



**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY DATA
AND INFORMATION**

DECEMBER 31, 2018 AND 2017

HODULIK & MORRISON, P.A.

A division of



BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

TABLE OF CONTENTS

	<u>PAGE(S)</u>
<u>PART I</u>	1
Independent Auditor's Report	2 - 4
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	5 - 6
<u>FINANCIAL STATEMENTS</u>	7
A Current Fund - Comparative Balance Sheet - Regulatory Basis For the Year Ended December 31, 2018 and 2017	8 - 9
A- 1 Current Fund - Comparative Statement of Operations and Change in Fund Balance - Regulatory Basis	10 - 11
A- 2 Current Fund - Statement of Revenues	12 - 14
A- 3 Current Fund - Statement of Expenditures	15 - 21
B Trust Fund - Comparative Balance Sheet - Regulatory Basis For the Year Ended December 31, 2018 and 2017	22 - 23
C General Capital Fund - Comparative Balance Sheet - Regulatory Basis For the Year Ended December 31, 2018 and 2017	24
C- 1 General Capital Fund - Statement of Fund Balance - Regulatory Basis	25
D Water and Sewer Utility Fund - Comparative Balance Sheet - Regulatory Basis For the Year Ended December 31, 2018 and 2017	26 - 27
D- 1 Water and Sewer Utility Operating Fund - Comparative Statement of Operations and Change in Fund Balance - Regulatory Basis	28
D- 2 Water and Sewer Utility Capital Fund - Statement of Fund Balance	29
D- 3 Water and Sewer Utility Operating Fund - Statement of Revenues	30
D- 4 Water and Sewer Utility Operating Fund - Statement of Expenditures	31
E Payroll Agency Fund - Comparative Balance Sheet - Regulatory Basis For the Year Ended December 31, 2018 and 2017	32
F Statement of Governmental Fixed Assets	33
Notes to Financial Statements – Regulatory Basis	34 - 70
<u>PART II – SUPPLEMENTARY SCHEDULES and DATA</u>	71
<u>Current Fund</u>	72
A- 4 Schedule of Cash Receipts and Disbursements	73
A- 5 Schedule of Change Petty Cash and Change Funds	74
A- 6 Schedule of Due from State of New Jersey - for Allowable Deductions per Chapter 20, P.L. 1976	75
A- 7 Schedule of Taxes Receivable and Analysis of Property Tax Levy	76
A- 8 Schedule of Tax Title Liens	77
A- 9 Schedule of Property Acquired for Taxes	78
A-10 Schedule of Revenue Accounts Receivable	79
A-11 Interfund Accounts	80

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

TABLE OF CONTENTS

PAGE(S)

PART II – SUPPLEMENTARY SCHEDULES & DATA (continued)

Current Fund (continued)

A-12	Schedule of Abating costs Receivable	81
A-13	Schedule of Reserve for Prepaid Taxes	82
A-14	Schedule of 2017 Appropriation Reserves	83 - 84
A-15	Schedule of Due to State of New Jersey – Other Fees	85
A-16	Schedule of Tax Overpayments	85
A-17	Schedule of Business Improvement District Taxes	86
A-18	Schedule of County Taxes Payable	86
A-19	Schedule of Local District School Tax	87
A-20	Schedule of Municipal Open Space Tax	88
A-21	Schedule of Reserve for Senior Center	88
A-22	Schedule of State and Federal Grants Receivable - Grant Fund	89
A-23	Schedule of Interfunds	90
A-24	Schedule of Reserve for State and Federal Grants - Appropriated - Grant Fund	91
A-25	Schedule of Reserve for State and Federal Grants - Unappropriated Grant Fund	92

Trust Fund 93

B- 1	Statement of Cash - Animal Control and Other Trust Funds	94
B- 2	Schedule of Reserve for Animal Control Fund Expenditures	95
B- 3	Schedule of Due to State of New Jersey - Fees & Licenses	95
B- 4	Schedule of Due from/to Current Fund - Other Trust Fund	96
B- 5	Schedule of Due to State of New Jersey	96
B- 6	Schedule of Special Deposits	97
B- 7	Community Development Block Grant Receivable	98
B- 8	Reserve for Community Development Block Grant	98
B- 9	Schedule of Reserve for Open Space Trust Fund	99

General Capital Fund 100

C- 2	Schedule of General Capital Fund Cash - Receipts and Disbursements - Treasurer	101
C- 3	Analysis of Cash	102
C- 4	Schedule of Grants Receivable	103
C- 5	Schedule of Deferred Charges - Funded	104
C- 6	Schedule of Deferred Charges to Future Taxation - Unfunded	105
C- 7	Schedule of Reserve for Encumbrances- General Capital Fund	106
C- 8	Schedule of Improvement Authorizations	107
C- 9	Schedule of Serial Bonds Payable	108
C-10	Schedule of Bond Anticipation Notes	109
C-11	Schedule of Capital Improvement Fund	110
C-12	Schedule of Various Reserves	111
C-13	Schedule of Green Trust Loan Payable	112
C-14	Schedule of Interfund Receivable/Payable	113
C-15	Schedule of Bonds and Notes Authorized but not Issued	114

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

TABLE OF CONTENTS

	<u>PAGE(S)</u>
 <u>PART II – SUPPLEMENTARY SCHEDULES & DATA</u>	
<u>Water and Sewer Utility Fund</u>	115
D- 5 Schedule of Water and Sewer Utility Cash and Investments - Treasurer	116
D- 6 Schedule of Analysis of Cash - Water and Sewer Capital Fund	117
D- 7 Schedule of Grants Receivable - Water and Sewer Utility Capital Fund	118
D- 8 Schedule of Consumer Accounts Receivable - Water and Sewer Utility Operating Fund	119
D- 9 Schedule of Reserve for Encumbrances	120
D-10 Schedule of Fixed Capital	120
D-10a Schedule of Fixed Capital Authorized and Uncompleted	121
D-11 Schedule of USDA Loans Payable	122
D-12 Schedule of BRSA Rent Reserve	122
D-13 Schedule of Water & Sewer Liens Receivable - Water and Sewer Operating Fund	123
D-14 Schedule of 2017 Appropriation Reserves - Water and Sewer Utility Operating Fund	124
D-15 Schedule of Accrued Interest on Bonds, Notes and Loans - Water and Sewer Utility Operating Fund	125
D-16 Schedule of Serial Bonds Payable - Water and Sewer Utility Capital Fund	126
D-17 Schedule of Bond Anticipation Notes	127
D-18 Schedule of Improvement Authorizations	128
D-19 Schedule of Water and Sewer Overpayments	129
D-20 Schedule of Prepaid Consumer Deposits	129
D-21 Schedule of Reserve for Capital Improvement Fund - Water and Sewer Utility Capital Fund	130
D-22 Schedule of Reserve for Amortization - Water and Sewer Utility Capital Fund	130
D-23 Schedule of Deferred Reserve for Amortization	130
D-24 Schedule of Bonds and Notes Authorized but not Issued	131
 <u>Payroll Agency Fund</u>	 132
E- 1 Schedule of Payroll Deductions Payable	133
E- 2 Schedule of Cash	134
E- 3 Schedule of Due to Current Fund	135
 <u>Governmental Fixed Assets</u>	 136
F- 1 Statement of Governmental Fixed Assets	137

BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY

TABLE OF CONTENTS

	<u>PAGE(S)</u>
<u>PART III - GENERAL COMMENTS AND RECOMMENDATIONS</u>	138
Roster of Officials	139
General Comments	140 - 142
Recommendations	143
Acknowledgment	143

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**PART I
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS – REGULATORY BASIS**

HODULIK & MORRISON, P.A.

A division of



Independent Auditors' Report

**The Honorable Mayor and Members
of the Borough Council
Borough of Keyport
Keyport, New Jersey**

Report on the Financial Statements

We have audited the accompanying regulatory-basis financial statements of the various funds and the governmental fixed assets of the Borough of Keyport, County of Monmouth, New Jersey (the "Borough") which comprise the balance sheets as of and for the years ended December 31, 2018 and 2017, and the related statements of operations and changes in fund balance for the years then ended, the statements of changes in fund balance, the statements of revenues and statements of expenditures for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Borough as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

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

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

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

1102 Raritan Avenue, Highland Park, NJ 08904
Tel: 732.393.1000 | Fax: 732.393.1196

20 Commerce Drive, Suite 301, Cranford, NJ 07016
Tel: 908.272.6200 | Fax: 908.272.2416

PKF O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

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

As described in Note 2, the financial statements are prepared by the Borough on the basis of the financial reporting provisions of the Division to demonstrate compliance with the Division's regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 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 matters discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial positions of the Borough of Keyport, County of Monmouth, New Jersey, as of December 31, 2018 and 2017, the changes in its financial position, and, where applicable, its cash flows for the years then ended.

Emphasis of Matter

As discussed in the notes to the financial statements, during the fiscal year ending December 31, 2018, the borough of Keyport implemented the provisions of Statement Number 75 of the Governmental Accounting Standards Board (GASB 75). GASB 75 changed the measurement criteria and reporting provisions relating to the Borough's proportionate share (if any), of the annual expense and net liability of the post-retirement employee benefits other than pensions (OPEB) of plans in which its employees are enrolled. Our opinion is not modified with respect to this matter.

Report on Supplementary Information as Required by the Division in Accordance with Regulatory-Basis

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Borough's basic financial statements. The information included in Part II – Fund Financial Statements and Supplementary Data (collectively, the "Supplementary Information"), as listed in the table of contents, is presented for purposes of additional analysis as required by the Division and is not a required part of the regulatory-basis financial statements of the Borough. Such information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued a report dated August 16, 2019 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control over financial reporting and compliance.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
A division of PKF O'Connor Davies
Certified Public Accountants
Registered Municipal Accountants

Robert L. Morrison
Robert Morrison, CPA
Licensed Registered Municipal Accountant, No. 412

Highland Park, New Jersey
August 16, 2019

**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 Borough Council
Borough of Keyport
Keyport, New Jersey**

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Keyport, County of Monmouth, New Jersey as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements and have issued our report thereon dated August 16, 2018. Our report was modified due to the departures from accounting principles generally accepted in the United States of America, as disclosed in Note 2, that are embodied in the Other Comprehensive Basis of Accounting utilized for financial statements presentations. Our opinion, based upon the other comprehensive basis of accounting financial statement presentation, was unmodified.

Internal Control Over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we considered the Borough'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 regulatory-basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



HODULIK & MORRISON, P.A.
A division of PKF O'Connor Davies
Certified Public Accountants



Robert Morrison, CPA
Licensed Registered Municipal Accountant, No. 412

Highland Park, New Jersey
August 16, 2019

FINANCIAL STATEMENTS

BOROUGH OF KEYPORT
CURRENT FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

A
Sheet # 1

<u>ASSETS AND DEFERRED CHARGES</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Cash	A-4	\$ 3,356,214.88	\$ 2,607,238.36
Petty Cash and Change Funds	A-5	625.00	625.00
Due from State of New Jersey: Ch. 129, P.L. 1976	A-6	2,687.83	639.20
		<u>3,359,527.71</u>	<u>2,608,502.56</u>
Receivables and Other Assets with Full Reserves:			
Taxes Receivable	A-7	444,928.59	459,096.62
Tax Title Liens	A-8	172,194.87	580,280.17
Property Acquired for Taxes at Assessed Valuation	A-9	97,100.00	97,100.00
Revenue Accounts Receivable	A-10	25,725.61	23,460.86
Interfunds Receivable	A-11	614.24	1,792.22
Abating Costs Lien Receivable	A-15		1,261.67
Abating Costs Receivable	A-15	570.00	3,393.96
		<u>741,133.31</u>	<u>1,166,385.50</u>
Total Current Fund		<u>4,100,661.02</u>	<u>3,774,888.06</u>
Federal and State Grant Fund:			
Federal and State Grants Receivable	A-22	171,330.85	189,469.85
Interfunds Receivable	A-23	169,259.32	187,860.19
		<u>340,590.17</u>	<u>377,330.04</u>
		<u>\$ 4,441,251.19</u>	<u>\$ 4,152,218.10</u>

See accompanying notes to financial statements.

BOROUGH OF KEYPORT
CURRENT FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

A
Sheet # 2

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Expenditure Reserves:			
Appropriation Reserves:			
Encumbered	A-3	\$ 327,133.53	\$ 194,002.57
Unencumbered	A-3	352,630.31	306,223.02
Interfunds Payable	A-11	181,062.22	187,860.19
Tax Overpayments			3,964.55
School Taxes Payable	A-19	0.50	
County Taxes Payable	A-18	15,474.87	3,968.86
Reserve for Senior Center	A-21	12,490.65	10,960.42
Prepaid Taxes	A-13	171,377.33	374,000.83
Sub-Total		<u>1,060,169.41</u>	<u>1,080,980.44</u>
Reserve for Receivables and Other Assets		741,133.31	1,166,385.50
Fund Balance	A-1	<u>2,299,358.30</u>	<u>1,527,522.12</u>
		<u>4,100,661.02</u>	<u>3,774,888.06</u>
Federal and State Grant Fund:			
Appropriated Reserves	A-24	234,002.68	364,659.29
Unappropriated Reserves	A-25	4,027.79	8,536.50
Reserve for Encumbrances	A-24	102,559.70	4,134.25
		<u>340,590.17</u>	<u>377,330.04</u>
		<u>\$ 4,441,251.19</u>	<u>\$ 4,152,218.10</u>

See accompanying notes to financial statements.

BOROUGH OF KEYPORT
CURRENT FUND

COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2018</u>	<u>YEAR 2017</u>
Fund Balance Utilized	A-1, A-2 \$	850,000.00 \$	550,000.00
Miscellaneous Revenues Anticipated	A-2	2,667,080.02	2,691,494.87
Receipts from Delinquent Taxes	A-2	1,038,658.37	436,555.07
Receipts from Current Taxes	A-2	18,249,534.85	17,697,687.19
Non-Budget Revenue	A-2	189,766.50	276,518.93
Other Credits to Income:			
Unexpended Balances of Approp. Reserves	A-14	286,883.39	226,142.01
Cancellation of Grant Reserves (Net)	A-22-A-24	12,526.77	12,666.69
Prior Year Interfunds Returned	A-11	1,177.98	
Abating Costs Received	A-15	7,050.63	13,352.38
Total Revenues		23,302,678.51	21,904,417.14
<u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Operating			
Salaries and Wages	A-3	3,618,500.00	3,550,450.00
Other Expenses	A-3	3,359,804.71	3,257,269.84
Municipal Debt Service	A-3	1,323,449.75	1,338,606.71
Capital Improvements	A-3	150,000.00	83,500.00
Deferred Charges and Statutory Expend.-Mun.	A-3	804,123.13	826,657.26
Transferred to Board of Education	A-3	45,443.00	44,994.00
County Taxes	A-18	2,026,850.36	1,956,542.81
Local District School Taxes	A-19	9,932,058.00	9,698,606.00
Business Improvement District Taxes	A-17	153,150.00	153,150.00
Municipal Open Space Taxes	A-20	180,006.26	174,824.42
Prior Year Vet/Senior Citizen Deduction Disallowed	A-6	563.24	827.52
Cancel CDBG Receivable	A-11	8,050.61	
Prior Year Revenue Refunded	A-4	5,981.06	
Prior Year Tax Appeal	A-16	70,337.21	13,835.69
Abating Costs	A-15	2,525.00	6,550.00
Total Expenditures		21,680,842.33	21,106,918.03
Excess in Revenue		1,621,836.18	797,499.11

See accompanying notes to financial statements.

BOROUGH OF KEYPORT
CURRENT FUND

COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Statutory Excess to Fund Balance (brought forward)	<u>REF.</u>	\$ 1,621,836.18	\$ 797,499.11
<u>FUND BALANCE</u>			
Balance - January 1	A	<u>1,527,522.12</u>	<u>1,280,023.01</u>
		3,149,358.30	2,077,522.12
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>850,000.00</u>	<u>550,000.00</u>
Balance - December 31	A	<u>\$ 2,299,358.30</u>	<u>\$ 1,527,522.12</u>

See accompanying notes to financial statements.

BOROUGH OF KEYPORT
CURRENT FUND

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

REF.	2018 BUDGET	APPROP. N.J.S.A. 40A:4-87	MODIFIED BUDGET	REALIZED	EXCESS
A-1	\$ 850,000.00		\$ 850,000.00	\$ 850,000.00	
Fund Balance Anticipated					
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	30,000.00		30,000.00	30,328.00	\$ 328.00
Other	3,400.00		3,400.00	7,152.00	3,752.00
Fees and Permits	260,000.00		260,000.00	385,733.89	125,733.89
Fines and Costs:					
Municipal Court	180,000.00		180,000.00	224,136.59	44,136.59
Interest and Costs on Taxes	110,000.00		110,000.00	291,450.73	181,450.73
Cable Television Fees	107,000.00		107,000.00	107,383.08	383.08
Payment in Lieu of Taxes:					
Senior Citizen Housing	370,000.00		370,000.00	430,176.00	60,176.00
Bethany Manor Annex, Senior Citizen Housing					
Consolidated Municipal Property Tax Relief Aid	73,673.00		73,673.00	67,214.00	(6,459.00)
Energy Receipts Tax (P.L. 1997, Chapters 162 & 167)	640,800.00		640,800.00	647,259.00	6,459.00
Dedicated Uniform Construction Code Fees Offset					
with Appropriations (N.J.S.A. 40A:4-36 and					
N.J.A.C. 5:23-4.17):					
Uniform Construction Code Fees	200,000.00		200,000.00	263,827.00	63,827.00
Interlocal - Board of Health (Union Beach)	5,150.00		5,150.00	5,150.00	
Public and Private Revenues Offset with Approps.:					
Recycling Tonnage Grant	4,418.73		4,418.73	4,418.73	
Clean Communities Program		\$ 14,056.71	14,056.71	14,056.71	
Municipal Alliance on Alcoholism and Drug Abuse	32,598.00		32,598.00	32,598.00	
Office on Aging Grant	36,000.00	1,151.00	37,151.00	37,151.00	
Alcohol Education and Rehabilitation Fund	2,251.90		2,251.90	2,251.90	
Tony Hawk Foundation		5,000.00	5,000.00	5,000.00	
Pedestrian Safety Grant		11,000.00	11,000.00	11,000.00	
Distracted Driving Crackdown		6,600.00	6,600.00	6,600.00	

See accompanying notes to financial statements.

BOROUGH OF KEYPORT
CURRENT FUND

A-2
Page 2 of 3

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

	REF.	2018 BUDGET	APPROP. N.J.S.A. 40A:4-87	MODIFIED BUDGET	REALIZED	EXCESS
Miscellaneous Revenues (Cont'd.):						
NJ Body Armor Grant	A-22	\$ 1,865.87	\$	1,865.87	1,865.87	
Other Special Items:						
Uniform Fire Safety Act	A-10	70,000.00		70,000.00	92,327.52	22,327.52
Total Miscellaneous Revenues	A-1, A-4, A-10	2,127,157.50	37,807.71	2,164,965.21	2,667,080.02	502,114.81
Receipts from Delinquent Taxes	A-1	560,000.00		560,000.00	1,038,658.37	478,658.37
Subtotal General Revenues		3,537,157.50	37,807.71	3,574,965.21	4,555,738.39	980,773.18
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	A-2	6,213,582.83		6,213,582.83	6,430,140.43	216,557.60
Minimum Library Tax	A-2	237,468.00		237,468.00	237,468.00	
Budget Totals		9,988,208.33	37,807.71	10,026,016.04	11,223,346.82	1,197,330.78
Non-Budget Revenues	A-1, A-2, A-4				189,766.50	
Total		\$ 9,988,208.33	\$ 37,807.71	\$ 10,026,016.04	\$ 11,413,113.32	
	Ref.	A-3	A-3	A-3		

See accompanying notes to financial statements.

BOROUGH OF KEYPORT
CURRENT FUND

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

ANALYSIS OF REALIZED REVENUES	REF.		
Allocation of Current Collections:			
2017 Collections	A-7	\$ 374,000.83	
2018 Collections	A-7	17,836,434.71	
State Share of Sr. Cit. and Vet.			
Deductions Allowed	A-7	<u>39,099.31</u>	
	A-1		\$ 18,249,534.85
Allocated to:			
County Taxes	A-7	2,026,850.36	
School Taxes	A-7	9,932,058.00	
Special District Taxes	A-7	153,150.00	
Municipal Open Space Tax Taxes	A-7	<u>180,006.26</u>	
			<u>12,292,064.62</u>
Balance for Support of Mun. Budget			5,957,470.23
Add: Reserve for			
Uncollected Taxes	A-3		<u>710,138.20</u>
Amount for Support of Municipal Budget	A-2		\$ <u>6,667,608.43</u>
Miscellaneous Revenue not Anticipated:			
Photocopies		\$ 178.13	
NSF Check Fees		280.00	
Postage		0.50	
Firearms Report		324.00	
Post Office Land Rent		1,650.00	
Scrap Metal		1,448.40	
Board of Health Misc.		1,750.00	
DMV Inspection Fees		6,725.00	
Senior Citizen and Veteran Administration Fee		798.74	
Interest Earned On Developers Escrow		2,195.11	
Interest on Deposits		72,462.64	
Miscellaneous-Uniform Construction Code Fees		13,826.76	
Miscellaneous		20,262.98	
CBS Outdoor Billboard Lease		9,000.00	
Liquor License Application Fee		1,000.00	
JIF Dividend		33,183.00	
FEMA Reimbursements		21,445.24	
CJHIF Dividend		<u>3,236.00</u>	
	A-2, A-4	\$	<u>189,766.50</u>

See accompanying notes to financial statements.

BOROUGH OF KEYPORT
CURRENT FUND

A-3

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

	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>						
<u>GENERAL GOVERNMENT</u>						
Administrative and Executive						
Salaries and Wages	\$ 99,000.00	\$ 100,000.00	\$ 99,997.09	\$	2.91	\$
Other Expenses	54,100.00	49,100.00	38,328.44	435.91	10,335.65	
Mayor and Council						
Salaries and Wages	22,000.00	22,000.00	21,986.76		13.24	
Other Expenses	3,700.00	4,700.00	3,347.81	1,107.00	245.19	
Municipal Clerk						
Salaries and Wages	65,000.00	65,300.00	65,290.10		9.90	
Other Expenses						
Miscellaneous	14,000.00	14,000.00	9,513.34	791.54	3,695.12	
Revision and Codification of Ordinances	13,000.00	13,000.00	4,680.00	8,320.00		
Financial Administration						
Salaries and Wages	68,000.00	68,000.00	67,914.32		85.68	
Other Expenses	8,800.00	8,800.00	7,220.50	492.28	1,087.22	
Audit Services						
Other Expenses	17,000.00	17,000.00	17,000.00			
Collection of Taxes						
Salaries and Wages	107,000.00	107,000.00	105,144.94		1,855.06	
Other Expenses	10,000.00	10,000.00	7,147.15	516.71	2,336.14	
Assessment of Taxes						
Salaries and Wages	19,500.00	19,500.00	19,436.56		63.44	
Other Expenses						
Revision of Tax Map/Revaluation						
Miscellaneous	2,000.00	2,000.00			2,000.00	
Legal Services	35,000.00	35,000.00	26,310.81	1,450.00	7,239.19	
Other Expenses	100,000.00	100,000.00	69,030.41	18,385.01	12,584.58	
Engineering Services						
Other Expenses	80,000.00	80,000.00	34,652.00	28,686.00	16,662.00	
Environmental Commission						
Other Expenses	650.00	650.00	450.00		200.00	
Keyport Historical Society Contracted	1,000.00	1,000.00			1,000.00	

BOROUGH OF KEYPORT
CURRENT FUND

A-3

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

	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED	UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED
<u>OPERATIONS WITHIN "CAPS"</u>					
Municipal Land Use Law (N.J.S.A. 40:55D-1) Planning/Zoning Board					
Salaries and Wages	\$ 4,000.00	\$ 4,300.00	\$ 4,279.57	\$	20.43
Other Expenses					
Revision of Master Plan	100.00	100.00			100.00
Miscellaneous	5,200.00	7,700.00	6,710.56	600.00	389.44
Property Maintenance Code					
Salaries and Wages	22,000.00	19,000.00	18,173.14		826.86
Other Expenses	1,500.00	1,500.00	264.99		1,235.01
<u>INSURANCES</u>					
Liability Insurance	169,600.00	167,600.00	166,942.13		657.87
Workers Compensation Insurance	205,600.00	204,200.00	204,194.82		5.18
Employee Group Insurance	520,800.00	501,800.00	472,429.20	71.92	29,298.88
Health Benefit Waiver	30,000.00	26,000.00	25,401.92		598.08
Unemployment Insurance	40,000.00	40,000.00	40,000.00		
<u>PUBLIC SAFETY</u>					
Police Department					
Salaries and Wages	2,320,000.00	2,295,000.00	2,234,320.54		60,679.46
Other Expenses					
Miscellaneous	90,000.00	100,000.00	59,503.17	33,331.37	7,165.46
Clothing Allowance	38,000.00	38,000.00	31,949.69		6,050.31
Acquisition of Vehicle	80,000.00	80,000.00	79,689.73		310.27
Emergency Management Services					
Other Expenses	12,000.00	15,000.00	5,499.67	8,806.73	693.60
Aid to Volunteer Fire Companies	24,220.00	24,220.00	23,720.00		500.00
First Aid Contributions	22,000.00	22,000.00	21,725.95		274.05
Fire Department					
Salaries and Wages	3,000.00	3,000.00	3,000.00		
Other Expenses	117,500.00	117,500.00	44,473.77	72,305.81	720.42

See accompany notes to financial statements

BOROUGH OF KEYPORT
CURRENT FUND

A-3

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

	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>						
Uniform Fire Safety Act						
Salaries and Wages	\$ 61,400.00	\$ 61,400.00	\$ 48,145.67		\$ 13,254.33	
Other Expenses	16,600.00	16,600.00	6,106.67	922.87	9,570.46	
Municipal Prosecutor						
Salaries and Wages	24,800.00	24,900.00	24,835.21		64.79	
Municipal Court						
Salaries and Wages	155,000.00	155,000.00	145,524.28		9,475.72	
Other Expenses	24,000.00	24,000.00	19,595.57	2,132.50	2,271.93	
Public Defender						
Salaries and Wages	5,000.00	5,000.00	1,076.64		3,923.36	
Other Expenses	100.00	100.00			100.00	
<u>PUBLIC WORKS</u>						
Road Repairs and Maintenance						
Salaries and Wages	375,000.00	345,000.00	333,675.83		11,324.17	
Other Expenses	100,000.00	106,200.00	75,358.73	20,132.91	10,708.36	
Garbage and Trash Removal						
Salaries and Wages	70,000.00	73,000.00	72,939.71		60.29	
Other Expenses	16,500.00	6,500.00	1,747.77	150.00	4,602.23	
Contracted (40A-4-85)	225,000.00	225,000.00	204,225.00	19,200.00	1,575.00	
Public Buildings and Grounds						
Other Expenses	83,000.00	103,000.00	87,438.86	7,091.28	8,469.86	
<u>HEALTH AND HUMAN SERVICES</u>						
Blood Borne Pathogens - Hepatitis B						
Salaries and Wages	2,000.00	2,000.00			2,000.00	
Other Expenses	1,000.00	1,000.00	100.00		900.00	
Board of Health						
Salaries and Wages	40,100.00	40,100.00	38,505.96		1,594.04	
Other Expenses	2,500.00	2,500.00	971.30	815.50	713.20	
Animal Control Services						
Other Expenses	16,000.00	16,000.00	16,000.00			
Bayshore Youth Services Bureau Contribution	1,000.00	1,000.00	250.00		750.00	

See accompany notes to financial statements

BOROUGH OF KEYPORT
CURRENT FUND

A- 3

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

	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED	UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED
<u>OPERATIONS WITHIN "CAPS"</u>					
<u>PARK AND RECREATION</u>					
Recreation					
Salaries and Wages	\$ 35,000.00	\$ 35,000.00	\$ 27,608.14	\$	7,391.86
Other Expenses	25,000.00	25,000.00	22,855.61	380.00	1,764.39
Senior Citizen Community Center					
Salaries and Wages	8,000.00	8,000.00	5,096.00		2,904.00
Other Expenses	12,325.00	12,325.00	8,861.50	940.16	2,523.34
Senior Citizen Transportation Contracted	4,000.00	4,000.00	2,730.00		1,270.00
Parks and Playgrounds					
Other Expenses	40,000.00	50,000.00	41,960.90	3,030.84	5,008.26
<u>OTHER COMMON OPERATING APPROP.</u>					
Celebration of Public Events					
Other Expenses	1,500.00	1,500.00	447.50	84.00	968.50
Postage					
Other Expenses	22,000.00	22,000.00	12,139.51	5,050.00	4,810.49
Accumulated Leave Compensation					
Salaries and Wages	20,000.00	20,000.00	13,500.00		6,500.00
State Uniform Construction Code Officials					
Salaries and Wages	146,000.00	146,000.00	139,205.46		6,794.54
Other Expenses	10,500.00	10,500.00	5,704.34	432.57	4,363.09
<u>UTILITY EXPENSES AND BULK PURCHASES</u>					
Fuel for Motor Vehicles	70,000.00	81,000.00	72,353.60	4,917.08	3,729.32
Telephone	45,000.00	49,000.00	43,494.87	1,824.94	3,680.19
Street Lighting	116,000.00	116,000.00	97,934.09	7,827.59	10,238.32
Fuel Oil	10,000.00	13,000.00	10,808.25	1,493.72	698.03
Natural Gas	33,000.00	29,000.00	20,883.95	4,129.62	3,986.43
Electricity	37,000.00	37,000.00	29,474.03		7,525.97
Landfill Disposal Costs	245,000.00	270,000.00	237,802.29	31,277.67	920.04
Total Operations Within "CAPS"	6,524,595.00	6,521,595.00	5,908,086.32	287,133.53	325,375.15

See accompany notes to financial statements

BOROUGH OF KEYPORT
CURRENT FUND

A- 3

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

	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>						
Contingent	\$ 500.00	\$ 500.00			\$ 500.00	
Total Operations Including Contingent Within "CAPS"	6,525,095.00	6,522,095.00	\$ 5,909,086.32	\$ 287,133.53	325,875.15	-
Detail:						
Salaries and Wages	3,651,800.00	3,618,500.00	3,489,655.92		128,844.08	-
Other Expenses	2,873,295.00	2,903,595.00	2,419,430.40	287,133.53	197,031.07	-
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES</u>						
Public Employees' Retirement System	184,183.00	184,183.00	174,637.36		9,545.64	
Deferred Comp. Retirement Program	2,000.00	2,000.00	791.77		1,208.23	
Social Security System (O.A.S.I.)	170,000.00	173,000.00	162,717.90		10,282.10	
Police and Firemen's Retirement System of NJ	441,587.00	441,587.00	441,587.00			
Total Deferred Charges and Statutory Expenditures	797,770.00	800,770.00	779,734.03		21,035.97	
Total General Appropriations for Municipal Purposes Within "CAPS"	7,322,865.00	7,322,865.00	6,688,820.35	287,133.53	346,911.12	-
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
Maintenance of Free Public Library	237,468.00	237,468.00	236,603.76		864.24	
Total Other Operations - Excluded from "CAPS"	237,468.00	237,468.00	236,603.76		864.24	
Interlocal Municipal Service Agreements:						
911 Services (County of Monmouth)						
Other Expenses	9,200.00	9,200.00	9,188.05		11.95	
Recycling (Hazlet)						
Other Expenses	4,500.00	4,500.00			4,500.00	
Information Technology Services (Freehold)						
Other Expenses	15,400.00	15,400.00	15,400.00			
Total Interlocal Municipal Service Agreements	29,100.00	29,100.00	24,588.05		4,511.95	

See accompany notes to financial statements

BOROUGH OF KEYPORT
CURRENT FUND

A-3

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

	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
<u>Public and Private Programs Offset by Revenues</u>						
Clean Communities Grant	\$	14,056.71	\$ 14,056.71			
Body Armor Replacement Grant	1,865.87	1,865.87	1,865.87			
Recycling Tonnage Grant	4,418.73	4,418.73	4,418.73			
Office on Aging Grant						
Grant Share	36,000.00	37,151.00	37,151.00			
Local Share	66,550.00	66,550.00	66,550.00			
Municipal Court Alcohol Education and Rehabilitation						
Enforcement Fund	2,251.90	2,251.90	2,251.90			
DWI Saturation Patrol						
Drive Sober or Get Pulled Over						
Tony Hawk Foundation		5,000.00	5,000.00			
Pedestrian Safety Grant		11,000.00	11,000.00			
Distracted Driving Crackdown		6,600.00	6,600.00			
Municipal Drug Alliance Program SFY 2017						
State Share	32,598.00	32,598.00	32,598.00			
Local Share	8,149.50	8,149.50	8,149.50			
Total Public and Private Programs Offset by Revenues	151,834.00	189,641.71	189,641.71			
Total Operations Excluded from "CAPS"	418,402.00	456,209.71	450,833.52		5,376.19	
Detail:						
Other Expenses	418,402.00	456,209.71	450,833.52		5,376.19	
Capital Improvements Excluded from "CAPS"						
Capital Improvement Fund						
Acquisition of Dump Truck	50,000.00	50,000.00	50,000.00			
Acquisition of Firefighter Air Packs	60,000.00	60,000.00	59,657.00		343.00	
Acquisition of Firefighter Turnout Gear	20,000.00	20,000.00		20,000.00		
	20,000.00	20,000.00		20,000.00		
Total Capital Improvements Excluded from "CAPS"	150,000.00	150,000.00	109,657.00	40,000.00	343.00	
Municipal Debt Service Excluded from "CAPS"						
Payment of Bond Principal	735,000.00	735,000.00	735,000.00			
Payment of Bond Anticipation Notes and Capital Notes	300,000.00	300,000.00	300,000.00			
Interest on Bonds	236,150.00	236,150.00	236,149.75			0.25
Interest on Notes	52,300.00	52,300.00	52,300.00			
Total Municipal Debt Service Excluded from "CAPS"	1,323,450.00	1,323,450.00	1,323,449.75			0.25

See accompany notes to financial statements

BOROUGH OF KEYPORT
CURRENT FUND

A- 3

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

	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
Deferred Charges:						
Special Emergency Authorizations						
Deferred Changes to Future Taxation						
-Unfunded						
Total Deferred Charges	\$ 3,353.13	\$ 3,353.13	\$ 3,353.13			
	3,353.13	3,353.13	3,353.13			
Transferred to Board of Education for Use of Local Schools (N.J.S.A. 40:48-17.1 & 17.3)	60,000.00	60,000.00	45,443.00			\$ 14,557.00
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	1,955,205.13	1,993,012.84	1,932,736.40	\$ 40,000.00	\$ 5,719.19	14,557.25
Subtotal General Appropriations	9,278,070.13	9,315,877.84	8,621,556.75	327,133.53	352,630.31	14,557.25
Reserve for Uncollected Taxes	710,138.20	710,138.20	710,138.20			
Total General Appropriations	\$ 9,988,208.33	\$ 10,026,016.04	\$ 9,331,694.95	\$ 327,133.53	\$ 352,630.31	\$ 14,557.25
Adopted Budget		\$ 9,988,208.33				
Budget added by N.J.S. 40A-4-87		37,807.71				
		\$ 10,026,016.04				
Disbursed						
Reserve for Uncollected Taxes			\$ 8,431,915.04			
Reserve for State & Federal Grants - Appropriated			710,138.20			
Due to Grant Fund			189,641.71			
			\$ 9,331,694.95			

Ref.

A-2

A-2

A-4

A-2

A-11, A-24

Note: See Notes to Financial Statements.

See accompany notes to financial statements

BOROUGH OF KEYPORT
TRUST FUNDS

COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

		December 31, 2018	December 31, 2017
<u>ASSETS</u>			
	<u>Ref.</u>		
Animal Control Trust Fund			
Cash	B-1	\$ 5,005.66	\$ 3,901.62
Total Animal Control Fund		<u>5,005.66</u>	<u>3,901.62</u>
Other Trust Fund			
Cash	B-1	552,353.80	607,102.80
Due from Current Fund	B-4	4,704.52	
Community Development Block Grant Receivable	B-7	<u>147,500.00</u>	<u>50,418.75</u>
Total Other Trust Fund		<u>704,558.32</u>	<u>657,521.55</u>
Open Space Trust Fund			
Cash	B-1	<u>137,650.36</u>	<u>72,838.28</u>
Total Open Space Fund		<u>137,650.36</u>	<u>72,838.28</u>
Total Trust Funds		<u>\$ 847,214.34</u>	<u>\$ 734,261.45</u>

BOROUGH OF KEYPORT
TRUST FUNDS

COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

		December <u>31, 2018</u>	December <u>31, 2017</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund			
Reserve for Animal License Expenditures	B-2	<u>5,005.66</u>	<u>3,901.62</u>
Total Animal Control Fund		<u>5,005.66</u>	<u>3,901.62</u>
Other Trust Fund			
Due State of New Jersey -			
Fees & Licenses	B-5	800.00	425.00
Due to Current Fund	B-4		1,177.98
Reserve for Community Development			
Block Grant	B-8	91,999.72	42,019.96
Reserve for Various Trust Activities	B-6	<u>611,758.60</u>	<u>613,898.61</u>
Total Other Trust Fund		<u>704,558.32</u>	<u>657,521.55</u>
Open Space Trust Fund			
Reserve for Open Space	B-9	<u>137,650.36</u>	<u>72,838.28</u>
		<u>137,650.36</u>	<u>72,838.28</u>
Total Trust Funds		<u>\$ 847,214.34</u>	<u>\$ 734,261.45</u>

BOROUGH OF KEYPORT
GENERAL CAPITAL FUND

C

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Cash	C-2, C-3	\$ 662,185.48	\$ 1,170,777.80
Due from State of New Jersey DOT	C-4	235,000.00	53,250.00
Due from New Jersey OEM	C-4	355,590.00	355,590.00
Deferred Charges to Future Taxation:			
Funded	C-5	5,667,425.69	6,454,921.93
Unfunded	C-6	4,508,147.12	3,433,375.25
		<u>\$ 11,428,348.29</u>	<u>\$ 11,467,914.98</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds	C-9	\$ 4,945,000.00	\$ 5,680,000.00
Bond Anticipation Notes	C-10	2,230,000.00	2,975,000.00
Green Trust Loan Payable	C-13	722,425.69	774,921.93
Reserve for Encumbrances	C-7	526,138.51	320,578.63
Improvement Authorizations:			
Funded	C-8	337,598.47	161,210.90
Unfunded	C-8	2,173,089.37	1,000,055.90
Capital Improvement Fund	C-11	68,850.69	143,850.69
Other Reserves	C-12	28,886.42	37,501.89
Reserve for OEM Grant/Loan Receivable	C-12	355,590.00	355,590.00
Fund Balance	C-1	40,769.14	19,205.04
		<u>\$ 11,428,348.29</u>	<u>\$ 11,467,914.98</u>
Bonds and Notes Authorized but Not Issued	C-15	<u>\$ 2,278,147.12</u>	<u>\$ 831,500.25</u>

See accompanying notes to financial statements

BOROUGH OF KEYPORT
GENERAL CAPITAL FUND

C-1

STATEMENT OF FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>REF.</u>	
Balance, December 31, 2017	C	\$ 19,205.04
Increased by:		
Premium on Sale of Bond Anticipation Notes	C-2	<u>21,564.10</u>
Balance, December 31, 2018	C	<u><u>40,769.14</u></u>

See accompanying notes to financial statements.

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY FUND

D
Sheet #1

COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2018 AND DECEMBER 31, 2017

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2018</u>	<u>BALANCE DEC. 31, 2017</u>
Operating Fund:			
Cash and Investments	D-5	\$ 840,361.46	\$ 868,090.25
		<u>840,361.46</u>	<u>868,090.25</u>
Receivables With Full Reserves:			
BRSA Rent Reserve	D-12	298,102.51	272,833.08
Consumer Accounts Receivable	D-8	162,673.55	186,275.04
Interfund Receivable		7,098.38	
Water and Sewer Liens Recievable	D-13		3,221.47
		<u>467,874.44</u>	<u>462,329.59</u>
Total Operating Fund		<u>1,308,235.90</u>	<u>1,330,419.84</u>
Capital Fund:			
Cash and Investments - Treasurer	D-5	3,414,296.12	1,383,537.05
Fixed Capital	D-10	5,582,992.55	5,582,992.55
Fixed Capital - Authorized and Uncompleted	D-10a	13,658,300.00	11,958,300.00
State & Federal Grants/ Loans Receivable	D-7	<u>1,081,970.00</u>	<u>1,081,970.00</u>
Total Capital Fund		<u>23,737,558.67</u>	<u>20,006,799.60</u>
Total		<u>\$ 25,045,794.57</u>	<u>\$ 21,337,219.44</u>

See accompanying notes to financial statements

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY FUND

D
Sheet #2

COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2018 AND DECEMBER 31, 2017

LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE <u>DEC. 31, 2018</u>	BALANCE <u>DEC. 31, 2017</u>
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-4, D-14	53,016.05	89,535.50
Reserve for Encumbrances	D-9	120,175.75	88,801.50
Water and Sewer Overpayment	D-19	5,875.04	4,493.73
Prepaid Consumer Accounts	D-20	246,428.34	196,933.25
Accrued Int. on Bonds, Notes & Loans	D-15	<u>115,698.82</u>	<u>64,579.23</u>
		541,194.00	444,343.21
Reserve for Receivables	Reserve	460,776.06	462,329.59
Fund Balance	D- 1	<u>306,265.84</u>	<u>423,747.04</u>
Total Operating Fund		<u>1,308,235.90</u>	<u>1,330,419.84</u>
Capital Fund:			
Serial Bonds Payable	D-16	730,000.00	815,000.00
Bond Anticipation Notes Payable	D-17	3,900,000.00	1,800,000.00
Loans Payable	D-11	5,409,944.47	5,498,323.68
Encumbrance Payable	D-9	5,458,559.25	333,090.35
Improvement Authorizations			
Funded	D-18	22,719.35	22,719.35
Unfunded	D-18	385,889.32	3,831,599.15
Capital Improvement Fund	D-21	50,087.00	50,087.00
Reserve for Amortization	D-22	4,852,992.55	4,767,992.55
Reserve for Deferred Amortization	D-23	2,345,340.53	2,256,961.32
Reserve for State & Federal Grants / Loans	Reserve	581,970.00	581,970.00
Fund Balance	D-2	<u>56.20</u>	<u>49,056.20</u>
Total Capital Fund		<u>23,737,558.67</u>	<u>20,006,799.60</u>
Total		<u>\$ 25,045,794.57</u>	<u>\$ 21,337,219.44</u>
Bonds and Notes Authorized but Not Issued	D-24	<u>\$ 2,003,015.00</u>	<u>\$ 2,403,015.00</u>

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND

COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2018</u>	<u>YEAR 2017</u>
Fund Balance	D-3	\$ 355,000.00	\$ 40,000.00
Water and Sewer Rents	D-3	3,028,081.29	3,031,482.96
Miscellaneous	D-3	279,135.92	289,512.18
Capital Fund Balance	D-3	49,000.00	
Unexpended Balance of Appropriation Reserves	D-14	87,542.04	74,135.70
Total Revenues		<u>3,798,759.25</u>	<u>3,435,130.84</u>
<u>EXPENDITURES</u>			
Operating	D-4	1,160,000.00	1,205,000.00
Bayshore Regional Sewerage Authority	D-4	1,253,000.00	1,012,000.00
Acquisition of Water	D-4	650,000.00	475,000.00
Capital Outlay	D-4	20,000.00	35,000.00
Debt Service	D-4	409,240.59	388,979.67
Deferred Charges and Statutory Expenditures	D-4	69,000.00	64,000.00
Refunds of Prior Year Revenues			938.22
Total Expenditures		<u>3,561,240.59</u>	<u>3,180,917.89</u>
Excess in Revenues		237,518.66	254,212.95
<u>FUND BALANCE</u>			
Balance - January 1	D	<u>423,747.18</u>	<u>209,534.09</u>
		661,265.84	463,747.04
Decreased by:			
Utilization as Anticipated Revenue	D- 1	<u>355,000.00</u>	<u>40,000.00</u>
Balance - December 31	D	<u>\$ 306,265.84</u>	<u>\$ 423,747.04</u>

See accompanying notes to financial statements.

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>REF.</u>	<u>YEAR 2018</u>	<u>YEAR 2017</u>
Balance - Beginning of Year	D	\$ 49,056.20	\$ 37,482.20
Increased by:			
Improvement Authorizations Cancelled Due from Operating Fund		<u> </u>	<u>11,574.00</u>
			11,574.00
Decreased by:			
Transfer to Operating Fund	D-5	<u>49,000.00</u>	<u> </u>
Balance - End of Year	D	\$ <u>56.20</u>	\$ <u>49,056.20</u>

See accompanying notes to financial statements.

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND

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

	<u>REF.</u>	<u>2018 BUDGET</u>	<u>2018 REALIZED</u>	<u>EXCESS</u>
Operating Surplus Anticipated	D-1	\$ 355,000.00	\$ 355,000.00	
Water and Sewer Rents	D-3	3,000,000.00	3,028,081.29	\$ 28,081.29
Miscellaneous	D-5	166,491.09	279,135.92	112,644.83
Capital Fund Balance	D-1	<u>49,000.00</u>	<u>49,000.00</u>	
Total		\$ <u>3,570,491.09</u>	\$ <u>3,711,217.21</u>	\$ <u>140,726.12</u>
	<u>Ref.</u>	D- 4	D-1	

Analysis of Realized Revenue:

Water & Sewer Rents:		
Cash Receipts	D-5, D-8	\$ 2,823,432.84
Prepayments Applied	D-20, D-8	196,933.25
Liens Collected	D-13, D-8	3,221.47
Overpayments Applied	D-19, D-8	<u>4,493.73</u>
		\$ <u>3,028,081.29</u>

See Above

See accompanying notes to financial statements.

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED		RESERVED	UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED		
Operating:						
Salaries and Wages	\$ 600,000.00	\$ 590,000.00	\$ 586,367.43	\$	3,632.57	
Other Expenses	620,000.00	570,000.00	486,594.80	46,282.52	37,122.68	
Bayshore Regional Sewerage Authority	1,253,000.00	1,253,000.00	1,252,373.72		626.28	
Acquisition of Water	590,000.00	650,000.00	569,840.82	73,893.23	6,265.95	
Capital Improvements:						
Capital Outlay	20,000.00	20,000.00	18,318.75		1,681.25	
Debt Service:						
Payment on Bond Principal	85,000.00	85,000.00	85,000.00			
Payment on Bond Anticipation Notes						
Interest on Bonds	37,916.67	37,916.67	37,916.67			
Interest on Notes	64,000.00	64,000.00	54,749.50			
USDA Loan - Principal	88,379.21	88,379.21	88,379.21			\$ 9,250.50
USDA Loan - Interest	143,195.21	143,195.21	143,195.21			
Statutory Expenditures:						
Contribution to:						
Public Employee's Retirement System	20,000.00	20,000.00	20,000.00			
Social Security System (O.A.S.I.)	49,000.00	49,000.00	45,312.68		3,687.32	
Total Water & Sewer Utility Appropriations	\$ 3,570,491.09	\$ 3,570,491.09	\$ 3,388,048.79	\$ 120,175.75	\$ 53,016.05	\$ 9,250.50
	D-3	D-3	D-1	D-1, D-9	D, D-1	
Disbursed		Ref.				
Accrued Interest on Bonds, Notes and Loans		D-5	\$ 3,152,187.41			
		D-15	235,861.38			
			\$ 3,388,048.79			

See accompanying notes to financial statements.

BOROUGH OF KEYPORT
PAYROLL AGENCY FUND

COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2018 AND DECEMBER 31, 2017

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Cash	E-2	\$ 3,829.57	\$ 2,897.31
Total Assets		<u>\$ 3,829.57</u>	<u>\$ 2,897.31</u>
 <u>LIABILITIES</u>			
Due to Current Fund	E-3	\$ 614.24	\$ 614.24
Payroll Deductions Payable	E-1	<u>3,215.33</u>	<u>2,283.07</u>
Total Liabilities		<u>\$ 3,829.57</u>	<u>\$ 2,897.31</u>

See accompanying notes to financial statements.

BOROUGH OF KEYPORT

STATEMENT OF GOVERNMENTAL FIXED ASSETS - REGULATORY BASIS
DECEMBER 31, 2018 AND DECEMBER 31, 2017

<u>GOVERNMENTAL FIXED ASSETS:</u>	December 31, <u>2018</u>	December 31, <u>2017</u>
Land	\$ 5,186,100.00	\$ 5,186,100.00
Buildings/Building Improvements	5,481,800.00	5,481,800.00
Motor Vehicles and Equipment	3,800,562.08	3,657,516.08
Machinery and Equipment	483,618.30	483,618.30
Office Furniture and Equipment	163,066.09	163,066.09
Other Equipment	<u>218,914.00</u>	<u>218,914.00</u>
Total Governmental Fixed Assets	<u>\$ 15,334,060.47</u>	<u>\$ 15,191,014.47</u>
Investments in Governmental Fixed Assets	<u>\$ 15,334,060.47</u>	<u>\$ 15,191,014.47</u>

See accompanying notes to financial statements

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

1. REPORTING ENTITY

The Borough of Keyport, County of Monmouth, New Jersey (the "Borough"), is governed as a Mayor-Council form of government. The Mayor is elected in a general election to a four-year term. There are six councilpersons, each elected to three-year terms. At its annual meeting, the council elects a president of the council who shall preside at all of the Borough's meeting when the mayor is not present. The mayor is the head of the municipal government and the council is the legislative body. The Borough has adopted an administrative code, which provides for the delegation of a portion of executive responsibilities to an administrator and the organization of the council into standing committees to oversee various government activities.

The Governmental Accounting Standards Board and subsequent Codification (collectively, "GASB") establishes certain standards for defining and reporting on the financial reporting entity. In accordance with these standards, the reporting entity should include the primary government and those component units which are fiscally accountable to the primary government.

The financial statements of the Borough include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough, as required by the provisions of N.J.S.A. 40A:5-5. The Borough's free public library, first aid organization, or volunteer fire companies are not included in these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

GASB has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, the municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by the provisions of N.J.S.A. 40A:5-5.

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

BOROUGH OF KEYPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Borough has the following funds and account groups:

Current Fund - Encompasses resources and expenditures for basic governmental operations. Fiscal activity of Federal and State grant programs are reflected in a segregated section of the Current Fund.

Trust Funds - The records of receipts, disbursements and custodianship of monies in accordance with the purpose for which each account was created are maintained in Trust Funds. These include the Animal Control Trust Fund, Developer Escrow, Recreational Bayfront Improvement Trust, Law Enforcement Trust, Recreational Commission, Unemployment Trust, Other Trust Funds and Open Space Trust.

General Capital Fund - The receipts and expenditure records for the acquisition of general infrastructure and other capital facilities, other than those acquired in the Current Fund, are maintained in this Fund, as well as related long-term debt accounts.

Water and Sewer Utility Fund - Maintains its own Operating and Capital Funds which reflect revenue, expenditures, stewardship, acquisitions of utility infrastructure and other capital facilities, debt service, long-term debt and other related activity.

Payroll Agency Fund - Accounts for payroll deductions and social security contributions of municipal and utility operations.

General Fixed Asset Account Group - These accounts reflect estimated valuations of land, buildings and certain moveable fixed assets of the Borough as discussed under the caption of "Basis of Accounting". The Borough has no current financial data for these accounts.

Basis of Accounting

The Borough follows the regulatory basis of accounting. Under this method of accounting, revenues, except for Federal and State Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from US GAAP applicable to local government units.

The more significant differences are as follows:

Property Taxes and Other Revenue

Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The School levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30 of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April 1 in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale.

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

1. REPORTING ENTITY

The Borough of Keyport, County of Monmouth, New Jersey (the "Borough"), is governed as a Mayor-Council form of government. The Mayor is elected in a general election to a four-year term. There are six councilpersons, each elected to three-year terms. At its annual meeting, the council elects a president of the council who shall preside at all of the Borough's meeting when the mayor is not present. The mayor is the head of the municipal government and the council is the legislative body. The Borough has adopted an administrative code, which provides for the delegation of a portion of executive responsibilities to an administrator and the organization of the council into standing committees to oversee various government activities.

The Governmental Accounting Standards Board and subsequent Codification (collectively, "GASB") establishes certain standards for defining and reporting on the financial reporting entity. In accordance with these standards, the reporting entity should include the primary government and those component units which are fiscally accountable to the primary government.

The financial statements of the Borough include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough, as required by the provisions of N.J.S.A. 40A:5-5. The Borough's free public library, first aid organization, or volunteer fire companies are not included in these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

GASB has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, the municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by the provisions of N.J.S.A. 40A:5-5.

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

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Borough has the following funds and account groups:

Current Fund - Encompasses resources and expenditures for basic governmental operations. Fiscal activity of Federal and State grant programs are reflected in a segregated section of the Current Fund.

Trust Funds - The records of receipts, disbursements and custodianship of monies in accordance with the purpose for which each account was created are maintained in Trust Funds. These include the Animal Control Trust Fund, Developer Escrow, Recreational Bayfront Improvement Trust, Law Enforcement Trust, Recreational Commission, Unemployment Trust, Other Trust Funds and Open Space Trust.

General Capital Fund - The receipts and expenditure records for the acquisition of general infrastructure and other capital facilities, other than those acquired in the Current Fund, are maintained in this Fund, as well as related long-term debt accounts.

Water and Sewer Utility Fund - Maintains its own Operating and Capital Funds which reflect revenue, expenditures, stewardship, acquisitions of utility infrastructure and other capital facilities, debt service, long-term debt and other related activity.

Payroll Agency Fund - Accounts for payroll deductions and social security contributions of municipal and utility operations.

General Fixed Asset Account Group - These accounts reflect estimated valuations of land, buildings and certain moveable fixed assets of the Borough as discussed under the caption of "Basis of Accounting". The Borough has no current financial data for these accounts.

Basis of Accounting

The basis of accounting as prescribed by the Division of Local Government Services for its operating funds is generally a modified cash basis for revenue recognition and a modified accrual basis for expenditures. The operating funds utilize a "current financial resources" measurement focus. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The most significant is the reporting of entity-wide financial statements, which are not presented in the accounting principles prescribed by the Division. The other more significant differences are as follows:

Revenues - Revenues are recorded when received in cash except for statutory reimbursements and grant funds that are due from other governmental units. State and Federal grants, entitlements and shared revenues received for operating purposes are realized as revenues when anticipated in the Borough budget. Receivables for property taxes and water and sewer charges are recorded with offsetting reserves within their respective funds. Other amounts that are due to the Borough which are susceptible to accrual are recorded as receivables with offsetting reserves. These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable, with the exception of sewer charges, which should be recognized in the period they are earned and become measurable.

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Borough "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability.

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts that may be canceled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP.

For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Over- expenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund balance sheet. GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance. The Borough reported no deferred charges at December 31, 2018.

Compensated Absences - The Borough records expenditures for earned, but unused sick leave and vacation time are not recorded until paid. GAAP requires that expenditures be recorded for earned, but unused vacation and sick leave in an amount that would normally be liquidated with available financial resources.

Property Acquired for Taxes - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. For the year ended December 31, 2017 and 2016, the Borough's financial statements reflect a cumulative total of \$97,100.00. GAAP requires such property to be recorded in the general fixed asset account group at the lower of cost or fair market value.

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 costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets, with the exception of the Water and Sewer Utility Fund. Inventories for the respective years are presented on the balance sheet of the Water and Sewer Utility Fund for information purposes only. These inventories were not considered in the cost of operations for the respective years and were not audited as part of this report. The value was determined by management and accepted as presented to us.

Sale of Municipal Assets - Cash proceeds from the sale of Borough owned property are reserved until utilized as an item of anticipated revenue in a subsequent year budget. Year-end balances of such proceeds are reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period that the terms of sales contracts become legally enforceable.

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Governmental Fixed Assets - Property and equipment acquired by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized in their own respective funds. Property and equipment acquired by the Water and Sewer Utility Fund are recorded in their respective capital accounts at cost and are adjusted for dispositions and abandonments. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Water and Sewer Utility Capital Fund represent charges to operations for the costs of acquisitions of property, equipment and improvements, and costs funded from sources other than bonded debt of the utility. The utility does not record depreciation on fixed assets. GAAP does not require the establishment of a reserve for amortization for utility fixed assets, but does require the recognition of depreciation of these assets as an operating expense of the utility.

N.J.A.C. 5:30-5.6 established a mandate for fixed accounting by municipalities, effective December 31, 1985. The Borough has performed an inventory and included the Governmental Fixed Asset Schedule in the financial statements for years ended December 31, 2017 and 2016.

As N.J.A.C. 5:30 -5.6 states that assets having a useful life of more than five years and an acquisition cost pursuant to OMB A-87 must be capitalized in the governmental fixed asset system. Infrastructure assets are excluded from the governmental fixed asset system. Depreciation is not recorded in the governmental fixed asset system.

Grants Received - Federal and State Grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's Budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Disclosures About Fair Value of Financial Instruments - The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and short-term investments - The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term debt - The Borough's long-term debt is stated at face value. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Borough's long-term debt is provided in Note 3 to the financial statements.

Disclosures About Pension Liabilities - The Borough has included information relating to its allocated shares of the net pension liabilities of the state sponsored, cost-sharing, multiple employer defined benefit pension plans in which it participates in Note 10 and the accompanying required supplementary information. As the Borough does not present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the net pension liability of the defined benefit plans in which its employees are enrolled. GAAP requires the recognition of the net pension liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

Recent Accounting Standards

GASB issued Statement No. 72, "Fair Value Measurement and Application" in February 2015. This statement provides guidance for determining the fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value instruments.

GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68" in June 2015. This Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

BOROUGH OF KEYPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONT'D.)

C. Basis of Accounting and Measurement (Cont'd.)

Recent Accounting Standards

This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" in June 2015. This Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in June 2015. This Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB issued Statement No. 76, "The hierarchy of generally accepted accounting principles for state and local governments", in June 2015. This Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB issued Statement No. 77, "Tax abatement disclosures" in August 2015. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

GASB issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans" in December 2015. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to the state or local governmental employers whose employees are provided with such pensions.

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONT'D.)

D. Basis of Accounting and Measurement (Cont'd.)

Recent Accounting Standards

GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants" in December 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

GASB issued Statement No. 80, "Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14" in January 2016. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements" in March 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB issued Statement No. 82, "Pension Issues- an amendment of GASB Statements No. 67, No. 68 and No. 73" in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB issued Statement No. 83, "Certain Asset Retirement Obligations" in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

GASB issued Statement No. 84, "Fiduciary Activities" in January 2017. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

The Borough does not prepare its financial statements in accordance with Generally Accepted Accounting Principles. The adoption of these new standards will not adversely affect the reporting of the Borough's financial condition.

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

BOROUGH OF KEYPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONT'D.)

E. Basis of Accounting and Measurement (Cont'd.)

Comparative Data - Comparative data for the prior year has been presented in order to provide an understanding of changes on the Borough's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain reclassifications have been made to the fiscal year 2013 financial statements to conform with classifications used in fiscal year 4.

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

3. DEPOSITS AND INVESTMENTS

Deposits

New Jersey Statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation ("FDIC") or any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund (the "Fund").

Cash on deposit is partially insured by federal deposit insurance in the amount of \$250,000.00 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:941, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums.

Based on GASB criteria, the Borough considers cash and cash equivalents to include petty cash, change funds, demand deposits, money market accounts, short-term investments and cash management money market mutual funds. The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature or are redeemed within one year.

Twenty-five percent of the Fund may be invested in eligible securities which mature within two years provided, however, the average maturity of all investments in the Fund shall not exceed one year. Collateralization of fund investments is generally not required.

In addition, by regulation of the Division, municipalities are allowed to deposit funds in the Municipal Bond Insurance Association (MBIA) through their investment management company, the Municipal Investors Service Corporation.

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

3. DEPOSITS AND INVESTMENTS

Deposits –(continued)

In accordance with the provisions of the Governmental Unit Deposit Protection Act of New Jersey (GUDPA), public depositories are required to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds or;

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

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 \$25,000,000.00.

Cash and cash equivalents have original maturities of three months or less from the date of purchase. Investments are stated at cost, which approximates fair value.

At December 31, 2018 and 2017, the book values of the deposits of the Borough consisted of the following:

	Book Balance	
	December 31, 2018	December 31, 2017
<u>Depository Account</u>		
Cash (Demand Accounts)	\$ 8,971,897.33	\$ 6,541,060.26
Change Funds (On-Hand)	625.00	625.00
	<u>\$ 8,972,522.33</u>	<u>\$ 6,541,685.26</u>

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned. The government does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute and to deposit all of its funds in banks covered by FDIC and GUDPA. At least five percent of the Borough's deposits were fully collateralized by funds held by the financial institution, but not in the name of the Borough. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

At December 31, 2018 and 2017 the Borough had the following depository accounts. All deposits are carried at cost. \$13,533.89 and \$18,090.87 that were held in payroll accounts for the years ended December 31, 2018 and 2017, respectively, are not covered by GUDPA.

	Bank Balance	
	December 31, 2018	December 31, 2017
<u>Depository Account</u>		
FDIC Insured	\$ 250,000.00	\$ 250,000.00
GUPDA Insured	8,690,605.33	6,272,969.39
	<u>\$ 8,940,605.33</u>	<u>\$ 6,522,969.39</u>

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

3. DEPOSITS AND INVESTMENTS

Investments

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury Bills, Notes and Bonds
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the local unit or school districts of which the local unit is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- Local government investment pools, such as New Jersey CLASS, and the New Jersey Arbitrage Rebate Management Program.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

As of December 31, 2018 and 2017, the Borough had no investments.

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

4. TAXES AND TAX TITLE LIENS RECEIVABLE

Property assessments are determined on true values and taxes are assessed based upon these values. The residential tax bill includes the levies for the Borough, County and School purposes. Certified adopted budgets are submitted to the County Board of Taxation (the "Board") by each taxing district. The tax rate is determined by the Board upon the filing of these budgets.

The tax bills are mailed by the Tax Collector annually in June and are payable in four quarterly installments due the first of August and November of the current year and a preliminary billing due the first of February and May of the subsequent year. The August and November billings represent the third and fourth quarter installments and are calculated by taking the total year tax levy less the preliminary first and second quarter installments due February and May. The preliminary levy is based on one-half of the current year's total tax.

Tax installments not paid by the above due dates are subject to interest penalties determined by a resolution of the governing body. The rate of interest in accordance with the aforementioned resolution is 8% per annum on the first \$1,500.00 of delinquency and 18% on any delinquency in excess of \$1,500.00.

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

4. TAXES AND TAX TITLE LIENS RECEIVABLE (continued)

The resolution also sets a grace period of ten days before interest is calculated. In addition, any delinquency in excess of \$10,000.00 at the end of the calendar year is subject to a 6% penalty on the unpaid balance.

Taxes unpaid on the 11th day of the eleventh month in the fiscal year when the taxes become in arrears are subject to the tax sale provisions of the New Jersey Statutes. The Borough may institute in rem foreclosure proceedings after six months from the date of the sale if the lien has not been redeemed.

The following is a three year comparison of certain statistical information relative to property taxes and property tax collections:

Comparative Schedule of Tax Rates

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Tax Rate	<u>\$ 2.600</u>	<u>\$ 2.607</u>	<u>\$ 2.585</u>
Apportionment of Tax Rate:			
Municipal	\$ 0.870	\$ 0.875	\$ 0.877
Municipal Library	0.033	0.034	0.033
County	0.282	0.280	0.283
County Open Space	0.025	0.025	0.025
School	<u>1.390</u>	<u>1.393</u>	<u>1.367</u>

Assessed Valuations

<u>Year</u>	<u>Amount</u>
2018	\$ 714,535,300.00
2017	709,406,394.00
2016	682,585,290.00

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2018	\$ 18,874,545.08	\$ 18,249,534.85	96.69 %
2017	18,345,948.39	17,697,687.19	96.47
2016	17,783,034.64	17,161,901.11	96.51

BOROUGH OF KEYPORT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

4. TAXES AND TAX TITLE LIENS RECEIVABLE (continued)

Delinquent Taxes and Tax Title Liens

<u>Year</u>	Amount of Tax Title <u>Liens</u>	Amount of Delinquent <u>Taxes</u>	Total <u>Delinquent</u>	Percentage of <u>Tax Levy</u>
2018	\$ 172,194.87	\$ 444,928.59	\$ 617,123.46	3.26 %
2017	580,580.17	459,096.62	1,039,676.79	5.66
2016	194,288.32	605,212.24	799,500.56	4.49

5. PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>Year</u>	<u>Amount</u>
2018	\$ 97,100.00
2017	97,100.00
2016	97,100.00

6. WATER/SEWER CONSUMER ACCOUNTS RECEIVABLE

The Borough maintains a Utility fund for the billing and collection of water/sewer rents. The Borough is divided into three sections for the purposes of billings which are done on a quarterly basis.

A comparison of Water/Sewer billings and collections for the past three years are as follows:

<u>Year</u>	<u>Billing</u>	<u>Collection*</u>
2018	\$ 3,004,479.80	\$ 2,823,432.84
2017	2,989,810.44	2,765,061.30
2016	3,147,407.11	2,853,480.67

*Collections of prior year balances are included in the above sum amounts.

7. GOVERNMENTAL FIXED ASSETS

The Borough's governmental fixed assets were reported as follows:

	<u>Balance</u> <u>December 31, 2017</u>	<u>Additions</u>	<u>Balance</u> <u>December 31, 2018</u>
Land	\$ 5,186,100.00		\$ 5,186,100.00
Buildings and Improvements	5,481,800.00		5,481,800.00
Motor Vehicles and Equipment	3,657,516.08	\$ 143,046.00	3,800,562.08
Machinery and Equipment	483,618.30		483,618.30
Office Furniture and Equipment	163,066.09		163,066.09
Other Equipment	218,914.00		218,914.00
	<u>\$ 15,191,014.47</u>	<u>\$ 143,046.00</u>	<u>\$ 15,334,060.47</u>

BOROUGH OF KEYPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

8. FUND BALANCES APPROPRIATED

		<u>Balance</u> <u>December 31,</u>	<u>Anticipated</u> <u>Succeeding Year</u>
Current Fund:	2018	\$ 2,299,358.30	\$ 1,590,000.00
	2017	1,527,522.12	850,000.00
	2016	1,280,023.01	550,000.00
Water and Sewer Utility Operating Fund:	2018	306,265.84	300,000.00
	2017	423,747.04	355,000.00
	2016	209,534.09	40,000.00

9. PENSION PLANS

Public Employee Retirement System

The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Inactive plan members or beneficiaries currently receiving benefits	174,904	170,124
Inactive plan members entitled to but not yet receiving benefits	589	650
Active plan members	<u>254,780</u>	<u>254,685</u>
Total	<u>430,273</u>	<u>425,459</u>

Contributing Employers – 1,703

Significant Legislation – For State of New Jersey contributions to PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012.

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 were credited with full payment and any such amounts were not to be included in their unfunded liability. The actuaries determined the unfunded liability of the System, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began 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.

BOROUGH OF KEYPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

9. PENSION PLANS (continued)

Each member contributes a percentage of compensation. Effective October 1, 2011, Chapter 78, P.L. 2011, Chapter 78, P.L. 2011 set the member contribution rate at 6.5% and caused it to increase by 1/7th of 1% each July thereafter. On July 1, 2018, the full rate implemented by this law was achieved, and therefore the full 7.5% will be the required 2018 contribution.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

For the year ended December 31, 2018 and 2017, the Borough's total payroll for all employees was \$4,615,382 and \$4,658,634, respectively. Total PERS covered payroll was \$1,630,711 and \$1,618,437, respectively. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the Borough to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contributions is based on an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year, 2018, the State's pension contribution was less than the actuarial determined amount.

Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Borough contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contribution requirements were calculated.

It is assumed that the Local employers will contribute 100% of their actuarially determined contribution and 100% of their Non-Contributory Group Insurance Premium Fund (NCGIPF) contribution while the State will contribute 50% of its actuarially determined contribution and 100% of its NCGIPF contribution. The 50% contribution rate is the actual total State contribution rate paid in fiscal year ending June 30, 2018 with respect to the actuarially determined contribution for the fiscal year ending June 30, 2018 for all State administered retirement systems.

In accordance with Chapter 98, P.L. 2017, PERS receives 21.02% of the proceeds of the Lottery Enterprise for a period of 30 years. Revenues received from lottery proceeds are assumed to be contributed to the System on a monthly basis.

Borough payments to PERS for the years ending December 31, 2018 and 2017 consisted of the following

	<u>2018</u>	<u>2017</u>
Total Regular Billing	\$ 228,079	\$ 202,277

The Borough recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

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

BOROUGH OF KEYPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

9. PENSION PLANS (continued)

The following represents the membership tiers for PERS:

Definition

Tier

- | | |
|---|--|
| 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 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 |

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62 and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her 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.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The regulatory basis of accounting which is basis for the preparation of the Borough's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Borough does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2018, the PERS reported a net pension liability of \$19,689,501,539 for its Non-State Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Borough was \$4,514,794 or 0.02292996%, which was a increase of 0.0010950631% from its proportion measured as of June 30, 2017.

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

At June 30, 2017, the PERS reported a net pension liability of \$23,278,401,588 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's the net pension liability for the Non-State Employer Member Group that is attributable to the Borough was \$5,082,815 or 0.0218348969%.

BOROUGH OF KEYPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

9. PENSION PLANS (continued)

At December 31, 2018, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS were from the following sources, if GASB #68 was recognized:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 86,098	\$ 23,280
Changes in assumptions	743,963	1,443,591
Net difference between projected and actual earnings on pension plan investments		42,349
Changes in proportion and differences between Borough contributions and proportionate share of contributions	478,138	170,455
Borough contributions subsequent to the measurement date	228,079	
	<u>\$ 1,536,278</u>	<u>\$ 1,679,675</u>

\$228,079 is reflected above as deferred outflows of resources related to pensions resulting from Borough contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense on the GAAP basis as follows:

Year ended December 31,	Amount
2019	\$ 49,127
2020	1,810
2021	(189,891)
2022	(172,808)
2023	(59,714)
Total	<u>\$ (371,476)</u>

Actuarial Assumptions- The total pension liability in the June 30, 2018 and June 30, 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases through 2026	1.65% - 4.15% based on age
Thereafter	2.65% - 5.15% based on age
Investment rate of return	7.00%

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

9. PENSION PLANS (continued)

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

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

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

	Target	Long-Term
	Allocation	Expected Real Rate of Return
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
Absolute return/risk mitigation	5.00%	5.51%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
	<u>100.00%</u>	

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

9. PENSION PLANS (continued)

Discount Rate – The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018 and 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 and 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year.

The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of Net Pension Liability – the following presents the net pension liability of PERS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate.

	At 1% decrease (4.66%)	At current discount rate (5.66%)	At 1% increase (6.66%)
State	\$ 27,413,044,035	\$ 23,704,298,093	\$ 20,597,322,253
Local	<u>24,757,279,564</u>	<u>19,689,501,539</u>	<u>15,437,959,879</u>
PERS Plan Total	<u>\$ 52,170,323,599</u>	<u>\$ 43,393,799,632</u>	<u>\$ 36,035,282,132</u>
Borough's proportionate share of the net pension liability			
(Local)	<u>\$ 5,676,833</u>	<u>\$ 4,514,794</u>	<u>\$ 3,539,917</u>

Plan Fiduciary Net Position – The plan fiduciary net position for PERS including the State of New Jersey at June 30, 2018 and 2017 were \$29,472,374,536 and \$28,464,239,518, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2018 and 2017 was \$22,742,071,972 and \$21,573,965,463, respectively.

Additional Information

Collective balances at June 30, 2018 are as follows:

Collective deferred outflows of resources	\$ 4,684,852,302
Collective deferred inflows of resources	7,646,736,226
Collective net pension liability – Local group	19,689,501,539
Borough's Proportion	0.0229299600%

Collective Local Group pension expense for the Local Group for the measurement period ended June 30, 2018 and 2017 was \$1,099,708,157 and \$1,694,305,613, respectively. The average of the expected remaining service lives of all plan members is 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2018, 2017, 2016, 2015 and 2014, respectively.

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

9. PENSION PLANS (continued)

State Contribution Payable Dates

Prior to July 1, 2017 valuation, it is assumed the State will make pension contributions the June 30th following the valuation date. Effective with the July 1, 2017 valuation Chapter 83 P.L. 2016 requires the State to make pension contributions on a quarterly basis at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30. **9. PENSION PLANS (continued)**

Receivable Contributions

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2018 and June 30, 2017 are \$1,017,878,064 and \$1,073,054,740, respectively.

Police and Firemen's Retirement System

The Police and Firemen's Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PFRS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time county and municipal police and firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2018 and 2017:

	2018	2017
Inactive plan members or beneficiaries currently receiving benefits	43,755	43,011
Inactive plan members entitled to but not yet receiving benefits	39	47
Active plan members	41,517	40,789
Total	85,311	83,847

In addition to the State, who is the sole payer of regular employer contributions to the fund, PFRS contributing employers include boards of education who elected to participate in the Early Retirement Incentive Program (ERIP) and are legally responsible to continue to pay toward their incurred liability. The current number of ERIP contributing employers is 26.

Significant Legislation – For State of New Jersey contributions to PFRS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven-year period beginning in the fiscal year ended June 30, 2012.

For the year ended June 30, 2018, it is assumed that the Local employers will contribute 100% of their actuarially determined contribution and 100% of their Non-Contributory Group Insurance Premium Fund (NCGIPF) contribution while the State will contribute 50% of its actuarially determined contribution and 100% of its NCGIPF contribution. The 50% contribution rate is the actual total State contribution rate paid in fiscal year ending June 30, 2018 with respect to the actuarially determined contribution for the fiscal year ending June 30, 2018 for all State administered retirement systems.

In accordance with Chapter 98, P.L. 2017, PERS receives 1.2% of the proceeds of the Lottery Enterprise for a period of 30 years. Revenues received from lottery proceeds are assumed to be contributed to the System on a monthly basis.

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

9. PENSION PLANS (continued)

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PFRS.

For the year ended December 31, 2018 and 2017 the Borough's total payroll for all employees was \$4,615,382 and \$4,658,634, respectively. Total PFRS covered payroll was \$1,619,367 and \$1,650,011, respectively. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the Borough to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.5% of annual compensation to 10.0% in October 2011. Employer contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Borough contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

Borough payments to PFRS for the years ending December 31, 2018 and 2017 consisted of the following:

	2018	2017
Total Regular Billing	\$ 481,420	\$ 441,587

The Borough recognizes liabilities to PFRS and records expenditures for same in the fiscal period that bills become due.

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service.

The following represents the membership tiers for PFRS:

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

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

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The regulatory-basis of accounting which is basis for the preparation of the Borough's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Borough does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2018, the PFRS reported a net pension liability of \$15,369,699,278 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$6,663,350 or 0.0492427058% which was a decrease of 0.0006530897% from its proportion measured as of June 30, 2017. The pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018.

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

9. PENSION PLANS (continued)

At June 30, 2017, the PFRS reported a net pension liability of \$17,167,260,198 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$7,702,946 or 0.0498957955% which was an increase in 0.003074% from its proportion measured as of June 30, 2016. The pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017.

At December 31, 2018, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS were from the following sources; if GASB #68 was recognized:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 67,791	\$ 27,575
Changes in assumptions	571,959	1,707,702
Net difference between projected and actual earnings on pension plan investments		36,455
Changes in proportion and differences between Borough contributions and proportionate share of contributions	408,955	317,395
Borough contributions subsequent to the measurement date	481,420	
	<u>\$ 1,530,125</u>	<u>\$ 2,089,127</u>

\$481,420 shown as deferred outflows of resources related to PFRS resulting from Borough contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense on the GAAP basis as follows:

Year ended December 31,	Amount
2019	\$ 31,735
2020	(187,109)
2021	(449,213)
2022	(313,145)
2023	(122,690)
Total	<u>\$ (1,040,422)</u>

Actuarial Assumptions- The total pension liability in the June 30, 2018 and June 30, 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases through 2026	1.65% - 4.15% based on age
Thereafter	2.65% - 5.15% based on age
Investment rate of return	7.00%

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

9. PENSION PLANS (continued)

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

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

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

	Target <u>Allocation</u>	Long-Term Expected Real <u>Rate of Return</u>
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
Absolute return/risk mitigation	5.00%	5.51%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
	<u>100.00%</u>	

BOROUGH OF KEYPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

9. PENSION PLANS (continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018 and 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 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 and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of Net Pension Liability – the following presents the net pension liability of PFRS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	At 1% decrease (5.51%)	At current discount rate (6.51%)	At 1% increase (7.51%)
State	\$ 5,090,302,750	\$ 4,329,304,276	\$ 3,702,605,881
Local	<u>20,570,435,198</u>	<u>15,369,699,278</u>	<u>11,080,039,474</u>
PFRS Plan Total	<u>\$ 25,660,737,948</u>	<u>\$ 19,699,003,554</u>	<u>\$ 14,782,645,355</u>
Borough's proportionate share of the net pension liability (Local)	<u>\$ 8,918,067</u>	<u>\$ 6,663,350</u>	<u>\$ 4,803,619</u>

Plan Fiduciary Net Position – The plan fiduciary net position for PFRS at June 30, 2018 and 2017 was \$27,098,556,100 and \$25,847,718,399, respectively.

Additional Information

Collective balances at June 30, 2018 are as follows:

Collective deferred outflows of resources	\$ 1,988,215,695
Collective deferred inflows of resources	4,286,994,294
Collective net pension liability – Local group	15,369,699,278
Borough's Proportion	0.0492427058%

Collective pension expense for the Local Group for the measurement period ended June 30, 2018 and 2017 is \$1,270,762,352, and \$1,624,455,951, respectively. The average of the expected remaining service lives of all plan members is 5.73, 5.59, 5.58, 5.53 and 6.17 years for 2018, 2017, 2016, 2015 and 2014, respectively.

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

9. *PENSION PLANS (continued)*

State Contribution Payable Dates

Effective with the July 1, 2017 valuation Chapter 83 P.L. 2016 requires the State to make pension contributions on a quarterly basis at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30.

Receivable Contributions

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate,

the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2018 and June 30, 2017 are \$1,017,878,064 and \$1,073,054,740, respectively.

Local contributions expected to be paid the April 1st, following the valuation are discounted by the interest rate used at the valuation date.

Special Funding Situation- Under N.J.S.A 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation and state is treated as a non-employer entity. The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Borough as of June 30, 2018 and 2017 for police and fire is 0.0492427058% and 0.0498957955%, respectively. The non-employer contributing entities' contribution for the year ended June 30, 2018 and 2017 was \$53,604 and \$43,143, respectively. The state's proportionate share of net pension liability attributable to the Borough as of June 30, 2018 and 2017 was \$905,106 and \$862,795, respectively.

Defined Contribution Retirement Plan

DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. Prudential is acting on behalf of the NJ Division of Pensions and Benefits as the record keeper and investment funds manager. Chapter 1, P.L. 2010 increased the minimum annual salary required for eligibility in the DCRP. An employee must earn an annual salary of at least \$5,000 to be eligible or to continue participation.

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

Plan Membership and Contributing Employers- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. The maximum wage limit for 2018 is \$128,400 and is subject to annual adjustment. Members who earn in excess of the annual maximum wage will be enrolled in the DCRP in addition to the PERS. The minimum salary will be increased to \$8,000 for the period ended June 30, 2019. At June 30, 2018 and 2017, the membership in the DCRP, based on the information within the Division's database, was 57,893 and 56,044, respectively.

Contribution Requirement and Benefit Provisions - State and local government employers contribute 3% of the employee's base salary. Active members contribute 5.5% of base salary.

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

9. PENSION PLANS (continued)

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 7.20% for PERS, 10% for PFRS and 5.5% for DCRP of employees' base wages.

10. HEALTH BENEFITS

P.L. 2011 Ch. 78 Section 39 established guidelines for implementing employee contributions to the cost of their health insurance coverage.

The benefit cost of coverage is the premium. For State Health Benefit Plan ("SHBP") employers, the cost of coverage is the cost of medical and prescription coverage. For non-SHBP employers, the law requires that the cost of coverage includes all health care benefits; medical, prescription, dental, vision etc.

The base salary of the employees determines the percent of premium cost that is contributed.

When contributions begin, if the 1.5% of base salary calculation under Ch. 2 is greater than the standard contribution that amount is paid until the new contribution percentage is greater.

11. POST-EMPLOYMENT (RETIREMENT) BENEFITS - OTHER THAN PENSIONS (OPEB)

The Borough does not provide any post-employment benefits other than pensions to members of the Public Employees Retirement System.

The State of New Jersey provides medical and prescription drug coverage to eligible local police officers and firefighters who retire from an employer who does not provide postretirement medical coverage. Information relating to this State provided coverage is as follows:

Plan Description and Benefits Provided:

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 of Pensions in order for their employees to qualify for State-paid retiree health benefits 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.

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

11. POST-EMPLOYMENT (RETIREMENT) BENEFITS - OTHER THAN PENSIONS (OPEB) (continued)

Special Funding Situation:

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

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

Components of Net OPEB Liability:

The components of the collective net OPEB liability for employers participating in the Plan, including the State of New Jersey, at June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Total OPEB Liability	\$15,981,103,227	\$20,629,044,656
Plan Fiduciary Net Position	<u>314,485,086</u>	<u>213,255,917</u>
Net OPEB Liability	<u>\$15,666,618,141</u>	<u>\$20,415,788,739</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.97%	1.03%

The Net OPEB Liability at June 30, 2018 and 2017 can be further broken down into its special funding and non-special funding components as follows:

	<u>2018</u>	<u>2017</u>
Special Funding Situation	\$6,213,844,492	\$ 8,695,413,135
Non-special Funding Situation	<u>9,452,773,649</u>	<u>11,720,375,604</u>
Total Net OPEB Liability	<u>\$15,666,618,141</u>	<u>\$20,415,788,739</u>

Borough Proportionate Shares of Special Funding Situation Net OPEB Liability:

At June 30, 2018, the Borough's proportionate share of the Special Funding Situation Net OPEB Liability was \$6,997,597, or 0.112613%. At June 30, 2017, the Borough's proportionate share of the Special Funding Situation Net OPEB Liability was \$9,684,169, or 0.111371%. The State's Special Funding Situation OPEB Expense allocated to the Borough was \$211,825 for the year ended June 30, 2018 and \$693,058 for the year ended June 30, 2017. The number of Borough employees (active and inactive/retired) upon which the allocations were based for the years ended June 30, 2018 and 2017 were 32 and 31, respectively.

BOROUGH OF KEYPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

11. POST-EMPLOYMENT (RETIREMENT) BENEFITS - OTHER THAN PENSIONS (OPEB) (continued)

Actuarial Assumptions and Other Inputs:

The total OPEB liability as of June 30, 2018 and 2017 was determined by an actuarial valuation as of June 30, 2017 and 2016, which was rolled forward to June 30, 2018 and 2017. 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	2.50%
Salary Increases*:	
Through 2026	1.65%-8.98%
Thereafter	2.65%-9.98%

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

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

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees'

Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

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

Healthcare Trend Assumptions:

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate:

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

BOROUGH OF KEYPORT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

11. POST-EMPLOYMENT (RETIREMENT) BENEFITS - OTHER THAN PENSIONS (OPEB)
(continued)

Sensitivity of the State's Net OPEB Liability to Changes in the Discount Rate:

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

	1% Decrease <u>(2.87%)</u>	At Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
Total Net OPEB Liability	\$18,381,085,096	\$15,666,618,141	\$13,498,373,388
Borough's Share	N/A	N/A	N/A

Sensitivity of the State's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total Net OPEB Liability	\$13,068,471,450	\$15,666,618,141	\$19,029,006,023
Borough's Share	N/A	N/A	N/A

BOROUGH OF KEYPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

12. MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes to finance general capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within 10 years and 5 months or retired by the issuance of bonds.

The Borough's debt as of December 31st is summarized as follows:

Summary of Municipal Debt (Excluding Current and Operating Debt)

<u>Issued:</u>	<u>2018</u>	<u>2017</u>
General:		
Bonds, Notes and Loans	\$ 7,897,425.69	\$ 9,429,921.93
Water and Sewer Utility:		
Bonds, Notes and Loans	10,039,944.47	8,113,323.68
Total Issued	17,937,370.16	17,543,245.61
Less:		
Reserve to Pay Debt Service	4,632.22	106.53
Net Debt Issued	17,932,737.94	17,543,139.08
<u>Authorized But Not Issued</u>		
General:		
Bonds and Notes	2,278,147.12	831,500.25
Water and Sewer Utility:		
Bonds and Notes	2,003,015.00	2,403,015.00
Total Bonds and Notes Authorized but Not Issued	4,281,162.12	3,234,515.25
Total Bonds, Notes and Loans Issued and Bonds and Notes Authorized but Not Issued	\$ 22,213,900.06	\$ 20,777,654.33

The summarized statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of 1.436% at December 31, 2018:

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District	\$ 19,246,032.00	\$ 19,246,032.00	
Water and Sewer Utility	12,042,959.47	12,042,959.47	
General Capital	10,175,572.81	4,632.22	\$ 10,170,940.59
	<u>\$ 41,464,564.28</u>	<u>\$ 31,293,623.69</u>	<u>\$ 10,170,940.59</u>

Net debt, \$10,170,940.59 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$708,401,537.00 equals 1.436%.

BOROUGH OF KEYPORT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

12. MUNICIPAL DEBT (continued)

Summary of Statutory Debt Condition - Annual Debt Statement Borrowing Power Under N.J.S.A. 40A:2-6 as Amended

3 1/2 of Equalized Valuation Basis	\$ 24,794,053.76
Net Debt	<u>10,170,940.59</u>
Remaining Borrowing Power	<u><u>\$ 14,623,113.17</u></u>

School Debt Deductions

School debt is deductible up to the extent of 4.0% of the Average Equalized Assessed Valuations of real property for the Local District.

Calculation of "Self-Liquidating Purposes" Water/Sewer Utility per N.J.S.A. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges and Surplus Anticipated		\$ 3,662,217.21
Deductions:		
Operating and Maintenance Cost	\$3,132,000.00	
Debt Service per Water Utility Operating Fund	<u>409,240.59</u>	
		<u>3,541,240.59</u>
Excess in Revenue		<u><u>\$ 120,976.62</u></u>

As there is an excess in revenue, all Water/Sewer Utility Debt is deductible for Debt Statement purposes.

General Capital Improvement Bonds

As of December 31, 2018 and 2017, the Borough's long-term debt is as follows:

<u>General Improvement Bonds</u>	<u>2018</u>	<u>2017</u>
\$3,000,000 for various improvements, due in annual installments of \$200,000.00 through August 2026, interest ranging from 3.00% to 4.00%	\$ 1,600,000.00	\$ 1,800,000.00
\$3,525,000 MCIA Refunding Bond, due in annual installments of \$360,000.00 to \$380,000 through December 2023, with various interest rates	1,865,000.00	2,215,000.00
\$2,160,000 MCIA Bond, due in annual installments of \$185,000.00 through December 2026, interest ranging from 4.00% to 5.00%	<u>1,480,000.00</u>	<u>1,665,000.00</u>
	<u><u>\$ 4,945,000.00</u></u>	<u><u>\$ 5,680,000.00</u></u>

BOROUGH OF KEYPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

12. MUNICIPAL DEBT (continued)

Changes in Long-Term Municipal Debt

The Borough's long-term debt activity for 2018 and 2017 is as follows:

	Balance, December 31, 2017	Additions	Reductions	Balance, December 31, 2018
Bonds Payable				
General Capital Fund	\$ 5,680,000.00		\$ 735,000.00	\$ 4,945,000.00
Water and Sewer Utility Capital Fund	815,000.00		85,000.00	730,000.00
	<u>6,495,000.00</u>		<u>820,000.00</u>	<u>5,675,000.00</u>
Green Acres Loans Payable				
General Capital Fund	\$ 774,921.93		\$ 52,496.24	\$ 722,425.69
US Department of Agriculture Loans Payable				
Water Capital Fund	<u>5,498,323.68</u>		<u>88,379.21</u>	<u>5,409,944.47</u>
Total Long-Term Debt	<u>\$12,768,245.61</u>		<u>\$ 960,875.45</u>	<u>\$11,807,370.16</u>

	Balance, December 31, 2016	Additions	Reductions	Balance, December 31, 2017
Bonds Payable				
General Capital Fund	\$ 6,415,000.00		\$ 735,000.00	\$ 5,680,000.00
Water and Sewer Utility Capital Fund	900,000.00		85,000.00	815,000.00
	<u>7,315,000.00</u>		<u>820,000.00</u>	<u>6,495,000.00</u>
Green Acres Loans Payable				
General Capital Fund	\$ 437,752.17	\$ 373,125.00	\$ 35,955.24	\$ 774,921.93
US Department of Agriculture Loans Payable				
Water Capital Fund	<u>5,584,427.13</u>		<u>86,103.45</u>	<u>5,498,323.68</u>
Total Long-Term Debt	<u>\$13,337,179.30</u>	<u>\$ 373,125.00</u>	<u>\$ 942,058.69</u>	<u>\$12,768,245.61</u>

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

12. MUNICIPAL DEBT (continued)

A schedule of annual debt service for future principal and interest for bonded debt is as follows:

Year	General			Water and Sewer Utility		
	Total	Principal	Interest	Total	Principal	Interest
2019	\$ 953,750	\$ 745,000	\$ 208,750	\$ 119,800	\$ 85,000	\$ 34,800
2020	940,950	760,000	180,950	116,400	85,000	31,400
2021	907,550	755,000	152,550	118,000	90,000	28,000
2022	887,500	765,000	122,500	113,500	90,000	23,500
2023	853,000	765,000	88,000	114,000	95,000	19,000
2024-2026	1,230,750	1,155,000	75,750	313,500	285,000	28,500
	<u>\$ 5,773,500</u>	<u>\$ 4,945,000</u>	<u>\$ 828,500</u>	<u>\$ 895,200</u>	<u>\$ 730,000</u>	<u>\$ 165,200</u>

A schedule of annual debt service for future principal and interest for Green Acres debt is as follows:

Year	Ralph Pier Loan			Waterfront Park Loan		
	Total	Principal	Interest	Total	Principal	Interest
2019	\$ 44,531.40	\$ 37,415.17	\$ 7,116.23	\$ 23,202.10	\$ 16,136.24	\$ 7,065.86
2020	44,531.41	38,167.22	6,364.19	23,202.10	16,460.59	6,741.51
2021	44,531.41	38,934.38	5,597.03	23,202.10	16,791.44	6,410.66
2022	44,531.41	39,716.96	4,814.45	23,202.10	17,128.96	6,073.14
2023	44,531.40	40,515.27	4,016.13	23,202.10	17,473.25	5,728.85
2024-2028	178,125.60	170,369.97	7,755.63	116,010.50	92,777.74	23,232.76
2029-2033				116,010.50	102,484.35	13,526.15
2034-2038				81,207.37	78,054.15	3,153.22
	<u>\$ 400,782.63</u>	<u>\$365,118.97</u>	<u>\$ 35,663.66</u>	<u>\$ 429,238.87</u>	<u>\$357,306.72</u>	<u>\$ 71,932.15</u>

BOROUGH OF KEYPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

12. MUNICIPAL DEBT (continued)

US Department of Agriculture Loan:

The Borough entered into loan agreement, with the State of New Jersey, Department of Agriculture for various Water and Sewer improvements. The USDA awarded two loans in the amount of \$2,656,000 at an interest rate of 2.625% and \$3,070,000 at an interest rate of 2.625% for the year 2014 and 2015 respectively.

Loan repayment schedule for the Borough's U.S.D.A. Loans are as follows:

US Department of Agriculture Loan

<u>Year</u>	<u>Total</u>	<u>USDA Loan - 2014</u>		<u>USDA Loan - 2015</u>	
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 220,141.59	\$ 42,962.40	\$ 64,713.60	\$ 47,751.99	\$ 64,713.60
2020	220,268.15	44,097.56	63,578.44	49,013.71	63,578.44
2021	220,398.04	45,262.72	62,413.28	50,308.76	62,413.28
2022	220,531.38	46,458.66	61,217.34	51,638.04	61,217.34
2023	220,668.23	47,686.20	59,989.80	53,002.43	59,989.80
2024-2028	1,105,523.86	258,009.83	280,370.17	286,773.69	280,370.17
2029-2033	1,109,530.50	293,945.78	244,434.65	326,715.42	244,434.65
2034-2038	1,114,094.29	334,885.94	203,494.06	372,220.23	203,494.06
2039-2043	1,119,294.17	381,528.72	156,851.28	424,062.89	156,851.28
2044-2048	1,125,218.32	434,667.89	103,712.11	483,126.21	103,712.11
2049-2053	1,131,967.59	495,208.24	43,171.76	550,415.83	43,171.76
2054-2055	292,218.80	51,237.29	672.49	238,964.04	1,344.98
	<u>\$ 8,099,854.92</u>	<u>\$ 2,475,951.23</u>	<u>\$1,344,618.98</u>	<u>\$ 2,933,993.24</u>	<u>\$ 1,345,291.47</u>

BOROUGH OF KEYPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

12. MUNICIPAL DEBT (continued)

Bond Anticipation Notes

Outstanding Bond Anticipation Notes are summarized as follows:

Short-Term Debt

	Balance, December 31, 2017	Additions	Reductions	Balance, December 31, 2018
Bond Anticipation Notes				
General Capital Fund	\$ 2,975,000.00	\$ 2,230,000.00	\$ 2,975,000.00	\$ 2,230,000.00
Water and Sewer Utility	1,800,000.00	2,100,000.00		3,900,000.00
Total	<u>\$ 4,775,000.00</u>	<u>\$ 4,330,000.00</u>	<u>\$ 2,975,000.00</u>	<u>\$ 6,130,000.00</u>
	Balance, December 31, 2016	Additions	Reductions	Balance, December 31, 2017
Bond Anticipation Notes				
General Capital Fund	\$ 1,625,000.00	\$ 2,975,000.00	\$ 1,625,000.00	\$ 2,975,000.00
Water and Sewer Utility	1,000,000.00	1,800,000.00	1,000,000.00	1,800,000.00
Total	<u>\$ 2,625,000.00</u>	<u>\$ 4,775,000.00</u>	<u>\$ 2,625,000.00</u>	<u>\$ 4,775,000.00</u>

13. INTERFUND RECEIVABLES AND PAYABLES

As of December 31, 2018 and 2017, interfund receivables and payables that resulted from various interfund transactions were as follows:

Fund	2018		2017	
	Due from Other Funds	Due to Other Funds	Due from Other Funds	Due to Other Funds
Current Fund	\$ 614.24	\$ 181,062.22	\$ 1,792.22	\$ 187,860.19
Federal and State Grant Fund	169,259.32		187,860.19	
Trust Fund	4,704.52			1,177.98
Water and Sewer Utility	7,098.38			
Payroll Agency Fund		614.24		614.24
	<u>\$ 181,676.46</u>	<u>\$ 181,676.46</u>	<u>\$ 189,652.41</u>	<u>\$ 189,652.41</u>

BOROUGH OF KEYPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

14. RISK MANAGEMENT

The Borough is a member of the North Jersey Intergovernmental Insurance Fund for various insurance coverages. The Borough is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. The Borough is a member of the New Jersey Intergovernmental Insurance Fund - Property and Liability Fund and Worker's compensation fund. The joint insurance pool is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The Joint Insurance Fund participates in the Municipal Excess Liability Program which as a contract for excess liability insurance for property, general liability, auto liability, public official liability, law enforcement liability and workmen's compensation.

15. CONTINGENT LIABILITIES

a. Compensated Absences

The Borough permits its employees to accrue unused vacation and sick pay, which may be taken as compensatory time off or paid at a later date, at an agreed upon rate. It is estimated that the sum of \$357,101.11 and \$333,000.00 is due and payable to employees and officials of the Borough as of December 31, 2018 and 2017, respectively upon their retirements or other separations. This amount was not verified by audit.

b. Tax Appeals

As of December 31, 2018, the Borough Attorney indicated that there were several State Tax Appeals pending before the New Jersey Tax Court.

Judgments, adverse to the Borough, would apply to the year of appeal plus at least two subsequent years. Refunds or tax credits, including statutory interest thereon, would be chargeable to operations or future budget appropriations.

County taxes paid on the reductions in assessed valuations are subject to credits against County TaxLevy of the year subsequent to the year in which appeals were adjudicated.

c. Federal and State Awards

The Borough participates in several Federal and State grant programs which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the Borough has not complied with the rules and regulations governing the grant, refunds of any money received may be required and the collectability of any related receivable at December 31, 2018 and 2017 may be impaired in the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying statutory basis financial statements for such contingencies.

d. Litigation

The Borough is involved in claims incidental to its operation which has been referred to and are being handled by the Borough's liability insurance carrier. No claims are to be in excess of insurance coverage limits.

BOROUGH OF KEYPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

16. TAX ABATEMENTS

The Borough has entered into two property tax abatements in order to provide incentives to redevelop areas that are in need of improvement or to create economic growth. These agreements are authorized under various New Jersey state statutes. The following represent the Borough's tax abatement agreements at December 31, 2018:

<u>Entity Name</u>	<u>Pilot Billing</u>	<u>Taxes if Billed in Full</u>	<u>Abated Taxes</u>
Keyport Legion Apartments	\$ 226,840.00	\$ 498,844.24	\$ 272,004.24
Bethany Manor and Annex	\$ 227,772.00	\$ 943,335.13	\$ 715,563.13

17. SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after December 31, 2018 through the date of August 16, 2019, which is the date the financial statements were available to be issued. Based on this evaluation, the Borough has determined that no subsequent events have occurred which require disclosure in the financial statements.

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**PART II
SUPPLEMENTARY SCHEDULES AND DATA**

Current Fund

BOROUGH OF KEYPORT
CURRENT FUND

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

	<u>Ref.</u>	<u>CURRENT FUND</u>	
Balance December 31, 2017	A	\$ 2,607,238.36	
Increased by Cash Receipts			
Miscellaneous Revenue Not Anticipated	A-2	189,766.50	
Petty Cash Returned	A-5	800.00	
Taxes Receivable	A-7	18,294,221.00	
Tax Title Liens	A-8	580,872.08	
Abating Costs	A-15	7,050.63	
Revenue Accounts Receivable	A-10	2,552,137.81	
Prepaid Taxes	A-13	171,377.33	
Due NJ Sr Citizens and Veterans Deductions	A-6	36,487.44	
Interfund Loans Returned	A-11	18,079.33	
Grant Funds Received	A-22	98,108.71	
Unappropriated Grants	A-25	4,027.79	
Reserve for Senior Center	A-21	<u>39,127.60</u>	
			<u>21,992,056.22</u>
			24,599,294.58
Decreased by Disbursements			
Budget Appropriations	A-3	8,431,915.04	
Petty Cash Advanced	A-5	800.00	
Abating Costs	A-15	2,525.00	
Appropriation Reserves	A-14	213,342.20	
Tax Overpayments	A-16	74,301.76	
County Taxes Payable	A-18	2,015,344.35	
School Taxes Payable	A-19	9,932,057.50	
Business Improvement Taxes Payable	A-17	153,150.00	
Municipal Open Space Taxes Payable	A-20	180,006.26	
Interfunds Loans Advanced	A-11	13,149.06	
Grant Program Expenditures	A-24	182,910.10	
Reserve for Senior Center	A-21	37,597.37	
Prior Year Revenue Refunded	A-1	<u>5,981.06</u>	
			<u>21,243,079.70</u>
Balance December 31, 2018	A	\$ <u><u>3,356,214.88</u></u>	

BOROUGH OF KEYPORT
CURRENT FUND

A-5

SCHEDULE OF PETTY CASH AND CHANGE FUNDS
YEAR ENDED DECEMBER 31, 2018

	BALANCE DEC. 31, 2017	ADVANCED	RETURNED	BALANCE DEC. 31, 2018
Change Funds:				
Tax Collector	\$ 475.00			\$ 475.00
Construction	50.00			50.00
Board of Health	50.00			50.00
Borough Clerk	50.00			50.00
Petty Cash Funds:				
Municipal Court		\$ 200.00	\$ 200.00	
Senior Center		200.00	200.00	
Public Works		200.00	200.00	
Police		200.00	200.00	
	<u>\$ 625.00</u>	<u>\$ 800.00</u>	<u>\$ 800.00</u>	<u>\$ 625.00</u>
<u>Ref.</u>	A	A-4	A-4	A

BOROUGH OF KEYPORT
CURRENT FUND

A-6

SCHEDULE OF DUE FROM STATE OF NEW JERSEY -
FOR ALLOWABLE DEDUCTIONS PER CHAPTER 20, P.L. 1976
YEAR ENDED DECEMBER 31, 2018

	<u>REF.</u>		
Balance - December 31, 2017	A	\$	639.20
Increased by:			
Allowable Deductions per			
Tax Billings	A- 7	41,500.00	
Senior Citizen Deduction			
Allowed by Collector	Below	1,250.00	
			<u>42,750.00</u>
			43,389.20
Decreased by:			
Collected	A- 4	36,487.44	
Veteran Deductions Disallowed			
Sr. Citizen Ded. Disallowed by Collector	Below	3,650.69	
Sr. Citizen Ded. Disallowed by Collector			
2017 Taxes	A- 1	<u>563.24</u>	
			<u>40,701.37</u>
Balance - December 31, 2018	A	\$	<u><u>2,687.83</u></u>
Analysis of Sr. Citizens & Veterans			
<u>Deductions Allowed - 2017 Taxes</u>			
Per Tax Billings	A- 7	\$	41,500.00
Allowed (Disallowed) by Tax Collector (Net)	A- 7		<u>(2,400.69)</u>
Total	A-7	\$	<u><u>39,099.31</u></u>

BOROUGH OF KEYPORT
CURRENT FUND

A-7

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY
YEAR ENDED DECEMBER 31, 2018

YEAR	BALANCE DECEMBER 31, 2017	ADDED TAXES	2018 LEVY	2017	COLLECTIONS	2018	SR. CIT. & VETERANS DEDUCTIONS	TRANSFER TO LIEN	YEAR END PENALTY	CANCELLATIONS	BALANCE DECEMBER 31, 2018
2017	\$ 459,096.62	\$ 563.24			\$ 457,786.29						\$ 1,873.57
	459,096.62	563.24			457,786.29						1,873.57
2018			\$ 18,874,545.08	\$ 374,000.83	17,836,434.71	\$ 39,099.31	\$ 172,786.78	\$ 8,257.21	\$ 17,425.64		443,055.02
	\$ 459,096.62	\$ 563.24	\$ 18,874,545.08	\$ 374,000.83	18,294,221.00	\$ 39,099.31	\$ 172,786.78	\$ 8,257.21	\$ 17,425.64	\$	444,928.59
Ref.	A	Reserve	Reserve	A-2, A-13	A-2, A-4	A-2, A-6	A-8	Reserve	Reserve		A

ANALYSIS OF 2018 PROPERTY TAX LEVY:

Tax Yield:

General Purpose Tax \$ 18,577,917.80
Special District Tax 153,539.92
Added Taxes 143,087.36

\$ 18,874,545.08

Ref.

Tax Lev:

Local School Tax (Abstract) A-19 9,932,058.00
County Taxes (Abstract) A-18 1,778,755.98
County Health Taxes (Abstract) A-18 35,291.90
County Open Space Taxes (Abstract) A-18 197,327.61
Due County for Added & Omitted Taxes A-18 15,474.87
Special District Tax A-17 153,150.00
Municipal Open Space Tax A-20 160,006.26
Local Tax for Municipal Purposes A-2 6,213,582.83
Minimum Library Tax A-2 237,468.00
Add: Additional Tax Levied 131,429.63

\$ 18,874,545.08

BOROUGH OF KEYPORT
CURRENT FUND

SCHEDULE OF TAX TITLE LIENS
YEAR ENDED DECEMBER 31, 2018

A-8

	<u>Ref.</u>	
Balance, December 31, 2017	A	\$ 580,280.17
Increased by:		
Transfers from Taxes receivable	A-7	<u>\$ 172,786.78</u>
		753,066.95
Decreased by:		
Cash Collections	A-4	<u>580,872.08</u>
Balance, December 31, 2018	A	<u><u>\$ 172,194.87</u></u>

See Independent Auditors' Report

BOROUGH OF KEYPORT
CURRENT FUND

PROPERTY ACQUIRED FOR TAXES AT ASSESSED VALUATION
YEAR ENDED DECEMBER 31, 2018

A-9

	<u>Ref.</u>	
Balance, December 31, 2017	A	<u>\$ 97,100.00</u>
Balance, December 31, 2018	A	<u>\$ 97,100.00</u>

See Independent Auditors' Report

BOROUGH OF KEYPORT
CURRENT FUND

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	BALANCE DEC. 31, 2017	2018 ACCRUED	CASH RECEIPTS	BALANCE DEC. 31, 2018
Revenue Accounts Receivable:				
Licenses:				
Alcoholic Beverages		\$ 30,328.00	\$ 30,328.00	
Other		7,152.00	7,152.00	
Fees and Permits				
Construction Code Fees	\$ 7,960.00	270,030.00	263,827.00	\$ 14,163.00
Other		385,733.89	385,733.89	
Fines and Costs - Municipal Court	13,504.86	220,063.34	224,136.59	9,431.61
Interest and Costs on Taxes		291,450.73	291,450.73	
Cable Television Fees		107,383.08	107,383.08	
Payment in Lieu of Taxes:				
Senior Citizen Housing		430,176.00	430,176.00	
Consolidated Municipal Property Tax Relief Aid		67,214.00	67,214.00	
Energy Receipts Tax		647,259.00	647,259.00	
Interlocal Board of Health (Union Beach)		5,150.00	5,150.00	
Uniform Fire Safety Act	1,996.00	92,462.52	92,327.52	2,131.00
	<u>23,460.86</u>	<u>2,554,402.56</u>	<u>2,552,137.81</u>	<u>25,725.61</u>
<u>Ref.</u>	A	Reserve	A-4	A
<u>Analysis of Miscellaneous Revenues:</u>	<u>Ref.</u>			
Current Year Collections	A-2, A-4		2,552,137.81	
Grants Realized - Grant Fund	A-22		<u>114,942.21</u>	
Total Miscellaneous Revenues Realized	A-2		<u>\$ 2,667,080.02</u>	

BOROUGH OF KEYPORT
CURRENT FUND

INTERFUND ACCOUNTS
YEAR ENDED DECEMBER 31, 2018

A-11

Ref.	Total	Federal and State Grant Fund	Trust Other Fund	Water Operating Fund	Payroll Fund
Balance, December 31, 2017:					
From					
(To)					
A	\$ 1,792.22		\$ 1,177.98		\$ 614.24
A		\$ (187,860.19)			
Increased by:					
A-2,A-22	114,942.21	114,942.21			
A-24	38,962.77	38,962.77			
A-23	80,773.60	80,773.60			
A-4	13,149.06		12,486.11	662.95	
	61,759.67	46,818.39	13,664.09	662.95	614.24
Decreased by:					
A-4	18,079.33				
A-1	8,050.61		10,318.00	7,761.33	
A-22	26,436.00	26,436.00	8,050.61		
A-3,A-24	189,641.71	189,641.71			
	242,207.65	216,077.71	18,368.61	7,761.33	
Balance, December 31, 2018:					
From					
(To)					
A	\$ 614.24				\$ 614.24
A	\$ (181,062.22)	\$ (169,259.32)	\$ (4,704.52)	\$ (7,098.38)	\$

Ref.

Net Credit to Operations

Interfunds Receivable:

December 2017
December 2018

Net Credit

Above	\$ 1,792.22
Above	614.24
A-1	\$ 1,177.98

BOROUGH OF KEYPORT
CURRENT FUND

ABATING COSTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2018

A-12

	<u>Ref.</u>	
Balance, December 31, 2017	A	\$ 9,795.48
Decreased by:		
Budget Appropriation	A-3	<u>9,795.48</u>
Balance, December 31, 2018		<u><u>\$ -</u></u>

See Independent Auditors' Report

BOROUGH OF KEYPORT
CURRENT FUND

RESERVE FOR PREPAID TAXES
YEAR ENDED DECEMBER 31, 2018

A-13

	<u>Ref.</u>	
Balance, December 31, 2017	A	\$ 374,000.83
Increased by:		
Cash Collections	A-4	<div style="display: flex; justify-content: flex-end;"> <div style="border-top: 1px solid black; width: 100px; text-align: right;">171,377.33</div> <div style="width: 10px;"></div> <div style="text-align: right;">545,378.16</div> </div>
Decreased by:		
Applied to Current Taxes Receivable	A-7	<div style="display: flex; justify-content: flex-end;"> <div style="border-top: 1px solid black; width: 100px; text-align: right;">374,000.83</div> <div style="width: 10px;"></div> <div style="text-align: right;">374,000.83</div> </div>
Balance, December 31, 2018	A	<div style="display: flex; justify-content: flex-end;"> <div style="border-top: 1px solid black; border-bottom: 3px double black; width: 100px; text-align: right;">171,377.33</div> <div style="width: 10px;"></div> <div style="text-align: right;">\$ 171,377.33</div> </div>

See Independent Auditors' Report

BOROUGH OF KEYPORT
CURRENT FUND

APPROPRIATION RESERVES
DECEMBER 31, 2018

A-14
Sheet # 1

Appropriations	Balance Dec. 31, 2017		Balance After Transfers	Expended	Balance Lapsed
	Encumbered	Unencumbered			
<u>GENERAL GOVERNMENT</u>					
Administrative and Executive:					
Salaries and Wages		\$ 150.44	\$ 150.44		\$ 150.44
Other Expenses	\$ 88.12	1,730.97	1,819.09	\$ 493.05	1,326.04
Mayor and Council:					
Salaries and Wages		49.56	49.56		49.56
Other Expenses	284.00	852.81	1,136.81	284.00	852.81
Municipal Clerk:					
Salaries and Wages		160.59	160.59		160.59
Other Expenses	117.71	35,315.00	35,432.71	467.06	34,965.65
Financial Administration:					
Salaries and Wages		16.90	16.90		16.90
Annual Audit		2,246.68	2,246.68	249.99	1,996.69
Assessment of Taxes:					
Salaries and Wages		37.42	37.42		37.42
Other Expenses	10,422.48	3,161.82	13,584.30	9,842.48	3,741.82
Collection of Taxes:					
Salaries and Wages		1,450.96	1,450.96		1,450.96
Other Expenses	897.51	2,042.90	2,940.41	1,016.69	1,923.72
Legal Services and Costs:					
Other Expenses	27,335.31	3,708.64	31,043.95	18,822.42	12,221.53
Engineering Services and Costs:					
Salaries and Wages					
Other Expenses	37,542.00	9.25	41,551.25	3,954.00	37,597.25
Environmental Commission:					
Other Expenses		290.00	290.00		290.00
Keyport Historical Society Contracted		1,000.00	1,000.00		1,000.00
Planning Board:					
Salaries and Wages		52.49	52.49		52.49
Other Expenses	650.00	634.01	1,284.01	650.00	634.01
Property Maintenance Code:					
Salaries and Wages		994.13	994.13		994.13
Other Expenses		492.19	492.19		492.19
Insurance:					
Group Health		43,427.53	31,427.53	300.00	31,127.53
Workers' Compensation Insurance		9.46	9.46		9.46
Liability Insurance		79.50	79.50		79.50
Health Benefit Waiver		750.00	750.00		750.00
Municipal Court:					
Salaries and Wages		1,110.26	1,110.26		1,110.26
Other Expenses	578.04	5,771.51	6,349.55	625.86	5,723.69
Public Defender:					
Salaries and Wages		4,120.20	4,120.20		4,120.20
Other Expenses		100.00	100.00		100.00
Postage					
Other Expenses		4,968.62	4,968.62		4,968.62
Accumulated Leave Compensation					
Salaries and Wages		4,366.47	4,366.47		4,366.47
<u>PUBLIC SAFETY</u>					
Emergency Management Services					
Other Expenses	600.00	464.32	1,064.32	600.00	464.32
Police Department:					
Salaries and Wages		32,557.75	32,557.75		32,557.75
Other Expenses	2,865.37	30,373.36	33,238.73	19,134.16	14,104.57
Fire Aid Contributions	296.23	1,116.52	1,412.75	62.31	1,350.44
Aid to Volunteer Fire Companies		500.00	500.00		500.00
Fire Department					
Other Expenses	17,764.58	1,685.92	21,450.50	20,780.25	670.25
Uniform Fire Safety Act					
Salaries and Wages		10,288.04	10,288.04		10,288.04
Other Expenses	412.07	2,237.31	2,649.38	720.57	1,928.81
Municipal Prosecutor:					
Salaries and Wages		35.60	35.60		35.60
State Uniform Construction Code Officials					
Salaries and Wages		707.20	707.20		707.20
Other Expenses	1,192.38	526.13	1,718.51	1,275.75	442.76
<u>PUBLIC WORKS</u>					
Road Repair and Maintenance:					
Salaries and Wages		8,446.77	8,446.77		8,446.77
Other Expenses	9,794.30	7,561.37	17,355.67	14,589.02	2,766.65

See Independent Auditors' Report

BOROUGH OF KEYPORT
CURRENT FUND

APPROPRIATION RESERVES
DECEMBER 31, 2018

A-14
Sheet # 2

Appropriations	Balance Dec. 31, 2017		Balance After Transfers	Expended	Balance Lapsed
	Encumbered	Unencumbered			
<u>SANITATION</u>					
Public Building and Grounds					
Other Expenses	\$ 6,912.92	\$ 4,979.77	\$ 11,892.69	\$ 7,172.96	\$ 4,719.73
Garbage and Trash Removal:					
Salaries and Wages		981.30	981.30		981.30
Other Expenses	24,241.00	3,073.46	27,314.46	25,366.00	1,948.46
<u>HEALTH AND WELFARE</u>					
Blood Borne Pathogens - Hepatitis					
Salaries and Wages		1,232.67	1,232.67		1,232.67
Other Expenses		750.00	750.00		750.00
Board of Health:					
Salaries and Wages		55.18	55.18		55.18
Other Expenses	52.00	711.25	763.25	461.00	302.25
Bayshore Youth Services Bureau Contributor		500.00	500.00		500.00
<u>RECREATION AND EDUCATION</u>					
Parks and Playgrounds:					
Other Expenses	546.82	2,438.78	2,985.60	546.82	2,438.78
Celebration of Public Events					
Salaries and Wages		1,100.00	1,100.00		1,100.00
Other Expenses					
Recreation:					
Salaries and Wages		4,974.99	4,974.99		4,974.99
Other Expenses	382.08	1,165.40	1,547.48	682.08	865.40
Senior Citizen Community Center:					
Salaries and Wages		2,848.00	2,848.00		2,848.00
Other Expenses	225.00	3,023.94	3,248.94	513.24	2,735.70
Senior Citizen Transportation Contractec		1,348.00	1,348.00	858.00	490.00
<u>UNCLASSIFIED</u>					
Electricity		4,849.77	4,849.77	2,979.97	1,869.80
Gasoline, Diesel Fuel and Lubricants	5,025.58	11,743.00	16,768.58	5,475.86	11,292.72
Natural Gas	3,123.11	3,680.90	11,804.01	10,978.96	825.05
Street Lighting	8,454.60	4,598.50	13,053.10	10,645.11	2,407.99
Telephone	1,783.56	1,042.70	2,826.26	1,783.56	1,042.70
Landfill Disposal Costs		19,041.99	20,041.99	19,189.72	852.27
<u>CONTINGENT</u>					
		500.00	500.00		500.00
<u>STATUTORY EXPENDITURES</u>					
Contributions to:					
Social Security System		9,981.30	9,981.30	405.51	9,575.79
Deferred Comp. Retirement Plan		1,218.11	1,218.11		1,218.11
<u>OTHER OPERATIONS</u>					
Maintenance of Free Public Library		1,850.79	1,850.79		1,850.79
Recycling (Hazlet)		2,666.40	2,666.40		2,666.40
911 Services (County of Monmouth)		211.95	211.95		211.95
<u>Capital Improvements</u>					
Capital Improvement Fund	32,415.80	54.27	32,470.07	32,415.80	54.27
	<u>\$ 194,002.57</u>	<u>\$ 306,223.02</u>	<u>\$ 500,225.59</u>	<u>\$ 213,342.20</u>	<u>\$ 286,883.39</u>
Ref.	A	A		A-4	A-1

BOROUGH OF KEYPORT
CURRENT FUND

DUE TO STATE OF NEW JERSEY
(OTHER FEES)
YEAR ENDED DECEMBER 31, 2018

A-15

	<u>Ref.</u>	<u>Total</u>	<u>Abating Costs</u>	<u>Abating Cost Liens</u>
Balance, December 31, 2017	A	\$ 4,655.63	\$ 3,393.96	\$ 1,261.67
Increased by:				
Billings-Disbursed	A-4	2,525.00	2,525.00	
Additional Billings	A-15	<u>440.00</u>	<u>440.00</u>	
		7,620.63	6,358.96	1,261.67
Decreased by:				
Cash Collections	A-4	<u>7,050.63</u>	<u>5,788.96</u>	<u>1,261.67</u>
Balance, December 31, 2018	A	<u>\$ 570.00</u>	<u>\$ 570.00</u>	<u>\$ -</u>

TAX OVERPAYMENTS
YEAR ENDED DECEMBER 31, 2018

A-16

	<u>Ref.</u>	
Balance, December 31, 2017	A	\$ 3,964.55
Increased by:		
State Tax Court	A-1	<u>70,337.21</u>
		74,301.76
Decreased by:		
Refunds	A-4	<u>74,301.76</u>
Balance, December 31, 2018	A	<u>\$ -</u>

See Independent Auditors' Report

BOROUGH OF KEYPORT
CURRENT FUND

BUSINESS IMPROVEMENT DISTRICT TAXES
YEAR ENDED DECEMBER 31, 2018

A-17

	<u>Ref.</u>	
Balance, December 31, 2017	A	\$ -
Increased by:		
2018 Levy:	A-7	153,150.00
		<u>153,150.00</u>
Decreased by:		
Payments	A-4	153,150.00
		<u>153,150.00</u>
Balance, December 31, 2018	A	<u>\$ -</u>

COUNTY TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2018

A-18

	<u>Ref.</u>	
Balance, December 31, 2017		\$ 3,968.86
Increased by:		
2018 Levy:		
General County	A-7	\$ 1,778,755.98
County Health	A-7	35,291.90
Open Space Preservation	A-7	197,327.61
Due County for Added Taxes	A-7	15,474.87
	A-1, A-2a	<u>2,026,850.36</u>
Decreased by:		
Payments	A-4	2,015,344.35
		<u>2,015,344.35</u>
Balance, December 31, 2018	A	<u>\$ 15,474.87</u>

See Independent Auditors' Report

BOROUGH OF KEYPORT
CURRENT FUND

LOCAL DISTRICT SCHOOL TAX
YEAR ENDED DECEMBER 31, 2018

A-19

	<u>Ref.</u>	<u>Payable</u>	<u>Deferred</u>
Balance, December 31, 2017	A	\$ -	\$ -
Increased by:			
School Tax Levy - July 1, 2018 to			
June 30, 2019	A-1, A-2a, A-7	9,932,058.00	
		<u>9,932,058.00</u>	<u>0.00</u>
Decreased by:			
Paid	A-4	9,932,057.50	
		<u>9,932,057.50</u>	
Balance, December 31, 2018	A	<u>\$ 0.50</u>	<u>\$ -</u>

See Independent Auditors' Report

BOROUGH OF KEYPORT
CURRENT FUND

MUNICIPAL OPEN SPACE TAX
YEAR ENDED DECEMBER 31, 2018

A-20

	<u>Ref.</u>	
Balance, December 31, 2017	A	\$ -
Increased by:		
Levy	A-1, A-7	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">180,006.26</div> <div style="border-top: 1px solid black; width: 100px;"></div> </div>
		180,006.26
Decreased by:		
Cash Disbursements	A-4	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">180,006.26</div> <div style="border-top: 1px solid black; width: 100px;"></div> </div>
Balance, December 31, 2018	A	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">\$ -</div> <div style="border-top: 3px double black; width: 100px;"></div> </div>

RESERVE FOR SENIOR CENTER
YEAR ENDED DECEMBER 31, 2018

A-21

	<u>Ref.</u>	
Balance December 31, 2017	A	\$ 10,960.42
Increased by:		
Cash Receipts	A-4	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">39,127.60</div> <div style="border-top: 1px solid black; width: 100px;"></div> </div>
		50,088.02
Decreased by:		
Cash Disbursements	A-4	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">37,597.37</div> <div style="border-top: 1px solid black; width: 100px;"></div> </div>
Balance, December 31, 2018	A	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">\$ 12,490.65</div> <div style="border-top: 3px double black; width: 100px;"></div> </div>

BOROUGH OF KEYPORT
FEDERAL AND STATE GRANT FUND

FEDERAL AND STATE GRANTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2018

	Balance Dec. 31, 2017	Budget Revenue Realized	Collected	Cancelled	Transferred from Unappropriated Reserve	Balance Dec. 31, 2018
		\$ 4,418.73			\$ 4,418.73	A-22
Recycling Tonnage Aid		14,056.71	\$ 14,056.71			
Clean Communities Program:						
Municipal Alliance on Alcohol and Drug Abuse: 2017	\$ 28,179.85	32,598.00	32,598.00			\$ 28,179.85
Office On Aging	36,000.00	37,151.00	30,814.00	\$ 5,186.00		37,151.00
DWI Saturation Patrol	13,590.00			13,590.00		
Sustainable Jersey Small Grant Program - PSEG	5,000.00					5,000.00
Open Space	101,000.00					101,000.00
Body Armor Replacement Fund		1,865.87			1,865.87	
Drive Sober or Get Pulled Over	5,700.00	2,251.90	4,640.00	1,060.00	2,251.90	
Tony Hawk Foudation		5,000.00	5,000.00			
Pedestrian Safety Grant		11,000.00	11,000.00			
Distracted Driving Crackdown		6,600.00		6,600.00		
	<u>\$ 189,469.85</u>	<u>\$ 114,942.21</u>	<u>\$ 98,108.71</u>	<u>\$ 26,436.00</u>	<u>\$ 8,536.50</u>	<u>\$ 171,330.85</u>
	A	A-10, A-23	A-4	A-23	A-25	A

BOROUGH OF KEYPORT
FEDERAL AND STATE GRANT FUND

INTERFUNDS
YEAR ENDED DECEMBER 31, 2018

A-23

	<u>Ref.</u>		<u>Current Fund</u>
Balance, December 31, 2017:			
Due From	A		\$ 187,860.19
Increased by:			
Grant Receivable Cancelled	A-22	\$ 26,436.00	
Budget Appropriations	A-24	<u>189,641.71</u>	
			<u>216,077.71</u>
			403,937.90
Decreased by:			
Anticipated Revenue	A-22	114,942.21	
Expenditures Paid through Current Fund	A-11	80,773.60	
Grant Reserves Canceled	A-24	<u>38,962.77</u>	
			<u>234,678.58</u>
Balance, December 31, 2018:			
Due From	A		<u><u>\$ 169,259.32</u></u>

See Independent Auditors' Report

BOROUGH OF KEYPORT
FEDERAL AND STATE GRANT FUND

RESERVE FOR FEDERAL AND STATE GRANTS - APPROPRIATED
YEAR ENDED DECEMBER 31, 2018

	Balance Dec. 31, 2017	Transferred from 2018 Budget Appropriations	Prior Year Reserve for Encumbrances	Paid or Charged	Reserve for Encumbrances	Canceled	Balance Dec. 31, 2018
		Budget					
Recycling Tonnage Aid	\$ 26,152.23	\$ 4,418.73		\$ 1,480.00	\$ 191.00		\$ 28,899.96
Clean Communities Program:	5,040.86		\$ 14,056.71	13,008.27			8,248.90
Municipal Alliance on Alcohol and Drug Abuse: 2017	30,074.83	40,747.50		40,830.95	123.95		29,867.43
Office On Aging	22,304.87	102,550.00	1,151.00	101,449.87	1,244.75	\$ 22,417.77	1,913.48
DWI Saturation Patrol	8,635.00					8,635.00	
Sustainable Jersey Small Grant Program - PSEG	2,279.60		50.00	101.26			2,228.34
Monmouth County Recycling Stimulus	5,940.00						5,940.00
Open Space	101,000.00				101,000.00		
Drunk Driving Enforcement Fund	9,707.87			6,777.55			2,930.32
Body Armor Replacement Fund	5,054.29	1,865.87		7,237.20			567.61
Hazardous Discharge Site Remediation	134,381.76						134,381.76
Drive Sober or Get Pulled Over	3,510.00			2,200.00		1,310.00	
Alcohol Education and Rehabilitation Fund	10,577.98	2,251.90		550.00			12,279.88
Tony Hawk Foundation			5,000.00				5,000.00
Pedestrian Safety Grant			11,000.00	9,275.00			1,725.00
Distracted Driving Crackdown			6,600.00			6,600.00	
	\$ 364,659.29	\$ 151,834.00	\$ 37,807.71	\$ 182,910.10	\$ 102,559.70	\$ 38,962.77	\$ 234,002.68
Reference	A	A-23	A	A-4	A	A-23	A

A-24

BOROUGH OF KEYPORT
CURRENT FUND

RESERVE FOR GRANTS - UNAPPROPRIATED
YEAR ENDED DECEMBER 31, 2018

A-25

	<u>Ref.</u>	
Balance, December 31, 2017	A	\$ 8,536.50
Increased by:		
Cash Receipt	A-4	4,027.79
		<u>12,564.29</u>
Decreased by:		
Anticipated Revenue	A-22	8,536.50
		<u>8,536.50</u>
Balance, December 31, 2018	A	<u>\$ 4,027.79</u>

Analysis of Balance

Alcohol Education and Rehabilitation Grant	<u>\$ 4,027.79</u>
--	--------------------

See Independent Auditors' Report

Trust Fund

BOROUGH OF KEYPORT
TRUST FUND

B-1

STATEMENT OF CASH
ANIMAL CONTROL AND OTHER TRUST FUNDS

REF.	ANIMAL CONTROL FUND	OTHER TRUST FUND	OPEN SPACE TRUST FUND
Balance - December 31, 2017	\$ 3,901.62	\$ 607,102.80	\$ 72,838.28
Increased by Receipts:			
Animal Control Fees	\$ 2,847.00		
Budget Appropriation	16,000.00		
Community Development Block Grant Interfunds		\$ 348.18	
		83,015.11	
Receipts of Various Trust Fund		624,474.70	
Deposits & Reserves			180,006.26
Tax Levy			75,000.00
Cash Received From Storm Repair			1,456.44
Interest on Deposits/Miscellaneous			
State Fees	589.20	1,350.00	
B-3, B-5			
	19,436.20	709,187.99	256,462.70
Decreased by Disbursements:			
Expenditures for Animal Control			
Expenditures for Open Space		1,316,290.79	329,300.98
Interfunds			
Due to the State of New Jersey	17,742.96		191,650.62
Accounts Receivable - Police Off Duty		80,847.00	
Community Development Block Grant		975.00	
Disbursements of Various Trust Fund	589.20	55,500.28	
Deposits & Reserves		626,614.71	
B-6			
	18,332.16	763,936.99	191,650.62
Balance - December 31, 2018	\$ 5,005.66	\$ 552,353.80	\$ 137,650.36

BOROUGH OF KEYPORT
TRUST FUND

B-2

ANIMAL CONTROL FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>		
Balance December 31, 2017	B	\$	3,901.62
Increased by:			
Dog and Cat Licenses	B-1	\$	2,847.00
Budget Appropriation	B-1	<u>16,000.00</u>	<u>18,847.00</u>
			22,748.62
Decreased by:			
Expenditures	B-1	<u>17,742.96</u>	<u>17,742.96</u>
Balance December 31, 2018	B	<u>\$</u>	<u>5,005.66</u>

B-3

ANIMAL CONTROL FUND
SCHEDULE OF DUE TO STATE OF NEW JERSEY - FEES & LICENSES

	<u>Ref.</u>		
Balance December 31, 2017	B	\$	-
Increased by:			
State Fees Collected	B-1	<u>589.20</u>	<u>589.20</u>
Decreased by:			
Payments to State of New Jersey	B-1	<u>589.20</u>	<u>589.20</u>
Balance December 31, 2018	B	<u>\$</u>	<u>-</u>

BOROUGH OF KEYPORT
TRUST FUND

OTHER TRUST FUNDS
SCHEDULE OF DUE FROM (TO) CURRENT FUND

	<u>Ref.</u>		
Balance December 31, 2017			
Due to Current Fund	B		\$ (1,177.98)
Increased by:			
Cash Disbursements	B-1	\$ 80,847.00	
Due to Current Fund	B-7	<u>8,050.61</u>	<u>88,897.61</u>
Decreased by:			
Cash Receipts	B-1		<u>83,015.11</u>
			83,015.11
Balance December 31, 2018			
Due From Current Fund	B		<u><u>\$ 4,704.52</u></u>

OTHER TRUST FUNDS
SCHEDULE OF DUE TO STATE OF NEW JERSEY

	<u>Ref.</u>		
Balance December 31, 2017	B		\$ 425.00
Increased by:			
State Fees Collected	B-1		<u>1,350.00</u>
			1,775.00
Decreased by:			
Payments to State of New Jersey	B-1		<u>975.00</u>
Balance December 31, 2018	B		<u><u>\$ 800.00</u></u>

B-6

B-6

B-6

BOROUGH OF KEYPORT
TRUST FUNDS

COMMUNITY BLOCK DEVELOPMENT GRANT RECEIVABLE
DECEMBER 31, 2018

B-7

	<u>Ref.</u>	
Balance December 31, 2017	B	\$ 50,418.75
Increased by:		
CDBG Award		<u>147,500.00</u>
		197,918.75
Decreased by:		
Cash Receipts	B-1	\$ 348.18
Due to Current Fund	B-4	8,050.61
Cancellation of Grant	B-8	<u>42,019.96</u>
		<u>50,418.75</u>
Balance December 31, 2018	B	<u>\$ 147,500.00</u>

B-8

RESERVE FOR COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED DECEMEBR 31, 2018

	<u>Ref.</u>	
Balance December 31, 2017	B	\$ 42,019.96
Increased by:		
CDBG Award		<u>147,500.00</u>
		189,519.96
Decreased by:		
Cash Disbursement	B-1	\$ 55,500.28
Cancellation of Grant	B-7	<u>42,019.96</u>
		<u>97,520.24</u>
Balance December 31, 2018	B	<u>\$ 91,999.72</u>

BOROUGH OF KEYPORT
TRUST FUNDS

B-9

RESERVE FOR OPEN SPACE
YEAR ENDED DECEMBER 31, 2018

	<u>Ref.</u>		
Balance December 31, 2017	B	B	\$ 72,838.28
Increased by:			
2018 Tax Levy	B-1	\$ 180,006.26	
Storm Repair	B-1	75,000.00	
Interest Earned	B-1	<u>1,456.44</u>	
			<u>256,462.70</u>
			329,300.98
Decreased by:			
Cash Disbursement	B-1	<u>191,650.62</u>	
			<u>191,650.62</u>
Balance December 31, 2018	B		<u><u>\$ 137,650.36</u></u>

General Capital Fund

BOROUGH OF KEYPORT
GENERAL CAPITAL FUND

C-2

CASH - RECEIPTS AND DISBURSEMENTS
YEAR ENDED DECEMBER 31, 2018

	<u>REF.</u>	
Balance, December 31, 2017	C	\$ 1,170,777.80
Increased by Receipts:		
Proceeds Received from Sale of Bonds/Bond Anticipation Notes	C-10	\$ 2,230,000.00
Premium Received on Sale of Bonds/Bond Anticipation Notes	C-1	21,564.10
Grants, Loans, and Other Receivables	C-4	53,250.00
Deferred Charges-Unfunded	C-6	3,353.13
Open Space Trust Funding of Improvement Authorization	C-8	15,000.00
Capital Improvement Fund	C-11	50,000.00
Interfunds	C-14	4,042,012.00
Pay Debt Service	C-12	<u>4,525.69</u>
		<u>6,419,704.92</u>
		7,590,482.72
Decreased by Disbursements:		
Improvement Authorizations	C-8	270,021.33
Various Reserves	C-12	13,141.16
Interfunds	C-14	4,042,012.00
Redemption of Bond Anticip. Notes	C-10	<u>2,603,125.00</u>
		<u>6,928,299.49</u>
Balance, December 31, 2018	C, C-3	<u><u>\$ 662,183.23</u></u>

BOROUGH OF KEYPORT
GENERAL CAPITAL FUND

C-3

ANALYSIS OF CASH
YEAR ENDED DECEMBER 31, 2018

		<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
Fund Balance		C-1	\$ 40,769.14	\$ 19,205.04
State & Federal Grants Receivable		C-4	(590,590.00)	(408,840.00)
Excess Note Proceeds		C-6		373,125.00
Resrve for Encumbrances		C-7	526,138.51	320,578.63
Capital Improvement Fund		C-11	68,850.69	143,850.69
Various Reserves		C-12	28,886.42	37,501.89
Reserve for OEM Grant Receivable		C-12	355,590.00	355,590.00
<u>Ordinance</u>	<u>Improvement Authorizations</u>			
<u>Number</u>				
15-03, 17-16	Construction/Acquisition of Public Works Complex		(151,560.00)	(150,000.00)
14-04, 22-05	Construction of a Waterfront Park/Bulkhead Improv.		9,622.49	9,622.49
08-05, 22-07	Reconstruction of Third Street		23.75	23.75
	Various Improvements to Firemans' Park Boardwalk,			
08-11	Benjamin Terry Park Bulkhead, and William Ralph Pier			64,712.56
06-13	Improv. Luppataatong Ave. Area		59,952.23	86,852.10
11-13	Acquis. Var. Equip. and Vehicles			239.19
08-14	Acquis. Var. Capital Equip. & Vehicles		2.25	5,169.59
11-16	Acquisition of a Ladder Truck			(3,353.13)
12-16	Various Road Improvements			
23-16	Improvements to Beach Park and Beers Street Outfalls		316,500.00	316,500.00
08-18	Road Improvements		248,000.00	
09-18	Veterans Park		(270,000.00)	
31-18	Various Capital Improvements		20,000.00	
			<u>\$ 662,185.48</u>	<u>\$ 1,170,777.80</u>
		<u>Ref.</u>	C, C-2	C, C-2

BOROUGH OF KEYPORT
GENERAL CAPITAL FUND

C-4

SCHEDULE OF GRANTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2018

Ordinance Number	Balance December 31, 2017	Increases	Decreases	Balance December 31, 2018
State & Federal Grant Receivables:				
State of NJ DOT:				
08-13 Elizabeth Street- Phase II	\$ 53,250.00	\$ 235,000.00	\$ 53,250.00	\$ 235,000.00
08-18 Road Improvements		235,000.00	53,250.00	235,000.00
Subtotal	53,250.00			
NJ Office of Emergency Management:				
23-16 Beach Park and Beers Street Outfall Sites	355,590.00			355,590.00
Subtotal	355,590.00			355,590.00
	\$ 408,840.00	\$ 235,000.00	\$ 53,250.00	\$ 590,590.00
Ref.	C	C-8	C-2	C

BOROUGH OF KEYPORT
GENERAL CAPITAL FUND

C-5

DEFERRED CHARGES TO FUTURE TAXATION - FUNDED
YEAR ENDED DECEMBER 31, 2018

	<u>Ref.</u>	
Balance, December 31, 2017	C	\$ 6,454,921.93
Decreased by:		
2018 Current Fund Budget Appropriation for Payment of Serial Bonds	C-9	735,000.00
2018 Current Fund Budget Appropriation for Payment of Loans	C-13	<u>52,496.24</u>
		<u>787,496.24</u>
Balance, December 31, 2018	C	<u><u>\$ 5,667,425.69</u></u>

Analysis of Balance

105

BOROUGH OF KEYPORT
GENERAL CAPITAL FUND

C-7

RESERVE FOR ENCUMBRANCES
YEAR ENDED DECEMBER 31, 2018

	Balance, December 31, 2017	2018 Encumbrances	Transferred to Improvement Authorizations	Balance, December 31, 2018
Reserve for Encumbrances	\$ 320,578.63	\$ 526,138.51	\$ 320,578.63	\$ 526,138.51
Total	<u>\$ 320,578.63</u>	<u>\$ 526,138.51</u>	<u>\$ 320,578.63</u>	<u>\$ 526,138.51</u>
Ref.	C	C-8	C-8	C

Ordinance

107

Date of Issue	Amount of Original Issue	Title of Issue	Maturities of Bonds Outstanding		Interest Rate	Balance December 31, 2017	Decreased	Balance December 31, 2018
			Date	Amount				
8/4/2011	\$ 3,000,000.00	Various Improvements	8/1/2019	200,000.00	3.000%			
			8/1/2020	200,000.00	3.000%			
			8/1/2021	200,000.00	3.000%			
			8/1/2022	200,000.00	3.125%			
			8/1/2023	200,000.00	4.000%			
			8/1/2024	200,000.00	4.000%			
			8/1/2025	200,000.00	4.000%			
			8/1/2026	200,000.00	4.000%	\$ 1,800,000.00	\$ 200,000.00	\$ 1,600,000.00
5/22/2012	\$ 3,525,000.00	MCIA Refunding Bonds, Series 2012	12/1/2019	360,000.00	Var.			
			12/1/2020	375,000.00	Var.			
			12/1/2021	370,000.00	Var.			
			12/1/2022	380,000.00	Var.			
			12/1/2023	380,000.00	Var.	2,215,000.00	350,000.00	1,865,000.00
12/24/2014	\$ 2,160,000.00	MCIA Bonds	12/1/2019	185,000.00	4.00%			
			12/1/2020	185,000.00	4.00%			
			12/1/2021	185,000.00	5.00%			
			12/1/2022	185,000.00	5.00%			
			12/1/2023	185,000.00	5.00%			
			12/1/2024	185,000.00	5.00%			
			12/1/2025	185,000.00	5.00%			
			12/1/2026	185,000.00	5.00%	1,665,000.00	185,000.00	1,480,000.00
						\$ 5,680,000.00	\$ 735,000.00	\$ 4,945,000.00

BOROUGH OF KEYPORT
GENERAL CAPITAL FUND

C-10

SCHEDULE OF BOND ANTICIPATION NOTES
YEAR ENDED DECEMBER 31, 2018

Ordinance Number	Improvement Description	Original Date Issued	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2017	Increased	Decreased	Balance, December 31, 2018
23-08, 09-09	Waterfront Park and Related Improvements	8/6/2009	7/31/15	4/27/18	2.250%	\$ 645,000.00	\$ 200,000.00	\$ 645,000.00	\$ 200,000.00
23-08, 09-09	Waterfront Park and Related Improvements	8/6/2009	4/27/18	4/26/19	1.950%	183,400.00		183,400.00	
11-13	Acquis. Of Var. Capital Equip. and Vehicles	8/1/2014	7/31/15	4/27/18	2.250%	380,000.00		380,000.00	
08-14	Acquis. Of Var. Equip. and Vehicles	7/31/15	4/27/18	4/27/18	2.250%		375,500.00		375,500.00
08-14	Acquis. Of Var. Equip. and Vehicles	7/31/15	4/27/18	4/26/19	1.950%	899,600.00		899,600.00	
11-16	Acquisition of a Ladder Truck	4/28/17	4/28/17	4/27/18	2.250%		787,500.00		787,500.00
11-16	Acquisition of a Ladder Truck	4/28/17	4/27/18	4/26/19	1.950%	442,000.00		442,000.00	
12-16	Various Road Improvements	4/28/2017	4/27/18	4/27/18	2.250%		442,000.00		442,000.00
23-16	Beach Park Outfall and Beers Street Outfall	4/28/2017	4/28/2017	4/27/18	2.250%	425,000.00		425,000.00	
23-16	Beach Park Outfall and Beers Street Outfall	4/28/2017	4/27/18	4/26/19	1.950%		425,000.00		425,000.00
						<u>\$ 2,975,000.00</u>	<u>\$ 2,230,000.00</u>	<u>\$ 2,975,000.00</u>	<u>\$ 2,230,000.00</u>
					Ref.	C	C-2	Below	C
					C-2	Cash disbursed		\$ 2,603,125.00	
					C-6	Paid by budget appropriation - current fund		300,000.00	
					C-6	Paid by budget appropriation - open space trust fund		71,875.00	
								<u>\$ 2,975,000.00</u>	

BOROUGH OF KEYPORT
GENERAL CAPITAL FUND

C-11

CAPITAL IMPROVEMENT FUND
YEAR ENDED DECEMBER 31, 2018

	<u>REF.</u>	
Balance, December 31, 2017	C	\$ 143,850.69
Increased by Receipts:		
Budget Appropriation	C-2	<u>50,000.00</u>
		193,850.69
Decreased by Funding of Ordinance:		
Improvement Authorizations	C-8	<u>125,000.00</u>
Balance, December 31, 2018	C	<u><u>\$ 68,850.69</u></u>

BOROUGH OF KEYPORT
GENERAL CAPITAL FUND

SCHEDULE OF VARIOUS RESERVES
YEAR ENDED DECEMBER 31, 2018

	Balance December 31, 2017	Increases	Decreases	Balance December 31, 2018
Reserve for:				
Cash or Appropriated Reserves:				
Pay Debt Service	\$ 106.53	\$ 4,525.69		\$ 4,632.22
Reserve for Insurance Proceeds	37,395.36		\$ 13,141.16	24,254.20
Subtotal	<u>37,501.89</u>	<u>4,525.69</u>	<u>13,141.16</u>	<u>28,886.42</u>
Grants, Loans & Other Receivables:				
State of NJ OEM:	355,590.00			355,590.00
Hazard Mitigation Grant	<u>355,590.00</u>			<u>355,590.00</u>
Subtotal				
Total	<u>\$ 393,091.89</u>	<u>\$ 4,525.69</u>	<u>\$ 13,141.16</u>	<u>\$ 384,476.42</u>
Ref.	C	C-2	C-2	C

BOROUGH OF KEYPORT
GENERAL CAPITAL FUND

C-13

GREEN TRUST LOAN PAYABLE
YEAR ENDED DECEMBER 31, 2018

	<u>Ref.</u>	
Balance, December 31, 2017	C	\$ 774,921.93
Decreased by:		
Loan Payments	C-5	<u>52,496.24</u>
Balance, December 31, 2018	C	<u><u>\$ 722,425.69</u></u>

BOROUGH OF KEYPORT
GENERAL CAPITAL FUND

INTERFUND RECEIVABLE/(PAYABLE)
YEAR ENDED DECEMBER 31, 2018

	Ref.	Total	Water/Sewer Utility Operating Fund	Water/Sewer Utility Capital Fund	Open Space Trust Fund
Balance, December 31, 2017	C	-	-	-	-
Increased by:					
Cash Receipts	C-2	\$ 4,042,012.00	\$ 40,500.00	\$ 3,900,000.00	\$ 101,512.00
		<u>4,042,012.00</u>	<u>40,500.00</u>	<u>3,900,000.00</u>	<u>101,512.00</u>
Decreased by:					
Cash Disbursements	C-2	4,042,012.00	40,500.00	3,900,000.00	101,512.00
Balance, December 31, 2018	C	\$ -	\$ -	\$ -	\$ -

BOROUGH OF KEYPORT
GENERAL CAPITAL FUND

C-15

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2018

Ordinance Number	Improvement Description	Balance December 31, 2017	2018 Authorizations	Cash Receipt	Balance December 31, 2018
14-04, 22-05	Construction of a Waterfront Park/Bulkhead Improvement	\$ 55,000.00			\$ 55,000.00
15-03, 17-16	Construction of a Public Works Complex	705,444.02			705,444.02
23-08, 09-09	Waterfront Park and Related Improvements	20,656.23			20,656.23
11-16	Acquisition of a Ladder Truck	50,400.00			47,046.87
08-18	Road Improvements		\$ 800,000.00	\$ 3,353.13	800,000.00
09-18	Veterans Park		270,000.00		270,000.00
31-18	Various Capital Improvements		380,000.00		380,000.00
		<u>\$ 831,500.25</u>	<u>\$ 1,450,000.00</u>	<u>\$ 3,353.13</u>	<u>\$ 2,278,147.12</u>
		Ref. C	C-6	C-6	C

Water and Sewer Utility Fund

BOROUGH OF KEYPORT
D-5
SCHEDULE OF WATER AND SEWER UTILITY CASH AND INVESTMENTS - TREASURER

	REF.	OPERATING FUND	CAPITAL FUND
Balance - December 31, 2017	D	\$ 868,090.25	\$ 1,383,537.05
Increased by Receipts:			
Premium on Bond Anticipation Notes	D-15	37,713.00	
Consumer Accounts Receivable	D-8	2,823,432.84	
Water/Sewer Liens Receivable	D-13	3,221.47	
Consumer Account Overpayments	D-19	5,875.04	
Prepaid Consumer Accounts	D-20	246,428.34	
Miscellaneous Revenue	D-3	279,135.92	
Capital Surplus	D-3	49,000.00	
Proceeds from Sale of Bond Anticipation Notes	D-17		2,100,000.00
		<u>3,444,806.61</u>	<u>2,100,000.00</u>
Decreased by Disbursements:			
Budget Expenditures	D-4	3,152,187.41	
Appropriation Reserves	D-14	90,794.82	
Improvement Authorizations	D-18		20,240.93
Accrued Interest on Bonds, Notes and Loans	D-15	222,454.79	
Interfund Receivable	D	7,098.38	
Capital Surplus	D-2		49,000.00
		<u>3,472,535.40</u>	<u>69,240.93</u>
Balance - December 31, 2018	D	\$ 840,361.46	\$ 3,414,296.12

BOROUGH OF KEYPORT
WATER AND SEWER CAPITAL FUND

ANALYSIS OF CASH BALANCE

		BALANCE <u>DEC. 31, 2018</u>
Fund Balance		\$ 56.20
Capital Improvement Fund		50,087.00
Reserve for Encumbrances		5,458,559.25
State & Federal Grants Receivable		(500,000.00)
<u>IMPROVEMENT AUTHORIZATIONS</u>		
<u>Ord.</u>	<u>Description</u>	
08-09/10-11	Sanitary Sewer System Upgrades	(75.85)
01-14	Design & Permitting in Connection With Various Improvements to Water Sys.	226.08
06-14	Various Water/Sewer Imprvts. USDA Phase II	22,493.27
07-16/08-18	Perry Street Water Treatment Facility Upgrade	(1,668,549.83)
24-16	Various Water & Sewer Improvements	<u>51,500.00</u>
		<u>\$ 3,414,296.12</u>
<u>Ref.</u>		D

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND

SCHEDULE OF GRANTS RECEIVABLE

	<u>BALANCE DEC. 31, 2017</u>	<u>BALANCE DEC. 31, 2018</u>
United States Department of Agriculture: Perry Street Water Treatment Plant	\$ 500,000.00	\$ 500,000.00
NJ Office of Emergency Management: Various Improvements to Water/Sewer Utility	<u>581,970.00</u>	<u>581,970.00</u>
	<u>\$ 1,081,970.00</u>	<u>\$ 1,081,970.00</u>
<u>REF.</u>	D	D

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 186,275.04
Increased by:		
Water and Sewer Utility Billings	Reserve	<u>3,004,479.80</u>
Decreased by:		
Collections	D-5	2,823,432.84
Transferred to Liens Receivable	D-13	3,221.47
Overpayment Applied	D-19	4,493.73
Prepaid Rents Applied	D-20	<u>196,933.25</u>
		<u>3,028,081.29</u>
Balance - December 31, 2018	D	<u><u>\$ 162,673.55</u></u>

D-9

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY FUND
SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>Ref.</u>	<u>OPERATING FUND</u>	<u>CAPITAL FUND</u>
Balance - December 31, 2017	D	\$ 88,801.50	\$ 333,090.35
Increased by:			
Charges to 2018 Budget	D-4	120,175.75	
Charges to Improvement Authorizations	D-18		<u>5,125,468.90</u>
		208,977.25	5,458,559.25
Decreased by:			
Transferred to Approp.Reserves	D-14	<u>88,801.50</u>	
Balance - December 31, 2018	D	<u>\$ 120,175.75</u>	<u>\$ 5,458,559.25</u>

D-10

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

<u>ACCOUNT</u>	<u>BALANCE DECEMBER 31, 2017</u>	<u>BALANCE DECEMBER 31, 2018</u>
Distribution System Land	\$ 20,500.00	\$ 20,500.00
Miscellaneous Land - Capital	750.00	750.00
Springs and Wells	107,432.80	107,432.80
Collection Reservoir	15,000.00	15,000.00
Filters	31,877.89	31,877.89
Clear Well Basin	1,000.00	1,000.00
Pumping Station Structures	68,569.50	68,569.50
Reservoirs and Standpipes	10,000.00	10,000.00
Distribution Mains and Accessories	770,104.60	770,104.60
Fire Hydrant and Cisterns	2,500.00	2,500.00
Bulkheads	15,691.72	15,691.72
Meters and Meter Bonds	1,391.05	1,391.05
Insurance and Bonds	1,275.00	1,275.00
Electric Pumping Power Equipment	42,940.50	42,940.50
Ferry Street Plant and Wells	1,467,500.00	1,467,500.00
General Equipment	71,609.00	71,609.00
Construction of Well #8	249,864.33	249,864.33
Repairs and Improvements to Water Plant	435,000.00	435,000.00
Cedar Street Pumping Station	210,000.00	210,000.00
Rehabilitation of Sewer System	151,000.00	151,000.00
Various Improvements to Water & Sewer System	242,314.56	242,314.56
Perry Street Water Treatment Facility Upgrade	1,100,000.00	1,100,000.00
Cass Street Standpipe Painting Project	416,672.00	416,672.00
Various Water and Sewer Improvements	150,000.00	150,000.00
	<u>\$ 5,582,992.95</u>	<u>\$ 5,582,992.95</u>
<u>Ref.</u>	D	D

The Fixed Capital, as reported, is taken from the Borough records and does not necessarily reflect the true condition of such Fixed Capital.

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY FUND

FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
YEAR ENDED DECEMBER 31, 2018

DESCRIPTION	ORDINANCE		BALANCE DEC. 31, 2017	IMPROVEMENT AUTHORIZATIONS	BALANCE DEC. 31, 2018
	NUMBER	DATE			
Various Water/Sewer Improvements	Various	Various	11,958,300.00		11,958,300.00
Perry Street Water Treatment Facility Upgrade	18-18	9/18/2018	1,700,000.00	1,700,000.00	1,700,000.00
			<u>\$ 11,958,300.00</u>	<u>\$ 1,700,000.00</u>	<u>\$ 13,658,300.00</u>
			Ref.	D-18, D-24	D

D-11

BOROUGH OF KEYPORT
WATER AND SEWER OPERATING FUND

SCHEDULE OF USDA LOANS PAYABLE

<u>DESCRIPTION</u>	<u>BALANCE DEC. 31, 2017</u>	<u>DECREASES</u>	<u>BALANCE DEC. 31, 2018</u>
USDA Loans Payable	\$ 5,498,323.68	\$ 88,379.21	\$ 5,409,944.47
	<u>\$ 5,498,323.68</u>	<u>\$ 88,379.21</u>	<u>\$ 5,409,944.47</u>
<u>Ref.</u>	D	D-4, D-23	D

D-12

BOROUGH OF KEYPORT
WATER AND SEWER OPERATING FUND

SCHEDULE OF BRSA RENT RESERVE

<u>DESCRIPTION</u>	<u>BALANCE DEC. 31, 2017</u>	<u>INCREASES</u>	<u>BALANCE DEC. 31, 2018</u>
BRSA Rent Reserve	\$ 272,833.08	25,269.43	\$ 298,102.51
	<u>\$ 272,833.08</u>	<u>\$ 25,269.43</u>	<u>\$ 298,102.51</u>
<u>Ref.</u>	D	Reserve	D

BOROUGH OF KEYPORT
WATER AND SEWER OPERATING FUND

SCHEDULE OF WATER/SEWER LIENS RECEIVABLE

Balance - December 31, 2017	<u>REF.</u> D	3,221.47
Decreased by:		
Liens Collected	D-5,D-8	<u>3,221.47</u>
Balance - December 31, 2018	D	\$ <u><u>-</u></u>

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND

SCHEDULE OF 2017 APPROPRIATION RESERVES

	BALANCE DEC. 31, 2017	RESERVE FOR ENCUMBRANCES DEC. 31, 2017	BALANCE AFTER MODIFICATION	PAID OR CHARGED	BALANCE LAPSED
Operating:					
Salaries and Wages	\$ 12,202.46	\$	12,202.46		12,202.46
Other Expenses	37,516.78	\$ 48,801.50	86,318.28	\$ 49,396.80	36,921.48
Bayshore Regional Sewerage Authority	654.32		654.32		654.32
Acquisition of Water	9,755.93	40,000.00	49,755.93	41,398.02	8,357.91
Capital Improvements:					
Capital Outlay	23,660.00		23,660.00		23,660.00
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	5,745.87		5,745.87		5,745.87
	<u>\$ 89,535.36</u>	<u>\$ 88,801.50</u>	<u>\$ 178,336.86</u>	<u>\$ 90,794.82</u>	<u>\$ 87,542.04</u>

Ref.

D

D, D-9

D-5

D-1

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND

SCHEDULE OF ACCRUED INTEREST ON BONDS, NOTES AND LOANS

Balance - December 31, 2017	D	D	\$ 64,579.23
Increased by:			
Budget Appropriation	D-4	235,861.38	
Premium on Note	D-5	<u>37,713.00</u>	
			<u>273,574.38</u>
Decreased by:			
Cash Disbursement	D-5	<u>222,454.79</u>	
			<u>222,454.79</u>
Balance - December 31, 2018		D	<u>\$ 115,698.82</u>

ANALYSIS OF BALANCE - DECEMBER 31, 2018:

Bond Anticipation Notes:

3,900,000.00	244 days	3.00%	79,300.00
--------------	----------	-------	-----------

USDA Loans:

2014 Loan Interest Due 1/31/19	27,080.71
2015 Loan Interest Due 5/30/19	<u>6,418.11</u>
	<u>33,498.82</u>

Bonds:

Interest due 6/1/19	<u>2,900.00</u>
	<u>115,698.82</u>

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND

D-16

SCHEDULE OF SERIAL BONDS PAYABLE

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS</u>		<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2017</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2018</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Water and Sewer Utility MCIA Bonds - Series 2014	12/24/2014	\$ 1,070,000	12/1/21-22	90,000	5.00%	\$ 815,000.00	\$ 85,000.00	\$ 730,000.00
			12/1/23-26	95,000	5.00%	\$ 815,000.00	\$ 85,000.00	\$ 730,000.00
						<u>\$ 815,000.00</u>	<u>\$ 85,000.00</u>	<u>\$ 730,000.00</u>
					<u>Ref.</u>	<u>D</u>	<u>D-22</u>	<u>D</u>

BOROUGH OF KEYPORT

D-17

SCHEDULE OF BOND ANTICIPATION NOTES
FOR THE YEAR ENDED DECEMBER 31, 2018

ORD. NO.	IMPROVEMENT DESCRIPTION	Original Date Issued	Date of		INTEREST RATE	BALANCE DEC. 31, 2017	INCREASE	BALANCE DEC. 31, 2018
			Issue	Maturity				
#07-16	Perry Street Water Treatment Facility Upgrade	12/1/2017	4/27/2018	4/26/2019	3.000%	\$ 1,800,000.00	\$ 1,450,000.00	\$ 3,250,000.00
#08-09/10-11	Sanitary Sewer System Upgrades USDA	4/27/2018	4/27/2018	4/26/2019	3.000%		220,000.00	220,000.00
#24-16	Var. Water & Sewer Improvements	4/27/2018	4/27/2018	4/26/2019	3.000%		430,000.00	430,000.00
						<u>\$ 1,800,000.00</u>	<u>\$ 2,100,000.00</u>	<u>\$ 3,900,000.00</u>
					Ref.	D	D-5	D

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2017		DEC. 31, 2017 ENCUMB.	2018 AUTHORIZED	PAID OR CHARGED	DEC. 31, 2018 ENCUMBERED	BALANCE DEC. 31, 2018	
		FUNDED	UNFUNDED					FUNDED	UNFUNDED
08-09	Sanitary Sewer System Upgrades USDA		\$ 94,639.15						\$ 94,639.15
01-14	Design & Permitting - USDA Phase II	226.08						226.08	
06-14	Various Water/Sewer Improv. - USDA Phase II	22,493.27						22,493.27	
07-16/08-18	Perry Street Water Treatment Facility Upgrade		3,157,159.98	\$ 306,715.37	\$ 1,700,000.00	\$ 13,315.93	\$ 5,119,109.25		31,450.17
24-16	Var. Water & Sewer Improvements		579,800.00	26,375.00		6,925.00	339,450.00		259,800.00
		\$ 22,719.35	\$ 3,831,599.13	\$ 333,090.37	\$ 1,700,000.00	\$ 20,240.93	\$ 5,458,559.25	\$ 22,719.35	\$ 385,889.32
Ref.		D	D	D	D, D10a	D-5	D	D	D

D-19

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF WATER AND SEWER OVERPAYMENTS

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 4,493.73
Increased by:		
Collections	D-5	<u>5,875.04</u>
		10,368.77
Decreased by:		
Applied Water & Sewer Rents Receivable	D-8	<u>4,493.73</u>
Balance - December 31, 2018	D	<u><u>\$ 5,875.04</u></u>

D-20

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF PREPAID CONSUMER DEPOSITS

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 196,933.25
Increased by:		
Prepaid Rents Collected	D-5	<u>246,428.34</u>
		443,361.59
Decreased by:		
Prepays Applied	D-8	<u>196,933.25</u>
Balance - December 31, 2018	D	<u><u>\$ 246,428.34</u></u>

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND

SCHEDULE OF RESERVE FOR CAPITAL IMPROVEMENT FUND

	<u>REF.</u>	
Balance - December 31, 2017 and December 31, 2018	D	\$ 50,087.00

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND

SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 4,767,992.55
Increased by:		
Payment of Bond Principal	D-16	85,000.00
Balance - December 31, 2018	D	\$ 4,852,992.55

BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND

SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

	<u>REF.</u>	
Balance - December 31, 2017	D	\$ 2,256,961.32
Increased by:		
USDA Loan Principal Paid	D-11	88,379.21
Balance - December 31, 2018	D	\$ 2,345,340.53

BOROUGH OF KEYPORT

D-24

SCHEDULE OF BONDS AND NOTES
AUTHORIZED BUT NOT ISSUED

ORD #	IMPROVEMENT DESCRIPTION	BALANCE	2018	B.A.N.S	BALANCE
		DEC. 31, 2017	AUTHORIZED	ISSUED	DEC. 31, 2018
08-09, 10-11	Sewer System Upgrades-USDA	\$ 314,715.00	\$	220,000.00	\$ 94,715.00
07-16/08-18	Improvements to Perry St Water Treatment Plant	1,450,000.00	\$ 1,700,000.00	1,450,000.00	1,700,000.00
24-16	Various Improvements to the Water/Sewer Utility	638,300.00		430,000.00	208,300.00
		\$ 2,403,015.00	\$ 1,700,000.00	\$ 2,100,000.00	\$ 2,003,015.00

Payroll Agency Fund

BOROUGH OF KEYPORT
PAYROLL AGENCY FUND

SCHEDULE OF PAYROLL DEDUCTIONS PAYABLE

	<u>Balance</u> <u>December 31, 2017</u>	<u>Payroll</u> <u>Deductions</u>	<u>Disbursements</u>	<u>Balance</u> <u>December 31, 2018</u>
Federal Withholding Tax		\$ 441,400.67	\$ 441,400.67	
Social Security/Medicare		449,888.24	449,888.24	
State Withholding Tax		148,797.16	148,797.16	
SUI/Disability	\$ 60.52	16,587.61	16,648.13	
457B Plan		30,343.00	30,343.00	
AFLAC		8,831.76	8,831.76	
PERS	910.79	174,046.31	174,957.10	
PFRS	151.54	239,298.15	239,449.69	
Police/Firemens Insurance		4,992.44	4,992.44	
Garnishments		50,016.38	50,016.38	
Monoc Credit Union		8,280.00	8,280.00	
PBA Dues		15,450.00	15,450.00	
Clerical/PW Union Dues		20,750.36	20,750.36	
Life Insurance		960.00	960.00	
Miscellaneous	1,131.49	4,157.85	2,074.01	\$ 3,215.33
Health Insurance Co-Pay	28.73	144,884.73	144,913.46	
DCRP		4,767.76	4,767.76	
Total	<u>\$ 2,773.59</u>	<u>\$ 1,763,452.42</u>	<u>\$ 1,762,520.16</u>	<u>\$ 3,215.33</u>
Ref.	E	E-2	E-2	E

BOROUGH OF KEYPORT
PAYROLL AGENCY FUND

SCHEDULE OF CASH

	<u>Ref.</u>		
Balance - December 31, 2017	E	\$	2,897.31
Increased By:			
Payroll Deductions Payable	E-1		1,763,452.42
Decreased By:			
Payroll Deductions Payable	E-1		1,762,520.16
			<hr/>
Balance - December 31, 2018	E	\$	<u><u>3,829.57</u></u>

Note: See Notes to Financial Statements.

BOROUGH OF KEYPORT
PAYROLL AGENCY FUND

SCHEDULE OF DUE TO CURRENT FUND

	<u>Ref.</u>	
Balance - December 31, 2018 and 2017	E	\$ <u>614.24</u>

Note: See Notes to Financial Statements.

Governmental Fixed Assets

BOROUGH OF KEYPORT

STATEMENT OF GOVERNMENTAL FIXED ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>FIXED ASSETS</u>	<u>Balance</u> <u>December 31, 2017</u>	<u>Additions</u>	<u>BALANCE</u> <u>December 31, 2018</u>
Land	\$ 5,186,100.00		\$ 5,186,100.00
Buildings/Building Improvements	5,481,800.00		5,481,800.00
Motor Vehicles and Equipment	3,657,516.08	\$ 143,046.00	3,800,562.08
Machinery and Equipment	483,618.30		483,618.30
Office Furniture and Equipment	163,066.09		163,066.09
Other Equipment	218,914.00		218,914.00
Total	<u>\$ 15,191,014.47</u>	<u>\$ 143,046.00</u>	<u>\$ 15,334,060.47</u>

Note: See Notes to Financial Statements

**BOROUGH OF KEYPORT
MONMOUTH COUNTY, NEW JERSEY**

**PART III
GENERAL COMMENTS AND RECOMMENDATIONS**

**ROSTER OF OFFICIALS AS OF DECEMBER 31, 2018
AND REPORT ON SURETY BONDS**

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Collette J. Kennedy	Mayor	\$
Victoria Pacheco	Council President	
Matthew Goode	Councilman	
Isaiah Cooper	Councilman	
Joseph Sheridan	Councilman	
Dennis Fotopoulos	Councilman	
Delia Sosa McDermott	Councilwoman	
Valerie T. Heilweil	Borough Clerk	
Stephen Gallo	Borough Administrator	
Tom Fallon	Chief Financial Officer	1,000,000.00
Michele Clark	Deputy Borough Clerk	
Jennifer Ingenito	Municipal Court Administrator	50,000.00
Michael Delre	Tax Assessor	
Frank LaRocca	Judge - Municipal Court	50,000.00
Keri R. Stencel	Tax Collector	1,000,000.00
	Utility Collector	1,000,000.00
Joseph P. Baumann	Borough Attorney	

The Borough is covered through the Municipal Excess Liability Joint Insurance Fund. The coverage is \$1,000,000.00 for covered employees (Tax/Water Collector, Chief Financial Officer and the Court Magistrate, Clerk and Administrator). All other employees are covered in the amount of \$50,000.00.

Contracts and Agreements Required to be Advertised per (N.J.S.A. 40A:11-4)

N.J.S.A. 40A:11-4, as amended, states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the Governing Body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or the amount calculated by the Governor pursuant to (N.J.S.A. 40A:11-3c) except by contract or agreement."

It is pointed out that the Borough Council has the responsibility of determining whether the expenditures in any category will exceed the threshold set for the fiscal year and, where question arises as to whether any contract or agreement might result in violation of the statute, the opinion of the Borough Attorney should be sought before a commitment is made.

The bidding threshold for the period under review was \$40,000.00 in accordance with the provisions of N.J.S.A. 40A:11-3a, based on the appointment of a qualified purchasing agent.

Notwithstanding N.J.S.A. 40:11-3a, P.L. 2005, Chapter 51 and N.J.S.A. 19:44A-20.5, known as the "Pay to Play Law", provides that a municipality is prohibited from executing any contract in excess of \$17,500.00, on or after January 1, 2006, to a business entity that made certain reportable contributions to any municipal committee of a political party if a member of that party is in office as a member of the governing body of the municipality when the contract is awarded unless proposals or qualifications are solicited through a fair and open process.

It is further noted that contracts between \$17,500.00 and the municipal bidding threshold, known as "window contracts", can be issued by resolution of the governing body without competitive bidding if a non-fair and open process is implemented which prohibits reportable contributions by the business entity. This procedure has been implemented by the Borough.

The minutes indicate that bids were requested by public advertising for all required purchases.

Inasmuch as the system of records did not provide for an accumulation of payments for categories of materials and supplies or related work or labor, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The minutes indicate that proposals were solicited for "Professional Services" in accordance with N.J.S.A. 19:44A:20-5.

It is also noted that certain contracts were awarded under the provisions of N.J.S.A. 40A:11-12, New Jersey State purchasing contracts.

Purchases, Contracts or Agreements Not Required to be Advertised (N.J.S.A. 40A:11-6.1)

N.J.S.A. 40A:11-6.1 states "Except contracts which require the performance of professional services, all contracts or agreements which do not require public advertising for bids and the estimated cost or price exceeds \$6,000.00 at least two quotations as to the cost of price are required. Quotations, whenever practicable, shall be solicited by the contracting agent, and the contract or agreement shall be made with and awarded to the lowest responsible bidder."

Property Acquired by Tax Title Lien Liquidation

There are properties which remain in tax title lien. If these properties are not readily saleable, they should be placed in the exempt category or otherwise disposed of.

Delinquent Taxes and Tax Title Liens

Delinquent taxes and tax title liens at December 31, 2018 were \$617,123.46.

Revenues

Receipts from licenses, fees, fines and costs, etc., for all departments, including the Municipal Court, were checked to the records maintained to the extent deemed necessary. No exceptions were noted.

Examination of Claims

In verifying expenditures, computations were tested on claims approved and paid. No attempt was made in this connection to establish proof of rendition, character or extent of services, nor quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

Purchase Order System and Encumbrance System

The Borough's budgetary operation is on a full encumbrance system with the exception of payrolls and other direct costs. All purchases are made directly by the purchasing department or subsequently confirmed on an emergency basis. Blanket orders and other outstanding encumbrances were reviewed at the close of the year, and adjustments and cancellations were made where appropriate to reflect actual commitments outstanding for budgetary control.

Our review indicated that certain departments had made commitments prior to the certification to the availability of funds. This condition did not meet the standards established in N.J.A.C. 5:30-5.3, which requires certification of availability of funds prior to any commitment of Borough funds.

This matter was discussed with the Borough's management during the course of the engagement and a corrective action plan, which included an educational component, i.e., discussion of the requirements with all department heads, and a more rigorous monitoring of voucher packages during pre-audit to identify any continuing noncompliance for further actions, is currently being implemented. In addition, the Borough will be expanding the use of blanket purchase orders to further facilitate departmental compliance with the regulation.

Based upon the foregoing, no further recommendation was deemed to be necessary at this point in time.

Cybersecurity

As part of its overall risk management, the Borough reviews security measures in place relating to its Information Technology (IT), including the use of specialized assessments. With the ever increasing challenges relating to cybersecurity, each organization determines what particular assessment or combination of assessments best fits its information security strategy. We suggest management continue to assess risks related to cybersecurity along with utilization of specialized assessments, which would also include a periodic reporting mechanism to those charged with governance.

Corrective Action Plan

In accordance with regulations promulgated by the Division of Local Government Services, all municipalities are required to prepare and submit to the Division of Local Government Services a Corrective Action Plan with regard to audit deficiencies. This plan must be approved by formal resolution of the Governing Body and submitted within 60 days from the date the audit is received. A Corrective Action Plan was prepared for the 2017 audit.

Status of Prior Years' Audit Recommendations

A review was performed on all prior years' recommendations and corrective action was taken on all prior year findings.

Miscellaneous

A statutory report on the operations of the Municipal Court was prepared as part of our examination and copies filed with the New Jersey Administrative Office of the Courts, the Division of Local Government Services, the Municipal Court and the Borough Clerk.

Revenue and receipts were established and verified as to source and amount only insofar as the local records permitted.

Miscellaneous (continued)

A statutory report summarizing collections of Dog License Fees and remittances of State Registration Fees was prepared and filed with the New Jersey Department of Health and Division of Local Government Services.

As a separate report on the operations of the Uniform Construction Code Office was also prepared and filed with the New Jersey division of Local Government Services.

All sums of outstanding checks shown in cash reconciliations, herein, are in agreement with the records of the Treasurer.

A copy of this report was filed with the New Jersey Division of Local Government Services.

A summary or synopsis of this report was prepared for publication and filed with the Borough Clerk.

RECOMMENDATIONS

None

The foregoing comments and resultant recommendations are not of sufficient materiality whereby they would affect our ability to express an opinion on the financial statements taken as a whole.

We shall be pleased to confer with the members of the Borough Council on questions that might arise with respect to any matters in this report.

We desire to express our appreciation for the assistance and courtesies rendered by the Borough officials and employees during the course of our examination.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.

A division of PKF O'Connor Davies

Certified Public Accountants

Registered Municipal Accountants

Robert L. Morrison

Robert Morrison, CPA

Licensed Registered Municipal Accountant, No. 412

August 16, 2019