

**TOWNSHIP OF KINGWOOD**

**COUNTY OF HUNTERDON**

**REPORT OF AUDIT**

**DECEMBER 31, 2017**

**BEDARD, KUROWICKI & CO., CPA'S, PC  
CERTIFIED PUBLIC ACCOUNTANTS**

**TOWNSHIP OF KINGWOOD  
COUNTY OF HUNTERDON**

**REPORT OF AUDIT**

**For the Year Ended December 31, 2017**

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Certified Public Accountants, PC

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## Independent Auditors' Report

To the Honorable Mayor and Members  
of the Township Committee  
Township of Kingwood, New Jersey

### Report on the Financial Statements

We have audited the accompanying Comparative Balance Sheet - Regulatory Basis and the Comparative Statement of General Fixed Assets - Regulatory Basis of the various funds and account group of the Township of Kingwood, in the County of Hunterdon, State of New Jersey (the Municipality) as of and for the years ended December 31, 2017 and 2016, and the related Comparative Statement of Operations and Changes in Fund Balance for the years then ended, and the related Statement of Revenues - Regulatory Basis, Statement of Expenditures - Regulatory Basis for the fiscal year ended December 31, 2017, and the related Notes to the Financial Statements which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 1, the financial statements are prepared by the Municipality on the basis of financial reporting provisions of the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America to meet the requirements of the Divisions. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

#### Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Municipality as of December 31, 2017 and 2016, or the results of its operations and changes in fund balance for the years then ended.

#### Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to previously present fairly, in all material respects, the Comparative Balance Sheet - Regulatory Basis and the Comparative Statement of General Fixed Assets - Regulatory Basis of the various funds and account group of the Municipality as of December 31, 2017 and 2016, and the results of operations and changes in fund balance of such funds for the years then ended and the related Statement of Revenues - Regulatory Basis, Statement of Expenditures - Regulatory Basis for the year ended December 31, 2017 in conformity with accounting principles and practices prescribed by the Division, as described in Note 1.

#### Other Matters

##### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The supplemental statements and schedules presented for the various funds, as listed in the Table of Contents, are presented for purposes of additional analysis as required by the Division and are not a required part of the basic financial

statements. The accompanying Schedules of Expenditures of Federal and State Financial Assistance are presented for purposes of additional analysis as required by the Division through the State of New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* and is also not a required part of the financial statements.

The supplemental statements and schedules presented for the various funds and the Schedules of Expenditures of Federal and State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the various fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental statements and schedules described in the previous paragraph are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The additional schedules as listed in the Table of Contents has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2018 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.

*Bedard, Kurowicki & Co.*  
**BEDARD, KUROWICKI & CO., CPA'S, PC**



William M. Colantano  
Certified Public Accountant  
Registered Municipal Accountant

July 16, 2018  
Flemington, New Jersey



**FINANCIAL STATEMENTS - REGULATORY BASIS**

**TOWNSHIP OF KINGWOOD**  
**Comparative Balance Sheet - Regulatory Basis**  
**Current Fund**  
**December 31,**

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<b>Assets</b>			
Regular fund			
Cash - treasurer	A-4	\$ 3,187,829	\$ 3,187,974
Receivables with full reserves			
Delinquent property taxes receivable	A-7	361,398	333,175
Tax title liens receivable	A-8	108,513	93,243
Property acquired for taxes	A	30,000	30,000
Revenue accounts receivable	A-9	1,739	1,347
Due from animal control fund	A-11	34	9
		<u>501,684</u>	<u>457,774</u>
Total regular fund		<u>3,689,513</u>	<u>3,645,748</u>
Federal and state grant fund			
Cash	A-4	24,309	28,183
Grants receivable	A-14	41,807	64,592
Due from regular fund	A-25	-	509
Total federal and state grant fund		<u>66,116</u>	<u>93,284</u>
Total assets		<u>\$ 3,755,629</u>	<u>\$ 3,739,032</u>

See accompanying notes to the financial statements.

**TOWNSHIP OF KINGWOOD**  
**Comparative Balance Sheet - Regulatory Basis (continued)**  
**Current Fund**  
**December 31,**

	Ref.	2017	2016
Liabilities, reserves and fund balance			
Regular fund			
Appropriation reserves	A-3;A-15	\$ 171,192	\$ 189,474
Due to other trust funds	A-10	1,116	1,116
Due to federal and state grant fund	A-12	-	509
Reserve for encumbrances	A-16	41,424	25,852
Due to State of NJ Veterans' & Senior Citizens' deductions	A-6	1,344	3,100
Prepaid taxes	A-17	508,539	141,888
Tax overpayments	A-18	3,991	7,398
Local school tax payable	A-19	953,488	1,109,856
Regional high school taxes payable	A-20	757,660	883,503
County tax payable	A-21	3,221	3,918
Due to outside agencies and other third parties	A-22	980	166
Reserve for preparation of a master plan	A-23	9,600	9,600
Prepaid revenue	A-24	-	5,694
Accounts payable	A-26	8,381	-
Due to open space, recreation, and Farmland and historic preservation trust fund	A-27	264	184,522
		2,461,200	2,566,596
Reserve for receivables	A	501,684	457,774
Fund balance	A-1	726,629	621,378
Total regular fund		3,689,513	3,645,748
Federal and state grant fund			
Appropriated reserves for grants	A-28	56,819	87,830
Unappropriated reserves for grants	A-29	9,297	-
Due to general capital fund	A-30	-	5,454
Total federal and state grant fund		66,116	93,284
Total liabilities, reserves and fund balance		\$ 3,755,629	\$ 3,739,032

See accompanying notes to the financial statements.

**TOWNSHIP OF KINGWOOD**  
**Comparative Statement of Operations and Change**  
**In Fund Balance - Regulatory Basis**  
**Current Fund**  
**For the Years Ended December 31,**

	Ref.	2017	2016
Revenues and other income realized			
Fund balance utilized	A-2	\$ 572,300	\$ 584,000
Receipts from current taxes	A-2	13,128,560	13,036,971
Receipts from delinquent taxes	A-2	335,190	386,429
Miscellaneous revenue anticipated	A-2	579,712	612,716
Non-budget revenue	A-2	36,122	87,938
Other credits to income			
Interfunds returned - net		-	23,484
Unexpended balance of appropriation reserves	A-15	182,458	185,201
Reserve for encumbrances canceled	A-16	3,769	1,851
Tax overpayments canceled	A-18	2,593	-
Total income		<u>14,840,704</u>	<u>14,918,590</u>
Expenditures			
Budget and emergency appropriations			
Operations			
Salaries and wages	A-3	929,254	927,814
Other expenses	A-3	972,621	1,001,552
Capital improvements	A-3	120,100	120,100
Debt service	A-3	196,952	194,343
Deferred charges and statutory expenditures	A-3	179,680	166,892
Local district school taxes	A-19	5,627,961	5,693,080
Regional high school taxes	A-20	3,688,976	3,811,641
County taxes	A-21	2,257,943	2,228,799
County share of added taxes	A-21	3,221	3,918
Municipal open space tax	A-27	184,864	184,522
Other debits to income			
Interfunds advanced - net	A-2	25	-
Prior year Senior Citizen deduction disallowed	A-6	500	2,750
Payroll balances canceled		-	550
Prior year refund - county tax board appeals	A-18	1,056	-
Total expenditures		<u>14,163,153</u>	<u>14,335,961</u>
Regulatory excess to fund balance		677,551	582,629
Balance January 1,	A	<u>621,378</u>	<u>622,749</u>
		1,298,929	1,205,378
Decreased by			
Utilized as anticipated revenue	A-2	<u>572,300</u>	<u>584,000</u>
Balance December 31,	A	<u>\$ 726,629</u>	<u>\$ 621,378</u>

See accompanying notes to the financial statements.

**TOWNSHIP OF KINGWOOD**  
**Statement of Revenues - Regulatory Basis**  
**Current Fund**  
**For the Year Ended December 31, 2017**

	Ref.	Anticipated		Realized	Excess or Deficit
		Budget	N.J.S.A. 40:4-87		
Fund balance anticipated	A-1	\$ 572,300	\$ -	\$ 572,300	\$ -
Miscellaneous revenues					
Licenses					
Alcoholic beverage	A-9	12,000	-	12,800	800
Fees and permits	A-9	4,000	-	26,551	22,551
Fines and costs					
Municipal court	A-9	25,000	-	20,122	(4,878)
Shared municipal court costs	A-9	22,700	-	28,468	5,768
Interest and cost on taxes	A-9	73,000	-	71,304	(1,696)
Energy receipts tax	A-9	289,807	-	286,184	(3,623)
Garden State preservation trust fund	A-9	42,461	-	42,461	-
Uniform construction code fees	A-9	82,000	-	52,352	(29,648)
Cable TV franchise fee	A-9	11,023	-	11,023	-
NJ DEP clean communities program	A-14	-	17,846	17,846	-
Statewide insurance safety grant	A-14	-	982	982	-
Recycling tonnage grant	A-14	9,619	-	9,619	-
Total miscellaneous revenues	A-1	<u>571,610</u>	<u>18,828</u>	<u>579,712</u>	<u>(10,726)</u>
Receipts from delinquent taxes	A-1;A-2	355,638	-	335,190	(20,448)
Property tax for support of municipal budget appropriations					
Local tax for municipal purposes	A-2	<u>1,446,531</u>	<u>-</u>	<u>1,627,163</u>	<u>180,632</u>
Budget totals		<u>2,946,079</u>	<u>18,828</u>	<u>3,114,365</u>	<u>\$ 149,458</u>
Non-budget revenues	A-1;A-2	-	-	36,122	
		<u>\$ 2,946,079</u>	<u>\$ 18,828</u>	<u>\$ 3,150,487</u>	
	<u>Ref.</u>	<u>A-3</u>	<u>A-3</u>		

See accompanying notes to the financial statements.

**TOWNSHIP OF KINGWOOD**  
**Statement of Revenues - Regulatory Basis (continued)**  
**Current Fund**  
**For the Year Ended December 31, 2017**

	<u>Ref.</u>			
Analysis of realized revenues				
Allocation of current tax collections				
Tax collections	A-1;A-7			\$ 13,128,560
Allocated to				
Local district school taxes	A-7	\$	5,833,355	
Regional high school taxes	A-7		3,788,314	
County taxes	A-7		2,261,164	
Municipal open space tax	A-7		<u>184,864</u>	
				<u>12,067,697</u>
Balance for support of municipal budget appropriations				1,060,863
Add: appropriation - reserve for uncollected taxes	A-3			<u>566,300</u>
Realized for support of municipal budget	A-2			<u><u>\$ 1,627,163</u></u>
Analysis of receipts from delinquent taxes				
Taxes receivable	A-7	\$	332,599	
Tax title liens receivable	A-8		<u>2,591</u>	
Total delinquent tax collections	A-2			<u><u>\$ 335,190</u></u>
Interest on investments and deposits analysis				
Current fund	A-4	\$	22,246	
Animal control fund	A-11		25	
Other trusts fund	A-10		53	
General capital fund	A-13		<u>776</u>	
Total interest on investments and deposits	A-2			<u><u>\$ 23,100</u></u>
	<u>Ref.</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>Increase (Decrease)</u>
Interfund advances and returns analysis				
Due from animal control fund	A-11	\$ 34	\$ 9	\$ 25
		<u>\$ 34</u>	<u>\$ 9</u>	<u>\$ 25</u>
	<u>Ref.</u>			A-1

See accompanying notes to the financial statements.

**TOWNSHIP OF KINGWOOD**  
**Statement of Revenues - Regulatory Basis (continued)**  
**Current Fund**  
**For the Year Ended December 31, 2017**

	<u>Ref.</u>		
Analysis of realized revenues (continued)			
Analysis of non-budget revenue			
Interest on investments and deposits	A-2	\$	23,100
Treasurer			
Duplicate tax bills and bank charge fees		\$	510
Miscellaneous			52
NJ Administrative fees			
Senior Citizens' & Veterans' deduction			565
Homestead rebate deduction			188
Photocopies			59
Self insurance fund reimbursements			2,272
Solar renewable energy certificate fees			5,688
Insurance rebates			3,438
Certified property owners fees			250
	A-4		<u>13,022</u>
	A-2	\$	<u><u>36,122</u></u>

See accompanying notes to the financial statements.

**TOWNSHIP OF KINGWOOD**  
**Statement of Expenditures - Regulatory Basis**  
**Current Fund**  
**For the Year Ended December 31, 2017**

	<u>Appropriations</u>		<u>Expended by</u>		<u>Balance Canceled</u>	<u>Over Expended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
		<u>Modification</u>				
Operations within "CAPS"						
General government						
Mayor and committee						
Salaries and wages	\$ 8,600	\$ 8,600	\$ 8,600	\$ -	\$ -	\$ -
Other expenses	1,890	1,890	1,413	477	-	-
Municipal clerk						
Salaries and wages	146,780	146,980	146,067	913	-	-
Other expenses	25,750	25,000	12,639	12,361	-	-
Elections	4,000	4,000	2,301	1,699	-	-
Codification and revisions of ordinances	4,500	4,500	1,858	2,642	-	-
Financial administration						
Salaries and wages	50,862	50,862	45,831	5,031	-	-
Other expenses	14,530	14,530	10,124	4,406	-	-
Audit services	23,000	23,000	23,000	-	-	-
Revenue administration						
Salaries and wages	32,507	32,507	32,507	-	-	-
Other expenses	9,000	9,000	4,784	4,216	-	-
Assessment of taxes						
Salaries and wages	37,452	37,452	37,452	-	-	-
Other expenses	6,000	6,000	4,570	1,430	-	-
Maintenance of tax map	3,500	3,500	34	3,466	-	-
Agriculture advisory committee						
Salaries and wages	2,573	2,573	2,573	-	-	-
Other expenses	250	250	143	107	-	-
Legal services and costs						
Other expenses	60,000	59,000	45,198	13,802	-	-
Municipal prosecutor						
Other expenses	12,283	12,283	12,258	25	-	-
Engineering services and costs						
Other expenses	10,000	11,500	10,641	859	-	-

See accompanying notes to the financial statements.



**TOWNSHIP OF KINGWOOD**  
**Statement of Expenditures - Regulatory Basis (continued)**  
**Current Fund**  
**For the Year Ended December 31, 2017**

	Appropriations		Expended by		Balance Canceled	Over Expended
	Budget	Budget After Modification	Paid or Charged	Reserved		
Operations within "CAPS" (cont'd)						
Land use administration						
Planning board						
Salaries and wages	\$ 22,119	\$ 22,119	\$ 22,119	\$ -	\$ -	\$ -
Other expenses	35,000	32,900	29,016	3,884	-	-
Zoning official						
Salaries and wages	11,675	11,675	11,675	-	-	-
Other expenses	350	350	-	350	-	-
Zoning board						
Salaries and wages	7,016	7,016	7,016	-	-	-
Other expenses	4,000	4,250	4,224	26	-	-
Environmental commission						
Salaries and wages	2,573	2,573	2,573	-	-	-
Other expenses	1,000	1,150	1,142	8	-	-
Industrial commission						
Other expenses	100	100	-	100	-	-
Recycling program						
Other expenses	6,000	6,000	5,896	104	-	-
Gypsy moth program						
Other expenses	90	90	-	90	-	-
Insurance						
Dental insurance	13,000	13,000	9,100	3,900	-	-
General liability	68,687	68,687	68,687	-	-	-
Workers compensation	29,514	29,514	29,514	-	-	-
Employee group health	108,600	111,600	111,071	529	-	-
Public safety						
Aid to volunteer fire companies	70,000	70,000	70,000	-	-	-
Aid to first aid organizations	35,000	35,000	35,000	-	-	-
Office of emergency management						
Salaries and wages	5,416	5,416	5,416	-	-	-
Other expenses	4,000	4,000	-	4,000	-	-

See accompanying notes to the financial statements.

**TOWNSHIP OF KINGWOOD**  
**Statement of Expenditures - Regulatory Basis (continued)**  
**Current Fund**  
**For the Year Ended December 31, 2017**

	<u>Appropriations</u>		<u>Expended by</u>		<u>Balance Canceled</u>	<u>Over Expended</u>
	Budget		<u>Paid or Charged</u>	<u>Reserved</u>		
	<u>Budget</u>	<u>After Modification</u>				
Operations within "CAPS" (cont'd)						
Public works						
Road repairs and maintenance						
Salaries and wages	\$ 440,000	\$ 440,000	\$ 407,652	\$ 32,348	\$ -	\$ -
Other expenses	147,500	147,500	140,725	6,775	-	-
Snow removal						
Salaries and wages	28,000	28,000	20,917	7,083	-	-
Other expenses	40,000	40,000	40,000	-	-	-
Solid waste collection						
Other expenses	5,100	5,100	4,775	325	-	-
Building and grounds						
Salaries and wages	11,654	11,754	11,749	5	-	-
Other expenses	38,720	38,620	32,843	5,777	-	-
Vehicle maintenance						
Other expenses	32,500	32,500	29,002	3,498	-	-
Health and human services						
Board of health						
Salaries and wages	7,693	7,693	7,693	-	-	-
Other expenses	5,000	5,000	976	4,024	-	-
Animal control						
Other expenses	4,600	4,600	4,600	-	-	-
Parks and recreation						
Recreation services and programs						
Other expenses	4,000	4,000	3,197	803	-	-
Maintenance of parks						
Salaries and wages	3,715	3,715	3,715	-	-	-
Other expenses	7,500	7,500	7,500	-	-	-
Uniform construction code						
Construction officials						
Salaries and wages	47,950	47,950	43,451	4,499	-	-
Other expenses	7,500	7,500	1,204	6,296	-	-

See accompanying notes to the financial statements.

**TOWNSHIP OF KINGWOOD**  
**Statement of Expenditures - Regulatory Basis (continued)**  
**Current Fund**  
**For the Year Ended December 31, 2017**

	<u>Appropriations</u>		<u>Expended by</u>		Balance Canceled	Over Expended
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
Operations within "CAPS" (cont'd)						
Unclassified						
Office of local historian						
Other expenses	\$ 500	\$ 500	\$ 163	\$ 337	\$ -	\$ -
Interest on tax appeals						
RS 54:3-27	100	100	-	100	-	-
Utilities						
Gasoline and diesel fuel	30,000	30,000	26,687	3,313	-	-
Electricity	15,500	15,500	10,877	4,623	-	-
Telephone	15,250	15,250	12,760	2,490	-	-
Street lighting	7,250	7,250	5,503	1,747	-	-
Heating fuel oil	15,000	9,650	3,838	5,812	-	-
Natural gas	10,000	10,000	7,357	2,643	-	-
Municipal court						
Salaries and wages	56,705	57,365	57,363	2	-	-
Other expenses	3,500	2,840	2,822	18	-	-
Public defender						
Salaries and wages	3,504	3,504	2,824	680	-	-
Total operations within "CAPS"	<u>1,866,358</u>	<u>1,862,258</u>	<u>1,704,635</u>	<u>157,623</u>	<u>-</u>	<u>-</u>
Contingent	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>-</u>
Total operations including contingent within "CAPS"	<u>1,866,458</u>	<u>1,862,358</u>	<u>1,704,635</u>	<u>157,723</u>	<u>-</u>	<u>-</u>
Detail						
Salaries and wages	926,794	927,754	877,193	50,561	-	-
Other expenses (including contingent)	<u>939,664</u>	<u>934,604</u>	<u>827,442</u>	<u>107,162</u>	<u>-</u>	<u>-</u>

See accompanying notes to the financial statements.

**TOWNSHIP OF KINGWOOD**  
**Statement of Expenditures - Regulatory Basis (continued)**  
**Current Fund**  
**For the Year Ended December 31, 2017**

	Appropriations		Expended by		Balance Canceled	Over Expended
	Budget	Budget	Paid or Charged	Reserved		
		After Modification				
Statutory expenditures						
Contribution to						
Public employees						
retirement system	\$ 98,930	\$ 98,930	\$ 98,930	\$ -	\$ -	\$ -
Social Security						
system (OASI)	76,000	76,000	64,761	11,239	-	-
State unemployment						
compensation	1,500	1,500	500	1,000	-	-
Defined contribution						
retirement program	3,250	3,250	2,295	955	-	-
<b>Total deferred charges and</b>						
<b>statutory expenditures -</b>						
<b>Municipal within "CAPS"</b>	<u>179,680</u>	<u>179,680</u>	<u>166,486</u>	<u>13,194</u>	<u>-</u>	<u>-</u>
Vacation reserve	100	100	-	100	-	-
<b>Total general appropriations</b>						
<b>for municipal purposes</b>						
<b>within "CAPS"</b>	<u>2,046,238</u>	<u>2,042,138</u>	<u>1,871,121</u>	<u>171,017</u>	<u>-</u>	<u>-</u>
Operations excluded from "CAPS"						
Fair share housing plan						
Salaries and wages	1,500	1,500	1,414	86	-	-
Other expenses	1,000	5,100	5,021	79	-	-
911 coordinator						
Other expenses	10	10	-	10	-	-
LOSAP contribution	4,360	4,360	4,360	-	-	-

See accompanying notes to the financial statements.

**TOWNSHIP OF KINGWOOD**  
**Statement of Expenditures - Regulatory Basis (continued)**  
**Current Fund**  
**For the Year Ended December 31, 2017**

	<u>Appropriations</u>		<u>Expended by</u>		<u>Balance Canceled</u>	<u>Over Expended</u>
	Budget		<u>Paid or Charged</u>	<u>Reserved</u>		
	<u>Budget</u>	<u>After Modification</u>				
Operations excluded from "CAPS" (continued)						
Public and private programs offset by revenues						
Statewide Insurance Fund Grant						
Other expenses	\$ -	\$ 982	\$ 982	\$ -	\$ -	\$ -
Clean communities program						
Other expenses	-	17,846	17,846	-	-	-
Recycling tonnage grant						
Other expenses	9,619	9,619	9,619	-	-	-
Total operations excluded from "CAPS"	<u>16,489</u>	<u>39,417</u>	<u>39,242</u>	<u>175</u>	<u>-</u>	<u>-</u>
Detail						
Salaries and wages	1,500	1,500	1,414	86	-	-
Other expenses	14,989	37,917	37,828	89	-	-
Capital improvements - excluded from "CAPS"						
Capital improvement fund	80,000	80,000	80,000	-	-	-
Purchase of ambulance equipment	10,000	10,000	10,000	-	-	-
Purchase of municipal equipment	30,000	30,000	30,000	-	-	-
Municipal building renovations	100	100	100	-	-	-
Total capital improvements excluded from "CAPS"	<u>120,100</u>	<u>120,100</u>	<u>120,100</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes to the financial statements.

**TOWNSHIP OF KINGWOOD**  
**Statement of Expenditures - Regulatory Basis (continued)**  
**Current Fund**  
**For the Year Ended December 31, 2017**

	Appropriations		Expended by		Balance Canceled	Over Expended
	Budget	Budget After Modification	Paid or Charged	Reserved		
Municipal debt service excluded from "CAPS"						
Payment of bond principal	\$ 105,000	\$ 105,000	\$ 105,000	\$ -	\$ -	\$ -
Payment of bond anticipation notes	72,500	72,500	72,500	-	-	-
Interest on bonds	12,405	12,405	12,405	-	-	-
Interest on notes	7,047	7,047	7,047	-	-	-
Total debt service excluded from "CAPS"	<u>196,952</u>	<u>196,952</u>	<u>196,952</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general approp, for municipal purposes excluded from "CAPS"	<u>333,541</u>	<u>356,469</u>	<u>356,294</u>	<u>175</u>	<u>-</u>	<u>-</u>
Subtotal general appropriations	<u>2,379,779</u>	<u>2,398,607</u>	<u>2,227,415</u>	<u>171,192</u>	<u>-</u>	<u>-</u>
Reserve for uncollected taxes	<u>566,300</u>	<u>566,300</u>	<u>566,300</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general appropriations	<u>\$ 2,946,079</u>	<u>\$ 2,964,907</u>	<u>\$ 2,793,715</u>	<u>\$ 171,192</u>	<u>\$ -</u>	<u>\$ -</u>
Ref.	A-2	A-3	A-1;A-3	A;A-1		

See accompanying notes to the financial statements.

**TOWNSHIP OF KINGWOOD**  
**Statement of Expenditures - Regulatory Basis (continued)**  
**Current Fund**  
**For the Year Ended December 31, 2017**

	Ref.	Paid or Charged
Paid or charged		
Cash disbursed	A-4	\$ 2,084,902
Reserve for uncollected taxes	A-2	566,300
Reserve for encumbrances	A-16	41,424
Due to general capital fund	A-13	110,100
Appropriated reserve for grants	A-28	28,447
		2,831,173
Less		
Appropriation refunds	A-4	37,458
	A-3	\$ 2,793,715
Appropriations		
Budget	A-2	\$ 2,946,079
Added by N.J.S.A. 40A:4-87	A-2	18,828
	A-3	\$ 2,964,907

See accompanying notes to the financial statements.

**TOWNSHIP OF KINGWOOD**  
**Comparative Balance Sheet - Regulatory Basis**  
**Trust Fund**  
**December 31,**

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<b>Assets</b>			
Animal control fund			
Cash	B-1	\$ 9,018	\$ 5,428
		<u>9,018</u>	<u>5,428</u>
LOSAP (unaudited)			
Investment	B-1	99,322	92,743
		<u>99,322</u>	<u>92,743</u>
Other trust fund			
Cash and other bank deposits	B-1	714,944	690,096
Due from current fund	B-7	1,116	1,116
		<u>716,060</u>	<u>691,212</u>
Open space, recreation, and farmland and historic preservation trust fund			
Cash	B-1	879,902	691,947
Due from current fund	B-8	264	184,522
		<u>880,166</u>	<u>876,469</u>
<b>Total assets</b>		<u><u>\$ 1,704,566</u></u>	<u><u>\$ 1,665,852</u></u>

See accompanying notes to the financial statements.



**TOWNSHIP OF KINGWOOD**  
**Comparative Balance Sheet - Regulatory Basis (continued)**  
**Trust Fund**  
**December 31,**

	Ref.	2017	2016
Liabilities and reserves			
Animal control fund			
Reserve for animal control fund expenditures	B-3	\$ 8,929	\$ 4,873
Due to current fund	B-4	34	9
Due to State of New Jersey	B-5	10	2
Reserve for encumbrances	B-6	45	544
		<u>9,018</u>	<u>5,428</u>
LOSAP (unaudited)			
Reserve for LOSAP	B-28	99,322	92,743
		<u>99,322</u>	<u>92,743</u>
Other trust fund			
Reserve for encumbrances	B-9	18,019	4,574
Reserve for recycling trust	B-10	8,591	8,280
Reserve for COAH development fees	B-11	106,645	93,123
Reserve for developer's deposits	B-12	290,566	299,732
Reserve for unemployment compensation	B-13	19,008	17,506
Reserve for special deposits	B-14	4,444	4,844
Reserve for recreation commission	B-15	19,900	14,307
Reserve for planning board escrow	B-16	67,760	66,317
Reserve for board of adjustment escrow	B-17	4,702	6,658
Payroll withholdings payable	B-18	5,567	5,456
Reserve for board of health	B-19	35,459	40,171
Reserve for tax sale premium	B-20	51,300	66,300
Reserve for security deposits and aquifer/ hydrogeological escrow	B-21	5,429	5,429
Reserve for fees due to outside agencies	B-22	6,200	6,775
Reserve for self insurance escrow	B-23	19,098	18,512
Reserve for snow removal trust	B-24	51,655	31,511
Reserve for accumulated absences trust	B-25	600	600
Reserve for green team fund trust	B-26	1,117	1,117
		<u>716,060</u>	<u>691,212</u>
Open space, recreation, and farmland and historic preservation trust fund			
Reserve for open space	B-27	880,166	876,469
		<u>880,166</u>	<u>876,469</u>
Total liabilities and reserves		<u>\$ 1,704,566</u>	<u>\$ 1,665,852</u>

See accompanying notes to the financial statements.

**TOWNSHIP OF KINGWOOD**  
**Comparative Balance Sheet - Regulatory Basis**  
**General Capital Fund**  
**December 31,**

	Ref.	2017	2016
<b>Assets</b>			
Cash	C-2	\$ 341,779	\$ 450,278
Due from federal and state grant fund	C-5	-	5,454
State grants receivable	C-7	325,000	125,000
Deferred charges to future taxation			
Funded	C-8	1,988,000	2,193,000
Unfunded	C-9	669,194	741,694
<b>Total assets</b>		<b>\$ 3,323,973</b>	<b>\$ 3,515,426</b>
<b>Liabilities, reserves and fund balance</b>			
General serial bonds payable	C-17	\$ 1,988,000	\$ 2,193,000
Bond anticipation notes payable	C-18	580,000	652,500
Improvement authorizations			
Funded	C-10	442,518	250,395
Unfunded	C-10	71,784	74,868
Capital improvement fund	C-11	106,034	164,534
Reserves for			
Encumbrances	C-12	-	37,492
Contributions from developers	C-13	10,000	10,000
Purchase of municipal equipment	C-14	36,915	60,015
Preliminary plan expenses	C-15	16,000	-
Municipal building renovations	C-16	573	473
Fund balance	C-1	72,149	72,149
<b>Total liabilities, reserves and fund balance</b>		<b>\$ 3,323,973</b>	<b>\$ 3,515,426</b>
<b>Bonds and notes authorized but not issued</b>	C-19	<b>\$ 89,194</b>	<b>\$ 89,194</b>

See accompanying notes to the financial statements.

**TOWNSHIP OF KINGWOOD**  
**Comparative Statement of Fund Balance - Regulatory Basis**  
**General Capital Fund**  
**For the Year Ended December 31,**

	Ref.	2017	2016
Balance - January 1	C	\$ 72,149	\$ 64,096
Increased by			
Improvement authorization balance canceled		-	8,053
Balance - December 31	C	\$ 72,149	\$ 72,149

See accompanying notes to the financial statements.

**TOWNSHIP OF KINGWOOD**  
**Comparative Statement of General Fixed Assets - Regulatory Basis**  
**General Fixed Assets Account Group**  
**For the Year Ended December 31,**

	<u>2017</u>	<u>2016</u>
General fixed assets		
Land	\$ 3,930,288	\$ 3,888,498
Land improvements	70,362	70,362
Building and building improvements	2,912,966	2,852,496
Machinery and equipment	442,201	622,869
Vehicles	1,050,423	1,044,525
Construction in progress	-	46,518
	<u>\$ 8,406,240</u>	<u>\$ 8,525,268</u>
 Investment in general fixed assets	 <u>\$ 8,406,240</u>	 <u>\$ 8,525,268</u>

See accompanying notes to the financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies

Reporting entity

Except as noted below, the Financial Statements - Regulatory Basis of the Township of Kingwood (the Municipality) include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Municipality, as required by N.J.S.A. 40A:5-5. Component units are legally separate organizations for which the Municipality is financially accountable. The Municipality is financially accountable for an organization if the Municipality appoints a voting majority of the organization's governing board and (1) the Municipality is able to significantly influence the programs or services performed or provided by the organization; or (2) the Municipality is legally entitled to or can otherwise access the organization's resources; the Municipality is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the Municipality is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Municipality in that the Municipality approves the budget, the issuance of debt or the levying of taxes. There are currently no component units of the Municipality.

Description of funds and account group

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

Governmental Funds

*Current Fund* - resources and expenditures for governmental operations of a general nature, including Federal and State Grant Funds.

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

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

Account Groups

*General Fixed Assets Account Group* - to account for all fixed assets of the Municipality. Neither infrastructure nor depreciation of assets of the Municipality is recorded in the group.

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

Basis of accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from accounting policies generally accepted in the United States of America (GAAP). The more significant differences, which may be material, are discussed further in Note 1.

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

*Budget and budgetary procedures* - the State of New Jersey has promulgated the form and procedures for the Municipality's cash basis budget in the Local Budget Law (N.J.S.A 40A:4-1). The Municipality is only required to adopt budgets for the Current Fund and any Utility Fund, if applicable.

The Municipality must introduce and approve its annual budget no later than February 10<sup>th</sup> and adopt no later than March 20<sup>th</sup> of its budget year, unless extended by the Director of the Division of Local Government Services (the Director). All budgets shall be introduced, approved, amended and adopted by resolution passed by not less than a majority of the full membership of the governing body. The approved budget must be advertised, and a public hearing must be held prior to adoption. No budget or amendment thereof shall be adopted unless the Director has certified his approval thereof.

Emergency and special emergency appropriations may be made by resolution adopted by a 2/3 vote of the full membership of the governing body. All emergency appropriations must be raised in full in the succeeding year's budget, while special emergency appropriations financed from surplus funds shall be raised in installments of a least 20% annually until fully provided for.

Transfers between current year appropriations are allowed only during the last two months of the fiscal year. Transfers between prior year appropriation reserves are allowed only during the first three months of the fiscal year.

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

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)  
Basis of accounting (continued)

*Expenditures* - are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuances of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at year-end are reported as a cash liability in the financial statements and constitute part of the Municipality's statutory Appropriation Reserve balance.

*Appropriation Reserves* - covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts, which may be canceled by the governing body. Appropriation Reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed Appropriation Reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

*Property Acquired for Taxes/Foreclosed Property* - is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason, the value of foreclosed property has not been included in the general fixed assets account group. If such property is converted to a municipal use, it will be recorded in the general fixed assets account group.

*Tax Title Liens* - are taxes which have been put up for sale but not been purchased. The municipality then accepts the lien which will earn 18% per annum until the lien is paid off by the property owner. The municipality may choose to foreclose and return the property to the tax rolls.

*Interfunds* - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. 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.

*Deferred Charges to Future Taxation - Funded and Unfunded (Capital Fund)* - upon authorization of capital projects, the municipality establishes deferred charges for the costs of the projects that are to be raised by future taxation. Deferred charges that relate to permanent debt issued are shown as funded. All other deferred charges are shown as unfunded.



**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

Basis of accounting (continued)

*General Fixed Assets* - in accordance with New Jersey Administrative Code Section 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the State of New Jersey, which differs in certain respects from accounting principles generally accepted in the United States of America, all local units are required to have and maintain a fixed assets accounting and reporting system. In accordance with this administrative code requirement, fixed assets acquired after December 31, 1985 shall be valued on the basis of actual cost; prior to that time, they may be valued at cost or estimated historical cost.

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

No depreciation has been provided for in the financial statements.

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

Departures from generally accepted accounting principles

As noted, the accounting principles and practices used differ in some respects from generally accepted accounting principles (GAAP) for local Governmental Units. The more significant differences, which may be material, are as follows:

1. Financial Reporting Model - These statements are not based on the requirements as promulgated by GASB, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This statement made dramatic changes to the financial reporting requirements of state and local governments for GAAP purposes.
2. Revenues - GAAP records taxes, utility charges and other revenues as income when levied and there is no reserve for receivables for unpaid balances.
3. Expenditures - GAAP records expenditures when incurred and does not reflect appropriation reserve balances or deferred charges to future taxation.
4. Foreclosed Property - GAAP records the value of foreclosed property at the lower of cost or fair market value and would be recorded in the General Fixed Asset Account Group.
5. Interfunds - GAAP does not require offsetting reserves for Interfund receivables and resulting revenue recognition when Interfunds are liquidated.
6. Inventories - GAAP requires inventories to be reported on the balance sheet at year-end.

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting polices (continued)

Departures from generally accepted accounting principles (continued)

7. Grant Accounting - GAAP requires that grants be recorded within a special revenue fund and revenues are not to be realized until earned.
  
8. Capital Funds - GAAP requires separate funds for the recording of capital projects and payment of debt service while New Jersey requirements incorporate these transactions within one fund.
  
9. Compensated absence liabilities for sick and vacation pay and for contributions to state administered pension plans are not recorded until paid.
  
10. Losses arising from tax appeals and other contingencies are not recorded until paid.
  
11. Financial Reporting Model - These statements are not presented on the requirements as Promulgated by GASB, "Accounting and Financial Reporting for Pensions - An Amendment of GASB." This statement made dramatic changes to the financial reporting requirements of state and local governments as it relates to reporting for pensions for GAAP purposes. Information regarding pension activity is disclosed in Note 8.

It is not practicable to determine the effect of these differences on the financial statements.

Note 2 - Deposits and investments

State requirements for deposits and investments

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

New Jersey Municipal Units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey Municipal Units. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies. The State of New Jersey does not place any limit on the amount that the Municipality may invest with any one issuer.

The cash management plan adopted by the Municipality requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 2 - Deposits and investments

Custodial credit risk - deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Municipality's deposits might not be recovered. The Municipality does not have a policy for custodial credit risk. New Jersey statutes require that cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or funds that may pass to the Municipality relative to the happening of a future condition.

As of December 31, 2017, the Municipality's bank balances of \$5,352,464 were exposed to custodial credit risk as follows:

Insured by the Federal Deposit Insurance Corporation (FDIC)	\$ 352,979
Unaudited investments in the Length of Service Award Program	99,322
Uninsured and collateralized with securities held by pledging financial institutions	<u>4,900,163</u>
Total	<u>\$ 5,352,464</u>

Unaudited investments

As more fully described in Note 17, the Municipality has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in N.J.S.A 43:15B-1 et. seq. except that all investments are retained in the name of the Municipality. All investments are valued at contract value. In accordance with N.J.A.C. 5:30-14.37, the investments are maintained by Lincoln Financial Group, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2017 and 2016 amounted to \$99,322 and \$92,743; respectively.

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 3 - Tax assessments and property taxes

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners.

Upon the filing of certified adopted budgets by the Municipality, the Municipality's Local School, and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing municipalities for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A 54:4 et seq. Special taxing municipalities are permitted in New Jersey for various special services rendered to the properties located within the special municipalities.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due March 1 and May 1 of the succeeding fiscal year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent per annum on the first \$1,500 of the delinquency and eighteen percent per annum on any amount in excess of \$1,500. Pursuant to Chapter 75, PL 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent of the amount of the delinquency. These interest and penalties are the highest permitted under the New Jersey statutes. Delinquent taxes are annually included in a tax sale in accordance with New Jersey statutes.

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 4 - Long-term debt

The Local Bond Law of the State of New Jersey governs the authorization of debt by municipalities to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded. Bond anticipation notes may also be issued to temporarily finance capital projects for periods not greater than one year and may be reissued in yearly installments not to exceed ten years. All bonds and notes issued by the Municipality are general full faith and credit obligations.

Summary of municipal debt for the last 3 years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Issued			
General bonds	\$ 1,988,000	\$ 2,193,000	\$ 2,388,000
Notes	580,000	652,500	725,000
Authorized but not issued			
General			
Bonds and notes	<u>89,194</u>	<u>89,194</u>	<u>89,194</u>
Net bonds and notes issued and authorized but not issued	<u>\$ 2,657,194</u>	<u>\$ 2,934,694</u>	<u>\$ 3,202,194</u>

Summary of statutory debt condition - annual debt statement

The summarized Statement of Debt Condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.44%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local school district debt	\$ 1,310,000	\$ 1,310,000	\$ -
Regional school district debt	277,321	277,321	-
General debt	<u>2,657,194</u>	<u>-</u>	<u>2,657,194</u>
	<u>\$ 4,244,515</u>	<u>\$ 1,587,321</u>	<u>\$ 2,657,194</u>

Net debt \$2,657,194 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, \$608,051,915 equals 0.44%.

Borrowing power under N.J.S.A. 40A:2-6 as amended

3 1/2% of equalized valuation basis (municipal)	\$ 21,281,817
Net debt	<u>2,657,194</u>
Remaining borrowing power	<u>\$ 18,624,623</u>

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 4 - Long-term debt (continued)  
Changes in long-term debt

During the years ended December 31, 2017 and 2016, the following changes occurred in long-term debt.

	<u>Balance 01/01/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/16</u>
Issued debt				
General				
Bonds	\$ 2,388,000	\$ -	\$ 195,000	\$ 2,193,000
Notes	725,000	-	72,500	652,500
Authorized but not issued debt				
General				
Bonds and notes	89,194	-	-	89,194
Total	<u>\$ 3,202,194</u>	<u>\$ -</u>	<u>\$ 267,500</u>	<u>\$ 2,934,694</u>

	<u>Balance 01/01/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/17</u>
Issued debt				
General				
Bonds	\$ 2,193,000	\$ -	\$ 205,000	\$ 1,988,000
Notes	652,500	-	72,500	580,000
Authorized but not issued debt				
General				
Bonds and notes	89,194	-	-	89,194
Total	<u>\$ 2,934,694</u>	<u>\$ -</u>	<u>\$ 277,500</u>	<u>\$ 2,657,194</u>

General Obligation Bonds - General obligation bonds at December 31, with their outstanding balances are comprised of the following individual issues:

\$1,263,000 - 2004 general obligation bonds due in annual installments of \$60,000 to \$108,000 beginning September 1, 2005 through September 1, 2019, interest at 3.70% to 4.00%. \$ 213,000

\$2,375,000 - 2011 general obligation bonds due in annual installments of \$100,000 to \$200,000 beginning February 1, 2012 through February 1, 2027, interest at 2.00% to 4.00%. 1,775,000

Total \$ 1,988,000

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 4 - Long-term debt (continued)  
Changes in long-term debt (continued)  
Schedule of annual debt service for principal and interest for outstanding bonds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 205,000	\$ 70,415	\$ 275,415
2019	208,000	63,320	271,320
2020	200,000	54,500	254,500
2021	200,000	48,250	248,250
2022	200,000	41,500	241,500
2023 - 2027	975,000	95,000	1,070,000
Total	<u>\$ 1,988,000</u>	<u>\$ 372,985</u>	<u>\$ 2,360,985</u>

Note 5 - Short-term debt - bond anticipation notes  
The Municipality has outstanding bond anticipation notes at December 31, 2017 in the amount of \$580,000. These notes have a term from September 21, 2017 to September 22, 2018, with an interest rate of 1.62% payable at maturity. Principal and interest on the notes is paid from the Current Fund budget. The notes were issued in the amount of \$506,400 for Ordinance #18-08-15 Acquisition of Road Maintenance Equipment and in the amount of \$73,600 for Ordinance #18-09-15 Renovations to the Municipal Building.

Note 6 - School taxes  
Local Municipality Tax and Regional High School Tax have been raised and liabilities deferred by statute, resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

	<u>Local District School Tax</u>		<u>Regional High School Tax</u>	
	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/17</u>	<u>12/31/16</u>
Balance of tax	\$ 2,703,494	\$ 2,654,468	\$ 1,894,155	\$ 1,920,660
Deferred	<u>1,750,006</u>	<u>1,544,612</u>	<u>1,136,495</u>	<u>1,037,157</u>
Tax payable (prepaid)	<u>\$ 983,488</u>	<u>\$ 1,109,856</u>	<u>\$ 757,660</u>	<u>\$ 883,503</u>

Note 7 - Taxes collected in advance  
Taxes collected in advance, include discounts allowed for prepayments and the amount set forth as cash liabilities in the financial statements as follows:

	<u>Balance</u>	<u>Balance</u>
	<u>12/31/17</u>	<u>12/31/16</u>
Prepaid taxes	\$ 508,539	\$ 141,888
Less: discount allowed	-	-
Cash liability for taxes collected in advance	<u>\$ 508,539</u>	<u>\$ 141,888</u>

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 8 - Pensions

Employees who are eligible for a pension plan, are enrolled in one of three pension systems administered by the Division of Pensions, Treasury Department of the State of New Jersey. The three State-administered plans are:

- (1) The Public Employees' Retirement System
- (2) Defined Contribution Retirement Program
- (3) The Police and Firemen's Retirement System

Public employees' retirement system

Plan description

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

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

The following represents the Membership Tiers for PERS:

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



**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 8 - Pensions (continued)  
Public employees' retirement system (continued)  
Plan description (continued)

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

Allocation methodology

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages for each group as of June 30, 2017, are based on the ratio of each employer's contributions to the total employer contributions of the group for the State fiscal year ended June 30, 2017.

Contributions

The contribution policy for PERS is set by N.J.S.A 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for non-contributory group insurance benefits is based on actual claims paid. For State fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, PL 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The Actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15-years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

The contribution rate was 7.20% effective July 1, 2016 and will increase annually on July 1st until eventually reaching 7.50% of base salary effective July 1, 2018.

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 8 - Pensions (continued)  
Public employees' retirement system (continued)  
Collective net pension liability and actuarial information  
Components of net pension liability

The components of the Municipality's allocable share of the net pension liability for PERS as of June 30, 2017 and 2016 are as follows:

	2017	2016
Total pension liability	\$ 4,636,812	\$ 5,509,467
Plan fiduciary net position	2,230,304	2,211,324
Net pension liability	\$ 2,406,508	\$ 3,298,143
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%

Actuarial assumptions

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

Inflation	2.25%
Salary increases (based on age)	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Investment rate of return	7.00%

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

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 8 - Pensions (continued)

Public employees' retirement system (continued)

Collective net pension liability and actuarial information (continued)

Actuarial assumptions (continued)

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

Long-term expected rate of return

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

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

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 8 - Pensions (continued)  
Public employees' retirement system (continued)  
Collective net pension liability and actuarial information (continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% 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 rate in the most recent state fiscal year.

The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plans fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Municipality's proportionate share of the collective net pension liability of as of June 30, 2017 and 2016 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>Municipality's proportionate share of the net pension liability</u>	<u>2017</u>
At current discount rate (5.00%)	\$ 2,406,508
At a 1% lower rate (4.00%)	2,985,436
At a 1% higher rate (6.00%)	1,924,189
 <u>Municipality's proportionate share of the net pension liability</u>	 <u>2016</u>
At current discount rate (3.98%)	\$ 3,298,143
At a 1% lower rate (2.98%)	4,041,489
At a 1% higher rate (4.98%)	2,684,446

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 8 - Pensions (continued)

Public employees' retirement system (continued)

Collective deferred outflows of resources and deferred inflows of resources

At June 30, 2017, the Municipality reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,665	\$ -
Changes of assumptions	484,828	483,051
Net difference between projected and actual earnings on pension plan investments	16,387	-
Changes in proportion and differences between Municipal contributions and proportionate share of contributions	55,236	155,528
Total	<u>\$ 613,116</u>	<u>\$ 638,579</u>

At June 30, 2016, the Municipality reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 61,335	\$ -
Changes of assumptions	683,199	-
Net difference between projected and actual earnings on pension plan investments	125,761	-
Changes in proportion and differences between Municipal contributions and proportionate share of contributions	71,924	18,189
Total	<u>\$ 942,219</u>	<u>\$ 18,189</u>

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 8 - Pensions (continued)

Collective net pension liability and actuarial information (continued)

Collective deferred outflows of resources and deferred inflows of resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2017 and 2016:

<u>June 30, 2017</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Deferred outflows of resources				
Differences between expected and actual experience	\$ 56,940	\$ 17,573	\$ 17,848	\$ 56,665
Changes of assumptions	634,241	-	149,413	484,828
Differences between projected and actual earnings on pension plan investments	116,750	(103,149)	(2,786)	16,387
Deferred inflows of resources				
Changes of assumptions	-	(590,875)	(107,824)	(483,051)
Net changes in deferred outflows (inflows) of resources	<u>\$ 807,931</u>	<u>\$ (676,451)</u>	<u>\$ 56,651</u>	<u>\$ 74,829</u>
<u>June 30, 2016</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Deferred outflows of resources				
Differences between expected and actual experience	\$ 59,635	\$ 17,471	\$ 15,771	\$ 61,335
Changes of assumptions	268,458	575,688	160,947	683,199
Differences between projected and actual earnings on pension plan investments	(40,192)	185,174	19,221	125,761
Net changes in deferred outflows (inflows) of resources	<u>\$ 287,901</u>	<u>\$ 778,333</u>	<u>\$ 195,939</u>	<u>\$ 870,295</u>

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 8 - Pensions (continued)

Collective net pension liability and actuarial information (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from the Municipality's contributions subsequent to the measurement date, and deferrals from change on proportion) will be recognized in pension expense as follows:

December 31, 2017		December 31, 2016	
Year Ending June 30,		Year Ending June 30,	
2018	\$ 56,652	2017	\$ 195,939
2019	85,489	2018	195,939
2020	51,802	2019	227,002
2021	(68,896)	2020	190,715
2022	(50,218)	2021	60,700
Total	\$ 74,829	Total	\$ 870,295

Pension expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the Municipality for the year ending June 30, 2017 and 2016 are as follows:

	2017	2016
Service cost	\$ 112,246	\$ 107,636
Interest on total pension liability	203,686	235,010
Member contributions	(53,394)	(55,788)
Administrative expense	1,397	1,781
Expected investment return net of investment expense	(145,430)	(169,346)
Pension expense related to specific liabilities of individual employers	(1,579)	(351)
Amortization of assumptions in changes or inputs	17,848	15,771
Amortization of expected versus actual experience	41,590	160,947
Amortization of projected versus actual investment earnings on pension plan investments	(2,787)	19,221
Pension expense	\$ 173,577	\$ 314,881

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 8 - Pensions (continued)

Defined contribution retirement program

The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch. 92, PL 2007 and expanded under the provisions of Ch. 89, PL 2008 and Ch. 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the PERS who do not earn the minimum salary (\$8,300 for 2017) but who earn salary of at least \$5,000 annually are eligible to participate. The program administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program website: [www.prudential.com/njdcrp](http://www.prudential.com/njdcrp). For the year ending December 31, 2017 and 2016, the Municipality contributed \$2,295 and \$2,404 respectively.

Note 9 - Post-retirement benefits

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

*Participation* - The Municipality has elected not to participate in the SHBP as a post-retirement benefit.

Note 10 - Accrued sick and vacation benefits

The Municipality has permitted certain employees to accrue unused sick pay which may be taken off as time or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits have not been accrued by either charge to operations or to budgets of prior years. At December 31, 2017 and 2016, we have estimated this liability to be approximately \$122,221 and \$137,935, respectively. This amount is not reported either as an expenditure or liability due to the likelihood of all employees terminating in one fiscal year being improbable. The policy of not reflecting the accrued benefit in the financial statements is not in agreement with GASB but is in accordance with reporting procedures promulgated by the State of New Jersey.



**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 11 - Fixed assets

The following schedule is a summarization of the changes in general fixed assets for the years ended December 31, 2017 and 2016:

	Balance 01/01/16	Additions	Deletions	Balance 12/31/16
Land	\$ 3,888,498	\$ -	\$ -	\$ 3,888,498
Land improvement	25,405	44,957	-	70,362
Building & building improvements	2,852,496	-	-	2,852,496
Furniture, machinery & equipment	628,951	23,502	29,584	622,869
Vehicles	948,372	96,153	-	1,044,525
Construction in progress	76,870	14,605	44,957	46,518
<b>Total</b>	<b>\$ 8,420,592</b>	<b>\$ 179,217</b>	<b>\$ 74,751</b>	<b>\$ 8,525,268</b>
	Balance 01/01/17	Additions	Deletions	Balance 12/31/17
Land	\$ 3,888,498	\$ 41,790	\$ -	\$ 3,930,288
Land improvement	70,362	-	-	70,362
Building & building improvements	2,852,496	60,470	-	2,912,966
Furniture, machinery & equipment	622,869	-	180,668	442,201
Vehicles	1,044,525	5,898	-	1,050,423
Construction in progress	46,518	-	46,518	-
<b>Total</b>	<b>\$ 8,525,268</b>	<b>\$ 108,158</b>	<b>\$ 227,186</b>	<b>\$ 8,406,240</b>

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 12 - Interfunds receivable and payable

The following Interfund balances remained on the various balance sheets of the Municipality as of December 31, 2017 and 2016:

<u>December 31, 2017</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund		
Animal Control Fund	\$ 34	\$ -
Open Space, Recreation, and Farmland and Historic Preservation Trust Fund		264
Other Trust Funds	-	1,116
Animal Control Fund Current Fund	-	34
Open Space, Recreation, and Farmland and Historic Preservation Trust Fund Current Fund	264	-
Other Trust Funds Current Fund	1,116	-
	<u>\$ 1,414</u>	<u>\$ 1,414</u>
<u>December 31, 2016</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund		
Animal Control Fund	\$ 9	\$ -
Federal and State Grant Fund	-	509
Open Space, Recreation, and Farmland and Historic Preservation Trust Fund		184,522
Other Trust Funds	-	1,116
Federal and State Grant Fund Current Fund	509	-
General Capital Fund	-	5,454
Animal Control Fund Current Fund	-	9
General Capital Fund Federal and State Grant Fund	5,454	-
Open Space, Recreation, and Farmland and Historic Preservation Trust Fund Current Fund	184,522	-
Other Trust Funds Current Fund	1,116	-
	<u>\$ 191,610</u>	<u>\$ 191,610</u>

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 12 - Interfunds receivable and payable (continued)

The balance due from the Animal Control Fund to the Current Fund of \$34 is interest earned due at year-end. The balance due from the Current Fund to the Open Space, Recreation, Farmland and Historic Preservation Trust Fund of \$264 represents the Municipal open space tax levy on added and omitted taxes that was not transferred to the Open Space Trust Fund at year-end. The balance due to the Other Trust Fund from the Current Fund of \$1,116 represents a trust fund that was received in the Current Fund.

All the Interfund balances are expected to be liquidated within one year.

Note 13 - Contingent liabilities

Litigation

The Municipality is involved with various litigation matters. It is believed that the outcome, or exposure to the Municipality from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Grantor agencies

Receipts and/or receivables from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

Note 14 - Risk management

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and liability insurance - The Municipality maintains commercial insurance coverage for property, liability, and surety bonds. Significant losses are covered by commercial insurance for all major programs and there have been no significant reductions in insurance coverage. Settlement amounts have not excess insurance coverage for the current or three prior years.

The Municipality is a member of the Statewide Insurance Fund (the "Fund"). The Fund is operated in accordance with regulations of the New Jersey Department of Banking and Insurance and the Division of Local Government Services of the Department of Community Affairs. The Fund was established for the purpose of providing low cost insurance coverage as well as providing stability in coverage. All members' contributions to the Fund are based on actuarial assumptions for claims paid as determined by the Fund's Actuary. The Commissioner of Banking and Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 14 - Risk management (continued)

The following coverages are offered by the Fund to its members:

- a) Workers' Compensation and Employers' Liability
- b) General Liability and Auto Liability
- c) Property Damage
- d) Boiler and Machinery
- e) Law Enforcement Liability
- f) Public Officials' Liability
- g) Employment Practice Liability
- h) Crime
- i) Umbrella Liability
- j) Environmental Impairment Liability
- k) Excess Liability
- l) Non-owned Aircraft Liability
- m) Cyber Liability

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

Year	Interest Earnings	Employee Deposit	Disbursement	Ending Balance
2017	\$ 98	\$ 1,581	\$ 177	\$ 19,008
2016	29	1,441	-	17,506
2015	23	1,418	-	16,036

Note 15 - Subsequent events

The Municipality has evaluated subsequent events through July 16, 2018, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

Note 16 - Deferred compensation plan

The Municipality has a deferred compensation plan available to employees. The plan has been established pursuant to Section 457 of the Internal Revenue Code and in accordance with applicable New Jersey Statutes and the New Jersey Administrative Code Section N.J.A.C. 5:37.

Under the arrangement, a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more investments permitted under state regulations. The Municipality's plan is administered by Equivest, which is audited by another public accounting firm. The plan is fully contributory, and the Municipality has no liabilities related to the plan.

**TOWNSHIP OF KINGWOOD**  
**Notes to the Financial Statements**

Note 17 - Length of service award program (unaudited)

During the year 1999, the voters of the Municipality approved the establishment of a Length of Service Award Program (LOSAP) Deferred Compensation Plan. The Program is a defined contribution program covering volunteers in the Township of Kingwood Fire Department and First Aid/Rescue Squad who have performed sufficient services to earn 60 “points” per calendar year as defined in an ordinance adopted by the Municipality Council on August 16, 1999 and approved by the voters of the Municipality by referendum at the general election on November 2, 1999. The establishment of this LOSAP complies with New Jersey Public Law 1997, Chapter 388. The balance is subject to the general creditors of the Municipality. Contributions by the Municipality for qualified participants were \$4,360 and \$3,270 for 2017 and 2016, respectively.

Note 18 - Union contracts

As of December 31, 2017, the Municipality’s employees are organized into one collective bargaining unit which is the Local Union 469 affiliated with the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America (the “Union”). The Union is the exclusive representative for all the members of the public works department excluding all managerial executives, confidential employees, professional employees, police, craftsmen, and supervisors. The term of the union contract was from January 1, 2014 to December 31, 2017.

Note 19 - Fund balances appropriated

Fund balances at December 31, 2017, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2018, were as follows:

Current Fund	\$ 624,430
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Note 20 - Lease obligations

At December 31, 2017, the Municipality has lease agreements for one operating lease for a photocopier. The future minimum rental payments under the operating lease agreement are as follows:

<u>Year Ending December 31,</u>				
2018	\$	778		
2019		778		
2020		778		
2021		389		
Total	\$	2,723		

**SUPPLEMENTARY SCHEDULES**

**TOWNSHIP OF KINGWOOD**

**COUNTY OF HUNTERDON**

**2017**

**CURRENT FUND**

**TOWNSHIP OF KINGWOOD**  
**Schedule of Current Fund Cash - Treasurer**

	Ref.	Regular Fund	Federal and State Grant Fund
Balance - December 31, 2016	A	\$ 3,187,974	\$ 28,183
Increased by receipts			
Non-budget revenue	A-2	\$ 13,022	\$ -
Interest on investments and deposits	A-2	22,246	-
Appropriation refunds	A-3	37,458	-
Appropriation reserve refunds	A-15	73	-
State of NJ - Veterans' & Senior Citizens' deductions	A-6	26,751	-
Taxes receivable	A-7	13,288,495	-
Tax title liens receivable	A-8	2,591	-
Revenue accounts receivable	A-9	545,571	-
Due from other trust funds	A-10	53	-
Due to general capital fund	A-13	776	-
Grants receivable	A-14	-	51,232
Prepaid taxes	A-17	508,539	-
Tax overpayments	A-18	10,051	-
Due to outside lien holders	A-22	86,497	-
Due from regular fund	A-25	-	509
Unappropriated reserves for grants	A-29	-	9,297
		14,542,123	61,038
		17,730,097	89,221

See independent auditors' report.



**TOWNSHIP OF KINGWOOD**  
**Schedule of Current Fund Cash - Treasurer (continued)**

	Ref.	Regular Fund	Federal and State Grant Fund
Decreased by disbursements			
Current year budget appropriations	A-3	\$ 2,084,902	\$ -
Prior year appropriation reserves	A-15	20,791	-
Due to grant fund	A-12	509	-
Due from/to general capital fund	A-13; A-30	110,100	5,454
Tax overpayments refunded	A-18	10,152	-
Local school tax payable	A-19	5,784,329	-
Regional high school tax payable	A-20	3,814,819	-
County taxes payable	A-21	2,261,861	-
Due to outside lien holders	A-22	85,683	-
Due to open space , recreation, and farmland and historic preservation trust	A-27	369,122	-
Appropriated reserves for state grants	A-28	-	59,458
		<u>\$14,542,268</u>	<u>\$ 64,912</u>
Balance - December 31, 2017	A	<u>\$ 3,187,829</u>	<u>\$ 24,309</u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Current Fund Cash and Reconciliation - Treasurer**  
**Per N.J.S.A. 40A:5-5**

	<u>Ref.</u>	<u>Regular Fund</u>	<u>Federal and State Grant Fund</u>
Balance - December 31, 2017	A-4	\$ 3,187,829	\$ 24,309
Increased by			
Receipts		2,343,468	-
		<u>5,531,297</u>	<u>24,309</u>
Decreased by			
Disbursements		2,394,535	634
		<u>2,394,535</u>	<u>634</u>
Balance - January 31, 2018		<u>\$ 3,136,762</u>	<u>\$ 23,675</u>
Cash reconciliation - January 31, 2018			
Balance per statement			
Fulton Bank of New Jersey		\$ 3,170,965	\$ 23,696
Add: deposit-in-transit		284	-
		<u>3,171,249</u>	<u>23,696</u>
Less: outstanding checks		34,487	21
		<u>34,487</u>	<u>21</u>
Book balance		<u>\$ 3,136,762</u>	<u>\$ 23,675</u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Due to State of New Jersey**  
**Veterans' and Senior Citizens' Deductions**

	<u>Ref.</u>		
Balance - December 31, 2016	A		\$ 3,100
Increased by			
Receipts	A-4	\$ 26,751	
Prior year Senior Citizen deductions disallowed by collector	A-1	<u>500</u>	
			<u>27,251</u>
			30,351
Decreased by			
Veterans' deductions per tax billings		23,757	
Senior Citizens' deductions per tax billings		<u>5,250</u>	
	A-7		<u>29,007</u>
Balance - December 31, 2017	A		<u><u>\$ 1,344</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Taxes Receivable and Analysis of Property Tax Levy**

Year	Balance	2017	Added	Collected		Transferred	Veterans'	Tax	Cancellations	Balance
	12/31/16	Levy	2017	2016	2017	to Tax Title Liens	& Senior Citizens' Deductions	Overpayment Applied		12/31/17
Prior	\$ 500	\$ -	\$ -	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ -
2015	2,789	-	-	-	2,539	-	-	-	-	250
2016	329,886	-	500	-	329,560	826	-	-	-	-
2017	-	13,532,823	-	141,888	12,955,896	16,731	29,007	1,769	26,384	361,148
	<u>\$ 333,175</u>	<u>\$ 13,532,823</u>	<u>\$ 500</u>	<u>\$141,888</u>	<u>\$ 13,288,495</u>	<u>\$ 17,557</u>	<u>\$ 29,007</u>	<u>\$ 1,769</u>	<u>\$ 26,384</u>	<u>\$ 361,398</u>
<u>Ref.</u>	A	Reserve	Reserve	A-17	A-4	A-8	A-6	A-18	Reserve	A

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Taxes Receivable and Analysis of Property Tax Levy (continued)**

	<u>Ref.</u>		
Analysis of 2017 property tax			
Tax yield			
General purpose tax			\$ 13,513,739
Added and omitted taxes			<u>19,084</u>
	A-7		<u><u>\$ 13,532,823</u></u>
Local district school tax	A-2;A-19		\$ 5,833,355
Regional district school tax	A-2;A-20		3,788,314
County tax			
Regular county tax		\$ 1,885,588	
County library tax		188,765	
County open space tax		183,590	
County share of added and omitted taxes		<u>3,221</u>	
Total county taxes	A-2;A-21		2,261,164
Municipal open space tax		184,600	
Municipal open space share of added and Omitted taxes		<u>264</u>	
Total municipal open space tax	A-2;A-27		184,864
Municipal purpose tax	A-2	1,446,531	
Additional tax levied		<u>18,595</u>	
Total municipal purpose tax			<u>1,465,126</u>
Total	A-7		<u><u>\$ 13,532,823</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Tax Title Liens Receivable**

	<u>Ref.</u>	
Balance - December 31, 2016	A	\$ 93,243
Increased by		
Transferred from taxes receivable	A-7	\$ 17,557
Interest and costs on tax sale	Reserve	<u>304</u>
		<u>17,861</u>
		111,104
Decreased by		
Receipts	A-4	<u>2,591</u>
Balance - December 31, 2017	A	<u><u>\$ 108,513</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Revenue Accounts Receivable**

	<u>Ref.</u>	<u>Balance 12/31/16</u>	<u>Accrued in 2017</u>	<u>Collected Treasurer</u>	<u>Balance 12/31/17</u>
Alcoholic beverage licenses	A-2	\$ -	\$ 12,800	\$ 12,800	\$ -
Fees and permits	A-2	-	26,551	26,551	-
Municipal court	A-2	1,347	20,514	20,122	1,739
Shared municipal court costs	A-2	-	28,468	28,468	-
Interest and cost on taxes	A-2	-	71,304	71,304	-
Energy receipts tax	A-2	-	286,184	286,184	-
Garden State preservation trust fund	A-2	-	42,461	42,461	-
Uniform construction code fees	A-2	-	52,352	52,352	-
Cable TV franchise fee	A-2	-	11,023	11,023	-
		<u>\$ 1,347</u>	<u>\$ 551,657</u>	<u>\$ 551,265</u>	<u>\$ 1,739</u>
	<u>Ref.</u>	<u>A</u>	<u>Reserve</u>	<u>Below</u>	<u>A</u>
Receipts	A-4			\$ 545,571	
Add: prepaid revenue applied	A-24			<u>5,694</u>	
				<u>\$ 551,265</u>	

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Due to Other Trust Funds**

	<u>Ref.</u>	
Balance - December 31, 2016	A	\$ 1,116
Increased by		
Receipts	A-4	<u>53</u>
		1,169
Decreased by		
Interest on investments	A-2	<u>53</u>
Balance - December 31, 2017	A	<u><u>\$ 1,116</u></u>

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**TOWNSHIP OF KINGWOOD**  
**Schedule of Due From Animal Control Fund**

	<u>Ref.</u>	
Balance - December 31, 2016	A	\$ 9
Increased by		
Interest on investments	A-2	<u>25</u>
Balance - December 31, 2017	A	<u><u>\$ 34</u></u>

See independent auditors' report.



**TOWNSHIP OF KINGWOOD**  
**Schedule of Due to Federal and State Grant Fund**

	<u>Ref.</u>	
Balance - December 31, 2016	A	\$ 509
Decreased by		
Disbursements	A-4	<u>509</u>
Balance - December 31, 2017	A	<u><u>\$ -</u></u>

**TOWNSHIP OF KINGWOOD**  
**Schedule of Due from General Capital Fund**

	<u>Ref.</u>	
Balance - December 31, 2016	A	\$ -
Increased by		
Interest on investments	A-2	\$ 776
Disbursements	A-4	<u>110,100</u>
		<u>110,876</u>
		110,876
Decreased by		
Budget appropriations	A-3	110,100
Receipts	A-4	<u>776</u>
		<u>110,876</u>
Balance - December 31, 2017	A	<u><u>\$ -</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Grants Receivable**

Grant	Balance 12/31/16	Revenue in 2017	Received	Balance 12/31/17
FEMA Hazard mitigation grant program	\$ 20,825	\$ -	\$ -	\$ 20,825
Statewide insurance safety grant	-	982	-	982
NJ Department of environmental protection - recreation trails program	3,767	-	3,767	-
NJ State TDR bank board Planning assistance grant	40,000		20,000	20,000
DEP Clean communities program	-	17,846	17,846	-
Recycling tonnage grant	-	9,619	9,619	-
	<u>\$ 64,592</u>	<u>\$ 28,447</u>	<u>\$ 51,232</u>	<u>\$ 41,807</u>
<u>Ref.</u>	A	A-2	A-4	A

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Appropriation Reserves**  
**For the Year Ended December 31, 2017**

	Balance 12/31/16	Balance After Transfer	Expended	Balance Lapsed	Over Expended
Mayor and council					
Other expenses	\$ 869	\$ 869	\$ -	\$ 869	\$ -
Municipal clerk					
Salaries and wages	4,389	4,389	-	4,389	-
Other expenses	14,426	11,426	181	11,245	-
Elections	1,084	1,084	-	1,084	-
Codification of ordinances	2,215	2,215	-	2,215	-
Financial administration					
Salaries and wages	1,948	1,948	-	1,948	-
Other expenses	6,356	6,773	1,546	5,227	-
Revenue administration					
Other expenses	1,634	1,634	-	1,634	-
Assessment of taxes					
Other expenses	504	504	-	504	-
Maintenance of tax map	3,500	3,500	-	3,500	-
Agriculture advisory committee					
Other expenses	400	400	-	400	-
Legal services & costs					
Other expenses	3,309	12,685	6,117	6,568	-
Municipal prosecutor					
Salaries and wages	3,089	3,089	-	3,089	-
Engineering services					
Other expenses	6,493	6,493	-	6,493	-
Planning board					
Other expenses	3,671	13,671	13,248	423	-
Zoning official					
Salaries & wages	1,572	1,572	-	1,572	-
Other expenses	27	27	-	27	-
Zoning board					
Salaries & wages	140	140	-	140	-
Other expenses	4,051	4,387	460	3,927	-
Industrial commission					
Other expenses	100	100	-	100	-
Construction official					
Salaries and wages	42	42	-	42	-
Other expenses	4,124	4,124	70	4,054	-

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Appropriation Reserves (continued)**  
**For the Year Ended December 31, 2017**

	<u>Balance</u> 12/31/16	<u>Balance After</u> <u>Transfer</u>	<u>Expended</u>	<u>Balance</u> <u>Lapsed</u>	<u>Over</u> <u>Expended</u>
Office of emergency management					
Salaries and wages	\$ 258	\$ 258	\$ -	\$ 258	\$ -
Other expenses	876	876	-	876	-
Other code enforcement officials					
Salaries and wages	2,968	2,968	-	2,968	-
Insurance					
Employee group insurance	161	161	-	161	-
Road repair and maintenance					
Salaries and wages	43,008	43,008	-	43,008	-
Other expenses	2,453	3,731	(1,826)	5,557	-
Snow removal					
Salaries and wages	6,911	6,911	-	6,911	-
Other expenses	9	9	-	9	-
Solid waste collection					
Other expenses	746	947	201	746	-
Recycling					
Other expenses	1,305	1,305	-	1,305	-
Gypsy moth program					
Other expenses	90	90	-	90	-
Public buildings and grounds					
Other expenses	11,532	12,328	5,925	6,403	-
Vehicle maintenance					
Other expenses	32	32	-	32	-
Board of health					
Other expenses	3,669	3,669	-	3,669	-
Animal control					
Other expenses	4,228	4,228	-	4,228	-
Environmental commission					
Other expenses	603	620	17	603	-
Recreation services and programs					
Other expenses	485	485	-	485	-
Maintenance of parks					
Other expenses	90	990	900	90	-
Office of local historian					
Other expenses	500	500	-	500	-
Interest on tax appeals					
Other expenses	100	100	-	100	-

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Appropriation Reserves (continued)**  
**For the Year Ended December 31, 2017**

	<u>Balance</u> <u>12/31/16</u>	<u>Balance After</u> <u>Transfer</u>	<u>Expended</u>	<u>Balance</u> <u>Lapsed</u>	<u>Over</u> <u>Expended</u>
Utilities					
Gasoline & diesel fuel	\$ 2,491	\$ 2,491	\$ -	\$ 2,491	\$ -
Electricity	4,668	5,540	1,033	4,507	-
Telephone	2,187	2,187	-	2,187	-
Street lighting	2,532	2,532	504	2,028	-
Fuel oil	17,449	18,143	693	17,450	-
Natural gas	5,485	5,485	-	5,485	-
Municipal court					
Salaries and wages	821	821	-	821	-
Other expenses	414	551	44	507	-
Contingent	100	100	-	100	-
Contribution to					
Social Security system	5,934	5,934	(73)	6,007	-
Unemployment insurance	1,038	1,038	-	1,038	-
Defined contribution					
Retirement program	1,346	1,405	59	1,346	-
Fair share housing plan					
Salaries and wages	79	79	-	79	-
Other expenses	953	953	-	953	-
911 Coordinator					
Other expenses	10	10	-	10	-
	<u>\$ 189,474</u>	<u>\$ 211,557</u>	<u>\$ 29,099</u>	<u>\$ 182,458</u>	<u>\$ -</u>

<u>Ref.</u>	A	Below	Below	A-1
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Appropriation reserves	A-15	\$ 189,474
Encumbrances payable	A-16	22,083
		<u>\$ 211,557</u>

Disbursed	A-4	\$ 20,791
Accounts payable	A-26	8,381
Less refunds	A-4	<u>(73)</u>
		<u>\$ 29,099</u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Encumbrances**

	<u>Ref.</u>		
Balance - December 31, 2016	A	\$	25,852
Increased by			
Current year budget charges	A-3		<u>41,424</u>
			67,276
Decreased by			
Transferred to appropriation reserves	A-15	\$	22,083
Balance lapsed to fund balance	A-1		<u>3,769</u>
			<u>25,852</u>
Balance - December 31, 2017	A	\$	<u><u>41,424</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Prepaid Taxes**

	<u>Ref.</u>	
Balance - December 31, 2016	A	\$ 141,888
Increased by		
Collection of 2018 taxes	A-4	508,539
		<u>650,427</u>
Decreased by		
Applied to prior year taxes receivable	A-7	141,888
		<u>141,888</u>
Balance - December 31, 2017	A	<u>\$ 508,539</u>

A-18

**TOWNSHIP OF KINGWOOD**  
**Schedule of Tax Overpayments**

	<u>Ref.</u>		
Balance - December 31, 2016	A		\$ 7,398
Increased by			
Prior year refund - county tax board appeals	A-1	\$ 1,056	
Overpayment received	A-4	10,051	
		<u>11,107</u>	<u>18,505</u>
Decreased by			
Overpayments canceled	A-1	2,593	
Refunded	A-4	10,152	
Applied to taxes receivable	A-7	1,769	
		<u>14,514</u>	<u>14,514</u>
Balance - December 31, 2017	A		<u>\$ 3,991</u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Local School Tax Payable**

	<u>Ref.</u>		
Balance - December 31, 2016			
School tax payable	A	\$ 1,109,856	
School tax deferred (27.00%)		<u>1,544,612</u>	\$ 2,654,468
Increased by			
Levy - school year July 1, 2017 to June 30, 2018	A-7		<u>5,833,355</u>
			<u>8,487,823</u>
Decreased by			
Disbursements	A-4		<u>5,784,329</u>
Balance - December 31, 2017			
School tax payable	A	953,488	
School tax deferred (30.00%)		<u>1,750,006</u>	<u>\$ 2,703,494</u>
2017 Liability for Local School Tax			
Tax paid			\$ 5,784,329
Add: tax payable December 31, 2017			<u>953,488</u>
			6,737,817
Less: tax payable December 31, 2016			<u>1,109,856</u>
Amount charged to operations	A-1		<u>\$ 5,627,961</u>

See independent auditors' report.



**TOWNSHIP OF KINGWOOD**  
**Schedule of Regional High School Tax Payable**

	<u>Ref.</u>		
Balance - December 31, 2016			
School tax payable	A	\$ 883,503	
School tax deferred (27.00%)		<u>1,037,157</u>	
			\$ 1,920,660
Increased by			
Levy - school year July 1, 2017 to June 30, 2018	A-7		<u>3,788,314</u>
			<u>5,708,974</u>
Decreased by			
Disbursements	A-4		<u>3,814,819</u>
Balance - December 31, 2017			
School tax payable	A	757,660	
School tax deferred (30.00%)		<u>1,136,495</u>	
			<u>\$ 1,894,155</u>
2017 Liability for Regional High School Tax			
Tax paid			\$ 3,814,819
Add: tax payable December 31, 2017			<u>757,660</u>
			4,572,479
Less: tax payable December 31, 2016			<u>883,503</u>
Amount charged to operations	A-1		<u>\$ 3,688,976</u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of County Taxes Payable**

	<u>Ref.</u>	
Balance - December 31, 2016	A	\$ 3,918
Increased by		
2017 Levy county taxes		
Regular county tax	\$ 1,885,588	
County library tax	188,765	
County open space tax	183,590	
County share of added & omitted taxes	<u>3,221</u>	
	A-1;A-7	<u>2,261,164</u>
		<u>2,265,082</u>
Decreased by		
Disbursements	A-4	<u>2,261,861</u>
Balance - December 31, 2017	A	<u><u>\$ 3,221</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Due to Outside Lien Holders**

	<u>Ref.</u>	
Balance - December 31, 2016	A	\$ 166
Increased by		
Receipts	A-4	<u>86,497</u>
		86,663
Decreased by		
Disbursements	A-4	<u>85,683</u>
		85,683
Balance - December 31, 2017	A	<u><u>\$ 980</u></u>

A-23

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Preparation of Master Plan**

Balance - December 31, 2016	A	<u>\$ 9,600</u>
Balance - December 31, 2017	A	<u><u>\$ 9,600</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD  
Schedule of Prepaid Revenue**

	<u>Ref.</u>	
Balance - December 31, 2016	A	\$ 5,694
Decreased by		
Applied to current year revenue	A-9	<u>5,694</u>
Balance - December 31, 2017	A	<u><u>\$ -</u></u>

**TOWNSHIP OF KINGWOOD  
Schedule of Due from Regular Fund**

	<u>Ref.</u>	
Balance - December 31, 2016	A	\$ 509
Decreased by		
Receipts	A-4	<u>509</u>
Balance - December 31, 2017	A	<u><u>\$ -</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Accounts Payable**

	<u>Ref.</u>	
Balance - December 31, 2016	A	\$ -
Increased by		
Encumbrances transferred by council motion	A-15	<u>8,381</u>
Balance - December 31, 2017	A	<u><u>\$ 8,381</u></u>

**TOWNSHIP OF KINGWOOD**  
**Schedule of Due to Open Space, Recreation, and Farmland and Historic**  
**Preservation Trust Fund**

	<u>Ref.</u>	
Balance - December 31, 2016	A	\$ 184,522
Increased by		
Current year open space tax levy	A-1; A-7	<u>184,864</u>
		369,386
Decreased by		
Disbursements	A-4	<u>369,122</u>
Balance - December 31, 2017	A	<u><u>\$ 264</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Appropriated Reserves for Grants**

Grant	Balance 12/31/16	Transferred from 2017 Budget	Paid or Charged	Balance 12/31/17
ANJEC Smart growth planning program - matching funds	\$ 24	\$ -	\$ -	\$ 24
NJ DEP Recreation trails program	2	-	-	2
Washington Crossing Audubon Society - Polly Holden conservation fund	1,011	-	75	936
FEMA Hazard mitigation grant program	20,825	-	-	20,825
Clean communities program - 2015	4,962	-	4,962	-
Clean communities program - 2016	21,006	-	21,006	-
Clean communities program - 2017	-	17,846	4,697	13,149
Recycling tonnage grant 2017	-	9,619	8,465	1,154
Statewide insurance safety grant	-	982	913	69
NJ State TDR bank board planning assistance grant	40,000	-	19,340	20,660
	<u>\$ 87,830</u>	<u>\$ 28,447</u>	<u>\$ 59,458</u>	<u>\$ 56,819</u>
<u>Ref.</u>	A	A-3	A-4	A

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Unappropriated Reserves for Grants**

	<u>Ref.</u>	
Balance - December 31, 2016	A	\$ -
Increased by Receipts	A-4	<u>9,297</u>
Balance - December 31, 2017	A	<u><u>\$ 9,297</u></u>

**TOWNSHIP OF KINGWOOD**  
**Schedule of Due to General Capital Fund (Grant Fund)**

	<u>Ref.</u>	
Balance - December 31, 2016	A	\$ 5,454
Decreased by Disbursements	A-4	<u>5,454</u>
Balance - December 31, 2017	A	<u><u>\$ -</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**

**COUNTY OF HUNTERDON**

**2017**

**TRUST FUND**



**TOWNSHIP OF KINGWOOD**  
**Schedule of Trust Fund Cash - Treasurer**

	Ref.	Animal Control Fund	Other Trust Fund	Open Space, Recreation & Farmland and Historic Preservation Trust
Balance - December 31, 2016	B	\$ 5,428	\$ 782,839	\$ 691,947
Increased by receipts				
Animal control fund fees	B-3	\$ 15,567	\$ -	\$ -
Due to current fund	B-4	144	-	-
Due to State of New Jersey	B-5	1,568	-	-
Due from current fund	B-7; B-8	-	53	369,122
Reserve for				
recycling trust	B-10	-	311	-
COAH development fees	B-11	-	18,480	-
developer's deposits	B-12	-	1,212	-
unemployment compensation	B-13	-	1,679	-
special deposits	B-14	-	300	-
recreation commission	B-15	-	35,240	-
planning board escrow	B-16	-	26,000	-
board of adjustment escrow	B-17	-	10,182	-
Payroll withholdings payable	B-18	-	1,049,649	-
board of health	B-19	-	18,675	-
tax sale premium	B-20	-	10,700	-
security deposits	B-21	-	26	-
fees due to outside agencies	B-22	-	3,300	-
self insurance escrow	B-23	-	9,100	-
snow removal trust	B-24	-	22,000	-
open space funds	B-27	-	-	47,737
LOSAP	B-28	-	19,042	-
		<u>17,279</u>	<u>1,225,949</u>	<u>416,859</u>
		22,707	2,008,788	1,108,806

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Trust Fund Cash - Treasurer (continued)**

	Ref.	Animal Control Funds	Other Trust Funds	Open Space, Recreation & Farmland and Historic Preservation Trust
Decreased by disbursements				
Animal control fund	B-3	\$ 11,466	\$ -	\$ -
Due to current fund	B-4	119	-	-
Due to State of New Jersey	B-5	1,560	-	-
Due from current fund	B-7	-	53	-
Reserve for				
encumbrances	B-6; B-9	544	1,315	-
COAH development fees	B-11	-	2,985	-
developer's deposits	B-12	-	10,378	-
unemployment compensation	B-13	-	177	-
special deposits	B-14	-	700	-
recreation commission	B-15	-	28,659	-
planning board escrow	B-16	-	23,880	-
board of adjustment escrow	B-17	-	12,138	-
Payroll withholdings payable	B-18	-	1,049,538	-
board of health	B-19	-	14,387	-
tax sale premium	B-20	-	25,700	-
security deposits	B-21	-	26	-
fees due to outside agencies	B-22	-	1,875	-
self insurance escrow	B-23	-	8,392	-
snow removal trust	B-24	-	1,856	-
open space funds	B-27	-	-	228,904
LOSAP	B-28	-	12,463	-
		\$ 13,689	\$ 1,194,522	\$ 228,904
Balance - December 31, 2017	B;B-2	\$ 9,018	\$ 814,266	\$ 879,902

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Trust Fund Cash and Reconciliation - Treasurer**  
**Per N.J.S.A. 40A:5-5**

	Ref.	Animal Control Funds	Other Trust Funds	Open Space, Recreation & Farmland and Historic Preservation Trust
Balance - December 31, 2017	B-1	\$ 9,018	\$ 814,266	\$ 879,902
Increased by				
Receipts		4,458	151,601	-
		<u>13,476</u>	<u>965,867</u>	<u>879,902</u>
Decreased by				
Disbursements		366	121,022	131,750
		<u>366</u>	<u>121,022</u>	<u>131,750</u>
Balance - January 31, 2018		<u>\$ 13,110</u>	<u>\$ 844,845</u>	<u>\$ 748,152</u>
Cash reconciliation - January 31, 2018				
Balance per statement				
Fulton Bank		\$ 13,110	\$ 651,957	\$ 748,152
Unity Bank		-	102,980	-
Lincoln investments		-	99,322	-
		<u>13,110</u>	<u>854,259</u>	<u>748,152</u>
Add: deposits-in-transit		-	2,000	-
		<u>13,110</u>	<u>856,259</u>	<u>748,152</u>
Less: outstanding checks		-	11,414	-
		<u>13,110</u>	<u>844,845</u>	<u>748,152</u>
Book balance		<u>\$ 13,110</u>	<u>\$ 844,845</u>	<u>\$ 748,152</u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Animal Control Fund Expenditures**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 4,873
Increased by receipts		
Animal control fees	B-1	<u>15,567</u>
		20,440
Decreased by		
Expenditures	B-1	\$ 11,466
Funds encumbered	B-6	<u>45</u>
		<u>11,511</u>
Balance - December 31, 2017	B	<u><u>\$ 8,929</u></u>
Animal control fees for prior two years		
2015		\$ 12,350
2016		<u>12,475</u>
Maximum allowable reserve		<u><u>\$ 24,825</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Due to Current Fund**  
**Animal Control Fund**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 9
Increased by		
Receipts	B-1	144
		<u>153</u>
Decreased by		
Disbursements	B-1	119
		<u>119</u>
Balance - December 31, 2017	B	<u>\$ 34</u>

B-5

**TOWNSHIP OF KINGWOOD**  
**Schedule of Due from State of New Jersey**  
**Animal Control Fund**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 2
Increased by		
State fees remitted	B-1	1,568
		<u>1,570</u>
Decreased by		
State fees collected	B-1	1,560
		<u>1,560</u>
Balance - December 31, 2017	B	<u>\$ 10</u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Encumbrances**  
**Animal Control Fund**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 544
Increased by		
Current year encumbrances	B-3	45
		<u>589</u>
Decreased by		
Disbursements	B-1	544
		<u>544</u>
Balance - December 31, 2017	B	<u>\$ 45</u>

B-7

**TOWNSHIP OF KINGWOOD**  
**Schedule of Due from Current Fund**  
**Other Trust Fund**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 1,116
Increased by		
Disbursements	B-1	53
		<u>1,169</u>
Decreased by		
Interest on investments	B-1	53
		<u>53</u>
Balance - December 31, 2017	B	<u>\$ 1,116</u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Due from Current Fund**  
**Open Space, Recreation, and Farmland and Historic Preservation Trust Fund**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 184,522
Increased by		
Current year open space tax levy	B-27	184,864
		<u>369,386</u>
Decreased by		
Receipts	B-1	369,122
		<u>369,122</u>
Balance - December 31, 2017	B	<u>\$ 264</u>

B-9

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Encumbrances**  
**Other Trust Fund**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 4,574
Increased by		
Funds encumbered		
COAH development fees	B-11	\$ 1,973
Recreation commission	B-15	988
Planning board escrow	B-16	677
Board of health trust	B-19	9,000
Fees due to outside agencies	B-22	2,000
Self insurance escrow	B-23	122
		<u>14,760</u>
		<u>19,334</u>
Decreased by		
Disbursements	B-1	1,315
		<u>1,315</u>
Balance - December 31, 2017	B	<u>\$ 18,019</u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Recycling Trust**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 8,280
Increased by		
Deposits received	B-1	<u>311</u>
Balance - December 31, 2017	B	<u><u>\$ 8,591</u></u>

B-11

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for COAH Development Fees**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 93,123
Increased by		
Interest	B-1	\$ 540
Deposits	B-1	<u>17,940</u>
		<u>18,480</u>
		111,603
Increased by		
Disbursements	B-1	2,985
Funds encumbered	B-9	<u>1,973</u>
		<u>4,958</u>
Balance - December 31, 2017	B	<u><u>\$ 106,645</u></u>

See independent auditors' report.



**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Developers' Deposits**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 299,732
Increased by		
Interest retained in trust	B-1	1,212
		<u>300,944</u>
Decreased by		
Disbursements	B-1	10,378
		<u>10,378</u>
Balance - December 31, 2017	B	<u><u>\$ 290,566</u></u>

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Unemployment Compensation**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 17,506
Increased by		
Interest earned	B-1	\$ 98
Employee withholdings		
Receipts	B-1	1,581
		<u>1,679</u>
		<u>19,185</u>
Decreased by		
Disbursements	B-1	177
		<u>177</u>
Balance - December 31, 2017	B	<u><u>\$ 19,008</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Special Deposits**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 4,844
Increased by		
Receipts	B-1	<u>300</u> 5,144
Decreased by		
Disbursements	B-1	<u>700</u>
Balance - December 31, 2017	B	<u><u>\$ 4,444</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Recreation Commission**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 14,307
Increased by		
Deposits received	B-1	35,240
		<u>49,547</u>
Decreased by		
Disbursements	B-1	\$ 28,659
Recreation commission	B-9	988
		<u>29,647</u>
Balance - December 31, 2017	B	<u><u>\$ 19,900</u></u>

B-16

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Planning Board Escrow**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 66,317
Increased by		
Deposits received	B-1	26,000
		<u>92,317</u>
Decreased by		
Disbursements	B-1	\$ 23,880
Funds encumbered	B-9	677
		<u>24,557</u>
Balance - December 31, 2017	B	<u><u>\$ 67,760</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Board of Adjustment Escrow**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 6,658
Increased by		
Deposits received	B-1	<u>10,182</u>
		16,840
Decreased by		
Disbursements	B-1	<u>12,138</u>
Balance - December 31, 2017	B	<u><u>\$ 4,702</u></u>

B-18

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve For Payroll Withholdings Payable**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 5,456
Increased by		
Employee withholdings	B-1	<u>1,049,649</u>
		1,055,105
Decreased by		
Disbursements	B-1	<u>1,049,538</u>
Balance - December 31, 2017	B	<u><u>\$ 5,567</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Board of Health**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 40,171
Increased by		
Deposits received	B-1	18,675
		<u>58,846</u>
Decreased by		
Disbursements	B-1	\$ 14,387
Funds encumbered	B-9	9,000
		<u>23,387</u>
Balance - December 31, 2017	B	<u><u>\$ 35,459</u></u>

B-20

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Tax Sale Premiums**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 66,300
Increased by		
Premiums received	B-1	10,700
		<u>77,000</u>
Decreased by		
Disbursements	B-1	25,700
		<u>51,300</u>
Balance - December 31, 2017	B	<u><u>\$ 51,300</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Security Deposits & Aquifer/Hydrogeological Escrow**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 5,429
Increased by		
Receipts	B-1	26
		<u>5,455</u>
Decreased by		
Disbursements	B-1	26
		<u>26</u>
Balance - December 31, 2017	B	<u><u>\$ 5,429</u></u>

B-22

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Fees Due to Outside Agencies**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 6,775
Increased by		
Receipts	B-1	3,300
		<u>10,075</u>
Decreased by		
Disbursements	B-1	\$ 1,875
Funds encumbered	B-9	<u>2,000</u>
		<u>3,875</u>
Balance - December 31, 2017	B	<u><u>\$ 6,200</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Self Insurance Escrow**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 18,512
Increased by		
Receipts from current fund for current year budget appropriation	B-1	9,100
		<u>27,612</u>
Decreased by		
Disbursements	B-1	\$ 8,392
Funds encumbered	B-9	<u>122</u>
		<u>8,514</u>
Balance - December 31, 2017	B	<u>\$ 19,098</u>

B-24

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Snow Removal Trust**

	<u>Ref.</u>	
Balance - December 31, 2016	B	\$ 31,511
Increased by		
Receipts from current fund for current year budget appropriation	B-1	22,000
		<u>53,511</u>
Decreased by		
Disbursements	B-1	<u>1,856</u>
Balance - December 31, 2017	B	<u>\$ 51,655</u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Accumulated Absences Trust**

	<u>Ref.</u>	
Balance - December 31, 2016	B	<u>\$ 600</u>
Balance - December 31, 2017	B	<u><u>\$ 600</u></u>

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Green Team Fund Trust**

	<u>Ref.</u>	
Balance - December 31, 2016	B	<u>\$ 1,117</u>
Balance - December 31, 2017	B	<u><u>\$ 1,117</u></u>

See independent auditors' report.



**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Open Space Funds**

	<u>Ref.</u>		
Balance - December 31, 2016	B		\$ 876,469
Increased by			
Current year open space tax levy	B-8	\$ 184,864	
Proceeds from sale of property due to county	B-1	44,127	
Interest on investments	B-1	<u>3,610</u>	
			<u>232,601</u>
			1,109,070
Decreased by			
Disbursements	B-1		<u>228,904</u>
Balance - December 31, 2017	B		<u>\$ 880,166</u>

B-28

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for LOSAP (unaudited)**

	<u>Ref.</u>		
Balance - December 31, 2016	B		\$ 92,743
Increased by			
Municipal contributions	B-1	\$ 4,360	
Appreciation of assets	B-1	<u>14,682</u>	
			<u>19,042</u>
			111,785
Decreased by			
Service fees	B-1	700	
Withdrawals	B-1	<u>11,763</u>	
			<u>12,463</u>
Balance - December 31, 2017	B		<u>\$ 99,322</u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**

**COUNTY OF HUNTERDON**

**2017**

**GENERAL CAPITAL FUND**

**TOWNSHIP OF KINGWOOD**  
**Schedule of General Capital Fund Cash - Treasurer**  
**General Capital Fund**

	<u>Ref.</u>		
Balance - December 31, 2016	C		\$ 450,278
Increased by receipts			
Due to current fund	C-6	\$ 110,876	
Due from federal and state grant fund	C-5	5,454	
	C-4	<u>          </u>	<u>116,330</u>
			566,608
Decreased by disbursements			
Due from current fund	C-6	776	
Reserve for encumbrances	C-12	30,450	
Improvement authorizations expended	C-10	<u>193,603</u>	
	C-4		<u>224,829</u>
Balance - December 31, 2017	C; C-3		<u><u>\$ 341,779</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of General Capital Fund Cash and Reconciliation - Treasurer**  
**Per N.J.S.A. 40A:5-5**

Balance - December 31, 2017	Ref.	
	C-2	\$ 341,779
Balance - January 31, 2018		\$ 341,779
Cash reconciliation - January 31, 2018		
Balance per statement		
Fulton Bank of New Jersey		\$ 341,779
Less: outstanding checks		-
Book balance		\$ 341,779

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Cash Activity**

Description	Balance 12/31/16	Receipts	Disbursements	Transfers (From) To	Balance 12/31/17
Fund balance	\$ 72,149	\$ -	\$ -	\$ -	\$ 72,149
Capital improvement fund	164,534	-	-	(58,500)	106,034
Due to/from current fund	-	110,876	776	(110,100)	-
Due to/from federal and state grant fund	(5,454)	5,454	-	-	-
Reserve for					
Encumbrances	37,492	-	30,450	(7,042)	-
Contributions from developers	10,000	-	-	-	10,000
Preliminary plan expenses	-	-	-	16,000	16,000
Purchase of municipal equipment	60,015	-	-	(23,100)	36,915
Municipal building renovations	473	-	-	100	573
Improvement authorizations					
Reconstruction of Oak Grove Road	(10,285)	-	-	-	(10,285)
Acquisition and preservation of open space	79,397	-	-	-	79,397
Equipment for office of emergency management	-	-	-	5,822	5,822
Installation of solar panels	(72,894)	-	-	-	(72,894)
Tumble Falls Road	(6,015)	-	-	-	(6,015)
Acquisition of various road maintenance equipment	33,207	-	-	-	33,207
Municipal building renovations	41,661	-	4,304	1,220	38,577
Resurfacing of roads	1,017	-	-	-	1,017
One all-terrain vehicle	5,198	-	87	-	5,111
Reconstruction of Spring Hill Road Section III	39,783	-	82,826	-	(43,043)
Resurfacing of roads	-	-	70,000	70,000	-
Purchase of a cross conveyor spreader	-	-	6,007	6,100	93
Reconstruction of Ridge Road	-	-	249	22,000	21,751
A 16x50 addition to existing Morton building at Horseshoe Bend	-	-	15,465	15,500	35
& rebuilding of main deck at park house	-	-	14,665	15,000	335
Purchase of a 2017 F-350 XL 4x4 SD super cab	-	-	-	47,000	47,000
<b>Total</b>	<b>\$ 450,278</b>	<b>\$ 116,330</b>	<b>\$ 224,829</b>	<b>\$ -</b>	<b>\$ 341,779</b>
<u>Ref.</u>	C	C-2	C-2		C

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Due from Federal and State Grant Fund**

	<u>Ref.</u>	
Balance - December 31, 2016	C	\$ 5,454
Decreased by		
Receipts	C-2	<u>5,454</u>
Balance - December 31, 2017	C	<u><u>\$ -</u></u>

**TOWNSHIP OF KINGWOOD**  
**Schedule of Due to Current Fund**

	<u>Ref.</u>		
Balance - December 31, 2016	C		\$ -
Increased by			
Interest earned		\$ 776	
Receipts		<u>110,100</u>	
	C-2		<u>110,876</u>
			110,876
Decreased by			
Disbursements	C-2	776	
Budget appropriations			
Capital improvement fund	C-11	80,000	
Reserve for purchase of municipal equipment	C-14	30,000	
Reserve for municipal building renovations	C-16	<u>100</u>	
			<u>110,876</u>
Balance - December 31, 2017	C		<u><u>\$ -</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of State Grants Receivable**

	Ref.	
Balance - December 31, 2016	C	\$ 125,000
Increased by		
Appropriated to finance improvement authorizations	C-10	200,000
Balance - December 31, 2017	C	\$ 325,000
Detail of state grants receivable December 31, 2017		
NJ D.O.T. Aid for Spring Hill Road III		\$ 125,000
NJ D.O.T. Aid for Ridge Road		200,000
		\$ 325,000

**TOWNSHIP OF KINGWOOD**  
**Schedule of Deferred Charges to Future Taxation - Funded**

	Ref.	
Balance - December 31, 2016	C	\$ 2,193,000
Decreased by		
Current year budget appropriation to pay bonds	C-17	205,000
Balance - December 31, 2017	C	\$ 1,988,000

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Deferred Charges to Future Taxation - Unfunded**

Improvement Description	Balance 12/31/16	2017 Authorization	2017 Note Payments	Transferred to Deferred Taxation - Funded	Balance 12/31/17	Analysis of Balance 12/31/17		
						Expenditures	Unexpended Improvement Authorizations	Bond Anticipation Notes
Reconstruction of Oak Grove Road	\$ 10,285	\$ -	\$ -	\$ -	\$ 10,285	\$ 10,285	\$ -	\$ -
Installation of solar panels	72,894	-	-	-	72,894	72,894	-	-
Reconstruction of Tumble Falls Road	6,015	-	-	-	6,015	6,015	-	-
Acquisition of various road maintenance equipment	569,700	-	63,300	-	506,400	-	-	506,400
Renovations to the municipal building	82,800	-	9,200	-	73,600	-	-	73,600
	<u>\$ 741,694</u>	<u>\$ -</u>	<u>\$72,500</u>	<u>\$ -</u>	<u>\$ 669,194</u>	<u>\$ 89,194</u>	<u>\$ -</u>	<u>\$ 580,000</u>
<u>Ref.</u>	C		C-18		C	C-4		C-18

See independent auditors' report.



**TOWNSHIP OF KINGWOOD**  
**Schedule of Improvement Authorizations**

	Ordinance	Amount	Balance		2017	Paid or	Unexpended	Balance	
			December 31, 2016					Authorization	Balance
	Number		Funded	Unfunded		Charged	Canceled	Funded	Unfunded
Acquisition and preservation of open space	15-12-08	\$1,500,000	\$ 79,397	\$ -	\$ -	\$ -	\$ -	\$ 79,397	\$ -
Purchase of equipment for office of emergency mgmt.	17-12-13	-	-	-	-	(5,822)	-	5,822	-
Acquisition of various road maintenance equipment	18-08-15	665,000	-	33,207	-	-	-	-	33,207
Renovations to the municipal building	18-09-15	115,000	-	41,661	-	3,084	-	-	38,577
Resurfacing of roads	18-10-15	12,000	1,017	-	-	-	-	1,017	-
One all terrain vehicle	18-05-16	20,000	5,198	-	-	87	-	5,111	-
Reconstruction of Spring Hill Road Section III	18-11-16	165,000	164,783	-	-	82,826	-	81,957	-
Purchase of a cross convey or spreader	19-03-17	6,100	-	-	6,100	6,007	-	93	-
Resurfacing of roads	19-06-17	70,000	-	-	70,000	70,000	-	-	-
Reconstruction of Ridge Road	19-09-17	222,000	-	-	222,000	249	-	221,751	-
Construction of a 16x50 addition to existing Morton building at Horseshoe Bend	19-12-17	15,500	-	-	15,500	15,465	-	35	-
Painting of house, sealing of windows, and rebuilding of main deck at park house on Union Road	19-10-17	15,000	-	-	15,000	14,665	-	335	-
Purchase of a 2017 F-350 XL 4x4 SD super cab	19-13-17	47,000	-	-	47,000	-	-	47,000	-
			<u>\$ 250,395</u>	<u>\$ 74,868</u>	<u>\$ 375,600</u>	<u>\$ 186,561</u>	<u>\$ -</u>	<u>\$ 442,518</u>	<u>\$ 71,784</u>
	<u>Ref.</u>		<u>C</u>	<u>C</u>	<u>Below</u>	<u>Below</u>		<u>C</u>	<u>C</u>
Capital improvement fund	C-11				\$ 122,500				
Reserve for purchase of municipal equipment	C-14				53,100				
State grants receivable	C-7				200,000				
					<u>\$ 375,600</u>				
Disbursements	C-2					\$ 193,603			
Reserve for encumbrances canceled	C-12					(7,042)			
						<u>\$ 186,561</u>			

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Capital Improvement Fund**

	<u>Ref.</u>	
Balance - December 31, 2016	C	\$ 164,534
Increased by		
Current year budget appropriation received	C-6	<u>80,000</u>
		244,534
Decreased by		
Appropriated to finance improvement authorizations	C-10	\$ 122,500
Appropriated to finance preliminary plan expenses	C-15	<u>16,000</u>
		<u>138,500</u>
Balance - December 31, 2017	C	<u><u>\$ 106,034</u></u>

C-12

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Encumbrances**

	<u>Ref.</u>	
Balance - December 31, 2016	C	\$ 37,492
Decreased by		
Disbursements	C-2	\$ 30,450
Improvement authorization encumbrances charged	C-10	<u>7,042</u>
		<u>37,492</u>
Balance - December 31, 2017	C	<u><u>\$ -</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Contributions from Developers**

	<u>Ref.</u>	
Balance - December 31, 2016	C	<u>\$ 10,000</u>
Balance - December 31, 2017	C	<u><u>\$ 10,000</u></u>

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Purchase of Municipal Equipment**

	<u>Ref.</u>	
Balance - December 31, 2016	C	\$ 60,015
Increased by		
Current year budget appropriation received	C-6	<u>30,000</u>
		90,015
Decreased by		
Appropriated to finance improvement authorizations	C-10	<u>53,100</u>
Balance - December 31, 2017	C	<u><u>\$ 36,915</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Preliminary Plan Expenses**

Balance - December 31, 2016	<u>Ref.</u> C	\$ -
Increased by		
Financed by appropriation of capital improvement fund	C-11	<u>16,000</u>
Balance - December 31, 2017	C	<u><u>\$ 16,000</u></u>

**TOWNSHIP OF KINGWOOD**  
**Schedule of Reserve for Municipal Building Renovations**

Balance - December 31, 2016	<u>Ref.</u> C	\$ 473
Increased by		
Current year budget appropriation received	C-6	<u>100</u>
Balance - December 31, 2017	C	<u><u>\$ 573</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of General Serial Bonds Payable**

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding 12/31/17		Interest Rate	Balance 12/31/16	Increased	Decreased	Balance 12/31/17
			Date	Amount					
General improvements	09/01/04	\$ 1,263,000	09/01/18	\$ 105,000	3.90%	\$ 318,000	\$ -	\$ 105,000	\$ 213,000
			09/01/19	108,000	4.00%	-	-	-	-
General improvements	06/29/11	2,375,000	02/01/18	100,000	3.00%	1,875,000	-	100,000	1,775,000
			02/01/19	100,000	3.00%	-	-	-	-
			02/01/20	200,000	3.25%	-	-	-	-
			02/01/21	200,000	3.25%	-	-	-	-
			02/01/22	200,000	3.50%	-	-	-	-
			02/01/23	200,000	3.50%	-	-	-	-
			02/01/24	200,000	4.00%	-	-	-	-
			02/01/25	200,000	4.00%	-	-	-	-
			02/01/26	200,000	4.00%	-	-	-	-
			02/01/27	175,000	4.00%	-	-	-	-
						<u>\$ 2,193,000</u>	<u>\$ -</u>	<u>\$ 205,000</u>	<u>\$ 1,988,000</u>
				<u>Ref.</u>	<u>C</u>		<u>C-8</u>	<u>C</u>	

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Bond Anticipation Notes Payable**

Ordinance Number	Improvement Description	Original Note	Date of		Interest Rate	Balance 12/31/16	Increased	Decreased	Balance 12/31/17
			Issue	Maturity					
18-08-15	Acquisition of various road maintenance equipment	09/23/15	09/22/16	09/22/17	1.0799%	\$ 569,700	\$ -	\$ 569,700	\$ -
			09/21/17	09/22/18	1.62%	-	506,400	-	506,400
18-09-15	Renovations to the municipal building	09/23/15	09/22/16	09/22/17	1.0799%	82,800	-	82,800	-
			09/21/17	09/22/18	1.62%	-	73,600	-	73,600
						<u>\$ 652,500</u>	<u>\$580,000</u>	<u>\$ 652,500</u>	<u>\$ 580,000</u>
						<u>Ref.</u> C	<u>Below</u>	<u>Below</u>	<u>C</u>
Notes re-issued					C-18		\$580,000	\$ 580,000	
Paid from budget appropriation					C-9		-	72,500	
							<u>\$580,000</u>	<u>\$ 652,500</u>	

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Bonds and Notes Authorized but Not Issued**

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance 12/31/16</u>	<u>Increased in 2017</u>	<u>Decreased in 2017</u>	<u>Balance 12/31/17</u>
14-22-07	Reconstruction of Oak Grove Road	\$ 10,285	\$ -	\$ -	\$ 10,285
16-01-10	Installation of solar panels	72,894	-	-	72,894
16-09-10	Reconstruction of Tumble Falls Road	<u>6,015</u>	<u>-</u>	<u>-</u>	<u>6,015</u>
		<u>\$ 89,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,194</u>
	<u>Ref.</u>	<u>C</u>			<u>C</u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**

**PART II**

**REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING**

**SCHEDULES OF EXPENDITURES OF FEDERAL  
AND STATE AWARDS**





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**Independent Auditors' Report on Internal Control Over Financial Reporting  
And on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

Honorable Mayor and Members  
of the Township Committee  
Township of Kingwood  
County of Hunterdon, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the Division) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the Township of Kingwood in the County of Hunterdon, State of New Jersey (the Municipality) as of and for the year ended December 31, 2017, and the related notes to the financial statements which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated July 16, 2018. That report indicated that the Municipality's financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but were prepared on a regulatory basis of accounting prescribed by the Division. That report contained an unmodified opinion on the regulatory basis financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipality's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality'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 Municipality'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control that we consider to be significant deficiencies as described in the general comments and recommendations section of the report as finding number 2017-01.

#### Compliance and Other Matters

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

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

*Bedard, Kurowicki & Co.*  
**BEDARD, KUROWICKI & CO., CPA'S, PC**



William M. Colantano  
Certified Public Accountant  
Registered Municipal Accountant

July 16, 2018  
Flemington, New Jersey

**TOWNSHIP OF KINGWOOD**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Grantor	Award Amount	Grant Period		Balance 12/31/16	Receipts	Expended	Balance 12/31/17
		From	To				
FEMA Hazard mitigation grant program	\$ 53,438		On - going	\$ -	\$ -	\$ -	\$ -
<u>Passed-through from federal highway administration</u>							
NJ Department of Environmental Protection - Recreation trails program	23,978		On - going	(3,765)	3,767	-	2
				<u>\$ (3,765)</u>	<u>\$ 3,767</u>	<u>\$ -</u>	<u>\$ 2</u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Expenditures of State Financial Assistance**  
**For the Year Ended December 31, 2017**

Grant Award Program	Award Amount	Grant Period		Balance 12/31/16	Receipts	Expended	Balance Returned/ (Canceled)	Balance 12/31/17
		From	To					
Clean communities program	\$ 18,364	01/01/15	12/31/16	\$ 4,962	\$ -	\$ 4,962	\$ -	\$ -
Clean communities program	21,006	01/01/16	12/31/17	21,006	-	21,006	-	-
Clean communities program	17,846	01/01/17	06/30/18	-	17,846	4,697	-	13,149
Recycling tonnage grant	9,619	01/01/17	12/31/18	-	9,619	8,465	-	1,154
Recycling tonnage grant	9,297	12/15/17	6/15/19	-	9,297	-	-	9,297
NJ Dept. of Transportation aid - Spring Hill Road Section III	125,000	On - going		(217)	-	82,826	-	(83,043)
NJ Dept. of Transportation aid - Ridge Road	200,000	On - going		-	-	249	-	(249)
NJ State TDR bank board planning assistance grant	40,000	01/01/16	12/31/18	-	20,000	19,340	-	660
				<u>\$ 25,751</u>	<u>\$ 56,762</u>	<u>\$ 141,545</u>	<u>\$ -</u>	<u>\$ (59,032)</u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance**  
**For the Year Ended December 31, 2017**

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards (the Schedules) present the activity of all Federal and State Financial Award Programs of the Township of Kingwood, County of Hunterdon, State of New Jersey (the Municipality) for the year ended December 31, 2017.

Note 2 - Basis of accounting

The accompanying Schedules of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, which is described in the Notes to the Financial Statements, Note 1.

Note 3 - Relationship to the financial statements

Amounts reported in the Schedules agree with the amounts reported in the Municipality's financial reports. Expenditures from federal, state and local awards are reported in the Municipality's financial statements as follows:

Fund	Federal	State	Total
Grant Fund	\$ -	\$ 58,470	\$ 58,470
General Capital Fund	-	83,075	83,075
Total	\$ -	\$ 141,545	\$ 141,545

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**

**PART III**

**ADDITIONAL SCHEDULES**

**STATISTICAL DATA**

**SCHEDULE OF INSURANCE**

**LIST OF OFFICIALS**

**GENERAL COMMENTS**

**RECOMMENDATIONS**

**TOWNSHIP OF KINGWOOD**  
**Statistical Data**  
**Comparative Schedule of Operations and Changes**  
**In Fund Balance - Regulatory Basis**  
**(Unaudited)**

	2017		2016	
	Amount	%	Amount	%
<u>Revenue and Other Income Realized</u>				
Fund balance utilized	\$ 572,300	3.86	\$ 584,000	3.91
Collection of current tax levy	13,128,560	88.46	13,036,971	87.39
Collection of delinquent taxes and tax title liens	335,190	2.26	386,429	2.59
Miscellaneous	804,654	5.42	911,190	6.11
Total income	<u>14,840,704</u>	<u>100.00</u>	<u>14,918,590</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget expenditures				
Municipal purposes	2,398,607	16.93	2,410,701	16.82
Local school taxes	5,627,961	39.73	5,693,080	39.71
Regional school taxes	3,688,976	26.05	3,811,641	26.59
County taxes	2,261,164	15.97	2,232,717	15.57
Municipal open space tax	184,864	1.31	184,522	1.29
Other deductions	1,581	0.01	3,300	0.02
Total expenditures	<u>14,163,153</u>	<u>100.00</u>	<u>14,335,961</u>	<u>100.00</u>
Regulatory excess to fund balance	677,551		582,629	
<u>Fund Balance</u>				
Fund balance January 1,	<u>621,378</u>		<u>622,749</u>	
	1,298,929		1,205,378	
Less: utilization as anticipated revenue	<u>572,300</u>		<u>584,000</u>	
Fund balance December 31,	<u>\$ 726,629</u>		<u>\$ 621,378</u>	

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Statistical Data (continued)**  
**(Unaudited)**

**COMPARATIVE SCHEDULE OF TAX RATE INFORMATION**

Year	Apportionment				Total Tax Rate
	Municipal & Open Space	County	Local School	Regional High School	
2017	\$ 0.27	\$ 0.36	\$ 0.95	\$ 0.62	\$ 2.20
2016	0.26	0.36	0.93	0.63	2.18
2015	0.25	0.38	0.92	0.61	2.16
2014	0.24	0.37	0.91	0.61	2.13
2013	0.23	0.37	0.91	0.59	2.10
2012	0.23	0.37	0.91	0.57	2.08
2011	0.23	0.37	0.89	0.55	2.04
2010	* 0.22	0.39	0.90	0.51	2.02
2009	0.19	0.34	0.75	0.41	1.69
2008	0.19	0.34	0.74	0.39	1.66

\* Revalued/Reassessed

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

Year	Net Assessed Valuations	Estimated Full Cash Valuations	Percentage of Net Assessed to Estimated Full Cash Valuations
2017	\$ 614,260,887	\$ 611,153,881	100.51%
2016	613,717,592	601,302,608	102.06%
2015	610,594,460	618,887,553	98.66%
2014	608,526,753	611,216,103	99.56%
2013	608,429,382	629,713,705	96.62%
2012	606,256,896	639,241,772	94.84%
2011	608,107,112	660,555,194	92.06%
2010	* 606,143,650	697,511,612	86.90%
2009	706,267,500	704,115,651	100.31%
2008	698,528,149	717,447,587	97.36%

\* Revalued/Reassessed

See independent auditors' report.



**TOWNSHIP OF KINGWOOD**  
**Statistical Data (continued)**  
**(Unaudited)**

**COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY**

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in percentage

Year	Tax Levy	Cash Collections	Percentage of Collections
2017	\$ 13,532,823	\$ 13,128,560	97.01%
2016	13,408,591	13,036,971	97.23%
2015	13,245,902	12,824,680	96.82%
2014	13,019,498	12,577,111	96.60%
2013	12,948,202	12,508,826	96.61%
2012	12,635,478	12,203,574	96.58%
2011	12,574,328	12,112,601	96.33%
2010	12,253,395	11,821,890	96.48%
2009	12,016,948	11,452,551	95.30%
2008	11,742,295	11,327,917	96.47%

Increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the Municipality, such as Federal and State aid, should decline without corresponding decreases in budgeted expenditures.

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Statistical Data (continued)**  
**(Unaudited)**

**ASSESSED VALUES DISTRIBUTION**

Year	Vacant		Residential	Apartments	Commercial	Farmland	Industrial	Personal Property	Total Assessed Values
	Land								
2008	\$ 28,977,700	\$ 490,067,000	\$ 2,262,500	\$ 34,335,100	\$ 129,820,400	\$ 11,539,200	\$ 1,526,249	\$ 698,528,149	
2009	24,913,500	494,471,800	2,262,500	40,870,300	131,988,000	10,401,900	1,359,500	706,267,500	
2010	* 19,877,000	421,467,300	2,018,900	34,544,300	117,249,700	9,346,600	1,639,850	606,143,650	
2011	19,848,200	422,700,800	1,988,300	35,078,200	117,585,500	9,346,600	1,559,512	608,107,112	
2012	20,682,400	417,770,800	1,988,300	34,583,000	120,222,700	9,346,600	1,663,096	606,256,896	
2013	20,444,100	420,624,300	1,988,300	34,945,700	119,600,100	9,346,600	1,480,282	608,429,382	
2014	18,828,600	422,482,000	1,988,300	34,980,300	119,389,700	9,381,100	1,476,753	608,526,753	
2015	22,065,150	421,252,699	1,988,300	34,962,700	119,291,501	9,381,100	1,653,010	610,594,460	
2016	21,949,750	428,026,899	1,988,300	35,012,700	116,273,100	8,921,900	1,544,943	613,717,592	
2017	20,706,400	427,194,899	1,988,300	34,962,400	118,941,700	8,921,900	1,545,288	614,260,887	

\* Revalued/Reassessed

**DELINQUENT TAXES AND TITLE LIENS**

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

Year	Amount of Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent	Percentage of Tax Levy
2008	\$ 51,720	\$ 368,568	\$ 420,288	3.58%
2009	32,820	481,309	514,129	4.28%
2010	40,350	412,244	452,594	3.69%
2011	43,831	439,773	483,604	3.85%
2012	71,681	481,697	553,378	4.38%
2013	91,928	399,524	491,452	3.80%
2014	66,253	407,567	473,820	3.64%
2015	92,670	372,975	465,645	3.52%
2016	93,243	333,175	426,418	3.18%
2017	108,513	361,398	469,911	3.47%

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Statistical Data (continued)**  
**(Unaudited)**

**PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION**

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

<u>Year</u>	<u>Amount</u>
2017	\$ 30,000
2016	30,000
2015	30,000
2014	30,000
2013	30,000
2012	30,000
2011	30,000
2010	-
2009	204,000
2008	-

**COMPARATIVE SCHEDULE OF FUND BALANCES**

	<u>Year</u>	<u>Fund Balance at Year - end</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2017	\$ 726,629	\$ 624,430
	2016	621,378	572,300
	2015	622,749	584,000
	2014	640,353	561,000
	2013	676,768	578,000
	2012	603,853	539,000
	2011	706,142	641,000
	2010	723,577	657,000
	2009	800,824	677,000
	2008	1,007,466	633,715

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Statistical Data**  
**Debt Incurring Capacity as of December 31, 2017**  
**(Unaudited)**

Municipality

1 Average equalized valuations of real property (2017, 2016, 2015)	\$	608,051,915
2 Permitted municipal debt limitation (3.5% of \$608,051,915)		21,281,817
3 Net debt issued, outstanding and authorized		2,657,194
4 Excess school borrowing		-
5 Total charges to borrowing margin		<u>2,657,194</u>
6 Remaining municipal borrowing capacity	\$	<u><u>18,624,623</u></u>

Local school district

1. Permitted school district debt limitation (3.0% of \$608,051,915)	\$	18,241,557
2 Debt issued, outstanding and authorized		<u>1,310,000</u>
3 Remaining municipal borrowing capacity	\$	<u><u>16,931,557</u></u>

Gross and statutory net debt as of December 31,

Year	Gross Debt	Statutory Net Debt	
	Amount	Amount	Percentage of Equalized Valuations
2017	\$ 4,244,515	\$ 2,657,194	0.44%
2016	4,857,461	2,934,694	0.48%
2015	5,448,176	3,201,958	0.53%
2014	5,313,241	2,744,458	0.45%
2013	6,019,415	3,152,600	0.50%
2012	6,569,033	3,410,100	0.53%
2011	7,119,316	3,666,427	0.55%
2010	7,702,644	4,078,785	0.59%
2009	7,614,190	3,748,785	0.53%
2008	7,986,349	3,896,285	0.56%

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Statistical Data**  
**Schedule of Indebtedness as of December 31, 2017**  
**(Unaudited)**

General purposes			
Bonds, notes and loans issued and outstanding			
Bonds		\$ 1,988,000	
Notes		580,000	
Bonds and notes authorized but not issued		<u>89,194</u>	\$ 2,657,194
Local school district			
Bonds, notes and loans issued and outstanding			
Bonds		1,310,000	
Notes		-	
Bonds and notes authorized but not issued		<u>-</u>	1,310,000
Regional school district			
Bonds		277,321	
Notes		-	
Bonds and notes authorized but not issued		<u>-</u>	<u>277,321</u>
Total gross debt			<u>4,244,515</u>
Statutory deductions			
Municipal		-	
Local school district		1,310,000	
Regional school district		<u>277,321</u>	<u>1,587,321</u>
Total net debt			<u><u>\$ 2,657,194</u></u>
Overlapping debt as of December 31, 2017	Debt	Estimated %	
	<u>Outstanding</u>	<u>Applicable</u>	
Local school district debt	\$ 1,310,000	100.00%	\$ 1,310,000
Regional school district debt	1,065,000	26.04%	277,321
County debt	85,249,037	2.85%	<u>2,433,482</u>
Total overlapping debt			<u><u>\$ 4,020,803</u></u>

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Statistical Data**  
**Schedule of Indebtedness as of December 31, 2017 (continued)**  
**(Unaudited)**

	<u>Year</u>	<u>Assessed Valuation</u>	
Gross debt			\$ 4,244,515
Per capita (population 2010 census - 3,844)			1,104
Percent of average equalized valuation basis	2017	\$ 608,051,915	0.70%
Percent of net valuation taxable	2017	614,260,887	0.69%
 Net municipal debt			 2,657,194
Per capita (population 2010 census - 3,844)			691
Percent of average equalized valuation basis	2017	608,051,915	0.44%
Percent of net valuation taxable	2017	614,260,887	0.43%
 Overall debt (gross and overlapping debt)			 6,677,997
Per capita (population 2010 census - 3,844)			1,737
Percent of average equalized valuation basis	2017	608,051,915	1.10%
Percent of net valuation taxable	2017	614,260,887	1.09%

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**Schedule of Insurance**  
**For the Year Ended December 31, 2017**  
**(Unaudited)**

	Coverage	Deductible
Workers Compensation - Statewide Insurance Fund		
Total Benefits	Statutory Limits	
Bodily Injury - Employer's Liability	\$ 2,000,000	\$ -
Disease - Employer's Liability	2,000,000	-
Package Policy - Statewide Insurance Fund		
Property - Buildings and Contents - Fund Limit	150,000,000	1,000
- Through Lexington Insurance Company		
General Liability Coverage Casualty - Policy Limit	10,000,000	-
Business Auto	10,000,000	-
Boiler and Machinery - Through Chubb Insurance Co.	100,000,000	10,000
Public Officials Liability and Employment Practices	10,000,000	10,000 to
- Through National Casualty Insurance Company		20,000
Environmental Impairment - Through ACE	20,000,000	25,000
Insurance		
Crime Policy - Through the Fidelity and Deposit Co.		
Tax Collector and Treasurer's Bond	1,000,000	5,000
Employee Dishonesty Bond	1,000,000	5,000
Faithful Performance	1,000,000	5,000

Adequacy of insurance coverage is the responsibility of the Municipality.

See independent auditors' report.

**TOWNSHIP OF KINGWOOD**  
**List of Officials**

Officials in Office and Surety Bonds

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

<u>Name</u>	<u>Title</u>
Philip Lubitz	Mayor
Richard Dodds	Deputy Mayor
Thomas Ciacciarelli	Committeeperson

\* \* \* \* \*

<u>Name</u>	<u>Title</u>
Mary MacConnell	Municipal Clerk
Diane Laudenbach	Chief Financial Officer, Tax Collector
David Gill	Tax Assessor
Katrina Campbell	Attorney
Thomas Decker of Van Cleef Engineering Associates	Engineer
David Banisch	Planner

An excess crime bond pool issued by Municipal Excess Liability Joint Insurance Fund covers all Borough employees in the aggregate of \$1,000,000. This replaces the separate surety bonds previously issued by position.



**TOWNSHIP OF KINGWOOD**  
**General Comments**

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

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

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

The minutes indicated that contracts were awarded which included the following items:

Cross conveyor spreader	Road materials
Contracted Services	Security upgrades
Building repairs	

The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5 as follows:

Auditor	Engineer
Township Attorney	Planner
Planning Board Attorney	Disclosure Audit Specialist
Risk Management Consultant	Prosecutor
Appraisers	

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

In accordance with N.J.S.A 40A:11-3(c) and N.J.A.C. 5:34-5 et seq., the Municipality has appointed a "Qualified Purchasing Agent" which allows the Municipality to increase the bid threshold and to grant the authorization to negotiate contracts below the bid threshold. From our examination of expenditures, it appears that there were no individual payments, contracts or agreements in excess of the current bid threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6

**TOWNSHIP OF KINGWOOD**  
**General Comments**

Collection of Interest on Delinquent Taxes and Assessments

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

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

BE IT RESOLVED that the rate of interest to be charged by the Township of Kingwood for nonpayment of taxes or assessments on or before the date they would become delinquent, shall be 8% on the first \$1,500 and 18% per annum on the balance over \$1,500 provided however that no interest shall be charged if payment of any installment is made within ten days after the date upon which the same became payable. Any installment received after the expiration of the said ten-day grace period, shall bear interest from the due date.

In addition to the above interest charges the municipality has authorized, by resolution, to charge additional penalties as follows:

Six percent (6%) penalty on any delinquency exceeding \$10,000 on any given parcel of property and who fails to pay the delinquency prior to the end of the calendar year.

It appears from a test examination of the Collector's records that interest was generally collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

A tax sale was held in the year 2017 and was complete.

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

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

<u>Year</u>	<u>Number of Liens</u>
2017	17
2016	16
2015	15

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

**TOWNSHIP OF KINGWOOD**  
**General Comments**

**Finding**

2017-01 An overall lack of segregation of duties exists in all accounting control processes, including the lack of monitoring and review of general ledger adjusting entries.

It is recommended that procedures should be implemented by the Municipality to reduce the risk of errors in connection with a lack of segregation of duties, including the monitoring and review of general ledger adjusting entries.

**TOWNSHIP OF KINGWOOD**  
**Recommendations**

It is recommended that:

2017-01 Procedures should be implemented by the Municipality to reduce the risk of errors in connection with a lack of segregation of duties, including the monitoring and review of general ledger adjusting entries.

Status of Prior Year's Audit Findings/Recommendations

A review was performed on prior year recommendations and corrective action was taken on all except for the following:

2016-01 Procedures should be implemented by the Municipality to reduce the risk of errors in connection with a lack of segregation of duties.

\*\*\*\*\*

The foregoing conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our examination of the financial statements and this report of such conditions does not modify our report dated July 16, 2018.

We would be pleased to confer on questions that might arise with respect to any matter in this report.

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

*Bedard, Kurowicki & Co.*  
**BEDARD, KUROWICKI & CO., CPA'S, PC**



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Registered Municipal Accountant