12,000.00</td> <td style="text-align: right;">15,500.00</td> <td style="text-align: right;">14,561.06</td> <td style="text-align: right;">938.94</td> <td></td> </tr> <tr> <td style="text-align: right;">5,000.00</td> <td style="text-align: right;">5,000.00</td> <td style="text-align: right;">2,092.85</td> <td style="text-align: right;">2,907.15</td> <td></td> </tr> </tbody> </table>	Appropriations	Expended By		Unexpended Balance Cancelled	Budget	Budget After Modification	Paid or Charged	Reserved	\$ 8,025.00	\$ 8,025.00	\$ 7,920.03	\$ 104.97		4,500.00	4,500.00	4,001.99	498.01		8,025.00	8,025.00	7,920.03	104.97		2,800.00	2,800.00	2,398.21	401.79		12,000.00	15,500.00	14,561.06	938.94		5,000.00	5,000.00	2,092.85	2,907.15	
Appropriations	Expended By		Unexpended Balance Cancelled																																				
Budget	Budget After Modification	Paid or Charged		Reserved																																			
\$ 8,025.00	\$ 8,025.00	\$ 7,920.03	\$ 104.97																																				
4,500.00	4,500.00	4,001.99	498.01																																				
8,025.00	8,025.00	7,920.03	104.97																																				
2,800.00	2,800.00	2,398.21	401.79																																				
12,000.00	15,500.00	14,561.06	938.94																																				
5,000.00	5,000.00	2,092.85	2,907.15																																				
<p>PUBLIC SAFETY: Fire: Contribution to Fire Companies Police Dispatch: Salaries & Wages Emergency Management Services: Salaries & Wages Other Expenses</p>	<table border="0"> <tbody> <tr> <td style="text-align: right;">52,000.00</td> <td style="text-align: right;">52,000.00</td> <td style="text-align: right;">52,000.00</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">2,050.00</td> <td style="text-align: right;">2,050.00</td> <td style="text-align: right;">1,851.01</td> <td style="text-align: right;">198.99</td> <td></td> </tr> <tr> <td style="text-align: right;">6,650.00</td> <td style="text-align: right;">6,650.00</td> <td style="text-align: right;">4,639.24</td> <td style="text-align: right;">2,010.76</td> <td></td> </tr> <tr> <td style="text-align: right;">2,000.00</td> <td style="text-align: right;">4,000.00</td> <td style="text-align: right;">3,852.00</td> <td style="text-align: right;">148.00</td> <td></td> </tr> </tbody> </table>	52,000.00	52,000.00	52,000.00			2,050.00	2,050.00	1,851.01	198.99		6,650.00	6,650.00	4,639.24	2,010.76		2,000.00	4,000.00	3,852.00	148.00																			
52,000.00	52,000.00	52,000.00																																					
2,050.00	2,050.00	1,851.01	198.99																																				
6,650.00	6,650.00	4,639.24	2,010.76																																				
2,000.00	4,000.00	3,852.00	148.00																																				

TOWNSHIP OF KNOWLTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations - Within "CAPS" (continued)					
PUBLIC SAFETY: (continued)					
Municipal Prosecutor's Office:					
Other Expenses	\$ 19,000.00	\$ 19,000.00	\$ 13,600.00	\$ 5,400.00	
STREETS AND ROADS:					
Road Repairs and Maintenance:					
Salaries & Wages	220,000.00	230,000.00	230,000.00		
Other Expenses	190,000.00	175,000.00	123,069.13	51,930.87	
Solid Waste Collection (Recycling Program)					
Salaries & Wages	6,550.00	6,550.00	4,550.46	1,999.54	
Other Expenses	3,000.00	3,000.00	1,588.71	1,411.29	
Building and Grounds					
Salaries & Wages	7,800.00	7,800.00	7,691.02	108.98	
Other Expenses	22,000.00	27,000.00	24,319.80	2,680.20	
Vehicle Maintenance					
Other Expenses	25,000.00	13,000.00	9,506.40	3,493.60	
HEALTH AND WELFARE:					
Animal Control:					
Salaries & Wages	7,750.00	7,750.00	7,629.01	120.99	
Other Expenses	200.00	200.00		200.00	

TOWNSHIP OF KNOWLTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations - Within "CAPS" (continued)	\$ 500.00	\$ 500.00	\$ 127.90	\$ 372.10	
HEALTH AND WELFARE: (continued)					
Environmental Health Services					
Other Expenses					
Contributions to Social Services Agencies					
Contribution to Senior Citizens Center	9,000.00	9,000.00	9,000.00		
RECREATION AND EDUCATION:					
Recreation Services and Programs:					
Salaries & Wages	16,000.00	16,000.00	12,339.03	3,660.97	
Other Expenses	14,000.00	14,500.00	14,296.34	203.66	
Other Common Operating Functions:					
Celebration of Public Events	4,500.00	4,500.00	3,696.98	803.02	
Utility Expenses and Bulk Purchases:					
Electricity	9,500.00	9,500.00	6,890.17	2,609.83	
Street Lighting	10,000.00	10,000.00	9,214.75	785.25	
Telephone	15,000.00	15,000.00	12,690.64	2,309.36	
Gas	9,000.00	7,000.00	4,799.22	2,200.78	
Fuel Oil	4,000.00	5,500.00	5,346.64	153.36	
Municipal Court:					
Salaries & Wages	160,000.00	160,000.00	159,359.06	640.94	
Other Expenses	15,000.00	15,000.00	9,931.98	5,068.02	

TOWNSHIP OF KNOWLTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations - Within "CAPS" (continued)					
Insurance:					
Other Premiums	\$ 94,000.00	\$ 94,000.00	\$ 91,167.00	\$ 2,833.00	
Unemployment Insurance	2,500.00	2,500.00	147.39	2,352.61	
Employee Group Health	150,000.00	150,000.00	135,323.74	14,676.26	
Fire Prevention Bureau:					
Salaries & Wages	6,550.00	6,550.00	6,439.95	110.05	
Other Expenses	1,250.00	1,250.00	742.00	508.00	
Total Operations within "CAPS"	1,463,850.00	1,458,550.00	1,304,001.78	154,548.22	
Detail:					
Salaries & Wages	612,600.00	639,350.00	622,356.27	16,993.73	
Other Expenses	851,250.00	819,200.00	681,645.51	137,554.49	
STATUTORY EXPENDITURES:					
Contribution to:					
Public Employees Retirement System	65,641.55	65,641.55	65,641.55		
Social Security (FICA)	45,000.00	50,300.00	50,291.73	8.27	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	110,641.55	115,941.55	115,933.28	8.27	
Total General Appropriations for Municipal Purposes Within "CAPS"	1,574,491.55	1,574,491.55	1,419,935.06	154,556.49	

TOWNSHIP OF KNOWLTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations - Excluded from "CAPS" (Cont'd)					
Public and Private Programs Offset by Revenue:					
Clean Communities Grant (N.J.S.A. 40A:4-87 + \$13,396.65)		\$ 13,396.65	\$ 13,396.65		
Total Public and Private Programs Offset by Revenues		13,396.65	13,396.65		
Total Operations - Excluded from "CAPS"		13,396.65	13,396.65		
Operations - Excluded from "CAPS" (continued):					
Detail:					
Other Expenses		13,396.65	13,396.65		
Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	\$ 60,000.00	60,000.00	60,000.00		
Upgrade of Computers	9,000.00	9,000.00	6,185.00		\$ 2,815.00
Improvements to Roads	70,000.00	70,000.00	70,000.00		
Furniture Municipal Building	5,000.00	5,000.00	4,235.39		764.61
Total Capital Improvements Excluded from "CAPS"	144,000.00	144,000.00	140,420.39		3,579.61
Municipal Debt Service - Excluded from "CAPS":					
Interest on Notes	22,000.00	22,000.00	21,877.78		122.22
Total Municipal Debt Service - Excluded from "CAPS"	22,000.00	22,000.00	21,877.78		122.22

TOWNSHIP OF KNOWLTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
 (Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Deferred Charges - Municipal - Excluded from "CAPS":					
Ordinance 12-07 Various Improvements	\$ 142,131.32	\$ 142,131.32	\$ 142,131.32		
Ordinance 07-15 Various Capital Equipment	25,280.66	25,280.66	25,280.66		
Total Deferred Charges - Municipal - Excluded from "CAPS"	167,411.98	167,411.98	167,411.98		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	333,411.98	346,808.63	343,106.80		\$ 3,701.83
Subtotal General Appropriations	1,907,903.53	1,921,300.18	1,763,041.86	\$ 154,556.49	3,701.83
Reserve for Uncollected Taxes	457,956.54	457,956.54	457,956.54		
Total General Appropriations	\$2,365,860.07	\$2,379,256.72	\$2,220,998.40	\$ 154,556.49	\$ 3,701.83

Ref. A

TOWNSHIP OF KNOWLTON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 2,365,860.07	
Added by N.J.S.A. 40A:4-87		<u>13,396.65</u>	
		<u>\$ 2,379,256.72</u>	
Reserve for Uncollected Taxes			\$ 457,956.54
Cash Disbursed			1,728,012.17
Due to Federal and State Grant Fund			13,396.65
Expended in Federal and State Grant Fund			60.71
Due to Payroll Account			21,745.67
Encumbrances	A		<u>2,566.66</u>
			2,223,738.40
Less: Appropriation Refunds			<u>2,740.00</u>
			<u>\$ 2,220,998.40</u>

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

TOWNSHIP OF KNOWLTON
COUNTY OF WARREN
2019
TRUST FUNDS

TOWNSHIP OF KNOWLTON
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2019	2018
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	B-4	\$ 10,171.88	\$ 5,013.59
Due Federal and State Grant Fund	A	10,000.00	10,000.00
		<u>20,171.88</u>	<u>15,013.59</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	435,059.92	433,958.72
Due Current Fund	A	100,138.97	45,164.78
Due Federal and State Grant Fund	A	72,111.16	72,111.16
Due General Capital Fund	C		5,000.00
		<u>607,310.05</u>	<u>556,234.66</u>
<u>TOTAL ASSETS</u>		<u>\$ 627,481.93</u>	<u>\$ 571,248.25</u>

TOWNSHIP OF KNOWLTON
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2019	2018
<u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due NJ State Board of Health		\$ 9.60	
Due Current Fund	A	9,119.28	
Due Sewer Utility Operating Fund	D		\$ 1,000.00
Reserve for Animal Control Fund Expenditures	B-5	11,043.00	14,013.59
		20,171.88	15,013.59
Other Trust Funds:			
Due to General Capital Fund	C	118,533.00	
Reserve for:			
Parking Offenses Adjudication Act		64.00	46.00
Driveway Bond Deposit		21,941.17	24,269.59
Courtland Estates Escrow		9,490.23	9,485.48
Developers Escrow Trust		81,908.25	87,419.63
Developers Fee Trust		11,935.00	11,935.00
Open Space Trust Fund		8,800.56	95,238.64
Council on Affordable Housing		196,846.91	171,980.21
Public Defender		6,302.02	9,481.69
Tax Lien and Premium Deposits		149,072.52	144,581.73
Driving Under the Influence Trust Fund		1,116.39	1,096.69
Recreation		1,300.00	500.00
Cell Tower			200.00
Total Other Trust Funds		607,310.05	556,234.66
<u>TOTAL LIABILITIES AND RESERVES</u>		<u>\$ 627,481.93</u>	<u>\$ 571,248.25</u>

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, 2019

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, 2019

NOT APPLICABLE

TOWNSHIP OF KNOWLTON
ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

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

TOWNSHIP OF KNOWLTON
COUNTY OF WARREN
2019
GENERAL CAPITAL FUND

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

	Ref.	December 31,	
		2019	2018
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 12,426.69	\$ 456,424.42
NJ Department of Transportation Grant Receivable		212,069.29	61,921.25
Due Federal and State Grant Fund	A	152,647.96	138,078.75
Due Other Trust Fund	B	118,533.00	
Deferred Charges to Future Taxation:			
Unfunded	C-4	1,065,500.56	1,198,859.26
<u>TOTAL ASSETS</u>		<u>\$ 1,561,177.50</u>	<u>\$ 1,855,283.68</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-7	\$ 980,000.00	\$ 800,000.00
Improvement Authorizations:			
Funded	C-5	118,233.34	223,730.00
Unfunded	C-5	158,598.85	250,430.37
Due Current Fund	A	90,000.00	
Due Other Trust Fund	B		5,000.00
Due Sewer Utility Operating Fund	D		330,600.00
Due to Payroll Account		60,000.00	60,000.00
Capital Improvement Fund	C-6	3,754.83	32,754.83
Reserve for:			
To Pay Debt Service		0.60	1,978.60
Road Improvements		127,300.00	127,500.00
Recreation Facilities		1,400.00	1,400.00
Fire Protection Fund		580.00	580.00
Capital Fund Balance	C-1	21,309.88	21,309.88
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 1,561,177.50</u>	<u>\$ 1,855,283.68</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, 2018	C	\$ 21,309.88
Balance December 31, 2019	C	<u>\$ 21,309.88</u>

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

TOWNSHIP OF KNOWLTON
COUNTY OF WARREN
2019
SEWER UTILITY FUND

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

	Ref.	December 31,	
		2019	2018
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	E-4	\$ 461,942.80	\$ 24,814.22
Due from Current Fund	A		6,831.47
Due from Animal Control Fund	B		1,000.00
Due from General Capital Fund	C		330,600.00
Total Operating Fund		461,942.80	363,245.69
<u>TOTAL ASSETS</u>		\$ 461,942.80	\$ 363,245.69
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Appropriation Reserves:			
Unencumbered	E-3; E-6	\$ 132,219.87	\$ 55,421.05
Reserve for Repairs & Deficiencies		155,929.49	155,929.49
Fund Balance	E-1	173,793.44	151,895.15
Total Operating Fund		461,942.80	363,245.69
<u>TOTAL LIABILITIES, RESERVES, AND FUND BALANCE</u>		\$ 461,942.80	\$ 363,245.69

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.	Year Ended December 31,	
		2019	2018
<u>Revenue and Other Income Realized</u>			
Surplus Anticipated		\$ 58,000.00	\$ 58,000.00
Sewer Rents		306,943.00	263,424.00
Non-Budget Revenues		3,426.72	632.07
Other Credits to Income:			
Unexpected Balance of Appropriation Reserves		49,528.57	23,141.99
Total Income		<u>417,898.29</u>	<u>345,198.06</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operating		338,000.00	288,000.00
Total Expenditures		<u>338,000.00</u>	<u>288,000.00</u>
Excess in Revenue		79,898.29	57,198.06
<u>Fund Balance</u>			
Balance January 1		151,895.15	152,697.09
		<u>231,793.44</u>	<u>209,895.15</u>
Decreased by:			
Utilization as Anticipated Revenue		58,000.00	58,000.00
Balance December 31	E	<u>\$ 173,793.44</u>	<u>\$ 151,895.15</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, 2019

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess/ Deficit*</u>
Surplus Anticipated	\$ 58,000.00	\$ 58,000.00	
Sewer Rents	280,000.00	306,943.00	\$ 26,943.00
	<u>338,000.00</u>	<u>364,943.00</u>	<u>26,943.00</u>
Nonbudget Revenue		3,426.72	3,426.72
	<u>\$ 338,000.00</u>	<u>\$ 368,369.72</u>	<u>\$ 30,369.72</u>
 <u>Analysis of Nonbudget Revenue</u>			
Interest Income		<u>\$ 3,426.72</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, 2019

	<u>Appropriations</u>		<u>Expended by</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operating:				
Salaries and Wages	\$ 8,000.00	\$ 8,000.00		\$ 8,000.00
Other Expenses	330,000.00	330,000.00	\$ 205,780.13	124,219.87
	<u>\$ 338,000.00</u>	<u>\$ 338,000.00</u>	<u>\$ 205,780.13</u>	<u>\$ 132,219.87</u>

Ref.

E

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

TOWNSHIP OF KNOWLTON
COUNTY OF WARREN
2019
GENERAL FIXED ASSETS ACCOUNT GROUP
(UNAUDITED)

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

<u>ASSETS</u>	December 31,	
	2019	2018
Land	\$ 2,971,338.00	\$ 2,971,338.00
Buildings and Improvements	1,423,893.30	1,519,089.00
Machinery and Equipment	3,271,134.85	3,034,813.00
<u>TOTAL ASSETS</u>	<u>\$ 7,666,366.15</u>	<u>\$ 7,525,240.00</u>
<u>RESERVES</u>		
Investments in General Fixed Assets	<u>\$ 7,666,366.15</u>	<u>\$ 7,525,240.00</u>
<u>TOTAL RESERVES</u>	<u>\$ 7,666,366.15</u>	<u>\$ 7,525,240.00</u>

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

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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, 2019
(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 budgeted 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, 2019
(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 budgeted 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 OPEB liability and net pension liability and related deferred inflows and outflows, would be recorded.

The cash basis of accounting is followed in the Trust and Capital 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, 2019
 (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 and General Capital Fund. The values recorded in the General Fixed Assets Account Group and the Current, 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, 2019
(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

	December 31,		
	2019	2018	2017
Issued			
General:			
Bonds, Notes and Loans	\$ 980,000.00	\$ 800,000.00	
Net Debt Issued	<u>980,000.00</u>	<u>800,000.00</u>	
Authorized but not Issued:			
General Capital:			
Bonds and Notes	100,069.77	398,859.26	\$ 1,407,330.00
Less:			
General:			
Reserve to Pay Debt Service	0.60	1,978.60	1,978.60
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 1,080,069.17</u>	<u>\$ 1,196,880.66</u>	<u>\$ 1,405,351.40</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 Revised Annual Debt Statement and indicates a statutory net debt of 0.344%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	<u>\$ 1,080,069.77</u>	<u>\$ 0.60</u>	<u>\$ 1,080,069.17</u>
	<u>\$ 1,080,069.77</u>	<u>\$ 0.60</u>	<u>\$ 1,080,069.17</u>

Net Debt: \$1,080,069.17 divided by Average Equalized Valuations of \$314,048,406.60 of Real Property = 0.344%.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

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

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

3-1/2% Average Equalized Valuation of Real Property	\$ 9,046,031.51
Net Debt	<u>1,080,069.17</u>
Remaining Borrowing Power	<u>\$ 7,965,962.34</u>

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

Summary of Municipal Debt Issued and Outstanding - Current Year

Fund	Balance 12/31/2018	Additions	Retirements	Balance 12/31/2019
Bond Anticipation Notes:				
General Capital Fund	\$ 800,000.00	\$ 980,000.00	\$ 800,000.00	\$ 980,000.00
	<u>\$ 800,000.00</u>	<u>\$ 980,000.00</u>	<u>\$ 800,000.00</u>	<u>\$ 980,000.00</u>

Summary of Municipal Debt Issued and Outstanding - Prior Year

Fund	Balance 12/31/2017	Additions	Retirements	Balance 12/31/2018
Bond Anticipation Notes:				
General Capital Fund		\$ 800,000.00		\$ 800,000.00
	<u>\$ -0-</u>	<u>\$ 800,000.00</u>	<u>\$ -0-</u>	<u>\$ 800,000.00</u>

Schedule of General Capital - Bond Anticipation Notes

Purpose	Final Maturity	Rate	Amount
Various Capital Improvements	12/17/2020	1.51%	<u>\$ 980,000.00</u>
Total Debt Issued and Outstanding			<u>\$ 980,000.00</u>

Note 3 - Fund Balances Appropriated

The amount of fund balance at December 31, 2019 which was included in the budgets for the year ending December 31, 2020 is \$370,000 for the Current Fund and \$58,000 for the Sewer Utility Operating Fund.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
 (Continued)

Note 4 - Pension Plan

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

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.state.nj.us/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.

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, 2019
(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 are adjusted by the rate of return on the actuarial value of assets.

Township contributions to PERS amounted to \$65,641.55 for 2019.

The employee contribution rate was 7.5% effective July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2019, the Township's liability was \$1,152,532 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. 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, 2019, the Township's proportion was 0.0063%, which was an increase of 0.0001% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Township recognized actual pension expense in the amount of \$65,641.55.

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 4 - Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

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, 2019) 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, 2019 are summarized in the table on the following page:

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(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>
Risk Management Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, 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, 2019
 (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, 2019 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, 2019		
	At 1% Decrease (5.28%)	At Current Discount Rate (6.28%)	At 1% Increase (7.28%)
Township's proportionate share of the Net Pension Liability	\$ 1,455,835	\$ 1,152,532	\$ 896,956

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

Note 5 - Accrued Sick and Vacation Time

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 \$65,229.29. 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, 2019
(Continued)

Note 6 - Selected Tax Information (Cont'd)

	2019	2018	2017
Tax Rate	\$ 3.471	\$ 3.452	\$ 3.415
<u>Apportionment of Tax Rate</u>			
Municipal	\$ 0.423	\$ 0.403	\$ 0.397
County	0.852	0.883	0.917
Local School	1.095	1.080	1.081
Regional School	1.081	1.066	1.001
Local Open Space	0.020	0.020	0.019
<u>Assessed Valuations</u>			
2019	\$ 258,288,591.00		
2018		\$ 258,454,931.00	
2017			\$ 258,630,607.00

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>	Currently	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2019	\$ 9,027,138.94	\$ 8,648,511.84	95.80%
2018	8,964,101.57	8,600,257.74	95.94%
2017	8,849,855.24	8,457,303.72	95.56%

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, 2019
 (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, 2019
(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, 2019

(Continued)

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

Investments (Cont'd)

As of December 31, 2019, cash and cash equivalents of the Township of Knowlton consisted of the following:

<u>Fund</u>	<u>Checking Accounts</u>	<u>NJ Cash Management Fund</u>	<u>Totals</u>
Current	\$ 2,274,972.73	\$ 28,953.24	\$ 2,303,925.97
Federal and State Grant	144,417.97		144,417.97
Animal Control	10,171.88		10,171.88
Other Trust	435,059.92		435,059.92
General Capital	12,426.69		12,426.69
Sewer Utility Operating	461,942.80		461,942.80
	<u>\$ 3,338,991.99</u>	<u>\$ 28,953.24</u>	<u>\$ 3,367,945.23</u>

The carrying amount of the Township's cash and cash equivalents at December 31, 2019, was \$3,367,945.23 and the bank balance was \$3,413,645.47. The \$28,953.24 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 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, 2019
(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, 2019 audit report of the Statewide Insurance Fund has not been filed as of the date of this audit. Selected, summarized financial information as of December 31, 2018 for the Fund is as follows:

Total Assets	<u>\$ 48,828,931</u>
Net Position	<u>\$ 13,407,234</u>
Total Revenue	<u>\$ 25,364,220</u>
Total Expenses	<u>\$ 25,296,289</u>
Change in Net Position	<u>\$ 67,931</u>
Members Dividends	<u>\$ 47,282</u>

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

Statewide Insurance 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, 2019, the balance in the Open Space Trust Fund was \$8,800.56.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(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, 2019:

	Balance Dec. 31, 2018	Additions	Deletions	Balance Dec. 31, 2019
Land	\$ 2,971,338.00			\$ 2,971,338.00
Buildings and Improvements	1,519,089.00		\$ 95,195.70	1,423,893.30
Machinery and Equipment	3,034,813.00	\$ 236,321.85		3,271,134.85
	<u>\$ 7,525,240.00</u>	<u>\$ 236,321.85</u>	<u>\$ 95,195.70</u>	<u>\$ 7,666,366.15</u>

Note 11 - Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2019:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current	\$ 99,119.28	\$ 269,737.39
Federal and State Grant	169,598.42	234,759.12
Animal Control	10,000.00	9,119.28
Other Trust	172,250.13	118,533.00
General Capital	271,180.96	90,000.00
	<u>\$ 722,148.79</u>	<u>\$ 722,148.79</u>

The interfund receivable in the Current Fund is for statutory excess due from Animal Control Fund and for Reserve for Sale of Municipal Asset proceeds received in the General Capital Fund. The interfund receivable in the Federal and State Grant Fund is for grant receipts due from the Current Fund. The interfund receivable in the Other Trust Fund is from open space tax levy due from the Current Fund and from a cash advance made to the Federal and State Grant Fund. The interfund receivable in the General Capital Fund is for grant receipts due from Federal and State Grant Fund and for funding due from Other Trust Fund.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(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.

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	Balance
	12/31/2018	12/31/2019
Balance of Tax	\$ 1,425,483.00	\$ 1,406,861.34
Deferred	1,297,721.00	1,297,721.00
Taxes Payable	\$ 127,762.00	\$ 109,140.34

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	Balance
	12/31/2018	12/31/2019
Balance of Tax	\$ 1,378,679.12	\$ 1,415,353.58
Deferred	1,031,141.14	1,031,141.14
Taxes Payable	\$ 347,537.98	\$ 384,212.44

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(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.

Note 16 - Postemployment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

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

Benefits Provided

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

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

The Township no longer offers post-employment benefits to employees. The two retired employees receiving post-employment benefits were awarded on an individual basis.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
 (Continued)

Note 16 - Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Contributions

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB (benefit)/expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit)/expense are based on separately calculated total OPEB liabilities.

The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit)/expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2018 through June 30, 2019. Employer and nonemployer allocation percentages were rounded for presentation purposes.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019.

At June 30, 2019, the Township had a liability of \$242,204 for its proportionate share of the net OPEB liability. At June 30, 2019, the Township's proportion was .001789% which was a decrease of .0098% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019 the Township's OPEB benefit as determined by the State of New Jersey Division of Pensions and Benefits was \$367,702.

The Township's actual post retirement payments in 2019 for 2 retiree employees were \$15,984.48.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 16 - Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Actuarial Assumptions and Other Inputs

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

Inflation Rate	2.50%
Salary Increases*:	
Public Employees' Retirement System (PERS)	
Initial fiscal year applied	
Rate through 2026	2.00% - 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 15.25%

* - Salary increases are based on years of service within the respective plan.

Mortality:

PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 – June 30, 2018, respectively.

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

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially is 5.7% and decreases to a 4.5% long term trend rate after eight years. For post 65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term rate after eight years.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 16 - Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Discount Rate

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the Net OPEB Liability Attributable to the Township to Changes in the Discount Rate

The following presents the net OPEB Liability of the Township as of June 30, 2019, calculated using the discount rate as disclosed in this note, as well as what the net OPEB Liability of the Township 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, 2019		
	At 1% Decrease (2.50%)	At Discount Rate (3.50%)	At 1% Increase (4.50%)
	Net OPEB Liability Attributable to the Township	\$ 280,049	\$ 242,204

Sensitivity of the Net OPEB Liability Attributable to the Township to Changes in the Healthcare Trend Rate

The following presents the net OPEB Liability of the Township as of June 30, 2019, calculated using the healthcare trend rate as disclosed in this note, as well as what the net OPEB Liability of the Township would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability Attributable to the Township	\$ 204,390	\$ 242,204	\$ 290,441

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 17 - Subsequent Event

The COVID-19 Outbreak in the United States and specifically in New Jersey has caused disruption of the Township's normal financial operations with the municipal office closed to the public and minimal staff working on site. Though the impact on the Township's operations cannot be reasonably estimated at this date, it is likely that there will be an impact on tax collections as well as other revenue in the Operating Funds.

SUPPLEMENTARY DATA

TOWNSHIP OF KNOWLTON
SCHEDULE OF OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2019

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

Name	Title	Amount of Bond	Name of Corporate or Personal Surety
Adele Starrs	Mayor		
Kathy Cuntala	Deputy Mayor		
Debra Shipps	Member of Council		
Frank Van Horn	Member of Council		
Bob McNinch	Member of Council		
Kristen 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
2019
CURRENT FUND

TOWNSHIP OF KNOWLTON
CURRENT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2018	A	\$ 2,028,678.53
Increased by Receipts:		
Tax Collector Account		\$ 9,013,056.42
Revenue Accounts Receivable		602,425.62
Miscellaneous Revenue Not Anticipated		100,442.41
Due from State of New Jersey:		
Veterans' and Senior Citizens' Deductions		15,500.00
Marriage License Fees		350.00
Due to Federal and State Grant Fund:		
Unappropriated Grant Receipts		2,820.95
Federal and State Grants Receivable		140,975.00
Due Other Trust Fund:		
Reserve for Parking Offenses Adjudication Act Receipts		18.00
Reserve for Council on Affordable Housing Receipts		3,365.00
Reserve for Recreation Receipts		800.00
Reserve for Open Space Receipts		5,182.50
Due General Capital Fund:		
Interest Earned		1,924.49
Appropriation Refunds		2,740.00
		9,889,600.39
		11,918,278.92

TOWNSHIP OF KNOWLTON
CURRENT FUND
SCHEDULE OF CASH

Ref.

Decreased by Disbursements:

2019 Appropriation Expenditures	\$	1,728,012.17
2018 Appropriation Reserve Expenditures		50,513.55
Local School District Taxes		2,811,846.66
Regional School District Taxes		2,794,073.54
County Taxes		2,207,380.49
Tax Overpayments Refunded		1,866.61
Refund of Prior Year Revenue		3,537.04
Due from Federal and State Grant Fund:		
Appropriated Reserves		4,641.42
Due Other Trust Fund:		
Reserve for Public Defender Expenses		2,400.00
Reserve for Cell Tower Expenses		200.00
Reserve for Driveway Bond Expenses		2,700.00
Due to State of New Jersey:		
Marriage License Fees		350.00
Due Sewer Utility Operating Fund:		
Interfund Returned		6,831.47

		9,614,352.95
Balance December 31, 2019	A	\$ 2,303,925.97

TOWNSHIP OF KNOWLTON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2018	A	\$ 39,600.19
Increased by Receipts:		
Due Current Fund:		
Interest Earned		\$ 1,614.01
Grants Receivable		105,000.00
Due General Capital Fund:		
Grant Receivable		14,569.21
Unappropriated Reserves		14,091.99
		135,275.21
		174,875.40
Decreased by Disbursements:		
Due Current Fund:		
Interfund Advanced - 2019 Budget Appropriations		60.71
Appropriated Reserves		30,396.72
		30,457.43
Balance December 31, 2019	A	\$ 144,417.97

TOWNSHIP OF KNOWLTON
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
FOR THE YEAR ENDED DECEMBER 31, 2019

Increased by Receipts:

Taxes Receivable	\$ 8,835,092.86	
2020 Prepaid Taxes	95,115.42	
Interest and Costs on Taxes	72,560.43	
Tax Overpayments	1,866.61	
Miscellaneous	<u>8,421.10</u>	
		\$ 9,013,056.42

Decreased by:

Payments to Treasurer		<u><u>\$ 9,013,056.42</u></u>
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TOWNSHIP OF KNOWLTON
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance		Collections		Overpayments Applied	State of NJ Veterans' and Senior Citizens' Deductions		Cancellations	Transferred to Tax Title Liens	Balance Dec. 31, 2019
	Dec. 31, 2018	2019 Levy	2018	2019						
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	10,381.64									10,381.64
2016	10,953.10			\$ 112.51			\$ 20.05			10,820.54
2017	12,653.37			1,489.73			20.49			11,143.15
2018	311,222.91			292,902.19					\$ 600.34	17,720.38
2019	399,635.60	\$ 9,027,138.94	\$ 88,200.15	294,504.43			40.54		600.34	104,490.29
		\$ 9,027,138.94	\$ 88,200.15	8,540,588.43	\$ 3,653.84	\$ 16,069.42	17,502.83		29,520.90	331,603.37
		\$ 9,027,138.94	\$ 88,200.15	\$ 8,835,092.86	\$ 3,653.84	\$ 16,069.42	\$ 17,543.37		\$ 30,121.24	\$ 436,093.66

A

Analysis of 2019 Property Tax Levy

General Purpose Tax	\$ 8,965,196.99
Added Taxes (54:4-63.1 et seq.)	61,941.95
	<u>\$ 9,027,138.94</u>

Tax Levy:

Local School District Taxes	\$ 2,793,225.00
Regional School District Taxes	2,830,748.00
Municipal Open Space Tax	52,014.44
County Taxes:	
County Taxes	\$ 2,196,544.64
Added and Omitted Taxes	15,252.09
	<u>2,211,796.73</u>
	7,887,784.17
Local Tax for Municipal Purposes	1,092,846.07
Add: Additional Tax Levied	46,508.70
	<u>1,139,354.77</u>
	<u>\$ 9,027,138.94</u>

TOWNSHIP OF KNOWLTON
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2018	A	\$ 523,068.94
Increased by:		
2018 Taxes Transferred From Taxes Receivable		\$ 600.34
2019 Taxes Transferred From Taxes Receivable		<u>29,520.90</u>
		<u>30,121.24</u>
		553,190.18
Decreased by:		
Transferred to Property Acquired for Taxation		<u>291,627.80</u>
Balance December 31, 2019	A	<u><u>\$ 261,562.38</u></u>

TOWNSHIP OF KNOWLTON
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Accrued</u> <u>in 2019</u>	<u>Collected by</u> <u>Treasurer</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
Clerk:				
ABC Licenses	\$ 4,288.30	\$ 4,288.30	\$ 4,288.30	
Fees and Permits	312.54	312.54	312.54	
Municipal Court:				
Fines and Costs	\$ 15,757.15	174,386.67	186,761.72	\$ 3,382.10
New Jersey Hotel Tax		1,065.15	1,065.15	
Cell Tower Lease		120,533.91	120,533.91	
Energy Receipts Taxes		264,368.00	264,368.00	
Garden State Preservation Trust Fund		23,118.00	23,118.00	
Reserve to Pay Debt Service		1,978.00	1,978.00	
	<u>\$ 15,757.15</u>	<u>\$ 590,050.57</u>	<u>\$ 602,425.62</u>	<u>\$ 3,382.10</u>
<u>Ref.</u>	A			A

TOWNSHIP OF KNOWLTON
CURRENT FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Balance Dec. 31, 2018	Balance After Modification	Paid or Charged	Balance Lapsed
Mayor and Council:				
Salaries and Wages	\$ 477.00	\$ 477.00		\$ 477.00
Other Expenses	24.01	24.01		24.01
Administration (Municipal Clerk):				
Salaries and Wages	1,811.66	1,811.66		1,811.66
Other Expenses:	10,196.73	10,196.73	\$ 915.70	9,281.03
Financial Administration (Treasury):				
Salaries and Wages	4,022.36	4,022.36		4,022.36
Other Expenses	24,122.37	24,122.37	22,222.61	1,899.76
Computerized Data Processing:				
Other Expenses	335.00	335.00	210.00	125.00
Assessment of Taxes:				
Salaries and Wages	0.53	0.53		0.53
Miscellaneous Other Expenses	693.94	693.94	581.47	112.47
Financial Administration (Tax Collection):				
Salaries and Wages	1,262.15	1,262.15		1,262.15
Other Expenses	33.64	33.64	31.27	2.37
Legal Services:				
Miscellaneous Other Expenses	4,786.23	9,086.23	9,077.84	8.39
Engineering Services and Costs:				
Other Expenses	5,698.00	5,698.00		5,698.00
Historical Sites Office:				
Other Expenses	1,080.32	1,230.32	1,216.58	13.74
Planning Board:				
Salaries and Wages	2.12	2.12		2.12
Other Expenses	2,712.56	2,712.56	387.00	2,325.56
Zoning Board of Adjustment:				
Salaries and Wages	55.24	55.24		55.24
Other Expenses	950.31	950.31	66.50	883.81
Zoning Officer:				
Salaries and Wages	70.22	70.22		70.22
Emergency Management Services:				
Salaries and Wages	350.69	350.69		350.69
Other Expenses	1,169.29	1,169.29	240.00	929.29
Municipal Prosecutor:				
Other Expenses	1,500.00	1,500.00		1,500.00
Streets and Roads:				
Salaries and Wages	5,816.65	5,816.65		5,816.65
Other Expenses	3,178.10	3,178.10	675.61	2,502.49

TOWNSHIP OF KNOWLTON
CURRENT FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Balance Dec. 31, 2018	Balance After Modification	Paid or Charged	Balance Lapsed
Solid Waste Collection (Recycling Program):				
Salaries and Wages	\$ 2,332.02	\$ 2,332.02		\$ 2,332.02
Other Expenses	2,513.39	2,513.39	\$ 94.17	2,419.22
Buildings and Grounds:				
Salaries and Wages	10.10	10.10		10.10
Other Expenses	5,837.33	11,837.33	11,664.00	173.33
Vehicle Maintenance:				
Other Expenses	17,585.40	6,985.40	57.78	6,927.62
Environmental Health Services:				
Other Expenses	206.80	206.80		206.80
Animal Control:				
Salaries and Wages	9.01	9.01		9.01
Other Expenses	200.00	200.00		200.00
Recreation Services and Programs:				
Salaries and Wages	3,393.09	3,393.09		3,393.09
Other Expenses	8.91	158.91	137.47	21.44
Celebration of Public Events	2,079.79	2,079.79		2,079.79
Utility Expenses and Bulk Purchases:				
Electricity	2,372.43	2,372.43	474.91	1,897.52
Street Lighting	1,316.69	1,316.69		1,316.69
Telephone	2,912.64	2,912.64	1,162.92	1,749.72
Gas	1,539.73	1,539.73	827.22	712.51
Fuel Oil	3,007.90	3,007.90		3,007.90
Municipal Court:				
Salaries and Wages	899.77	899.77		899.77
Other Expenses	3,886.09	3,886.09	120.50	3,765.59
Insurance:				
Other Premiums	4,621.00	4,621.00		4,621.00
Unemployment Insurance	3,548.81	3,548.81		3,548.81
Employee Group Health	264.99	264.99		264.99
Fire Prevention Bureau:				
Salaries and Wages	23.51	23.51		23.51
Other Expenses	508.00	508.00	350.00	158.00
Police Dispatch/911:				
Salaries and Wages	164.83	164.83		164.83
	<u>\$ 129,591.35</u>	<u>\$ 129,591.35</u>	<u>\$ 50,513.55</u>	<u>\$ 79,077.80</u>
<u>Analysis of Balance December 31, 2018</u>				
		<u>Ref.</u>		
Unencumbered		A		<u>\$129,591.35</u>

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

	<u>Ref.</u>	
Balance December 31, 2018:		
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, 2019 through June 30, 2020		2,793,225.00
		4,218,708.00
Decreased by:		
Payments to Local School District		2,811,846.66
		\$ 1,406,861.34
Balance December 31, 2019:		
Local School Tax Payable	A	\$ 109,140.34
Local School Tax Deferred		1,297,721.00
		\$ 1,406,861.34

CURRENT FUND
SCHEDULE OF REGIONAL SCHOOL DISTRICT TAXES PAYABLE

	<u>Ref.</u>	
Balance December 31, 2018:		
Regional School Tax Payable	A	\$ 347,537.98
Regional School Tax Deferred		1,031,141.14
		1,378,679.12
Increased by:		
Levy - School Year July 1, 2019 through June 30, 2020		2,830,748.00
		4,209,427.12
Decreased by:		
Payments to Regional School District		2,794,073.54
		\$ 1,415,353.58
Balance December 31, 2019:		
Regional School Tax Payable	A	\$ 384,212.44
Regional School Tax Deferred		1,031,141.14
		\$ 1,415,353.58

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

	Balance Dec. 31, 2018	2019 Budget Revenue Realized	Cash Receipts	Transferred From Unappropriated Reserves	Balance Dec. 31, 2019
Clean Communities Program		\$ 13,396.65		\$ 13,396.65	
Radon Grant	\$ 0.50				\$ 0.50
Municipal Alliance Grant	4,113.00				4,113.00
New Jersey Department of Transportation: Guide Rails Grant	11,498.20				11,498.20
NJ Department of Environmental Protection 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	1,200.00		975.00		225.00
Warren County Preservation Grant	29,328.77				29,328.77
Department of Community Affairs: Recreation for Individuals with Disability Grant	10.00				10.00
	<u>\$ 626,150.47</u>	<u>\$ 13,396.65</u>	<u>\$ 245,975.00</u>	<u>\$ 13,396.65</u>	<u>\$ 380,175.47</u>

Ref.

A

A

Received in Federal and State Grant Fund	\$ 105,000.00
Received in Current Fund	140,975.00
	<u>\$ 245,975.00</u>

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

	Balance Dec. 31, 2018	Transferred from 2019 Budget Appropriations	Cash Disbursed	Balance Dec. 31, 2019
Clean Communities Program	\$ 28,873.28	\$ 13,396.65	\$ 23,513.69	\$ 18,756.24
Recycling Tonnage Grant	5,753.30		4,641.42	1,111.88
Radon Grant	0.50			0.50
Municipal Alliance Grant	10,954.97		4,005.95	6,949.02
Warren County Historic Preservation Grant	31,597.80		2,877.08	28,720.72
NJ Department of Environmental Protection Grant	1,643.08			1,643.08
New Jersey Department of Transportation: Guide Rails Grant	18,162.50			18,162.50
New Jersey Clean Energy Grant	6,616.97			6,616.97
Open Space Grant - Green Acres	325,000.00			325,000.00
Warren County Preservation Grant	2,896.00			2,896.00
Reserve for Small Cities Grant	43,624.00			43,624.00
	<u>\$ 475,122.40</u>	<u>\$ 13,396.65</u>	<u>\$ 35,038.14</u>	<u>\$ 453,480.91</u>
<u>Ref.</u> A				A
			Disbursed in Federal and State Grant Fund	\$ 30,396.72
			Disbursed in Current Fund	4,641.42
			<u>\$ 35,038.14</u>	

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

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Cash</u> <u>Receipts</u>	<u>Transfer to</u> <u>2019 Budget</u> <u>Revenue</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
Recycling Tonnage Grant		\$ 695.34		\$ 695.34
Municipal Alliance	\$ 2,435.54	2,820.95		5,256.49
Clean Communities Grant		13,396.65	\$ 13,396.65	
	<u>\$ 2,435.54</u>	<u>\$ 16,912.94</u>	<u>\$ 13,396.65</u>	<u>\$ 5,951.83</u>
<u>Ref.</u>	A			A
Received in Current Fund		\$ 2,820.95		
Received in Federal and State Grant Fund		<u>14,091.99</u>		
		<u>\$ 16,912.94</u>		

TOWNSHIP OF KNOWLTON
COUNTY OF WARREN
2019
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, 2018	B	\$ 5,013.59	\$ 433,958.72
Increased by Receipts:			
Municipal Licensing Fees		\$ 7,794.66	
Due State Board of Health		976.20	
Due Current Fund:			
Interest Earned			\$ 1,105.75
Developers Escrow Trust			19,881.13
Driveway Bond Deposits			371.58
Courtland Estates Escrow			4.75
Open Space			5,620.42
Council on Affordable Housing			21,501.70
Public Defender			5,320.33
Driving Under the Influence Trust Fund			19.70
Tax Lien and Premium Deposits			241,480.04
Interest Earned		0.88	
		<u>8,771.74</u>	<u>295,305.40</u>
		13,785.33	729,264.12
Decreased by Disbursements:			
Expenditures under R.S. 4:19 - 15.11		1,646.85	
Due Sewer Utility Operating Fund:			
Interfund Returned		1,000.00	
Developers Escrow Trust			25,392.51
Open Space			25,722.44
Public Defender			6,100.00
Tax Lien and Premium Deposits			236,989.25
Due to State Board of Health		966.60	
		<u>3,613.45</u>	<u>294,204.20</u>
Balance December 31, 2019	B	<u>\$ 10,171.88</u>	<u>\$ 435,059.92</u>

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

	<u>Ref.</u>	
Balance December 31, 2018	B	\$ 14,013.59
Increased by:		
2019 Dog License Fees Collected	\$ 7,794.66	
Interest Earned	<u>0.88</u>	
		<u>7,795.54</u>
		21,809.13
Decreased by:		
Expenditures under R.S.4:19-15.11	1,646.85	
Statutory Excess Due Current Fund	<u>9,119.28</u>	
		<u>10,766.13</u>
Balance December 31, 2019	B	<u><u>\$ 11,043.00</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2018	\$ 4,609.40
2017	<u>6,433.60</u>
Maximum Allowable Reserve	<u><u>\$ 11,043.00</u></u>

TOWNSHIP OF KNOWLTON
COUNTY OF WARREN
2019
GENERAL CAPITAL FUND

TOWNSHIP OF KNOWLTON
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2018	C	\$ 456,424.42
Increased by Receipts:		
Budget Appropriation:		
Capital Improvement Fund		\$ 60,000.00
Deferred Charges to Future Taxation Unfunded		167,411.98
Reserve for Road Improvements		50,000.00
NJ Department of Transportation Grant Receivable		175,651.96
Bond Anticipation Notes Issued		980,000.00
Due Current Fund:		
Reserve for Sale of Municipal Assets		90,000.00
Interest Earned		1,924.49
		1,524,988.43
		1,981,412.85
Decreased by Disbursements:		
Improvement Authorization Expenditures		834,483.67
Due Current Fund:		
Interest Earned		1,924.49
Bond Anticipation Notes Matured		800,000.00
Reserve to Pay Debt Service - Anticipated		1,978.00
Due Sewer Utility Operating Fund:		
Prior Year Interfund Returned		330,600.00
		1,968,986.16
Balance December 31, 2019	C	\$ 12,426.69

TOWNSHIP OF KNOWLTON
GENERAL CAPITAL FUND
ANALYSIS OF CASH

Ord. Date	Improvement Description	Receipts				Disbursements				Balance/(Deficit) Dec. 31, 2019
		Balance/(Deficit) Dec. 31, 2018	Budget Appropriation	Bond Anticipation Notes	Miscellaneous	Improvement Authorizations	Bond Anticipation Notes	Miscellaneous	Transfers From To	
	Fund Balance	\$ 21,309.88								\$ 21,309.88
	Capital Improvement Fund	32,754.83	\$ 60,000.00				\$ 89,000.00			3,754.83
	NJ Department of Transportation Grant Receivable	(61,921.25)			\$ 175,651.96		325,800.00			(212,069.29)
	Due Current Fund				91,924.49					90,000.00
	Due Federal and State Grant Fund	(138,078.75)					14,569.21			(152,647.96)
	Due Other Trust Fund	5,000.00					123,533.00			(118,533.00)
	Due Sewer Utility Operating Fund	330,600.00								
	Due Payroll Account	60,000.00				330,600.00				60,000.00
	Reserve for:									
	Fire Protection Fund	580.00								580.00
	Recreation Facilities	1,400.00								1,400.00
	To Pay Debt Service	1,978.60						1,978.00		0.60
	Road Improvements	127,500.00	50,000.00						50,200.00	127,300.00
07-15	Various Capital Equipment	(25,280.66)	25,280.66							
09-02	Open Space Preservation - Buchman Farm	(123,533.00)							\$ 123,533.00	
12-07	Various Improvements	(142,131.32)	142,131.32							
13-05	Purchase of Land and Septic Improvement	(78,981.77)								(78,981.77)
14-04	Improvement to Township Roads	(100.00)								(5,100.00)
15-05	Acquisition of Dump Truck	18,050.00							18,050.00	
15-06	Acquisition of Fire Truck and Refurbishment of Fire Apparatus	474.00								24.00
16-08	Improvements to Various Roads	174,538.93								8,173.29
17-02	Purchase of DPW Truck	(938.00)								(938.00)
17-03	Improvements to Various Roads	29,472.93								4,064.90
17-05	Construction of New Salt Shed	30.00								30.00
18-06	Purchase of DPW Equipment - Truck with Plow	180,000.00								7,380.00
18-07	Acquisition of DPW Equipment - Sickle Bar Mower	43,700.00								(7.64)
19-01	Various Road Improvements & Truck Purchase									145,863.51
19-05	Improvements to Various Roads									49,688.35
19-06	Improvements to Various Roads									61,134.99
		\$ 456,424.42	\$ 277,411.98	\$ 980,000.00	\$ 267,576.45	\$ 834,483.67	\$ 800,000.00	\$ 334,502.49	\$ 621,152.21	\$ 12,426.69

TOWNSHIP OF KNOWLTON
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2018	C	\$ 32,754.83
Increased By:		
2019 Budget Appropriation		60,000.00
		<u>92,754.83</u>
Decreased By:		
Appropriated to Finance Improvement Authorizations		89,000.00
		<u>89,000.00</u>
Balance December 31, 2019	C	<u>\$ 3,754.83</u>

TOWNSHIP OF KNOWLTON
 GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ordinance Number	Improvement Description	Date of		Interest Rate	Balance		Matured	Balance Dec. 31, 2019
		Original Issue	Issue		Dec. 31, 2018	Issued		
2014-04	Improvement to Township Roads	12/18/18	12/18/18	2.75%	\$ 112,000.00	\$ 112,000.00	\$ 112,000.00	\$ 107,000.00
			12/18/19	1.51%				
2015-05	Acquisition of Dump Truck	12/18/18	12/18/18	2.75%	152,000.00	152,000.00	152,000.00	152,000.00
			12/18/19	1.51%				
2015-06	Acquisition of Fire Truck and Refurbishment of Fire Apparatus	12/18/18	12/18/18	2.75%	237,500.00	237,500.00	237,500.00	219,000.00
			12/18/19	1.51%				
2016-08	Various Road Improvements	12/18/18	12/18/18	2.75%	208,500.00	208,500.00	208,500.00	208,500.00
			12/18/19	1.51%				
2017-02	Purchase of DPW Truck	12/18/18	12/18/18	2.75%	45,000.00	45,000.00	45,000.00	45,000.00
			12/18/19	1.51%				
2017-03	Improvements to Various Roads	12/18/18	12/18/18	2.75%	45,000.00	45,000.00	45,000.00	47,500.00
			12/18/19	1.51%				
2019-01	Various Road Improvements & Truck Purchase	12/18/19	12/18/19	1.51%	201,000.00	201,000.00		201,000.00
					<u>\$ 800,000.00</u>	<u>\$ 980,000.00</u>	<u>\$ 800,000.00</u>	<u>\$ 980,000.00</u>
				<u>Ref.</u>	<u>C</u>	<u>C</u>		
				Renewals	\$ 779,000.00	\$ 779,000.00		
				New Issue	201,000.00			
				Notes Not Renewed		21,000.00		
					<u>\$ 980,000.00</u>	<u>\$ 800,000.00</u>	<u>\$ 800,000.00</u>	<u>\$ 800,000.00</u>

TOWNSHIP OF KNOWLTON
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

TOWNSHIP OF KNOWLTON
GENERAL CAPITAL FUND
SCHEDULE OF LOANS PAYABLE
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

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

Ordinance Number	Date	Improvement Description	Balance Dec. 31, 2018	2019 Authorizations	Funded by Budget Appropriation	Funded by Other Financing Sources	Bond Anticipation Notes Maturated	Bond Anticipation Notes Issued	Improvement Authorizations Cancelled	Balance Dec. 31, 2019
07-15	12/11/2007	Various Capital Equipment	\$ 25,280.66		\$ 25,280.66					
09-02	6/8/2009	Open Space Preservation - Buchman Farm	123,533.00			\$123,533.00				
12-07	9/10/2012	Various Improvements	142,131.32		142,131.32					
13-05	7/23/2013	Purchase of Land and Septic Improvement	88,214.28							
14-04	6/26/2014	Improvement to Township Roads	100.00				\$112,000.00	\$107,000.00	\$ 9,232.51	\$ 78,981.77
15-05	6/8/2015	Acquisition of Dump Truck					152,000.00	152,000.00		5,100.00
15-06	6/8/2015	Acquisition of Fire Truck and Refurbishment of Fire Apparatus					237,500.00	219,000.00	18,050.00	450.00
16-08	5/26/2016	Improvements to Various Roads					208,500.00	208,500.00		
17-02	5/25/2017	Purchase of DPW Truck	2,500.00				45,000.00	45,000.00	1,562.00	938.00
17-03	5/25/2017	Improvements to Various Roads	2,500.00				45,000.00	47,500.00		
18-07	9/10/2018	Purchase of Sickle Bar Mower	14,600.00			14,569.21				30.79
19-01	2/11/2109	Improvements to Various Roads		\$201,000.00				201,000.00		
			<u>\$398,859.26</u>	<u>\$201,000.00</u>	<u>\$167,411.98</u>	<u>\$138,102.21</u>	<u>\$800,000.00</u>	<u>\$980,000.00</u>	<u>\$ 28,844.51</u>	<u>\$ 85,500.56</u>
					Open Space Trust Fund	\$123,533.00				
					NJ Department of Environmental Protection	14,569.21				
						<u>\$138,102.21</u>				

TOWNSHIP OF KNOWLTON
COUNTY OF WARREN
2019
SEWER UTILITY FUND

TOWNSHIP OF KNOWLTON
SEWER UTILITY FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Sewer Operating</u>
Balance December 31, 2018	E	\$ 24,814.22
Increased by Receipts:		
Consumer Accounts Receivable		\$ 306,943.00
Due from Current Fund:		
Interfund Returned		6,831.47
Due from Animal Control Fund:		
Interfund Returned		1,000.00
Due from General Capital Fund:		
Interfund Returned		330,600.00
Interest Income		3,426.72
		<u>648,801.19</u>
		673,615.41
Decreased by Disbursements:		
2019 Appropriation Expenditures		205,780.13
2018 Appropriation Reserves		5,892.48
		<u>211,672.61</u>
Balance December 31, 2019	E	<u>\$ 461,942.80</u>

TOWNSHIP OF KNOWLTON
SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2019

Increased by:	
Sewer Rents Levied	\$ 306,943.00
Decreased by:	
Cash Receipts	<u>\$ 306,943.00</u>

TOWNSHIP OF KNOWLTON
SEWER UTILITY OPERATING FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2019

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Balance</u> <u>After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Salary and Wages	\$ 8,000.00	\$ 8,000.00		\$ 8,000.00
Other Expenses	47,421.05	47,421.05	\$ 5,892.48	41,528.57
	<u>\$ 55,421.05</u>	<u>\$ 55,421.05</u>	<u>\$ 5,892.48</u>	<u>\$ 49,528.57</u>

Ref.

Balance December 31, 2018:

Unencumbered	E	<u>\$ 55,421.05</u>
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TOWNSHIP OF KNOWLTON

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2019

TOWNSHIP OF KNOWLTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

Name of Federal Agency or Department	Name of Program	C.F.D.A Account Number		Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures	Amount Paid to Subrecipients
				From	To					
U.S. Environmental Protection Agency (Passed through New Jersey Department of Environmental Protection)	Clean Diesel	66.040	100-042-4892-013-020210	05/26/16	12/31/19	\$200,000.00	\$ 14,569.21		\$200,000.00	
							14,569.21		200,000.00	
Total Environmental Protection Agency										
U.S. Department of Transportation: (Passed through New Jersey Department of Transportation)	Kill/Station Road	20.205	480-078-6320-AMF-609166	02/11/19	12/31/20	155,800.00	58,801.96	\$155,800.00	155,800.00	
									144,865.01	
Total Department of Transportation										
Total Federal Awards										
							\$190,221.17	\$300,665.01	\$500,665.01	\$ -0-

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, 2019

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-	01/01/16	12/31/19	\$ 14,797.00		\$ 4,275.24	\$ 14,797.00
		004-178910	01/01/17	12/31/19	12,571.19		12,571.19	12,571.19
			01/01/18	12/31/20	12,026.85		6,667.26	6,667.26
			01/01/19	12/31/20	13,396.65	\$ 13,396.65		
	Total Clean Communities Grant				13,396.65	23,513.69	34,035.45	
	Recycling Tonnage Grant	765-042-4900-	01/01/15	12/31/19	1,330.00		1,329.23	1,330.00
		224-238490	01/01/16	12/31/19	2,798.00		2,798.00	2,798.00
			01/01/17	12/31/20	1,626.07		514.19	514.19
			01/01/19	12/31/20	695.34	695.34		
	Total Recycling Tonnage Grant				695.34	4,641.42	4,642.19	
	Monitoring Surveillance and Enforcement	100-042-4855						
		018-020260	01/01/14	12/31/20	350,000.00	245,000.00		348,356.92
	Total Monitoring Surveillance and Enforcement Grant					245,000.00	348,356.92	
	Total Department of Environmental Protection				259,091.99	28,155.11	387,034.56	
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	07/01/17	06/30/20	4,113.00		4,005.95	4,005.95
	Total Municipal Alliance Grant		07/01/19	06/30/20	2,820.95	2,820.95		
Total Department of Treasury					2,820.95	4,005.95	4,005.95	
Total State Awards					\$261,912.94	\$ 32,161.06	\$ 391,040.51	
N/A - Not Available								

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, 2019

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, 2019. 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.



200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973.298.8500

11 Lawrence Road
Newton, NJ 07860
973.383.6699

nisivoccia.com

Independent Member
BKR International

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 years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated August 5, 2020. These financial statements have been prepared in accordance 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 have not been 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 2019-001 and 2019-002, 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

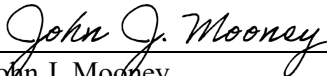
The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
August 5, 2020

NISIVOCCIA LLP



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

TOWNSHIP OF KNOWLTON
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019

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, 2019 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 2019-001

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, 2019

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 2019-001 (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.

Recommendation

It is recommended that segregation of duties for the various departments/offices of the Township be reviewed in order to improve internal control.

Management's Response

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

Finding 2019-002

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.

TOWNSHIP OF KNOWLTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 2019-002 (Cont'd)

Fixed Asset Accounting and Reporting System

Cause

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

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.

Recommendation

The Township update 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.

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, 2019

The prior year audit findings 2018-001 and 2018-002 pertaining to segregation of duties and a fixed asset accounting and reporting system were not resolved due to budgetary constraints and are included in the current year report as findings 2019-001 and 2019-002.

TOWNSHIP OF KNOWLTON

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2019

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 2019:

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, 2019, at the rate or rates heretofore governing, and on all delinquents on and after January 1, 2019 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 10, 2019. 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>
2019	24
2018	33
2017	34

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. Furthermore, no backup could be provided for the amount recorded for Property Acquired for Taxes in the general ledger. 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. During our review of tax collections, it was noted that the tax collections are not always reconciled the Treasurer's records on a monthly basis. It is recommended that tax collections are reconciled to the Treasurer's records on a monthly basis. It was also noted that reserves for third party liens were not recorded as disbursed or third party liens were not properly classified. It is recommended that reserves for third party liens are reviewed for cancellation.

TOWNSHIP OF KNOWLTON
COMMENTS AND RECOMMENDATIONS
(Continued)

Delinquent Taxes and Tax Title Liens (Cont'd)

Management Response

The Township will make every effort to ensure that long overdue taxes will also be collected or sent to tax sale, and tax collections are reconciled to the Treasurer's records on a monthly basis.

Municipal Court

The transactions for the year 2019 were as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

	Balance Dec. 31, 2018	Receipts	Disbursements	Balance Dec. 31, 2019
State of New Jersey	\$ 17,121.10	\$ 237,942.36	\$ 240,460.18	\$ 14,603.28
Municipality:				
Fines and Fees	3,430.90	54,459.02	54,507.82	3,382.10
POAA		2.00	2.00	
Public Defender		2,315.00	2,315.00	
Conditional Dismissal		75.00	75.00	
Weights and Measures		250.00	250.00	
Conditional Discharge		225.00	150.00	75.00
Fish and Game		704.00	704.00	
County Fines	25.00	1,257.00	1,282.00	
Cash Bail	0.25	14,799.84	14,224.59	575.50
	<u>\$ 20,577.25</u>	<u>\$ 312,029.22</u>	<u>\$ 313,970.59</u>	<u>\$ 18,635.88</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. The Township does not maintain a fixed asset accounting and reporting system. It is recommended that the Township update and maintain a fixed asset accounting and reporting system and that consideration be given to engaging an independent appraisal company to update the inventory the fixed assets of the Township.

Management Response

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

TOWNSHIP OF KNOWLTON
COMMENTS AND RECOMMENDATIONS
(Continued)

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.

Deposits

During our review of cash receipts, it was noted that cash receipts for taxes and sewer fees 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.

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.

TOWNSHIP OF KNOWLTON
COMMENTS AND RECOMMENDATIONS
(Continued)

Status of Prior Year Recommendations

The prior year recommendations regarding tax title lien being foreclosed on and purchases for the recreation department were resolved during the current year. The prior year recommendations regarding segregation of duties, taxes held for lien sale, a fixed asset accounting and reporting system, cash receipt ledgers for outside offices, limiting year end interfunds and the timely deposit of cash receipts were not resolved and are included as current year recommendations.

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.
- 3) Tax collections are reconciled to the Treasurer’s records on a monthly basis
- 4) Reserves for third party liens are reviewed for cancellation
- 5) The Township update 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.
- 6) A cash receipts ledger be maintained for all outside offices.
- 7) A continuing effort be made to limit the number of interfunds at year end.
- 8) Cash receipts be deposited within forty-eight hours of receipt.

* * * * *