

**BOROUGH OF KEYPORT
MONMOUTH COUNTY
NEW JERSEY**

REPORT OF AUDIT

**FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**



**DONOHUE, GIRONDA,
DORIA & TOMKINS, LLC**

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

**BOROUGH OF KEYPORT, NEW JERSEY
TABLE OF CONTENTS
DECEMBER 31, 2016**

	EXHIBIT	PAGE
 <u>FINANCIAL SECTION</u>		
Independent Auditor's Report		1 - 4
 Current Fund		
Comparative Balance Sheets - Regulatory Basis	A	
Comparative Statements of Operations and Changes in Fund Balance - Regulatory Basis	A-1	
Statement of Revenues - Regulatory Basis	A-2	
Statement of Expenditures - Regulatory Basis	A-3	
 Trust Funds		
Comparative Balance Sheets - Regulatory Basis	B	
 General Capital Fund		
Comparative Balance Sheets - Regulatory Basis	C	
Statement of Change in Fund Balance - Regulatory Basis	C-1	
 Water and Sewer Utility Fund		
Comparative Balance Sheets - Regulatory Basis	D	
Comparative Statements of Operations and Changes in Fund Balance - Regulatory Basis	D-1	
Statement of Change in Fund Balance - Regulatory Basis	D-2	
Statement of Revenues - Regulatory Basis	D-3	
Statement of Expenditures - Regulatory Basis	D-4	
 Payroll Agency Fund		
Comparative Balance Sheets - Regulatory Basis	E	
 General Fixed Assets		
Comparative Balance Sheets - Regulatory Basis	F	
 Notes to the Financial Statements		 5 - 38
 <u>SUPPLEMENTARY INFORMATION SECTION</u>		
 Current Fund		
Schedule of:		
Cash - Treasurer	A-4	
Cash - Change Fund	A-5	
Due from the State of New Jersey for Senior Citizens and Veterans Deductions	A-6	
Taxes Receivable	A-7	
Tax Overpayments	A-8	

**BOROUGH OF KEYPORT, NEW JERSEY
TABLE OF CONTENTS
DECEMBER 31, 2016**

EXHIBIT PAGE

SUPPLEMENTARY INFORMATION SECTION (Continued)

Current Fund (Continued)

Schedule of:

Property Acquired for Taxes at Assessed Valuations	A-9
Revenue Accounts Receivable	A-10
Interfunds Receivable/(Payable)	A-11
Deferred Charges	A-12
Tax Title Liens Receivable	A-13
Abating Costs Receivable	A-14
Appropriation Reserves	A-15
Reserve for Encumbrances	A-16
Various Reserves	A-17
Prepaid Taxes	A-18
Taxes Payable	A-19
Special Emergency Note Payable	A-20
Due from Current Fund - Federal and State Grant Fund	A-21
Grants Receivable - Federal and State Grant Fund	A-22
Reserve for Unappropriated Grants - Federal and State Grant Fund	A-23
Reserve for Apporpriated Grants - Federal and State Grant Fund	A-24
Reserve for Encumbrances - Federal and State Grant Fund	A-25

Trust Funds

Schedule of:

Cash and Cash Equivalents	B-1
Reserve for Animal Control Fund Expenditures	B-2
Due to State of New Jersey - Animal Control Fund	B-3
Due from (to) Current Fund - Other Trust Fund	B-4
Due to State of New Jersey - Other Trust Fund	B-5
CDBG Receivable - Other Trust Fund	B-6
Reserve for CDBG - Other Trust Fund	B-7
Accounts Receivable - Police Off Duty - Other Trust Fund	B-8
Reserve for Open Space Trust Fund	B-9

General Capital Fund

Schedule of:

Cash and Cash Equivalents	C-2
Analysis of Cash and Cash Equivalents	C-3
Deferred Charges to Future Taxation - Unfunded	C-4
Deferred Charges to Future Taxation - Funded	C-5
Grants Receivable	C-6

**BOROUGH OF KEYPORT, NEW JERSEY
TABLE OF CONTENTS
DECEMBER 31, 2016**

EXHIBIT PAGE

SUPPLEMENTARY INFORMATION SECTION (Continued)

General Capital Fund (Continued)

Schedule of:

Capital Improvement Fund	C-7
Improvement Authorizations	C-8
General Serial Bonds	C-9
Green Acres Loans Payable	C-10
Bond Anticipation Notes	C-11
Encumbrances Payable	C-12
Various Reserves	C-13
Bonds and Notes Authorized But Not Issued	C-14

Water and Sewer Utility Fund

Schedule of:

Cash and Cash Equivalents	D-5
Analysis of Cash and Cash Equivalents	D-6
Interfunds	D-7
Consumer Accounts Receivable	D-8
Reserve for Encumbrances	D-9
Fixed Capital	D-10
USDA Loans Payable	D-11
BRSA Rent Reserve	D-12
Fixed Capital Authorized and Uncompleted	D-13
Appropriation Reserves	D-14
Accrued Interest on Bonds, Notes and Loans	D-15
Serial Bonds Payable	D-16
Bond Anticipation Notes	D-17
Improvement Authorizations	D-18
Water and Sewer Overpayments	D-19
Prepaid Consumer Deposits	D-20
Reserve for Capital Improvement Fund	D-21
Reserve for Amortization	D-22
Deferred Reserve for Amortization	D-23
Bonds and Notes Authorized but not Issued	D-24

Payroll Agency Fund

Schedule of:

Cash	E-1
Due to Current Fund	E-2
Payroll Deductions Payable	E-3

**BOROUGH OF KEYPORT, NEW JERSEY
TABLE OF CONTENTS
DECEMBER 31, 2016**

	EXHIBIT	PAGE
<u>SUPPLEMENTARY INFORMATION SECTION (Continued)</u>		
General Fixed Assets		
Schedule of:		
Changes in Fixed Assets	F-1	
Reserve for Fixed Assets	F-2	
<u>SINGLE AUDIT SECTION</u>		
Independent Auditor's 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		39 - 40
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance		41 - 43
Schedule of Expenditures of Federal Awards		44
Notes to Schedule of Expenditures of Federal Awards		45 - 47
Schedule of Findings and Questioned Costs:		
Section 1 - Summary of Auditor's Results		48 - 49
Section 2 - Financial Statement Findings		50
Section 3 - Federal Award Findings and Questioned Costs		50
Summary Schedule of Prior Audit Findings and Questioned Costs as Prepared by Management		51
<u>SUPPLEMENTARY DATA SECTION</u>		
Schedule of:		
Operations and Changes in Fund Balance - Current Fund		52
Operations and Changes in Fund Balance - Water and Sewer Utility Fund		53
Tax Rate Information		54
Tax Levies and Collections		55
Water and Sewer Utility Billings and Collections		55
Delinquent Taxes and Tax Title Liens		56
Property Acquired by Tax Title Lien Liquidation		56
Fund Balances		57
Officials in Office and Surety Bonds		58
General Comments and Recommendations		59 - 63

REPORT OF AUDIT

FINANCIAL SECTION

BOROUGH OF KEYPORT
DECEMBER 31, 2016

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

Matthew A. Donohue, CPA
Robert A. Gironda, CPA
Robert G. Doria, CPA (N.J. & N.Y.)
Frederick J. Tomkins, CPA, RMA

310 Broadway
Bayonne, NJ 07002
(201) 437-9000
Fax: (201) 437-1432
E-Mail: dgd@dgdcpas.com

Linda P. Kish, CPA, RMA
Mark W. Bednarz, CPA, RMA
Jason R. Gironda, CPA
Mauricio Canto, CPA, RMA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements – regulatory basis of the various funds and account group of the Borough of Keyport, New Jersey (the “Borough”), which comprise the balance sheet as of December 31, 2016, and the related statements of operations and changes in fund balance – regulatory basis, the related statements of revenues – regulatory basis, statements of expenditures – regulatory basis, and statements of change in fund balance – regulatory basis, for the year then ended, and the related notes to the financial statements.

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”), as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

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

considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1, the financial statements are prepared by the Borough on the basis of the 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 with the requirements of the Division.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2016, or the changes in its financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to in the first paragraph present fairly, in all material respects, the financial position – regulatory basis, of each fund and account group of the Borough as of December 31, 2016, the results of operations and changes in fund balance – regulatory basis, the revenues – regulatory basis, expenditures – regulatory basis, and the changes in fund balance – regulatory basis, for the year then ended, in accordance with the financial reporting provisions of the Division as described in Note 1.

Other Matters

Prior Period Financial Statements

The financial statements of the Borough as of and for the year ended December 31, 2015 were audited by other auditors whose report dated September 26, 2016 expressed an adverse opinion on the financial statements because they were not prepared and presented in accordance with accounting principles generally accepted in the United States of America, but rather in accordance with the regulatory basis of accounting prescribed by the Division, as described in

Note 1. Their report also expressed an unmodified opinion on the financial statements – regulatory basis, which were prepared in conformity with the regulatory basis prescribed by the Division.

Required Supplementary Information

Management has omitted management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough’s basic financial statements. The supplementary information and supplementary data sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information section and the schedule of expenditures of federal awards 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 basic financial statements and certain additional procedures, including comparing and reconciling such information 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 supplementary information section and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplementary data section 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 assurances on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2017 on our consideration of the Borough’s internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control over financial reporting and compliance.

Donohue, Gironde, Doria + Tomkins, LLC
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC
Certified Public Accountants

Linda P. Kish

LINDA P. KISH
Registered Municipal Accountant #487

Bayonne, New Jersey
September 26, 2017

EXHIBIT A

**BOROUGH OF KEYPORT
CURRENT FUND
DECEMBER 31, 2016 AND 2015**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	A-4	\$ 2,133,414.93	\$ 1,535,732.43
Change Fund	A-5	625.00	625.00
Due from State of NJ per Ch 20, PL 1976	A-6	4,139.20	3,389.20
		<u>2,138,179.13</u>	<u>1,539,746.63</u>
Deferred Charges	A-12	69,800.00	105,600.00
		<u>69,800.00</u>	<u>105,600.00</u>
Receivables and Other Assets with Full Reserves:			
Taxes Receivable	A-7	605,212.24	660,645.17
Property Acquired for Taxes at Assessed Valuations	A-9	97,100.00	97,100.00
Revenue Accounts Receivable	A-10	32,073.90	27,587.01
Tax Title Liens Receivable	A-13	194,288.32	171,378.42
Abating Costs Receivable	A-14	7,995.01	3,612.45
Interfunds Receivable:			
Due from Payroll Fund	A-11	614.24	614.24
Due from Other Trust Fund	A-11	74.20	-
	A	<u>937,357.91</u>	<u>960,937.29</u>
Total Current Fund		<u>3,145,337.04</u>	<u>2,606,283.92</u>
Federal and State Grant Fund:			
Due from Current Fund	A-21	169,319.65	163,829.99
Grants Receivable	A-22	194,379.85	202,598.01
Total Federal and State Grant Fund		<u>363,699.50</u>	<u>366,428.00</u>
Total Assets		<u>\$ 3,509,036.54</u>	<u>\$ 2,972,711.92</u>

See Accompanying Notes to the Financial Statements.

EXHIBIT A

**BOROUGH OF KEYPORT
CURRENT FUND
DECEMBER 31, 2016 AND 2015**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Appropriation Reserves	A-3, A-15	\$ 298,636.68	\$ 338,455.96
Tax Overpayments	A-8	1,686.30	250.00
Prepaid Taxes	A-18	138,326.74	138,164.00
Reserve for Encumbrances	A-16	241,396.09	287,384.67
Various Reserves	A-17	6,628.82	81,635.29
Taxes Payable	A-19	2,161.84	1,630.87
Special Emergency Note Payable	A-20	69,800.00	105,600.00
Interfunds Payable:			
Due to Federal and State Grant Fund	A-11	169,319.65	163,829.99
Due to Other Trust Fund	A-11	-	260.92
		<u>927,956.12</u>	<u>1,117,211.70</u>
Reserve for Receivables	A	<u>937,357.91</u>	<u>960,937.29</u>
Total Liabilities		1,865,314.03	2,078,148.99
Fund Balance	A-1	<u>1,280,023.01</u>	<u>528,134.93</u>
Total Current Fund		<u>3,145,337.04</u>	<u>2,606,283.92</u>
Federal and State Grant Fund:			
Reserve for Unappropriated Grants	A-23	3,635.65	3,438.31
Reserve for Appropriated Grants	A-24	349,303.76	346,631.67
Reserve for Encumbrances	A-25	<u>10,760.09</u>	<u>16,358.02</u>
Total Federal and State Grant Fund		<u>363,699.50</u>	<u>366,428.00</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 3,509,036.54</u>	<u>\$ 2,972,711.92</u>

See Accompanying Notes to the Financial Statements.

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015**

**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS**

	Ref.	2016	2015
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	A-1	\$ 396,000.00	\$ 110,000.00
Miscellaneous Revenue Anticipated	A-2	2,455,969.84	2,288,941.25
Receipts from Delinquent Taxes	A-2	658,538.59	624,398.29
Receipts from Current Taxes	A-2	17,871,032.46	16,713,490.44
Non-Budget Revenues	A-2	359,686.01	40,873.01
Other Credits to Income:			
Appropriations Cancelled	A-3	21.16	-
Grants Cancelled	A-11	12,712.91	24,044.98
Unexpended Balance of Appropriation Reserves	A-15	252,368.35	303,057.81
Abating Costs Received	A-14	14,120.70	3,507.55
Cancel Accounts Payable		-	33,068.02
Total Revenue		<u>22,020,450.02</u>	<u>20,141,381.35</u>
<u>EXPENDITURES</u>			
Budget Appropriations	A-3	9,296,130.61	8,235,160.32
Local School District Taxes	A-2, A-19	9,332,171.00	9,058,886.00
County Taxes	A-2, A-19	1,927,494.24	1,923,184.05
Business Improvement District Taxes	A-2, A-19	118,000.00	118,000.00
Municipal Open Space Taxes	A-2, A-19	170,836.94	166,137.61
Prior Year Senior Citizen Deduction Disallowed	A-7	1,000.00	3,789.53
Interfund Advances Originating in Current Year	A-11	74.20	-
Abating Costs	A-14	14,014.27	5,800.00
Cancellation of Grant Receivable		-	12,793.83
Refund of Prior Year Revenue		-	25.00
Prior Year Tax Appeals	A-17	12,840.68	126,672.22
Total Expenditures		<u>20,872,561.94</u>	<u>19,650,448.56</u>
Excess in Revenue		<u>1,147,888.08</u>	<u>490,932.79</u>
Statutory Excess to Fund Balance		1,147,888.08	490,932.79
Fund Balance, Beginning of Year	A	<u>528,134.93</u>	<u>147,202.14</u>
Decreased by Utilized as Anticipated Revenue	A-1	<u>396,000.00</u>	<u>110,000.00</u>
Fund Balance, End of Year	A	<u>\$ 1,280,023.01</u>	<u>\$ 528,134.93</u>

See Accompanying Notes to the Financial Statements.

EXHIBIT A-2

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

STATEMENT OF REVENUES - REGULATORY BASIS

	Ref.	Budget	Realized	Excess or (Deficit)
Fund Balance Anticipated		\$ 396,000.00	\$ 396,000.00	\$ -
Miscellaneous Revenues:				
Local Revenues:				
Licenses:				
Alcoholic Beverage		33,000.00	30,516.63	(2,483.37)
Other		6,700.00	4,634.00	(2,066.00)
Fees and Permits		174,000.00	284,108.65	110,108.65
Fines and Costs - Municipal Court		150,000.00	198,295.81	48,295.81
Interest and Costs on Taxes		130,000.00	134,215.06	4,215.06
Cable Television Fees		107,000.00	107,444.48	444.48
Payment in Lieu of Taxes:				
Senior Citizen Housing		280,000.00	328,289.00	48,289.00
Bethany Manor Annex, Senior Citizen Housing		70,000.00	90,295.00	20,295.00
Total Local Revenues		<u>950,700.00</u>	<u>1,177,798.63</u>	<u>227,098.63</u>
State Aid Without Offsetting Appropriations:				
Consolidated Municipal Property Tax Relief Aid		77,419.00	77,419.00	-
Energy Receipts Tax (P.L. 1997, Chapters 162 & 167)		637,054.00	637,054.00	-
Total State Aid Without Offsetting Appropriations		<u>714,473.00</u>	<u>714,473.00</u>	<u>-</u>
Dedicated Uniform Construction Code Fees Offset with Appropriations:				
Uniform Construction Code Fees		<u>150,000.00</u>	<u>303,404.00</u>	<u>153,404.00</u>
Special Items of Revenue Anticipated - Shared Municipal Service Agreements:				
Interlocal - Board of Health (Union Beach)		<u>5,000.00</u>	<u>5,000.00</u>	<u>-</u>
Special Items of Revenue Anticipated - Public and Private Revenues:				
Recycling Tonnage Grant		10,925.76	10,925.76	-
Clean Communities Program		17,289.44	17,289.44	-
Alcohol Education and Rehabilitation Fund		1,591.20	1,591.20	-
Office on Aging Grant		36,000.00	36,000.00	-
Body Armor Replacement Grant		1,847.11	1,847.11	-
Sustainable Jersey Small Grant Program - PSEG		10,000.00	10,000.00	-
NJ EDA Hazardous Discharge Site Remediation Fund		21,255.00	21,255.00	-
NJ DLPS - Click it Or Ticket		5,000.00	5,000.00	-
Municipal Alliance on Alcoholism and Drug Abuse - SFY 2017		32,598.00	32,598.00	-
NJ DEP Bonus Recycling Grant		3,161.25	3,161.25	-
Total Special Items of Revenue Anticipated - Public and Private Revenues		<u>139,667.76</u>	<u>139,667.76</u>	<u>-</u>
Special Items of Revenue Anticipated - Other Special Items:				
Uniform Fire Safety Act		70,000.00	79,626.45	9,626.45
Reserve for Debt Service - General Capital Fund		30,000.00	30,000.00	-
General Capital Fund Balance		6,000.00	6,000.00	-
Total Special Items of Revenue Anticipated - Other Special Items		<u>106,000.00</u>	<u>115,626.45</u>	<u>9,626.45</u>
Total Miscellaneous Revenues	A-1	<u>2,065,840.76</u>	<u>2,455,969.84</u>	<u>390,129.08</u>
Receipt from Delinquent Taxes	A-1	<u>620,000.00</u>	<u>658,538.59</u>	<u>38,538.59</u>
Subtotal General Revenues		<u>3,081,840.76</u>	<u>3,510,508.43</u>	<u>428,667.67</u>
Amount to be raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes Including Reserve for				
Uncollected Taxes	A-7	5,987,577.85	6,095,818.28	108,240.43
Minimum Library Tax	A-7	226,712.00	226,712.00	-
Total Amount to be Raised by Taxes for Support of Municipal Budget		<u>6,214,289.85</u>	<u>6,322,530.28</u>	<u>108,240.43</u>

See Accompanying Notes to the Financial Statements.

EXHIBIT A-2

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

STATEMENT OF REVENUES - REGULATORY BASIS

	Ref.	Budget	Realized	Excess or (Deficit)
Budget Totals		\$ 9,296,130.61	\$ 9,833,038.71	\$ 536,908.10
Non-Budget Revenue		-	359,686.01	359,686.01
Total General Revenues		<u>\$ 9,296,130.61</u>	<u>\$ 10,192,724.72</u>	<u>\$ 896,594.11</u>
		A-3	Below	
Allocation of Current Taxes				
Revenue from Collections	A-7	\$ 17,161,901.11		
Add: Reserve for Uncollected Taxes	A-3	709,131.35		
	A-1	<u>17,871,032.46</u>		
Less:				
Allocated to School Taxes	A-1, A-19	9,332,171.00		
Allocated to County Taxes	A-1, A-19	1,927,494.24		
Allocated to Business Improvement District	A-1, A-19	118,000.00		
Allocated to Municipal Open Space	A-1, A-19	<u>170,836.94</u>		
		11,548,502.18		
Amount for Support of Municipal Budget	Above		\$ 6,322,530.28	
Receipts from Delinquent Taxes				
Delinquent Tax Collections	A-1, A-7		658,538.59	
Miscellaneous Revenues Anticipated	A-10	2,316,302.08		
Grant Revenue	A-11	<u>139,667.76</u>		
	A-1		2,455,969.84	
Surplus Anticipated	A-1		396,000.00	
Non Budget Revenue:				
Copies		135.01		
Scrap Metal Recycling		419.40		
Post Office Land Rent		1,650.00		
NSF Charges		240.00		
Miscellaneous		17,268.41		
Senior Citizens and Veterans Deduction Administration Fee		870.00		
Board of Health		1,100.00		
Fire Arms Report		404.00		
Miscellaneous - UCC		14,074.00		
CBS Outdoor Billboard Lease		9,000.00		
Various Interest		1,531.45		
Liquor License Application Fees		518.80		
Sale of Borough Assets		176.00		
JIF Dividend		24,740.30		
DMV Inspection Fees		2,400.00		
FEMA Reimbursements		237,658.64		
Fire Damage Insurance		<u>47,500.00</u>		
	A-1, A-4		<u>359,686.01</u>	
			<u>\$ 10,192,724.72</u>	
			Above	

See Accompanying Notes to the Financial Statements.

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Expenditures	2016 Budget	Balance by all Transfers	Expended 2016		
			Paid or Charged	Cancelled	Reserved
OPERATIONS WITHIN "CAPS"					
General Government:					
Administrative and Executive:					
Salaries and Wages	\$ 80,000.00	\$ 80,000.00	\$ 76,164.66	\$ -	\$ 3,835.34
Other Expenses	42,100.00	42,100.00	35,994.58	-	6,105.42
Mayor and Council:					
Salaries and Wages	20,400.00	21,000.00	20,907.84	-	92.16
Other Expenses	3,000.00	3,000.00	2,825.00	-	175.00
Municipal Clerk:					
Salaries and Wages	54,500.00	54,500.00	49,842.57	-	4,657.43
Other Expenses					
Miscellaneous	13,170.00	13,170.00	12,952.66	-	217.34
Revision and Codification of Ordinances	2,500.00	2,500.00	-	-	2,500.00
Financial Administration:					
Salaries and Wages	61,300.00	61,300.00	60,395.35	-	904.65
Other Expenses	8,800.00	9,800.00	9,053.33	-	746.67
Audit Services:					
Other Expenses	17,000.00	17,000.00	17,000.00	-	-
Collection of Taxes:					
Salaries and Wages	100,000.00	97,000.00	90,316.60	-	6,683.40
Other Expenses	10,000.00	10,000.00	9,986.53	-	13.47
Assessment of Taxes:					
Salaries and Wages	25,800.00	20,800.00	20,659.89	-	140.11
Other Expenses					
Revision of Tax Map	2,000.00	2,000.00	-	-	2,000.00
Miscellaneous	27,000.00	27,000.00	24,081.38	-	2,918.62
Legal Services:					
Other Expenses	75,000.00	75,000.00	63,943.88	-	11,056.12
Environmental Commission:					
Other Expenses	650.00	650.00	580.00	-	70.00
Engineering Services:					
Other Expenses	60,000.00	60,000.00	38,971.00	-	21,029.00
Keyport Historical Society Contracted	1,000.00	1,000.00	1,000.00	-	-
Total General Government	604,220.00	597,820.00	534,675.27	-	63,144.73
Land Use Administration:					
Planning/Zoning Board:					
Salaries and Wages	3,700.00	3,900.00	3,747.36	-	152.64
Other Expenses					
Revision of Master Plan	100.00	100.00	-	-	100.00
Miscellaneous	4,000.00	4,000.00	3,964.77	-	35.23
Total Land Use Administration	7,800.00	8,000.00	7,712.13	-	287.87
Code Enforcement and Administration:					
Property Maintenance Code:					
Salaries and Wages	20,000.00	20,000.00	16,043.82	-	3,956.18
Other Expenses	1,000.00	1,000.00	964.32	-	35.68
Total Code Enforcement and Administration	21,000.00	21,000.00	17,008.14	-	3,991.86
Insurance:					
Liability Insurance	162,000.00	156,700.00	155,668.32	-	1,031.68
Workers Compensation Insurance	196,000.00	196,000.00	194,425.64	-	1,574.36
Employee Group Insurance	520,000.00	523,000.00	518,883.60	-	4,116.40
Health Benefit Waiver	30,000.00	27,000.00	24,166.67	-	2,833.33
Unemployment Insurance	25,000.00	25,000.00	25,000.00	-	-
Total Insurance	933,000.00	927,700.00	918,144.23	-	9,555.77

See Accompanying Notes to the Financial Statements.

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Expenditures	2016 Budget	Balance by all Transfers	Expended 2016		
			Paid or Charged	Cancelled	Reserved
Public Safety:					
Police Department:					
Salaries and Wages	\$ 2,260,000.00	\$ 2,260,000.00	\$ 2,230,490.03	\$ -	\$ 29,509.97
Other Expenses:					
Miscellaneous	85,000.00	85,000.00	70,353.70	-	14,646.30
Acquisition of Police Vehicle	40,000.00	40,000.00	36,413.85	-	3,586.15
Clothing Allowance	37,800.00	37,800.00	34,815.21	-	2,984.79
Emergency Management Services:					
Other Expenses	10,000.00	10,000.00	9,921.47	-	78.53
Aid to Volunteer Fire Companies	24,220.00	24,220.00	23,720.00	-	500.00
First Aid Contributions	18,000.00	18,000.00	17,942.51	-	57.49
Fire Department:					
Salaries and Wages	3,000.00	3,000.00	3,000.00	-	-
Other Expenses	110,000.00	110,500.00	110,491.50	-	8.50
Uniform Fire Safety Act::					
Salaries and Wages	57,500.00	57,500.00	44,434.58	-	13,065.42
Other Expenses	12,500.00	12,500.00	7,582.09	-	4,917.91
Municipal Prosecutor:					
Salaries and Wages	23,600.00	23,600.00	23,574.98	-	25.02
Municipal Court:					
Salaries and Wages	110,000.00	100,000.00	97,995.19	-	2,004.81
Other Expenses	30,000.00	30,000.00	14,909.82	-	15,090.18
Public Defender:					
Salaries and Wages	5,000.00	5,000.00	3,687.54	-	1,312.46
Other Expenses	100.00	100.00	-	-	100.00
Total Public Safety	<u>2,826,720.00</u>	<u>2,817,220.00</u>	<u>2,729,332.47</u>	<u>-</u>	<u>87,887.53</u>
Public Works:					
Road Repairs and Maintenance:					
Salaries and Wages	335,000.00	325,000.00	314,376.55	-	10,623.45
Other Expenses	80,000.00	96,000.00	93,891.55	-	2,108.45
Garbage and Trash Removal:					
Salaries and Wages	56,000.00	64,000.00	63,200.44	-	799.56
Other Expenses	16,500.00	32,500.00	31,001.54	-	1,498.46
Contracted (40A:4-85)	220,000.00	212,000.00	211,500.00	-	500.00
Public Buildings and Grounds:					
Other Expenses	83,000.00	83,000.00	74,268.25	-	8,731.75
Total Public Works	<u>790,500.00</u>	<u>812,500.00</u>	<u>788,238.33</u>	<u>-</u>	<u>24,261.67</u>
Health and Human Services:					
Blood Borne Pathogens - Hepatitis B:					
Salaries and Wages	1,900.00	1,900.00	1,595.76	-	304.24
Other Expenses	1,000.00	1,000.00	525.00	-	475.00
Board of Health:					
Salaries and Wages	32,300.00	33,300.00	33,276.78	-	23.22
Other Expenses	2,500.00	2,500.00	1,812.06	-	687.94
Animal Control Services:					
Other Expenses	13,000.00	13,000.00	13,000.00	-	-
Bayshore Youth Services Bureau Contribution	1,000.00	1,000.00	750.00	-	250.00
Total Health and Human Services	<u>51,700.00</u>	<u>52,700.00</u>	<u>50,959.60</u>	<u>-</u>	<u>1,740.40</u>
Parks and Recreation:					
Recreation:					
Salaries and Wages	18,750.00	18,750.00	18,720.06	-	29.94
Other Expenses	3,500.00	3,500.00	742.79	-	2,757.21
Senior Citizen Community Center:					
Salaries and Wages	8,000.00	8,000.00	6,753.00	-	1,247.00
Other Expenses	12,325.00	12,325.00	10,335.83	-	1,989.17
Senior Citizen Transportation Contracted	4,000.00	4,000.00	2,652.00	-	1,348.00
Parks and Playgrounds:					
Other Expenses	20,000.00	20,000.00	17,290.35	-	2,709.65
Total Parks and Recreation	<u>66,575.00</u>	<u>66,575.00</u>	<u>56,494.03</u>	<u>-</u>	<u>10,080.97</u>

See Accompanying Notes to the Financial Statements.

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Expenditures	2016 Budget	Balance by all Transfers	Expended 2016		
			Paid or Charged	Cancelled	Reserved
Other Common Operating Functions:					
Celebration of Public Events:					
Other Expenses	\$ 1,500.00	\$ 1,500.00	\$ 800.00	\$ -	\$ 700.00
Postage:					
Other Expenses	19,000.00	22,000.00	21,601.81	-	398.19
Accumulated Leave Compensation:					
Salaries and Wages	40,000.00	40,000.00	26,890.78	-	13,109.22
Total Other Common Operating Functions	<u>60,500.00</u>	<u>63,500.00</u>	<u>49,292.59</u>	<u>-</u>	<u>14,207.41</u>
Uniform Construction Code:					
State Uniform Construction Code Officials:					
Salaries and Wages	110,500.00	113,500.00	111,778.58	-	1,721.42
Other Expenses	10,500.00	10,500.00	4,689.91	-	5,810.09
Total Uniform Construction Code	<u>121,000.00</u>	<u>124,000.00</u>	<u>116,468.49</u>	<u>-</u>	<u>7,531.51</u>
Utility Expenses and Bulk Purchases:					
Fuel for Motor Vehicles	65,000.00	50,000.00	47,828.79	-	2,171.21
Telephone and Telecommunication	40,000.00	43,000.00	38,286.13	-	4,713.87
Street Lighting	130,000.00	120,000.00	105,207.40	-	14,792.60
Fuel Oil	17,000.00	17,000.00	6,353.97	-	10,646.03
Natural Gas	30,000.00	30,000.00	24,902.03	-	5,097.97
Electricity	37,000.00	37,000.00	32,830.93	-	4,169.07
Landfill Disposal Costs	210,000.00	206,000.00	184,744.25	-	21,255.75
Total Utility Expenses and Bulk Purchases	<u>529,000.00</u>	<u>503,000.00</u>	<u>440,153.50</u>	<u>-</u>	<u>62,846.50</u>
Total Operations within "CAPS"	<u>6,012,015.00</u>	<u>5,994,015.00</u>	<u>5,708,478.78</u>	<u>-</u>	<u>285,536.22</u>
Contingent	<u>500.00</u>	<u>500.00</u>	<u>-</u>	<u>-</u>	<u>500.00</u>
Total Operations Including Contingent within "CAPS"	<u>6,012,515.00</u>	<u>5,994,515.00</u>	<u>5,708,478.78</u>	<u>-</u>	<u>286,036.22</u>
Detail:					
Salaries and Wages	3,427,250.00	3,412,050.00	3,317,852.36	-	94,197.64
Other Expenses	<u>2,585,265.00</u>	<u>2,582,465.00</u>	<u>2,390,626.42</u>	<u>-</u>	<u>191,838.58</u>
Deferred Charges and Statutory Expenditures:					
Public Employees Retirement System	164,589.00	164,589.00	156,127.00	-	8,462.00
Social Security System (O.A.S.I.)	143,000.00	161,000.00	159,545.97	-	1,454.03
Police and Fireman's Retirement System of N.J.	373,917.00	373,917.00	373,917.00	-	-
Defined Contribution Retirement Program	2,000.00	2,000.00	962.95	-	1,037.05
Total Deferred Charges and Statutory Expenditures	<u>683,506.00</u>	<u>701,506.00</u>	<u>690,552.92</u>	<u>-</u>	<u>10,953.08</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	<u>6,696,021.00</u>	<u>6,696,021.00</u>	<u>6,399,031.70</u>	<u>-</u>	<u>296,989.30</u>
OPERATIONS EXCLUDED FROM "CAPS"					
Other Operations:					
Maintenance of Free Public Library	<u>226,712.00</u>	<u>226,712.00</u>	<u>225,276.57</u>	<u>-</u>	<u>1,435.43</u>
Total Other Operations	<u>226,712.00</u>	<u>226,712.00</u>	<u>225,276.57</u>	<u>-</u>	<u>1,435.43</u>
Shared Service Agreements:					
911 Services (County of Monmouth)					
Other Expenses	9,400.00	9,400.00	9,188.05	-	211.95
Recycling (Hazlet)					
Other Expenses	4,500.00	4,500.00	4,500.00	-	-
Information Technology Services (Freehold)					
Other Expenses	<u>15,000.00</u>	<u>15,000.00</u>	<u>15,000.00</u>	<u>-</u>	<u>-</u>
Total Shared Service Agreements	<u>28,900.00</u>	<u>28,900.00</u>	<u>28,688.05</u>	<u>-</u>	<u>211.95</u>

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Expenditures	2016 Budget	Balance by all Transfers	Expended 2016		
			Paid or Charged	Cancelled	Reserved
Public and Private Programs Offset by Revenues:					
Clean Communities Grant	\$ 17,289.44	\$ 17,289.44	\$ 17,289.44	\$ -	\$ -
Body Armor Replacement Grant	1,847.11	1,847.11	1,847.11	-	-
Recycling Tonnage Grant	10,925.76	10,925.76	10,925.76	-	-
NJ EDA Hazardous Discharge Site Remediation Fund	21,255.00	21,255.00	21,255.00	-	-
Sustainable Small Jersey Grant Program - PSEG	10,000.00	10,000.00	10,000.00	-	-
NJ DEP Bonus Recycling Grant	3,161.25	3,161.25	3,161.25	-	-
Office on Aging Grant:					
Grant Share	36,000.00	36,000.00	36,000.00	-	-
Local Share	63,900.00	63,900.00	63,900.00	-	-
NJ DLPS - Click it or Ticket	5,000.00	5,000.00	5,000.00	-	-
Municipal Court Alcohol Education and Rehabilitation: Enforcement Fund	1,591.20	1,591.20	1,591.20	-	-
Municipal Drug Alliance Program - SFY 2017:					
State Share	32,598.00	32,598.00	32,598.00	-	-
Local Share	8,149.50	8,149.50	8,149.50	-	-
Total Public and Private Programs Offset by Revenues	<u>211,717.26</u>	<u>211,717.26</u>	<u>211,717.26</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>467,329.26</u>	<u>467,329.26</u>	<u>465,681.88</u>	<u>-</u>	<u>1,647.38</u>
Detail:					
Salaries and Wages	-	-	-	-	-
Other Expenses	<u>467,329.26</u>	<u>467,329.26</u>	<u>465,681.88</u>	<u>-</u>	<u>1,647.38</u>
Capital Improvements Excluded from "CAPS"					
Capital Improvement Fund	200,000.00	200,000.00	200,000.00	-	-
Acquisition of Firefighter Turnout Gear/Protective Equipment	20,000.00	20,000.00	20,000.00	-	-
Acquisition of Trucks - Fire and First Aid	75,000.00	75,000.00	75,000.00	-	-
Improvements to Information Technology	40,000.00	40,000.00	40,000.00	-	-
Total Capital Improvements Excluded from "CAPS"	<u>335,000.00</u>	<u>335,000.00</u>	<u>335,000.00</u>	<u>-</u>	<u>-</u>
Municipal Debt Service - Excluded from "CAPS"					
Payment of Bond Principal	690,000.00	690,000.00	690,000.00	-	-
Payment of Bond Anticipation Notes & Capital Notes	14,800.00	14,800.00	14,800.00	-	-
Interest on Bonds	287,500.00	287,500.00	287,499.97	0.03	0.00
Interest on Notes	5,463.00	5,463.00	5,441.87	21.13	0.00
Total Municipal Debt Service - Excluded from "CAPS"	<u>997,763.00</u>	<u>997,763.00</u>	<u>997,741.84</u>	<u>21.16</u>	<u>0.00</u>
Deferred Charges-Municipal Excluded from "CAPS"					
Emergency Authorizations:					
Special Emergency Authorizations - 5 years (N.J.S. 40A:4-55)	35,800.00	35,800.00	35,800.00	-	-
Total Deferred Charges-Municipal Excluded from "CAPS"	<u>35,800.00</u>	<u>35,800.00</u>	<u>35,800.00</u>	<u>-</u>	<u>-</u>
Transferred to Board of Education for Use of Local Schools (N.J.S.A. 40:48-17.1 & 17.3)	<u>55,086.00</u>	<u>55,086.00</u>	<u>55,086.00</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>1,890,978.26</u>	<u>1,890,978.26</u>	<u>1,889,309.72</u>	<u>21.16</u>	<u>1,647.38</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>8,586,999.26</u>	<u>8,586,999.26</u>	<u>8,288,341.42</u>	<u>21.16</u>	<u>298,636.68</u>
Reserve for Uncollected Taxes	<u>709,131.35</u>	<u>709,131.35</u>	<u>709,131.35</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS	<u>\$ 9,296,130.61</u>	<u>\$ 9,296,130.61</u>	<u>\$ 8,997,472.77</u>	<u>\$ 21.16</u>	<u>\$ 298,636.68</u>
	Ref.				
	A-2	A-1	Below	A-1	A
Reserve for Uncollected Taxes	A-2		\$ 709,131.35		
Cash Disbursements	A-4		7,799,428.07		
Grants Appropriated	A-11		211,717.26		
Transfer to Reserve for Encumbrances	A-16		241,396.09		
Deferred Charges	A-12		35,800.00		
			<u>\$ 8,997,472.77</u>		
			Above		

See Accompanying Notes to the Financial Statements.

**BOROUGH OF KEYPORT
TRUST FUNDS
DECEMBER 31, 2016 AND 2015**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Animal Control Fund			
Cash and Cash Equivalents	B-1	\$ 4,230.56	\$ 6,174.72
Total Animal Control Fund		<u>4,230.56</u>	<u>6,174.72</u>
Other Trust Fund			
Cash and Cash Equivalents	B-1	457,183.49	605,359.25
Due from Current Fund	B-4	-	260.92
Community Development Block Grant Receivable	B-6	445,402.50	-
Accounts Receivable - Police Off Duty	B-8	-	35,325.00
Total Other Trust Fund		<u>902,585.99</u>	<u>640,945.17</u>
Open Space Trust Fund			
Cash and Cash Equivalents	B-1	43,761.87	54,366.34
Total Open Space Trust Fund		<u>43,761.87</u>	<u>54,366.34</u>
Total Assets		<u>\$ 950,578.42</u>	<u>\$ 701,486.23</u>

See Accompanying Notes to the Financial Statements.

**BOROUGH OF KEYPORT
TRUST FUNDS
DECEMBER 31, 2016 AND 2015**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund			
Reserve for Animal Control Fund Expenditures	B-2	\$ 4,230.56	\$ 6,174.72
Total Animal Control Fund		<u>4,230.56</u>	<u>6,174.72</u>
Other Trust Fund			
Due to State of New Jersey - Fees and Licenses	B-5	255.00	305.00
Due to Current Fund	B-4	74.20	-
Reserve for Community Development Block Grant	B-7	291,025.57	-
Reserve for Other Trust Fund Activity	B-8	611,231.22	640,640.17
Total Other Trust Fund		<u>902,585.99</u>	<u>640,945.17</u>
Open Space Trust Fund			
Reserve for Open Space	B-9	43,761.87	54,366.34
Total Open Space Trust Fund		<u>43,761.87</u>	<u>54,366.34</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 950,578.42</u>	<u>\$ 701,486.23</u>

See Accompanying Notes to the Financial Statements.

**BOROUGH OF KEYPORT
GENERAL CAPITAL FUND
DECEMBER 31, 2016 AND 2015**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
ASSETS AND DEFERRED CHARGES			
Cash and Cash Equivalents	C-2	\$ 487,947.20	\$ 1,063,509.13
Investment in Special Emergency Note	C-2	69,800.00	105,600.00
Grants Receivable	C-6	1,872,680.00	1,210,000.00
Deferred Charges to Future Taxation:			
Funded	C-5	6,852,752.17	7,577,998.95
Unfunded	C-4	<u>4,266,193.51</u>	<u>4,019,089.23</u>
Total Assets and Deferred Charges		<u>\$13,549,372.88</u>	<u>\$13,976,197.31</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Capital Improvement Fund	C-7	\$ 93,850.69	\$ 94,760.69
Improvement Authorizations:			
Funded	C-8	711,420.94	372,143.06
Unfunded	C-8	1,714,003.14	2,361,751.82
General Serial Bonds	C-9	6,415,000.00	7,105,000.00
Green Acres Loan Payable	C-10	437,752.17	472,998.95
Bond Anticipation Notes	C-11	1,625,000.00	2,240,800.00
Encumbrances Payable	C-12	1,242,680.01	380,250.50
Various Reserves	C-13	1,309,590.89	942,417.25
Fund Balance	C-1	<u>75.04</u>	<u>6,075.04</u>
Total Liabilities, Reserves and Fund Balance		<u>\$13,549,372.88</u>	<u>\$13,976,197.31</u>
Bonds and Notes Authorized But Not Issued	C-14	<u>\$ 2,641,193.51</u>	<u>\$ 1,778,289.23</u>

See Accompanying Notes to the Financial Statements.

**BOROUGH OF KEYPORT
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

STATEMENT OF CHANGE IN FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance, December 31, 2015	C	\$ 6,075.04
Decreased by:		
Transfer to Current Fund	C-2	<u>6,000.00</u>
Balance, December 31, 2016	C	<u><u>\$ 75.04</u></u>

See Accompanying Notes to the Financial Statements.

EXHIBIT D

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY FUND
DECEMBER 31, 2016 AND 2015**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Operating Fund:			
Cash and Cash Equivalents	D-5	\$ 665,330.46	\$ 398,300.87
Due from Water and Sewer Utility Capital Fund	D-6	-	6,715.63
		<u>665,330.46</u>	<u>405,016.50</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-7	230,929.03	193,479.84
BRSA Rent Reserve	D-8	272,268.59	322,814.69
		<u>503,197.62</u>	<u>516,294.53</u>
Total Assets - Operating Fund		<u>\$ 1,168,528.08</u>	<u>\$ 921,311.03</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Operating Fund:			
Appropriation Reserves	D-4, D-9	\$ 76,699.23	\$ 42,683.56
Reserve for Encumbrances	D-10	73,686.92	46,838.25
Water and Sewer Overpayments	D-11	3,908.16	3,493.36
Prepaid Consumer Accounts	D-12	262,513.50	252,983.89
Accrued Interest on Bonds, Notes and Loans	D-13	38,988.56	38,813.88
		<u>455,796.37</u>	<u>384,812.94</u>
Reserve for Receivables	Above	<u>503,197.62</u>	<u>516,294.53</u>
Total Liabilities and Reserves - Operating Fund		958,993.99	901,107.47
Fund Balance	D-1	<u>209,534.09</u>	<u>20,203.56</u>
Total Liabilities, Reserves and Fund Balance - Operating Fund		<u>\$ 1,168,528.08</u>	<u>\$ 921,311.03</u>

See Accompanying Notes to the Financial Statements.

EXHIBIT D

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY FUND
DECEMBER 31, 2016 AND 2015**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Capital Fund:			
Cash and Cash Equivalents	D-14, D-15	\$ 718,021.85	\$ 259,162.01
Grants Receivable	D-16	1,282,127.00	1,000,000.00
Fixed Capital	D-17	5,582,992.55	3,674,005.39
Fixed Capital - Authorized and Uncompleted	D-18	<u>11,958,300.00</u>	<u>9,670,000.00</u>
Total Assets - Capital Fund		<u>\$19,541,441.40</u>	<u>\$14,603,167.40</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Capital Fund:			
Capital Improvement Fund	D-19	\$ 50,087.00	\$ 50,087.00
Improvement Authorizations:			
Funded	D-20	361.08	41,813.69
Unfunded	D-20	3,904,561.85	221,863.14
General Serial Bonds	D-21	900,000.00	985,000.00
Loans Payable	D-22	5,584,427.13	5,668,315.47
Bond Anticipation Notes	D-23	1,000,000.00	-
Encumbrances Payable	D-24	628,701.72	1,400,287.84
Reserve for Amortization	D-25	4,682,992.55	3,674,005.39
Reserve for Deferred Amortization	D-26	1,970,700.87	1,548,369.53
Reserve for Grants and Loans Receivable	D-27	782,127.00	1,000,000.00
Due Water and Sewer Utility Operating Fund	D-28	-	6,715.63
Fund Balance	D-2	<u>37,482.20</u>	<u>6,709.71</u>
Total Liabilities, Reserves and Fund Balance - Capital Fund		<u>\$19,541,441.40</u>	<u>\$14,603,167.40</u>
 Bonds and Notes Authorized But Not Issued - Capital Fund	 D-29	 <u>\$ 3,403,172.00</u>	 <u>\$ 1,468,315.00</u>

See Accompanying Notes to the Financial Statements.

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015**

**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS**

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	D-3	\$ 20,200.00	\$ 27,900.00
Water and Sewer Rents	D-3	3,109,957.92	2,940,485.98
Miscellaneous	D-3	190,816.31	173,448.74
Capital Fund Balance	D-3	6,640.35	23,840.15
BRSA Rent Reserve	D-3	51,010.85	-
Cancelled Balance of Budget Appropriations	D-4	14,081.67	-
Unexpended Balance of Appropriation Reserves	D-9	8,063.78	61,509.05
Total Income		<u>3,400,770.88</u>	<u>3,227,183.92</u>
<u>EXPENDITURES</u>			
Operating	D-4	1,158,100.00	1,090,300.00
Bayshore Regional Sewerage Authority	D-4	1,088,600.00	1,146,700.00
Acquisition of Water	D-4	480,000.00	610,000.00
Capital Outlay	D-4	25,000.00	19,000.00
Debt Service	D-4	375,540.35	277,026.28
Deferred Charges and Statutory Expenditures	D-4	64,000.00	64,000.00
Total Expenditures		<u>3,191,240.35</u>	<u>3,207,026.28</u>
Statutory Excess to Fund Balance		<u>209,530.53</u>	<u>20,157.64</u>
Fund Balance, Beginning of Year	D	<u>20,203.56</u>	<u>27,945.92</u>
Decreased by Utilized as Anticipated Revenue	D-1	<u>20,200.00</u>	<u>27,900.00</u>
Fund Balance, End of Year	D	<u>\$ 209,534.09</u>	<u>\$ 20,203.56</u>

See Accompanying Notes to the Financial Statements.

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

STATEMENT OF CHANGE IN FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance, December 31, 2015	D	\$ 6,709.71
Increased by:		
Improvement Authorization Cancelled	D-20	<u>37,412.84</u> 44,122.55
Decreased by:		
Transfer to Operating Fund	D-14	<u>6,640.35</u>
Balance, December 31, 2016	D	<u><u>\$ 37,482.20</u></u>

See Accompanying Notes to the Financial Statements.

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

STATEMENT OF REVENUES - REGULATORY BASIS

	2016 Budget	Realized	Excess or (Deficit)
	<u> </u>	<u> </u>	<u> </u>
Operating Surplus Anticipated	\$ 20,200.00	\$ 20,200.00	\$ -
Water and Sewer Rents	2,940,400.00	3,109,957.92	169,557.92
Miscellaneous	173,400.00	190,816.31	17,416.31
Capital Fund Balance	6,640.35	6,640.35	-
BRSA Rent Reserve	<u>50,600.00</u>	<u>51,010.85</u>	<u>410.85</u>
 Total Revenues	 <u>\$ 3,191,240.35</u>	 <u>\$ 3,378,625.43</u>	 <u>\$ 187,385.08</u>
<u>Ref.</u>	D-4	D-1	

See Accompanying Notes to the Financial Statements.

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Expenditures	2016 Budget	Budget after Modification	Expended 2016		Reserved	Cancelled
			Paid or Charged	Encumbered		
Operating:						
Salaries and Wages	\$ 505,000.00	\$ 540,000.00	\$ 535,446.28	\$ -	\$ 4,553.72	\$ -
Other Expenses	563,100.00	618,100.00	538,707.63	33,686.92	45,705.45	-
Bayshore Regional Sewerage Authority	1,088,600.00	1,088,600.00	1,088,507.36	-	92.64	-
Acquisition of Water	570,000.00	480,000.00	431,024.89	40,000.00	8,975.11	-
Capital Improvements:						
Capital Outlay	25,000.00	25,000.00	15,000.00	-	10,000.00	-
Debt Service:						
Payment of Bond Principal	85,000.00	85,000.00	85,000.00	-	-	-
Interest on Bonds	43,937.50	43,937.50	43,937.50	-	-	-
Interest on Notes	15,000.00	15,000.00	918.33	-	-	14,081.67
USDA Loan - Principal	83,887.64	83,887.64	83,887.64	-	-	-
USDA Loan - Interest	147,715.21	147,715.21	147,715.21	-	-	-
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	15,000.00	15,000.00	15,000.00	-	-	-
Social Security System (O.A.S.I.)	49,000.00	49,000.00	41,627.69	-	7,372.31	-
Total Water and Sewer Utility Appropriations	<u>\$ 3,191,240.35</u>	<u>\$ 3,191,240.35</u>	<u>\$ 3,026,772.53</u>	<u>\$ 73,686.92</u>	<u>\$ 76,699.23</u>	<u>\$ 14,081.67</u>
Ref.	D-3		Below	D-10	D	D-1
Cash Disbursements	D-5		\$ 2,834,201.49			
Accrued Interest on Bonds, Notes and Loans	D-13		<u>192,571.04</u>			
			<u>\$ 3,026,772.53</u>			
			Above			

See Accompanying Notes to the Financial Statements.

**BOROUGH OF KEYPORT
PAYROLL AGENCY FUND
DECEMBER 31, 2016 AND 2015**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Cash	E-1	\$ 3,712.28	\$ 3,395.49
Total Assets		<u>\$ 3,712.28</u>	<u>\$ 3,395.49</u>
<u>LIABILITIES</u>			
Due to Current Fund	E-2	\$ 614.24	\$ 614.24
Payroll Deductions Payable	E-3	<u>3,098.04</u>	<u>2,781.25</u>
Total Liabilities		<u>\$ 3,712.28</u>	<u>\$ 3,395.49</u>

See Accompanying Notes to the Financial Statements.

**BOROUGH OF KEYPORT
GENERAL FIXED ASSETS
DECEMBER 31, 2016 AND 2015**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Land		\$ 5,186,100.00	\$ 5,186,100.00
Buildings/Building Improvements		5,481,800.00	5,481,800.00
Motor Vehicles and Equipment		3,035,521.08	2,985,709.08
Machinery and Equipment		483,618.30	483,618.30
Office Furniture and Equipment		163,066.09	163,066.09
Other Equipment		218,914.00	218,914.00
Total Assets	F-1	<u>\$14,569,019.47</u>	<u>\$14,519,207.47</u>
<u>LIABILITIES AND RESERVES</u>			
Investment in General Fixed Assets		<u>\$14,569,019.47</u>	<u>\$14,519,207.47</u>
Total Liabilities and Reserves	F-2	<u>\$14,569,019.47</u>	<u>\$14,519,207.47</u>

See Accompanying Notes to the Financial Statements.

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Borough of Keyport (the “Borough”) operates under the legislative authority of N.J.S.A. 40A:60-1 et seq., which provides for the election of a mayor to serve a term of four years and a council of six members serving three year terms. At its annual meeting, the council elects a president of the council who shall preside at all its meetings when the mayor is not present. The mayor is the head of the municipal government and the council is the legislative body. The Borough has adopted an administrative code, which provides for the delegation of a portion of executive responsibilities to an administrator and the organization of the council into standing committees to oversee various Borough activities.

The financial statements of the Borough include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough do not include the operations of the Municipal Library, first aid organizations or volunteer fire companies, Special Improvement District, and the Joint Municipal Court of Hazlet, Keyport and Matawan. Accounting principles generally accepted in the United States of America (GAAP) requires entities that are considered to be component units be included in the financial statements of the primary government (the Borough). The State of New Jersey, Department of Community Affairs, Division of Local Government Services (the “Division”) requires the financial statements of the Borough to be reported separately from its component units. Audit reports of component units are available at the offices of the respective component units.

BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB’s Codification of Governmental Accounting and Financial Reporting Standards and subsequent GASB pronouncements are recognized as GAAP for state and local governments. GASB’s codification establishes three fund categories to be used by general purpose governmental units when reporting financial position and results of operations that differ from the organization of funds prescribed under the regulatory basis of accounting utilized by the Borough.

The financial statements of the Borough have been prepared on a regulatory basis in conformity with accounting principles and practices prescribed by the Division, which differ from GAAP. The principles and practices prescribed by the Division are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through separate funds and an account group, which differ from the fund structure required by GAAP.

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DESCRIPTION OF FUNDS

The accounts of the Borough are maintained in accordance with the Division's principles of fund accounting. The Division's principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The General Fixed Assets account group, on the other hand, is a financial reporting device designed to provide accountability for certain fixed assets and the investment in those fixed assets that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Current Fund – is used to account for all resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Fund – is used to account for receipts, custodianship and disbursements of dedicated revenues in accordance with the purpose for which each reserve was created. Pursuant to the provisions of N.J.S.A. 40A: 4-39, the financial transactions of the following funds and accounts are reported within the Trust Fund:

Animal Control Trust Fund, Developer's Escrow, Recreational Bayfront Improvement Trust, Law Enforcement Trust, Recreation Commission, Unemployment Trust, Other Trust Funds, and Open Space Trust

General Capital Fund – is used to account for receipts and disbursements of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund or other funds. Bonds, notes and loans payable are recorded in this fund, offset by deferred charges to future taxation.

Water and Sewer Operating and Capital Fund – is used to account for the operations and acquisition of capital facilities of the municipally owned water and sewer utility.

Payroll Agency Fund – is used to account for payroll deductions and social security contributions of municipal and utility operations. A payroll agency fund does not exist under GAAP.

General Fixed Assets – is not a separate fund type, but is used to account for fixed assets required in general governmental operations. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING

The Borough prepares its financial statements on a regulatory basis of accounting prescribed by the Division that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than GAAP. The current financial resources focus and modified accrual basis of accounting is generally followed with significant exceptions which are explained as follows:

Revenues – Revenues are realized when received in cash except for certain amounts which are due from other governmental units. Receipts from federal revenue sharing funds and other federal and state grants are realized as revenue when anticipated in the budget. Receivables for property taxes and other amounts that are due to the Borough are recorded with offsetting reserves on the balance sheet of the Current Fund and the Water and Sewer Utility Fund. Such amounts are not recorded as revenue until collected. Accordingly, no provision has been made to estimate that portion of receivables that are uncollectible. Taxes and payments in lieu of taxes collected in advance are recorded as cash liabilities in the financial statements. GAAP requires revenues to be recognized in the accounting period when they become measurable and available and in certain instances reduced by an allowance for doubtful accounts.

Reserve for Uncollected Taxes – Reserve for Uncollected Taxes is required to provide assurance that cash collected for taxes in the current year will provide sufficient cash flow to meet expected obligations. The minimum amount of Reserve for Uncollected Taxes is determined on the percentage of collections experienced in the immediate preceding year, unless allowable alternative methods are utilized. A Reserve for Uncollected Taxes is not established under GAAP.

Expenditures – Expenditures are recorded on the “budgetary” basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Appropriation reserves covering unexpended appropriation balances are automatically created at the end of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriations for principal and interest payments on general capital indebtedness are provided on the cash basis. GAAP requires expenditures in the current (or general) fund, to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest on general long-term debt, which should be recognized when due.

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING (Continued)

Encumbrances – Encumbrances are contractual orders outstanding at year end reported as expenditures through the establishment of an encumbrance payable. Outstanding encumbrances at year end are reported as a cash liability in the financial statements. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves – Appropriations are available until lapsed at the close of the succeeding year to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Transfers are allowed between certain line items during the first three months of the fiscal year. Lapsed appropriation reserves are recorded as other credits to income. Appropriation reserves do not exist under GAAP.

Interfunds - Advances from the current fund are reported as interfunds receivable with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfunds receivable in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time the individual items are purchased. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve. The costs of inventories are not included on the various balance sheets.

Property Acquired for Taxes – Property Acquired for Taxes is recorded in the current fund at the assessed valuation when the property was acquired and is subsequently updated for revaluations. The value of the property is fully reserved. GAAP requires such property to be recorded as a fixed asset at market value on the date of acquisition.

Deferred Charges to Future Taxation (Funded and Unfunded) - Upon the authorization of general capital projects, the Borough establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized costs of capital projects. The Borough may levy taxes on all taxable property within the Borough to repay the debt. Annually, the Borough raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced. GAAP does not require the establishment of deferred charges to future taxation.

Improvement Authorizations – Improvement Authorizations in the general capital fund and the water and sewer utility fund represent the unexpended balance of an ordinance appropriation and is similar to the unexpended portion of the budget in the current fund. GAAP does not recognize these amounts as liabilities.

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING (Continued)

Compensated Absences and Post-Employment Benefits - Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for post-employment benefits, if any, which are also funded on a pay-as-you-go basis. GAAP requires that the amount that would normally be liquidated with expendable financial resources to be recorded as an expenditure in the operating funds and the remaining obligations be recorded as long-term obligations.

General Fixed Assets - Accounting for Governmental Fixed Assets as promulgated by the Division differs in certain respects from GAAP, and requires the inclusion of a statement of general fixed assets as part of the Borough's basic financial statements. The Borough is required to maintain a subsidiary ledger of detailed records of fixed assets and to provide property management standards to control fixed assets. General fixed assets are defined as non-expendable personal property having a physical existence, a useful life of more than five years and an acquisition cost of \$5,000 or more per unit. Depreciation is not recorded on the general fixed assets.

Property and equipment acquired by the Current and General Capital Fund are recorded as expenditures at the time of purchase and are not capitalized in their own respective funds. Property and equipment acquired by the Water and Sewer Utility Fund are recorded in their respective capital accounts at cost and are adjusted for dispositions and abandonments. The balances in the reserve for amortization and deferred reserve for amortization accounts in the Water and Sewer Utility Capital Fund represent charges to operations for the costs of acquisitions of property, equipment and improvements, and costs funded from sources other than bonded debt of the utility. GAAP does not require the establishment of a reserve for amortization or a deferred reserve for amortization.

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

GAAP requires the recording of infrastructure assets and requires capital assets be depreciated over their estimated useful life unless they are either inexhaustible or are infrastructure assets reported using the modified approach.

Long-Term Obligations - General long-term debt is recognized as a liability of the General Capital Fund and the Water and Sewer Utility Capital Fund for the full principal amount.

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING (Continued)

Reserves (Other than Reserve for Receivables) - Reserves, other than reserve for receivables, are considered liabilities, and not a reservation of fund balance.

Reserves for Receivables – Receivables of the Borough, with the exception of certain intergovernmental receivables, are offset on the balance sheet with a credit that is created to preserve the revenue recognition basis required by the Division’s accounting policies. The reserve delays the recognition of these revenues until they are received in cash.

Advertising Costs - Advertising costs are charged against the appropriate budget line as they occur. The Borough does not engage in direct-response advertising.

Sale of Municipal Assets - The proceeds of the sale of municipal assets can be held until made available through a future budget appropriation. GAAP requires such proceeds to be recorded as revenue in the year of sale.

Fund Balance - Fund equity represented on the financial statements consists solely of Fund Balance, which is not further categorized with respect to reservations (portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use) or designations (plans for future use of financial resources).

Cash, Cash Equivalents and Investments – Cash and cash equivalents includes cash on hand, amounts in demand deposit bank accounts, deposits with the State of New Jersey Cash Management Fund, and short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. GAAP requires that all investments be reported at fair value.

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the Division in accordance with the Local Budget Law. Budgets are adopted on the same basis of accounting utilized for the preparation of the Borough’s financial statements. The budgetary requirements herein outlined are applicable to only the Current Fund and the Water and Sewer Utility Fund, and not the Trust Fund, General Capital Fund or the General Fixed Assets account group. However, statutes require the Borough to adopt annually a six-year capital plan. This plan allows the governing body to expend or incur obligations for capital purposes only. Such projects under the plan must be adopted through capital ordinance.

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING (Continued)

The Borough must adhere to procedures for adoption of its annual budget as established by the Division. These procedures include statutory deadlines of: February 10 for introduction and approval and March 20 for adoption. These dates are subject to extension by the Division by approval of the Local Finance Board. Appropriations within the adopted budget cannot be modified until the final two months of the year at which time transfers between certain line items are allowed. Transfers from appropriations excluded from “CAPS” are prohibited unless they are between debt service appropriations. Under certain circumstances emergency authorizations and insertions of items of revenue and appropriation are allowed by authorization of the governing body, subject to approval of the Division.

The Borough must prepare its budgets in compliance with applicable laws capping the amounts by which both the budgeted appropriations and tax levy can be increased. A description of both “CAP” laws follows:

1977 Appropriation "CAP": The 1977 Appropriation Cap is calculated using the formulas and provisions of N.J.S.A. 40A:4-45.1 through 4-45.43a. The law was originally adopted in 1976 and was most recently amended in 2003. Under this law, the Borough is permitted to increase its overall appropriations (with certain exceptions) by 2.5% or the “cost of living adjustment” (COLA), whichever is less. The COLA is calculated based on the traditional Federal government inflation calculation. The Borough can, when the COLA is less than or equal to 2.5%, increase its allowable inside-the-cap spending to 3.5%, upon passage of a COLA Rate Ordinance.

2010 Levy "CAP": The 2010 Levy Cap is calculated using the formulas and provisions of N.J.S.A 40A:4-45.44 through 45.47. It establishes limits on the increase in the total Borough amount to be raised by taxation (tax levy). The core of the levy cap formula is a 2% increase to the previous year’s amount to be raised by taxation, net of any applicable cap base adjustments and emergency or special emergency appropriations.

Disclosures about Pension Liabilities – GAAP requires the recognition of net pension liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statement. The Division does not require the Borough to recognize the net pension liability or the associated deferred inflows or deferred outflows of financial resources. The Borough has included information relating to its allocated share of the net pension liability of the state sponsored, cost-sharing, multiple employer defined benefit pension plans in which it participates in Note 11.

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING (Continued)

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

Reclassifications – Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year's format. These reclassifications had no effect on fund balance and changes in fund balance.

Reconciliation of Accounting Basis – As described throughout Note 1, substantial differences exist between GAAP and the regulatory basis prescribed by the Division. Reconciliation between the two would not be meaningful or informative and therefore is not provided herein.

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

NOTE 2. DEPOSITS AND INVESTMENTS

DEPOSITS

New Jersey governmental units are required to deposit public funds in a public depository or the State of New Jersey Cash Management Fund. Public depositories are defined by statutes as any state or federally chartered bank, savings bank or an association located in New Jersey or a state or federally chartered bank, savings bank or an association located in another state with a branch office in New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation ("FDIC") and which receives or holds public funds on deposit.

The Borough is also required to annually adopt a cash management plan and to deposit or invest its funds pursuant to the cash management plan. The cash management plan adopted by the Borough requires it to deposit funds as permitted in N.J.S.A 40:5-15.1, so long as the funds are deposited in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

DEPOSITS (Continued)

As of December 31, 2016 and 2015, cash and cash equivalents of the Borough consisted of the following:

	2016	2015
Cash on Hand	\$ 625.00	\$ 625.00
Cash - Demand Accounts	4,513,602.64	3,925,900.24
Total	\$ 4,514,227.64	\$ 3,926,525.24

The carrying value of the Borough's cash and cash equivalents at December 31, 2016 and 2015 were \$4,514,227.64 and \$3,926,525.24, and the bank balances were \$4,634,993.96 and \$3,926,539.36, respectively. Of the bank balances \$317,151.75 and \$326,703.18, respectively, was covered by Federal Depository Insurance and \$4,317,842.21 and \$3,599,836.18, respectively, was covered under the provisions of GUDPA.

The Borough's General Capital Fund maintains an investment in Special Emergency Notes issued by the Borough's Current Fund in the amount of \$69,800.00 and \$105,600.00 at December 31, 2016 and 2015. The Special Emergency Note is not included above.

The Borough, in accordance with GASB Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40), has assessed the Custodial Credit Risk, the Concentration of Credit Risk and Interest Risk of its cash and investments.

- a) Custodial Credit Risk – The Borough's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the Borough will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Borough's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Borough and are held by either: the counterparty or the counterparty's trust department or agent but not in the Borough's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Borough will not be able to recover the value of the investment or collateral securities that are in possession of an outside party.

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

DEPOSITS (Continued)

- b) Concentration of Credit Risk – This is the risk associated with the amount of investments that the Borough has with any one issuer that exceeds 5 percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.
- c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. In general, the Borough does not have an investment policy regarding Credit Risk except to the extent outlined under the Borough's investment policy.
- d) Interest Rate Risk- This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Borough does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

All bank deposits as December 31, 2016 and 2015 were entirely insured or collateralized by a collateral pool maintained by public depositories as required by GUDPA, accordingly, none of the Borough's bank balances at December 31, 2016 and 2015 were considered to be exposed to custodial credit risk.

INVESTMENTS

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America.
- Government money market mutual funds.
- Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located.
- Bonds or other obligations having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units.

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

- Local government investment pools.
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281 (C.52:18A-90.4).
- Agreements for the repurchase of fully collateralized securities if (a) the underlying securities are permitted investments pursuant to the first and third bullets on the preceding page, (b) the custody of collateral is transferred to a third party, (c) the maturity of the agreement is not more than 30 days, (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) and (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2016 and 2015, the Borough had no investments as defined above.

NOTE 3. TAXES AND WATER AND SEWER UTILITY FEES RECEIVABLE

Receivables at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Current Fund:		
Property Taxes	\$ 605,212.24	\$ 660,645.17
Tax Title Liens	194,288.32	171,378.42
	799,500.56	832,023.59
Water and Sewer Utility Fund:		
Water and Sewer Utility Fees	230,929.03	193,479.84
	\$ 1,030,429.59	\$ 1,025,503.43

NOTE 4. PREPAID TAXES AND WATER AND SEWER UTILITY FEES

Taxes and water and sewer utility fees collected in advance are recorded as cash liabilities in the financial statements. As of December 31, 2016 and 2015, the Borough's prepaid taxes were \$138,326.74 and \$138,164.00, and prepaid water and sewer utility fees were \$262,513.50 and \$252,983.89, respectively.

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 5. PROPERTY TAX CALENDAR

Property tax revenues are collected in quarterly installments due February 1, May 1, August 1, and November 1. Property taxes unpaid on April 1 of the fiscal year following their final due date are subject to tax sale in accordance with the statutes. The amount of tax levied includes not only the amount required in support of the Borough's annual budget, but also the amounts required in support of the budget of the Keyport Board of Education, the County of Monmouth, and the Keyport Business Improvement District. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. GAAP requires such revenue to be recognized when they are available and measurable, reduced by an allowance for doubtful accounts.

NOTE 6. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. As of December 31, 2016 and 2015 the following deferred charges are shown on the balance sheets of the Current Fund:

	Balance December 31, 2015	Raised in 2016 Budget	Balance December 31, 2016
Special Emergency Authorization:			
Revision of Master Plan	\$ 3,600.00	\$ 1,800.00	\$ 1,800.00
Revaluation of Real Property	102,000.00	34,000.00	68,000.00
	\$ 105,600.00	\$ 35,800.00	\$ 69,800.00
	Balance December 31, 2014	Raised in 2015 Budget	Balance December 31, 2015
Special Emergency Authorization:			
Revision of Master Plan	\$ 5,400.00	\$ 1,800.00	\$ 3,600.00
Revaluation of Real Property	136,000.00	34,000.00	102,000.00
	\$ 141,400.00	\$ 35,800.00	\$ 105,600.00

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 7. FIXED ASSETS

In accordance with accounting practices prescribed by the Division, and as further discussed in Note 1, no depreciation has been provided for, and fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

The Borough had the following investment balance and activity in general fixed assets as of and for the years ended December 31, 2016 and 2015:

	Balance December 31, 2015	Additions	Balance December 31, 2016
Land	\$ 5,186,100.00	\$ -	\$ 5,186,100.00
Buildings and Improvements	5,481,800.00	-	5,481,800.00
Motor Vehicles and Equipment	2,985,709.08	49,812.00	3,035,521.08
Machinery and Equipment	483,618.30	-	483,618.30
Office Furniture and Equipment	163,066.09	-	163,066.09
Other Equipment	218,914.00	-	218,914.00
	<u>\$ 14,519,207.47</u>	<u>\$ 49,812.00</u>	<u>\$ 14,569,019.47</u>
	Balance December 31, 2014	Additions	Balance December 31, 2015
Land	\$ 5,186,100.00	\$ -	\$ 5,186,100.00
Buildings and Improvements	5,481,800.00	-	5,481,800.00
Motor Vehicles and Equipment	2,985,709.08	-	2,985,709.08
Machinery and Equipment	344,731.30	138,887.00	483,618.30
Office Furniture and Equipment	163,066.09	-	163,066.09
Other Equipment	218,914.00	-	218,914.00
	<u>\$ 14,380,320.47</u>	<u>\$ 138,887.00</u>	<u>\$ 14,519,207.47</u>

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances remained on the balance sheets of the fund financial statements at December 31, 2016. The interfund balances are the result of revenues earned in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in a cash overdraft position. The Borough expects to liquidate all interfund balances within one year.

NOTE 9. LONG-TERM DEBT

SUMMARY OF MUNICIPAL DEBT

The Local Bond Law, N.J.S.A. 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. The term of bond anticipation notes, which are issued to temporarily finance capital projects, cannot exceed one year, but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid or permanently financed no later than the tenth anniversary of the date of the original note. On or before the third anniversary date of the original note through the tenth anniversary date, a payment of an amount at least equal to the first legally payable installment must be paid or retired.

The Borough's debt is summarized as follows:

	<u>2016</u>	<u>2015</u>
Issued:		
General:		
Bonds, notes and loans	\$ 8,477,752.17	\$ 9,818,798.95
Water and Sewer Utility:		
Bonds, notes and loans	<u>7,484,427.13</u>	<u>6,653,315.47</u>
Total Issued	15,962,179.30	16,472,114.42
Authorized but not Issued:		
General:		
Bonds and notes	2,641,193.51	1,778,289.23
Water and Sewer Utility:		
Bonds and notes	<u>3,403,172.00</u>	<u>1,468,315.00</u>
Total Authorized but not Issued	6,044,365.51	3,246,604.23
Total Issued and Authorized but not Issued	<u>\$ 22,006,544.81</u>	<u>\$ 19,718,718.65</u>

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9. LONG-TERM DEBT (Continued)

SUMMARY OF MUNICIPAL DEBT (Continued)

	2016	2015
General Capital:		
\$3,000,000, 2011 General Improvement Bonds of 2011 due in annual installments of \$200,000 through August 2026, interest at 3.00% to 4.00%	\$ 2,000,000.00	\$ 2,200,000.00
\$3,525,000 MCIA Refunding Bonds, Series 2012 due in annual installments of \$305,000 to \$380,000 through December 2023, interest at 2.00% to 4.00%	2,565,000.00	2,890,000.00
\$2,160,000 MCIA Revenue Bonds, Series 2014 due in annual installments of \$145,000 to \$185,000 through December 2026, interest at 4.00% to 5.00%	1,850,000.00	2,015,000.00
\$2,240,800, Bond Anticipation Notes issued on 7/31/15 due on 4/29/16, interest at 1.25%	-	2,240,800.00
\$1,625,000, Bond Anticipation Notes issued on 4/29/16 due on 4/28/17, interest at 0.096%	1,625,000.00	-
Green Trust Loan, due in semi-annual installments of \$22,265.70 through 2027	437,752.17	472,998.95
Total General Capital Debt	\$ 8,477,752.17	\$ 9,818,798.95
Water and Sewer Utility Debt:		
\$1,070,000 MCIA Revenue Bonds, Series 2014 due in annual installments of \$85,000 to \$95,000 through December 2026, interest at 4.00% to 5.00%	\$ 900,000.00	\$ 985,000.00
\$1,000,000, Bond Anticipation Notes issued on 12/1/16 due on 4/28/17, interest at 1.14%	1,000,000.00	-
\$2,656,000 USDA Water Rehabilitation Loan due in semi-annual installements of \$53,838.00 through 2054	2,558,586.23	2,598,315.47
\$3,070,000 USDA Water Rehabilitation Loan due in semi-annual installements of \$44,158.00 through 2055	3,025,840.90	3,070,000.00
Total Water and Sewer Utility Debt	\$ 7,484,427.13	\$ 6,653,315.47
Total Debt Issued and Outstanding	\$ 15,962,179.30	\$ 16,472,114.42

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9. LONG-TERM DEBT (Continued)

SUMMARY OF MUNICIPAL DEBT (Continued)

The repayment schedule of annual debt service principal and interest for the next five years, and five-year increments there-after, for bonded debt issued, and loans outstanding, as of December 31, 2016 is as follows:

Year Ending	General Bonds		Green Acres Trust Fund Loans		USDA Loans		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 820,000.00	\$ 305,150.00	\$ 35,955.24	\$ 8,576.16	\$ 86,104.15	\$ 146,029.85	\$ 1,401,815.40
2018	820,000.00	274,350.00	36,677.94	7,853.46	88,379.21	143,754.79	1,371,015.40
2019	830,000.00	243,550.00	37,415.17	7,116.23	90,714.39	141,419.61	1,350,215.40
2020	845,000.00	212,350.00	38,167.22	6,364.19	93,111.27	139,022.73	1,334,015.41
2021	845,000.00	180,550.00	38,934.38	5,597.03	95,571.48	136,562.52	1,302,215.41
2022-2026	3,155,000.00	-	206,729.97	15,927.04	517,096.78	643,573.22	4,538,327.01
2027-2031	-	-	43,872.25	659.15	589,117.83	571,552.17	1,205,201.40
2032-2036	-	-	-	-	671,169.94	489,500.06	1,160,670.00
2037-2041	-	-	-	-	764,650.20	396,019.80	1,160,670.00
2042-2046	-	-	-	-	871,150.39	289,519.61	1,160,670.00
2047-2051	-	-	-	-	992,483.84	168,186.16	1,160,670.00
2052-2056	-	-	-	-	724,877.65	38,115.85	762,993.50
	<u>\$ 7,315,000.00</u>	<u>\$ 1,215,950.00</u>	<u>\$ 437,752.17</u>	<u>\$ 52,093.26</u>	<u>\$ 5,584,427.13</u>	<u>\$ 3,303,256.37</u>	<u>\$ 17,908,478.93</u>

The changes in debt for the years ended December 31, 2016 and 2015 is as follows:

	Balance December 31, 2015	Authorized	Issued/ (Cancelled)	Paid	Balance December 31, 2016
Short-Term:					
Bond Anticipation Notes	\$ 2,240,800.00	\$ -	\$ 2,625,000.00	\$ 2,240,800.00	\$ 2,625,000.00
Long-Term:					
General Bonds	8,090,000.00	-	-	775,000.00	7,315,000.00
Green Acres Loans	472,998.95	-	-	35,246.78	437,752.17
USDA Loans	5,668,315.47	-	-	83,888.34	5,584,427.13
Authorized but Not Issued	3,246,604.23	5,705,300.00	(2,907,538.72)	-	6,044,365.51
Total	<u>\$ 19,718,718.65</u>	<u>\$ 5,705,300.00</u>	<u>\$ (282,538.72)</u>	<u>\$ 3,134,935.12</u>	<u>\$ 22,006,544.81</u>

	Balance December 31, 2014	Authorized	Issued/ (Cancelled)	Paid	Balance December 31, 2015
Short-Term:					
Bond Anticipation Notes	\$ 9,218,100.00	\$ -	\$ 2,240,800.00	\$ 9,218,100.00	\$ 2,240,800.00
Long-Term:					
General Bonds	8,850,000.00	-	-	760,000.00	8,090,000.00
Green Acres Loans	507,551.23	-	-	34,552.28	472,998.95
USDA Loans	2,637,022.00	-	3,070,000.00	38,706.53	5,668,315.47
Authorized but Not Issued	3,916,223.23	-	(669,619.00)	-	3,246,604.23
Total	<u>\$ 25,128,896.46</u>	<u>\$ -</u>	<u>\$ 4,641,181.00</u>	<u>\$ 10,051,358.81</u>	<u>\$ 19,718,718.65</u>

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9. LONG-TERM DEBT (Continued)

SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENT

At December 31, 2016 the equalized valuation basis of the Borough was \$678,090,246.33. The summarized statement of debt condition, which was prepared in accordance with the required method of setting up the Annual Debt Statement, indicated a statutory net debt of 1.60%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 3,580,000.00	\$ 3,580,000.00	\$ -
Water and Sewer Utility Debt	10,887,599.13	10,887,599.13	-
General Debt	11,118,945.68	242,105.53	10,876,840.15
	<u>\$ 25,586,544.81</u>	<u>\$ 14,709,704.66</u>	<u>\$ 10,876,840.15</u>

BORROWING POWER UNDER N.J.S.A. 40A:2-6 AS AMENDED

3-1/2% of Equalized Valuation Basis	\$ 23,733,158.62
Net Debt	10,876,840.15
Remaining Borrowing Power	<u>\$ 12,856,318.47</u>

At December 31, 2015 the equalized valuation basis of the Borough was \$665,448,757.67. The summarized statement of debt condition, which was prepared in accordance with the required method of setting up the Annual Debt Statement, indicated a statutory net debt of 1.79%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 4,190,000.00	\$ 4,190,000.00	\$ -
Water and Sewer Utility Debt	8,121,630.47	7,674,602.27	447,028.20
General Debt	11,597,088.18	99,417.25	11,497,670.93
	<u>\$ 23,908,718.65</u>	<u>\$ 11,964,019.52</u>	<u>\$ 11,944,699.13</u>

BORROWING POWER UNDER N.J.S.A. 40A:2-6 AS AMENDED

3-1/2% of Equalized Valuation Basis	\$ 23,290,706.52
Net Debt	11,944,699.13
Remaining Borrowing Power	<u>\$ 11,346,007.39</u>

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9. LONG-TERM DEBT (Continued)

SELF-LIQUIDATING UTILITY CALCULATION

The calculation of Self-Liquidating Purposes for the Water and Sewer Utility per N.J.S.A. 40A:2-45 is as follows:

	<u>2016</u>	<u>2015</u>
Cash receipts from fees, rents or other charges for the year	\$ 3,378,625.43	\$ 3,165,674.87
Deductions:		
Operating and maintenance costs	2,790,700.00	2,911,000.00
Debt service	<u>361,458.68</u>	<u>277,026.28</u>
Total deductions	<u>3,152,158.68</u>	<u>3,188,026.28</u>
Excess/(Deficit) in revenue	<u>\$ 226,466.75</u>	<u>\$ (22,351.41)</u>

The calculation of Self-Liquidating deduction from gross debt is as follows:

	<u>2016</u>	<u>2015</u>
Water and Sewer debt	\$ 10,887,599.13	\$ 8,121,630.47
Less:		
Deficit capitalized at 5%	<u>-</u>	<u>447,028.20</u>
Water and Sewer debt deductible	<u>\$ 10,887,599.13</u>	<u>\$ 7,674,602.27</u>

The difference between the excess/(deficit) in revenues for debt statement purposes and the regulatory basis for the Water and Sewer Utility is as follows:

	<u>2016</u>	<u>2015</u>
Excess/(Deficit) in revenues -regulatory basis	\$ 209,530.53	\$ 20,157.64
Add: Capital Outlay	<u>25,000.00</u>	<u>19,000.00</u>
	234,530.53	39,157.64
Less: Unexpended balance of appropriation reserves	<u>8,063.78</u>	<u>61,509.05</u>
Excess/(Deficit) in revenue	<u>\$ 226,466.75</u>	<u>\$ (22,351.41)</u>

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 10. FUND BALANCE APPROPRIATED

Fund balances at December 31, 2016 and 2015, were appropriated and included as anticipated revenue in their respective funds for the succeeding year's budget as follows:

	<u>Year</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund:	2016	\$ 1,280,023.01	\$ 550,000.00
	2015	528,134.93	396,000.00
Water and Sewer Utility Fund:	2016	\$ 209,534.09	\$ 40,000.00
	2015	20,203.56	20,200.00

NOTE 11. RETIREMENT SYSTEMS

Substantially all Borough employees participate in the State of New Jersey, Public Employees Retirement System (PERS), Police and Fireman's Retirement System of New Jersey (PFRS) or the Defined Contribution Retirement Program (DCRP).

STATE-MANAGED PENSION PLANS – PERS

The PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits. For additional information about PERS, please refer to Division of Pension and Benefit's Comprehensive Annual Financial Report (CAFR) which can be found at 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 who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 11. RETIREMENT SYSTEMS (Continued)

STATE-MANAGED PENSION PLANS – PERS (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 with 25 or more years of service credit before age 62 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.

Net Pension Liability

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The Division does not require the Borough to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources or collective pension expense, however, disclosure of such amounts is required.

Although the Division of Pensions and Benefits administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan. The allocation percentages for each group of the plan as of June 30, 2016 and 2015 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2016 and 2015.

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 11. RETIREMENT SYSTEMS (Continued)

STATE-MANAGED PENSION PLANS – PERS (Continued)

At December 31, 2016 and 2015, the Borough’s net pension liability for PERS, including the Borough’s proportionate share, was as follows:

<u>Proportionate Share</u>		<u>Net Pension</u>
<u>Rate</u>	<u>Change</u>	<u>Liability</u>
0.01985%	-0.00104%	\$ 5,878,548
0.02089%	-0.00055%	4,689,152

Sensitivity of the Borough’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Borough’s proportionate share of the net pension liability as of December 31, 2016 and 2015, calculated using a discount rate of 3.98% and 4.90% as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

At:	<u>2016</u>		<u>2015</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
1% Decrease	2.98%	\$ 5,537,746	3.90%	\$ 5,828,042
Current Discount Rate	3.98%	5,878,548	4.90%	4,689,152
1% Increase	4.98%	3,548,308	5.90%	3,734,315

Actuarial Assumptions

The total pension liability for the June 30, 2016 and June 30, 2015 measurement dates were determined by actuarial valuations as of July 1, 2015 and 2014, respectively, which were rolled forward to June 30, 2016 and 2015, respectively. These actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement:

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 11. RETIREMENT SYSTEMS (Continued)

STATE-MANAGED PENSION PLANS – PERS (Continued)

	<u>For Measurement Date of:</u>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Inflation Rate	3.08%	3.04%
Salary Increases:		
2012-2021	1.65-4.15% based on age	2.15-4.40% based on age
Thereafter	2.65-5.15% based on age	3.15-5.40% based on age
Investment Rate of Return	7.65%	7.90%

Mortality - For the June 30, 2016 and 2015 Measurement Dates, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. 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 will be.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% and 7.90% at June 30, 2016 and 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 11. RETIREMENT SYSTEMS (Continued)

STATE-MANAGED PENSION PLANS – PERS (Continued)

Best estimates of arithmetic rates of return for each major asset class included in PERS target asset allocations as of June 30, 2016 and 2015 are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	June 30,		June 30,	
	2016	2015	2016	2015
Cash	5.00%	5.00%	0.87%	1.04%
U.S. Treasuries	1.50%	1.75%	1.74%	1.64%
Investment Grade Credit	8.00%	10.00%	1.79%	1.79%
Mortgages	2.00%	2.10%	1.67%	1.62%
High Yield Bonds	2.00%	2.00%	4.56%	4.03%
Inflation-Indexed Bonds	1.50%	1.50%	3.44%	3.25%
Broad U.S. Equities	26.00%	27.25%	8.53%	8.52%
Developed Foreign Equities	13.25%	12.00%	6.83%	6.88%
Emerging Market Equities	6.50%	6.40%	9.95%	10.00%
Private Equity	9.00%	9.25%	12.40%	12.41%
Hedge Funds / Absolute Return	12.50%	12.00%	4.68%	4.72%
Real Estate (Property)	2.00%	2.00%	6.91%	6.83%
Commodities	0.50%	1.00%	5.45%	5.32%
Global Debt ex U.S.	5.00%	3.50%	-0.25%	-0.40%
REIT	5.25%	4.25%	5.63%	5.12%

Discount Rate - The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. This single blend discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and 7.90%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, 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 average of the last five years of contributions made in relation to the last five years of actuarially determined contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 11. RETIREMENT SYSTEMS (Continued)

STATE-MANAGED PENSION PLANS – PERS (Continued)

Deferred Outflows and Inflows of Resources

The following are the Borough's deferred outflows of resources and deferred inflows of resources for the years ended December 31, 2016 and 2015:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 1,217,721	\$ -	\$ 503,577	\$ -
Difference Between Expected and Actual Experience	109,323	-	111,867	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	224,154	-	-	75,393
Changes in Proportion	-	317,039	-	220,851
	<u>\$ 1,551,198</u>	<u>\$ 317,039</u>	<u>\$ 615,444</u>	<u>\$ 296,244</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	
2017	\$ 277,860
2018	277,860
2019	321,910
2020	270,451
2021	86,078
	<u>\$ 1,234,159</u>

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 11. RETIREMENT SYSTEMS (Continued)

STATE-MANAGED PENSION PLANS – PERS (Continued)

Contribution Policy

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and their employers. Such contributions may be amended by State legislation. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and non-contributory death benefits. Members contribute at a uniform rate pursuant to the provisions of Chapter 78, P.L. 2011. Members contribution rates were 6.92% effective July 1, 2014, 7.06% effective July 1, 2015, and 7.20% effective July 1, 2016. Member contributions include funding for basic retirement allowances and contributory death benefits.

Contributions made by the Borough and its employees for the previous three years are as follows:

Year	Borough Contribution		Base Wages Subject to Contributions	Employee Contributions	
	Amount Paid or Charged	As a Percentage of Base Wages		As a Percentage of Base Wages	Amount Contributed
2016	\$ 179,589	12.23%	\$ 1,468,214	7.13%	\$ 104,725
2015	176,699	14.03%	1,259,846	7.18%	90,440
2014	169,179	11.97%	1,413,054	6.68%	94,425

STATE-MANAGED PENSION PLANS – PFRS

The PFRS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits. For additional information about PFRS, please refer to Division of Pension and Benefit's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

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

The following represents the membership tiers for PERS:

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

**BOROUGH OF KEYPORT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 11. RETIREMENT SYSTEMS (Continued)

STATE-MANAGED PENSION PLANS – PFRS (Continued)

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

Net Pension Liability

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PFRS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The Division does not require the Borough to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources or collective pension expense, however, disclosure of such amounts is required.

Although the Division of Pensions and Benefits administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan. The allocation percentages for each group of the plan as of June 30, 2016 and 2015 are based on the ratio of each employer’s contributions to total employer contributions of the group for the fiscal years ended June 30, 2016 and 2015.

At December 31, 2016 and 2015, the Borough’s net pension liability for PFRS, including the Borough’s proportionate share, was as follows:

Year	Proportionate Share		Net Pension Liability
	Rate	Change	
2016	0.04319%	-0.00281%	\$ 8,944,111
2015	0.04600%	0.02457%	8,334,053

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 11. RETIREMENT SYSTEMS (Continued)

STATE-MANAGED PENSION PLANS – PFRS (Continued)

Sensitivity of the Borough’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Borough’s proportionate share of the net pension liability as of December 31, 2016 and 2015, calculated using a discount rate of 5.55% and 5.79% as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

At:	2016		2015	
	Rate	Amount	Rate	Amount
1% Decrease	4.55%	\$ 10,316,639	4.79%	\$ 10,986,928
Current Discount Rate	5.55%	8,944,111	5.79%	8,334,053
1% Increase	6.55%	5,794,399	6.79%	6,170,871

Actuarial Assumptions

The total pension liability for the June 30, 2016 and June 30, 2015 measurement dates were determined by actuarial valuations as of July 1, 2015 and 2014, respectively, which were rolled forward to June 30, 2016 and 2015, respectively. These actuarial valuations used the following actuarial assumptions:

	For Measurement Date of	
	June 30, 2016	June 30, 2015
Inflation Rate	3.08%	3.04%
Salary Increases:		
2012-2021	2.10-8.98% based on age	2.60-9.48% based on age
Thereafter	3.10-9.98% based on age	3.60-10.48% based on age
Investment Rate of Return	7.65%	7.90%

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 11. RETIREMENT SYSTEMS (Continued)

STATE-MANAGED PENSION PLANS – PFRS (Continued)

Mortality - For the June 30, 2016 and 2015 Measurement Dates, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. 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 will be.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% and 7.90% at June 30, 2016 and 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PFRS target asset allocations as of June 30, 2016 and 2015 are summarized in the following table:

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 11. RETIREMENT SYSTEMS (Continued)

STATE-MANAGED PENSION PLANS – PFRS (Continued)

<u>Asset Class</u>	Target Allocation		Long-Term Expected Real Rate of Return	
	June 30,		June 30,	
	2016	2015	2016	2015
Cash	5.00%	5.00%	0.87%	1.04%
U.S. Treasuries	1.50%	1.75%	1.74%	1.64%
Investment Grade Credit	8.00%	10.00%	1.79%	1.79%
Mortgages	2.00%	2.10%	1.67%	1.62%
High Yield Bonds	2.00%	2.00%	4.56%	4.03%
Inflation-Indexed Bonds	1.50%	1.50%	3.44%	3.25%
Broad U.S. Equities	26.00%	27.25%	8.53%	8.52%
Developed Foreign Equities	13.25%	12.00%	6.83%	6.88%
Emerging Market Equities	6.50%	6.40%	9.95%	10.00%
Private Equity	9.00%	9.25%	12.40%	12.41%
Hedge Funds / Absolute Return	12.50%	12.00%	4.68%	4.72%
Real Estate (Property)	2.00%	2.00%	6.91%	6.83%
Commodities	0.50%	1.00%	5.45%	5.32%
Global Debt ex U.S.	5.00%	3.50%	-0.25%	-0.40%
REIT	5.25%	4.25%	5.63%	5.12%

Discount Rate - The discount rate used to measure the total pension liability was 5.55% and 5.79% as of June 30, 2016 and 2015, respectively. This single blend discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and 7.90%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, 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 average of the last five years of contributions made in relation to the last five years of actuarially determined contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 11. RETIREMENT SYSTEMS (Continued)

STATE-MANAGED PENSION PLANS – PFRS (Continued)

Deferred Outflows and Inflows of Resources

The following are the Borough's deferred outflows of resources and deferred inflows of resources for the years ended December 31, 2016 and 2015:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 3,075,507	\$ -	\$ 1,414,616	\$ -
Difference Between Expected and Actual Experience	-	145,554	-	66,088
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,555,825		-	133,352
Changes in Proportion	1,028,467	467,607	195,327	688,202
	<u>\$ 5,659,799</u>	<u>\$ 613,161</u>	<u>\$ 1,609,943</u>	<u>\$ 887,642</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	
2017	\$ 1,208,043
2018	1,208,043
2019	1,627,707
2020	962,519
2021	40,325
	<u>\$ 5,046,638</u>

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 11. RETIREMENT SYSTEMS (Continued)

Contributions and Liability

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and their employers. Such contributions may be amended by State legislation. Employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and non-contributory death benefits. Members contribute at a uniform rate pursuant to the provisions of Chapter 78, P.L. 2011. Members contributed at a rate of 10%. Member contributions include funding for basic retirement allowances and contributory death benefits.

Contributions made by the Borough and its employees for the previous three years are as follows:

Year	Borough Contribution		Base Wages Subject to Contributions	Employee Contributions	
	Amount Paid or Charged	As a Percentage of Base Wages		As a Percentage of Base Wages	Amount Contributed
2016	\$ 373,917	23.94%	\$ 1,561,763	10.00%	\$ 156,176
2015	401,506	26.62%	1,508,299	10.19%	153,704
2014	365,524	25.09%	1,457,055	9.90%	144,211

DEFINED CONTRIBUTION RETIREMENT PROGRAM

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

Plan Membership and Contributing Employers - Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually.

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

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 11. RETIREMENT SYSTEMS (Continued)

DEFINED CONTRIBUTION RETIREMENT PROGRAM (Continued)

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

For the years ended December 31, 2016 and 2015 compensation paid by the Borough to employees enrolled in DCRP was \$83,145 and \$42,639, respectively. Borough contributions to the DCRP were \$2,494 and \$1,279, respectively, and employee contributions to the DCRP were \$4,573 and \$2,345, respectively.

NOTE 12. POST RETIREMENT HEALTH BENEFITS

P.L. 1997 C.330 provides State paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund, and to dependents of qualified retirees. The State is responsible for 80% of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge.

Borough employees who are enrolled as part of the PERS are not entitled to any post-retirement benefits.

NOTE 13. DEFERRED COMPENSATION PLAN

The Borough has instituted a Deferred Compensation Plan pursuant to section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; P.L. 1980, C. 78; and P.L. 1997, C. 116 of the Statutes of the State of New Jersey. The Plan is an arrangement whereby 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 of the types of investments permitted under the governing regulations. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The Borough has engaged a private contractor to administer the plan.

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 14. COMPENSATED ABSENCES

The Borough of Keyport has established policies, which set forth the terms under which an employee may accumulate unused benefits. The Borough permits its employees to accumulate unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. As of December 31, 2016 and 2015 the total accumulated compensated absence liability was estimated to be \$394,157.00 and \$328,865.00, respectively. The Division does not require the accumulated costs of such unpaid compensation to be recorded in the Borough's financial statements. The Borough appropriates amounts required to be paid in any year in that year's budget.

NOTE 15. RISK MANAGEMENT

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

New Jersey Unemployment Compensation Insurance – The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State.

At December 31, 2016 and 2015 \$12,493.09 and \$8,307.64, respectively, were reported as a reserve within the Borough's Other Trust Fund.

NOTE 16. CONTINGENT LIABILITIES

Based upon all information available, the Borough does not believe that there are any legal matters pending, in the event of an adverse or unfavorable outcome, which would have a material impact upon the Borough's finances.

**BOROUGH OF KEYPORT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 16. CONTINGENT LIABILITIES (Continued)

The Borough participates in several federal, state and local financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. Federal, state and local grant programs are also subject to compliance and financial audits by the grantor agencies or their representatives. As of December 31, 2016, the Borough does not believe that any material liabilities will result from such audits.

NOTE 17. SUBSEQUENT EVENTS

On April 27, 2017 Bond Anticipation Notes of \$4,775,000 were issued to retire the Bond Anticipation Notes outstanding at December 31, 2016 and provide additional funding for capital projects. The 2017 Bond Anticipation Notes mature on April 27, 2018 and bear an interest rate of 2%.

Management has evaluated subsequent events through September 26, 2017, the date which the financial statements were available to be issued.

REPORT OF AUDIT

SUPPLEMENTARY
INFORMATION SECTION

BOROUGH OF KEYPORT
DECEMBER 31, 2016

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>		
Balance, December 31, 2015	A		\$1,535,732.43
Increased by Receipts:			
Miscellaneous Revenues Not Anticipated	A-2	\$ 359,686.01	
Taxes Receivable	A-7	17,637,025.70	
Tax Overpayments	A-8	1,686.30	
Revenue Accounts Receivable	A-10	2,316,302.08	
Interfunds	A-11	148,083.26	
State of New Jersey - Veterans and Senior Citizens Deductions	A-6	43,500.00	
Abating Costs	A-14	14,120.70	
Various Reserves	A-17	45,571.00	
Prepaid Taxes	A-18	138,326.74	
Note Payable	A-20	<u>69,800.00</u>	
			<u>20,774,101.79</u>
			22,309,834.22
Decreased by Disbursements:			
Appropriations	A-3	7,799,428.07	
Tax Overpayments	A-8	250.00	
Interfunds	A-11	202,265.31	
Abating Costs	A-14	14,014.27	
Appropriation Reserves	A-15	86,087.61	
Various Reserves	A-17	133,418.15	
Taxes Payable	A-19	11,547,971.21	
Reserve for Encumbrances	A-16	287,384.67	
Notes Payable	A-20	<u>105,600.00</u>	
			<u>20,176,419.29</u>
Balance, December 31, 2016	A		<u><u>\$2,133,414.93</u></u>

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF CASH - CHANGE FUND

	<u>Ref.</u>	
Balance, December 31, 2016 and 2015	A	<u>\$ 625.00</u>
Analysis of Balance		
Tax Collector		\$ 175.00
Construction		50.00
Board of Health		50.00
Borough Clerk		50.00
Municipal Court		<u>300.00</u>
		<u>\$ 625.00</u>

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

**SCHEDULE OF DUE FROM STATE OF NEW JERSEY
FOR SENIOR CITIZENS AND VETERAS DEDUCTIONS**

	<u>Ref.</u>		
Balance, December 31, 2015	A		\$ 3,389.20
Increased by:			
Senior Citizens and Veterans Deductitons Per Tax Billings (Net)	Below	\$43,250.00	
Senior Citizens and Veterans Deductitons Allowed by Tax Collector (Net)	Below	<u>2,250.00</u>	
			<u>45,500.00</u>
			48,889.20
Decreased by:			
Cash Receipts	A-4	43,500.00	
Senior Citizens and Veterans Deductitons Disallowed by Tax Collector (Net)	Below	250.00	
Senior Citizens Deductitons Disallowed by Tax Collector - 2015 Taxes	A-7	<u>1,000.00</u>	
			<u>44,750.00</u>
Balance, December 31, 2016	A		<u><u>\$ 4,139.20</u></u>

Analysis of Senior Citizens and Veterans Deductions Allowed - 2016 Taxes

Senior Citizens and Veterans Deductitons (Net):			
Per Tax Billings	Above	\$43,250.00	
Allowed by Tax Collector	Above	2,250.00	
Disallowed by Tax Collector	Above	<u>(250.00)</u>	
	A-7		<u><u>\$ 45,250.00</u></u>

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF TAXES RECEIVABLE

Year	Balance	2016 Tax Levy	Collections		Senior Citizens and Veterans Deductions	Transferred to Tax Title Liens	Added Penalty	Cancellations	Balance																																																																						
	December 31, 2015		2015	2016					December 31, 2016																																																																						
2015 and prior	\$ 660,645.17	\$ -	\$ -	\$ 658,538.59	\$ (1,000.00)	\$ 3,106.58	\$ -	\$ -	\$ -																																																																						
2016	-	17,783,034.64	138,164.00	16,978,487.11	45,250.00	19,222.74	18,271.99	14,970.54	605,212.24																																																																						
	<u>\$ 660,645.17</u>	<u>\$ 17,783,034.64</u>	<u>\$ 138,164.00</u>	<u>\$ 17,637,025.70</u>	<u>\$ 44,250.00</u>	<u>\$ 22,329.32</u>	<u>\$ 18,271.99</u>	<u>\$ 14,970.54</u>	<u>\$ 605,212.24</u>																																																																						
Ref.	A	Below	A-18	A-4	A-1, A-6	A-13			A																																																																						
Tax Yield:																																																																															
General Purpose Tax		\$ 17,644,835.39																																																																													
Special District Taxes		118,456.94																																																																													
Added and Omitted Taxes		19,742.31																																																																													
		<u>\$ 17,783,034.64</u>																																																																													
		Above																																																																													
Tax Levy:																																																																															
County Taxes			\$ 1,925,332.90																																																																												
Due to County for Added Taxes			2,161.34																																																																												
Municipal Open Space			170,836.94																																																																												
Local District School Tax			9,332,171.00																																																																												
Business Improvement District			118,000.00																																																																												
		A-19		\$ 11,548,502.18																																																																											
Municipal Tax		A-2	5,987,577.85																																																																												
Municipal Library Tax		A-2	226,712.00																																																																												
Additional Tax Levied			20,242.61																																																																												
				<u>6,234,532.46</u>																																																																											
				<u>\$ 17,783,034.64</u>																																																																											
				Above																																																																											
<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Collections</td> <td></td> <td></td> <td></td> <td>Delinquent</td> <td>Current</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>2015</td> <td></td> <td></td> <td></td> <td>\$ -</td> <td>\$ 138,164.00</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>2016</td> <td></td> <td></td> <td></td> <td>658,538.59</td> <td>16,978,487.11</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Senior Citizens and Veterans Deductions</td> <td></td> <td></td> <td></td> <td>-</td> <td>45,250.00</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td><u>\$ 658,538.59</u></td> <td><u>\$ 17,161,901.11</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>A-2</td> <td>A-2</td> </tr> </table>																								Collections				Delinquent	Current					2015				\$ -	\$ 138,164.00					2016				658,538.59	16,978,487.11					Senior Citizens and Veterans Deductions				-	45,250.00									<u>\$ 658,538.59</u>	<u>\$ 17,161,901.11</u>									A-2	A-2
				Collections				Delinquent	Current																																																																						
				2015				\$ -	\$ 138,164.00																																																																						
				2016				658,538.59	16,978,487.11																																																																						
				Senior Citizens and Veterans Deductions				-	45,250.00																																																																						
								<u>\$ 658,538.59</u>	<u>\$ 17,161,901.11</u>																																																																						
								A-2	A-2																																																																						

EXHIBIT A-8

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF TAX OVERPAYMENTS

	<u>Ref.</u>	
Balance, December 31, 2015	A	\$ 250.00
Increased by:		
Cash Receipts	A-4	<u>1,686.30</u>
		1,936.30
Decreased by:		
Cash Disbursements	A-4	<u>250.00</u>
Balance, December 31, 2016	A	<u><u>\$ 1,686.30</u></u>

EXHIBIT A-9

**SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
AT ASSESSED VALUATIONS**

	<u>Ref.</u>	
Balance, December 31, 2016 and 2015	A	<u><u>\$ 97,100.00</u></u>

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance December 31, 2015	Accrued	Cash Receipts	Balance December 31, 2016
Licenses:				
Alcoholic Beverage	\$ -	\$ 30,516.63	\$ 30,516.63	\$ -
Other	-	4,634.00	4,634.00	-
Fees and Permits	-	284,108.65	284,108.65	-
Fines and Costs Municipal Court	14,800.01	199,874.70	198,295.81	16,378.90
Interest and Costs on Taxes	-	134,215.06	134,215.06	-
Cable Television Fees	-	107,444.48	107,444.48	-
Payment in Lieu of Taxes:				
Senior Citizen Housing	-	328,289.00	328,289.00	-
Bethany Manor Arms	-	90,295.00	90,295.00	-
Consolidated Municipal Property Tax Relief Aid	-	77,419.00	77,419.00	-
Energy Receipts Taxes	-	637,054.00	637,054.00	-
Construction Code Fees	11,617.00	306,247.00	303,404.00	14,460.00
Interlocal Board of Health (Union Beach)	-	5,000.00	5,000.00	-
Uniform Fire Safety Act	1,170.00	79,691.45	79,626.45	1,235.00
General Capital Fund Balance	-	6,000.00	6,000.00	-
Reserve for Debt Service - General Capital	-	30,000.00	30,000.00	-
	<u>\$ 27,587.01</u>	<u>\$ 2,320,788.97</u>	<u>\$ 2,316,302.08</u>	<u>\$ 32,073.90</u>
<u>Ref.</u>	A		A-2, A-4	A

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF INTERFUNDS RECEIVABLE/(PAYABLE)

	<u>Ref.</u>	<u>Total</u>	<u>Federal and State Grant Fund</u>	<u>Other Trust Fund</u>	<u>Payroll Fund</u>
Balance, December 31, 2015					
Receivable	A	\$ 614.24	\$ -	\$ -	\$ 614.24
Payable	A	<u>(164,090.91)</u>	<u>(163,829.99)</u>	<u>(260.92)</u>	<u>614.24</u>
		<u>(163,476.67)</u>	<u>(163,829.99)</u>	<u>(260.92)</u>	<u>614.24</u>
Increased by:					
Grants Cancelled	A-1	12,712.91	12,712.91		
Current Year Grant Award	A-2	139,667.76	139,667.76		
Cash Disbursements	A-4	<u>202,265.31</u>	<u>201,930.19</u>	335.12	
		<u>354,645.98</u>	<u>354,310.86</u>	<u>335.12</u>	<u>-</u>
Decreased by:					
Charges to 2016 Appropriations	A-3	211,717.26	211,717.26		
Cash Receipts	A-4	<u>148,083.26</u>	<u>148,083.26</u>		
		<u>359,800.52</u>	<u>359,800.52</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2016					
Receivable	A	688.44		74.20	614.24
Payable	A	<u>(169,319.65)</u>	<u>(169,319.65)</u>	<u>-</u>	<u>-</u>
		<u>\$ (168,631.21)</u>	<u>\$ (169,319.65)</u>	<u>\$ 74.20</u>	<u>\$ 614.24</u>
Interfund Advanced	A-1	<u>\$ 74.20</u>		<u>\$ 74.20</u>	

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF DEFERRED CHARGES

	<u>Date Authorized</u>	<u>Balance December 31, 2015</u>	<u>Budget Appropriations</u>	<u>Balance December 31, 2016</u>
Special Emergency Authorizations				
Revision of Master Plan	2012	\$ 3,600.00	\$ 1,800.00	\$ 1,800.00
Revaluation of Real Property	2013	<u>102,000.00</u>	<u>34,000.00</u>	<u>68,000.00</u>
		<u>\$ 105,600.00</u>	<u>\$ 35,800.00</u>	<u>\$ 69,800.00</u>
	<u>Ref.</u>	A	A-3	A

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	<u>Ref.</u>		
Balance, December 31, 2015	A		\$ 171,378.42
Increased by:			
Transfer from Taxes Receivable	A-7	\$22,329.32	
Interest and Costs on 2016 Tax Sale		<u>580.58</u>	
			<u>22,909.90</u>
Balance, December 31, 2016	A		<u><u>\$ 194,288.32</u></u>

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF ABATING COST RECEIVABLE

	Balance December 31, 2015	Billings	Receipts	Transfers	Balance December 31, 2016
Abating Costs	\$ 3,612.45	\$18,126.23	\$ 13,823.28	\$ (1,520.00)	\$ 6,395.40
Abating Cost Liens	-	377.03	297.42	1,520.00	1,599.61
	<u>\$ 3,612.45</u>	<u>\$18,503.26</u>	<u>\$ 14,120.70</u>	<u>\$ -</u>	<u>\$ 7,995.01</u>
<u>Ref.</u>	A	Below	A-1, A-4		A
Billings - Disbursed		\$14,014.27			
Billings - Other		4,111.96			
Interest and Costs		<u>377.03</u>			
		<u>\$18,503.26</u>			
		Above			

EXHIBIT A-15

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF APPROPRIATION RESERVES

Expenditures	Balance December 31, 2015	Balance After Transfers	Paid or Charged	Balance Lapsed
OPERATIONS WITHIN "CAPS"				
General Government:				
Administrative and Executive				
Salaries and Wages	\$ 13,248.33	\$ 13,248.33	\$ -	\$ 13,248.33
Other Expenses	8,455.21	8,455.21	355.32	8,099.89
Mayor and Council				
Salaries and Wages	502.24	502.24	-	502.24
Other Expenses	85.11	85.11	-	85.11
Municipal Clerk				
Salaries and Wages	1,160.78	1,160.78	-	1,160.78
Other Expenses				
Miscellaneous	783.80	783.80	(1,000.00)	1,783.80
Revision and Codification of Ordinances	2,500.00	2,500.00	-	2,500.00
Financial Administration				
Salaries and Wages	251.85	251.85	-	251.85
Other Expenses	722.14	722.14	(942.96)	1,665.10
Collection of Taxes				
Salaries and Wages	56.71	56.71	-	56.71
Other Expenses	1,120.78	1,120.78	(942.96)	2,063.74
Assessment of Taxes				
Salaries and Wages	60.18	60.18	-	60.18
Other Expenses				
Revision of Tax Map/Revaluation	2,000.00	2,000.00	1,200.00	800.00
Miscellaneous	493.64	493.64	-	493.64
Legal Services				
Other Expenses	39,699.81	39,699.81	26,524.86	13,174.95
Environmental Commission				
Other Expenses	300.00	300.00	-	300.00
Engineering Services				
Other Expenses	5,265.90	5,265.90	(5,135.52)	10,401.42
Planning/Zoning Board				
Salaries and Wages	0.48	0.48	-	0.48
Other Expenses				
Revision of Master Plan	100.00	100.00	-	100.00
Miscellaneous	638.03	638.03	-	638.03
Property Maintenance				
Salaries and Wages	719.14	719.14	-	719.14
Other Expenses	460.77	460.77	-	460.77
Total General Government	<u>78,624.90</u>	<u>78,624.90</u>	<u>20,058.74</u>	<u>58,566.16</u>
Insurance:				
Liability Insurance	43.60	43.60	-	43.60
Workers Compensation Insurance	2,569.52	2,569.52	-	2,569.52
Employee Group Insurance	3,255.76	1,755.76	-	1,755.76
Health Benefit Waiver	360.82	360.82	-	360.82
Total Insurance	<u>6,229.70</u>	<u>4,729.70</u>	<u>-</u>	<u>4,729.70</u>

EXHIBIT A-15

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF APPROPRIATION RESERVES

Expenditures	Balance December 31, 2015	Balance After Transfers	Paid or Charged	Balance Lapsed
Public Safety:				
Police Department				
Salaries and Wages	\$ 37,630.64	\$ 37,630.64	\$ 36,916.32	\$ 714.32
Other Expenses		-		
Miscellaneous	10,956.81	10,956.81	(466.65)	11,423.46
Clothing Allowance	1,239.99	1,239.99	-	1,239.99
Acquisition of Vehicle	1,189.15	1,189.15	-	1,189.15
Emergency Management Services				
Other Expenses	97.13	97.13	(13.00)	110.13
Aid to Volunteer Fire Companies	500.00	500.00	-	500.00
First Aid Contributions	67.98	67.98	-	67.98
Fire Department				
Salaries and Wages	2,000.00	2,000.00	-	2,000.00
Other Expenses	71.32	1,571.32	1,218.00	353.32
Uniform Fire Safety Act				
Salaries and Wages	7,001.02	7,001.02	-	7,001.02
Other Expenses	24,704.73	24,704.73	-	24,704.73
Municipal Prosecutor				
Salaries and Wages	0.88	0.88	-	0.88
Municipal Court				
Salaries and Wages	7,758.71	7,758.71	-	7,758.71
Other Expenses	13,135.72	13,135.72	34.40	13,101.32
Public Defender				
Salaries and Wages	99.98	99.98	-	99.98
Other Expenses	100.00	100.00	-	100.00
Total Public Safety	<u>106,554.06</u>	<u>108,054.06</u>	<u>37,689.07</u>	<u>70,364.99</u>
Public Works:				
Road Repairs and Maintenance				
Salaries and Wages	5,443.74	5,443.74	-	5,443.74
Other Expenses	4,137.83	4,137.83	1,372.04	2,765.79
Garbage and Trash Removal				
Salaries and Wages	64.94	64.94	-	64.94
Other Expenses	311.79	311.79	-	311.79
Contracted (40A:4-85)	23,500.00	23,500.00	-	23,500.00
Public Buildings and Grounds				
Other Expenses	5,377.09	5,377.09	157.50	5,219.59
Total Public Works	<u>38,835.39</u>	<u>38,835.39</u>	<u>1,529.54</u>	<u>37,305.85</u>
Health and Human Services:				
Blood Borne Pathogens - Hepatitis B				
Salaries and Wages	33.58	33.58	-	33.58
Other Expense	745.00	745.00	-	745.00
Board of Health				
Salaries and Wages	92.25	92.25	-	92.25
Other Expenses	872.37	872.37	300.00	572.37
Bayshore Youth Services Bureau Contribution	500.00	500.00	250.00	250.00
Total Health and Human Services	<u>2,243.20</u>	<u>2,243.20</u>	<u>550.00</u>	<u>1,693.20</u>

EXHIBIT A-15

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF APPROPRIATION RESERVES

Expenditures	Balance December 31, 2015	Balance After Transfers	Paid or Charged	Balance Lapsed
Parks and Recreation:				
Recreation				
Salaries and Wages	\$ 6.62	\$ 6.62	\$ -	\$ 6.62
Other Expenses	252.58	252.58	-	252.58
Senior Citizen Community Center				
Salaries and Wages	1,680.00	1,680.00	-	1,680.00
Other Expenses	2,153.71	2,153.71	282.10	1,871.61
Senior Citizen Transportation Contracted	1,348.00	1,348.00	936.00	412.00
Parks and Playgrounds				
Other Expenses	4,529.66	4,529.66	-	4,529.66
Total Parks and Recreation	9,970.57	9,970.57	1,218.10	8,752.47
Other Common Operating:				
Celebration of Public Events				
Other Expenses	1,100.00	1,100.00	-	1,100.00
Postage				
Other Expenses	5,840.39	5,840.39	84.99	5,755.40
Accumulated Leave Compensation				
Salaries and Wages	7,000.00	7,000.00	-	7,000.00
State Uniform Construction Code Officials				
Salaries and Wages	1,055.98	1,055.98	-	1,055.98
Other Expenses	633.07	633.07	68.76	564.31
Total Other Common Operating	15,629.44	15,629.44	153.75	15,475.69
Utility Expenses and Bulk Purchases:				
Fuel for Motor Vehicles	3,834.33	3,834.33	-	3,834.33
Telephones	3,937.24	3,937.24	241.29	3,695.95
Street Lighting	17,793.31	17,793.31	853.94	16,939.37
Fuel Oil	8,889.55	8,889.55	373.11	8,516.44
Natural Gas	3,644.91	3,644.91	1,406.00	2,238.91
Electricity	4,645.88	4,645.88	3,585.91	1,059.97
Landfill Disposal Costs	23,056.72	23,056.72	18,196.29	4,860.43
Total Utility Expenses and Bulk Purchases	65,801.94	65,801.94	24,656.54	41,145.40
Total Operations Within "CAPS"	323,889.20	323,889.20	85,855.74	238,033.46
Contingent	500.00	500.00	-	500.00
Total Operations Including Contingent Within "CAPS"	324,389.20	324,389.20	85,855.74	238,533.46
Detail:				
Salaries and Wages	78,868.05	78,868.05	36,916.32	41,951.73
Other Expenses	245,521.15	245,521.15	48,939.42	196,581.73
Deferred Charges and Statutory Expenditures:				
Public Employees' Retirement System	8,152.00	8,152.00	-	8,152.00
Deferred Comp. Retirement Program	425.15	425.15	-	425.15
Social Security System (O.A.S.I.)	1,817.58	1,817.58	337.05	1,480.53
Total Deferred Charges and Statutory Expenditures	10,394.73	10,394.73	337.05	10,057.68
TOTAL GENERAL APPROPRIATION FOR MUNICIPAL PURPOSES WITHIN "CAPS"	334,783.93	334,783.93	86,192.79	248,591.14

EXHIBIT A-15

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF APPROPRIATION RESERVES

Expenditures	Balance December 31, 2015	Balance After Transfers	Paid or Charged	Balance Lapsed
OPERATIONS EXCLUDED FROM "CAPS"				
Other operations:				
Maintenance of Free Public Library	\$ 1,216.08	\$ 1,216.08	\$ (105.18)	\$ 1,321.26
Total Other Operations	<u>1,216.08</u>	<u>1,216.08</u>	<u>(105.18)</u>	<u>1,321.26</u>
Interlocal Municipal Service Agreements:				
911 Services (County of Monmouth)				
Other Expenses	211.95	211.95	-	211.95
Recycling (Hazlet)				
Other Expenses	1,444.00	1,444.00	-	1,444.00
Total Interlocal Municipal Service Agreements	<u>1,655.95</u>	<u>1,655.95</u>	<u>-</u>	<u>1,655.95</u>
Total Operations Excluded from "CAPS"	<u>2,872.03</u>	<u>2,872.03</u>	<u>(105.18)</u>	<u>2,977.21</u>
Detail				
Salaries and Wages	-	-	-	-
Other Expenses	2,872.03	2,872.03	(105.18)	2,977.21
Capital Improvements Excluded from "CAPS"				
Acquisition of Fire Boat	800.00	800.00	-	800.00
Acquisition of Fire Turnout Gear	-	-	-	-
Total Capital Improvements Excluded from "CAPS"	<u>800.00</u>	<u>800.00</u>	<u>-</u>	<u>800.00</u>
TOTAL GENERAL APPROPRIATION FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>3,672.03</u>	<u>3,672.03</u>	<u>(105.18)</u>	<u>3,777.21</u>
TOTAL GENERAL APPROPRIATIONS	<u>\$ 338,455.96</u>	<u>\$ 338,455.96</u>	<u>\$ 86,087.61</u>	<u>\$ 252,368.35</u>
Ref.	A		A-4	A-1

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>Ref.</u>	
Balance, December 31, 2015	A	\$ 287,384.67
Increased by:		
Charges to 2016 Appropriations	A-3	241,396.09
		<u>528,780.76</u>
Decreased by:		
Cash Disbursements	A-4	287,384.67
		<u>287,384.67</u>
Balance, December 31, 2016	A	<u><u>\$ 241,396.09</u></u>

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF VARIOUS RESERVES

	Balance December 31, 2015	Increase	Decrease	Balance December 31, 2016
Senior Programs	\$ 6,635.29	\$ 45,571.00	\$ 45,577.47	\$ 6,628.82
Reserve for Tax Appeals	<u>75,000.00</u>	<u>12,840.68</u>	<u>87,840.68</u>	<u>-</u>
	<u>\$ 81,635.29</u>	<u>\$ 58,411.68</u>	<u>\$ 133,418.15</u>	<u>\$ 6,628.82</u>
<u>Ref.</u>	A	Below	A-4	A
Cash Receipts		\$ 45,571.00		
Appeals in excess of Reserve		<u>12,840.68</u>		
		<u>\$ 58,411.68</u>		
		Above		

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF PREPAID TAXES

	<u>Ref.</u>	
Balance, December 31, 2015	A	\$138,164.00
Increased by:		
Cash Collections	A-4	<u>138,326.74</u>
		276,490.74
Decreased by:		
Applied to 2016 Taxes	A-7	<u>138,164.00</u>
Balance, December 31, 2016	A	<u><u>\$138,326.74</u></u>

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF TAXES PAYABLE

	Balance December 31, 2015	Taxes Levied	Cash Disbursements	Balance December 31, 2016
County Taxes Payable	\$ -	\$ 1,925,332.90	\$ 1,925,332.90	\$ -
County - Added and Omitted	1,630.87	2,161.34	1,630.87	2,161.34
Municipal Open Space Tax Payable	-	170,836.94	170,836.94	-
Local School District Taxes	-	9,332,171.00	9,332,170.50	0.50
Business Improvement District Taxes	-	118,000.00	118,000.00	-
	<u>\$ 1,630.87</u>	<u>\$ 11,548,502.18</u>	<u>\$ 11,547,971.21</u>	<u>\$ 2,161.84</u>
<u>Ref.</u>	A	A-1, A-7	A-4	A

**BOROUGH OF KEYPORT
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF SPECIAL EMERGENCY NOTE PAYABLE

	Original Date Issued	Date Issued	Maturity Date	Interest Rate	Balance December 31, 2015	Increase	Decrease	Balance December 31, 2016
Revision of Master Plan	2012	2016	2017	0%	\$ 3,600.00	\$ 1,800.00	\$ 3,600.00	\$ 1,800.00
Revaluation of Real Property	2013	2016	2017	0%	102,000.00	68,000.00	102,000.00	68,000.00
					<u>\$ 105,600.00</u>	<u>\$ 69,800.00</u>	<u>\$ 105,600.00</u>	<u>\$ 69,800.00</u>
				<u>Ref.</u>	A	A-4	A-4	A

**BOROUGH OF KEYPORT
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF DUE FROM CURRENT FUND

	<u>Ref.</u>		
Balance, December 31, 2015	A		\$ 163,829.99
Increased by:			
2016 Budget Appropriations	A-24	\$158,172.82	
Appropriated by 40A:4-87	A-24	53,544.44	
Cash Receipts	A-22	144,447.61	
Cash Receipts	A-23	<u>3,635.65</u>	
			<u>359,800.52</u>
			523,630.51
Decreased by:			
2016 Budget Revenues	A-22	139,667.76	
Grants Cancelled	A-24	12,712.91	
Cash Disbursements	A-24	<u>201,930.19</u>	
			<u>354,310.86</u>
Balance, December 31, 2016	A		<u><u>\$ 169,319.65</u></u>

**BOROUGH OF KEYPORT
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF GRANTS RECEIVABLE

	<u>Balance December 31, 2015</u>	<u>2016 Budget Revenue Realized</u>	<u>Received</u>	<u>Transfer from Unappropriated Reserve</u>	<u>Balance December 31, 2016</u>
FEDERAL GRANTS:					
US Department of Commerce:					
Passed through State of NJ Department of Environmental Protection:					
Coastal Zone Management Program	\$ 10,000.00	\$ -	\$ -	\$ -	\$ 10,000.00
U.S. Department of Health and Human Services:					
Passed through State of NJ Department of Health & Senior Services:					
Area Plan Grant for the Aging	36,000.00	28,500.00	36,000.00	-	28,500.00
U.S. Department of Transportation:					
Passed through State of NJ Department of Law and Public Safety:					
Drive Sober or Get Pulled Over	200.00	-	-	-	200.00
STATE GRANTS:					
NJ Department of Law and Public Safety:					
NJ Division of Criminal Justice:					
Body Armor Fund	-	1,847.11	-	1,847.11	-
NJ Division of Highway Traffic Safety:					
DWI Saturation Patrol Grant	22,800.00	-	8,800.00	-	14,000.00
Click It or Ticket	-	5,000.00	5,000.00	-	-
NJ Department of Environmental Protection:					
Clean Communities	-	17,289.44	17,289.44	-	-
Hazardous Discharge Site Remediation	-	21,255.00	21,255.00	-	-
Bonus Recycling Grant	-	3,161.25	3,161.25	-	-
Recycling Tonnage Grant	-	10,925.76	10,925.76	-	-
NJ Department of Health and Senior Services:					
Alcohol Education and Rehabilitation	-	1,591.20	-	1,591.20	-
Area Plan Grant for the Aging	-	7,500.00	-	-	7,500.00
NJ Department of Treasury:					
Municipal Alliance on Alcoholism and Drug Abuse	32,598.01	32,598.00	37,016.16	-	28,179.85
COUNTY OF MONMOUTH GRANTS:					
Open Space Trust Fund:					
Veterans Park	101,000.00	-	-	-	101,000.00
PUBLIC SERVICE ELECTRIC & GAS FOUNDATION:					
Sustainable Jersey Small Grant Program	-	10,000.00	5,000.00	-	5,000.00
	<u>\$ 202,598.01</u>	<u>\$ 139,667.76</u>	<u>\$ 144,447.61</u>	<u>\$ 3,438.31</u>	<u>\$ 194,379.85</u>
<u>Ref.</u>	A	A-21	A-21	A-23	A

**BOROUGH OF KEYPORT
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF RESERVE FOR UNAPPROPRIATED GRANTS

	<u>Balance December 31, 2015</u>	<u>Transferred to Grants Receivable</u>	<u>Cash Receipts</u>	<u>Balance December 31, 2016</u>
STATE GRANTS:				
NJ Administrative Office of the Courts:				
Alcohol Education	\$ 1,591.20	\$ 1,591.20	\$ 1,692.08	\$ 1,692.08
NJ Department of Law and Public Safety:				
NJ Division of Criminal Justice:				
Body Armor Fund	<u>1,847.11</u>	<u>1,847.11</u>	<u>1,943.57</u>	<u>1,943.57</u>
	<u>\$ 3,438.31</u>	<u>\$ 3,438.31</u>	<u>\$ 3,635.65</u>	<u>\$ 3,635.65</u>
<u>Ref.</u>	A	A-22	A-21	A

**BOROUGH OF KEYPORT
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF RESERVE FOR APPROPRIATED GRANTS

	Balance December 31, 2015	Transferred from Budget Appropriations		Encumbrances December 31, 2015	Expended	Encumbrances December 31, 2016	Cancelled	Balance December 31, 2016
		2016 Budget	Appropriated by 40A:4-87					
FEDERAL GRANTS:								
US Department of Commerce:								
Passed through State of NJ Department of Environmental Protection:								
Coastal Zone Management Program	\$ -	\$ -	\$ -	\$ 8,223.25	\$ 8,221.40		\$ 1.85	\$ 0.00
U.S. Department of Health and Human Services:								
Passed through NJ Department of Health & Senior Services:								
Area Plan Grant for the Aging	-	28,500.00	-		28,500.00		-	-
U.S. Department of Transportation:								
Passed through NJ Department of Law and Public Safety:								
Drive Sober or Get Pulled Over	900.00	-	-		-		-	900.00
STATE GRANTS:								
NJ Department of Law and Public Safety:								
NJ Division of Criminal Justice:								
Body Armor Fund	5,063.71	1,847.11	-		1,990.80		-	4,920.02
NJ Division of Highway Traffic Safety:								
DWI Saturation Patrol Grant	11,760.00	-	-		7,200.00		-	4,560.00
Click It or Ticket	-	-	5,000.00		2,700.00		-	2,300.00
NJ Department of Environmental Protection:								
Clean Communities	8,579.14	-	17,289.44	1,820.00	11,237.00	7,975.14	-	8,476.44
Hazardous Discharge Site Remediation	135,574.21	-	21,255.00		22,447.45		-	134,381.76
Recycling Tonnage Grant	14,161.31	10,925.76	-	3,842.00	8,966.07		-	19,963.00
Bonus Recycling Grant	-	3,161.25	-		3,161.25		-	-
NJ Department of Health and Senior Services:								
Alcoholic Education and Rehabilitation	7,794.70	1,591.20	-			500.00	-	8,885.90
Area Plan Grant for the Aging	-	7,500.00	-		7,500.00		-	-
Area Plan Grant for the Aging - Local Share	12,617.86	63,900.00	-	1,733.22	52,961.44	1,645.29	12,711.06	10,933.29
NJ Department of Treasury:								
NJ Division of Motor Vehicles:								
Drunk Driving Enforcement Fund	15,763.63	-	-	169.00	5,045.00	330.76	-	10,556.87
Municipal Alliance to Prevent Alcoholism and Drug Abuse	27,417.11	32,598.00	-	570.55	41,999.78	308.90	-	18,276.98
Municipal Alliance to Prevent Alcoholism and Drug Abuse - Local Share	-	8,149.50	-				-	8,149.50
COUNTY OF MONMOUTH GRANTS:								
Recycling Stimulus	6,000.00	-	-		-		-	6,000.00
Open Space Trust Fund - Veterans Park	101,000.00	-	-		-		-	101,000.00
PUBLIC SERVICE ELECTRIC & GAS FOUNDATION:								
Sustainable Jersey Small Grant Program	-	-	10,000.00	-	-	-	-	10,000.00
TOTAL	\$ 346,631.67	\$158,172.82	\$ 53,544.44	\$ 16,358.02	\$201,930.19	\$ 10,760.09	\$ 12,712.91	\$349,303.76
Ref.	A	A-21	A-21	A-25	A-21	A-25	A-21	A

**BOROUGH OF KEYPORT
FEDERAL AND STATE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>Ref.</u>	
Balance, December 31, 2015	A	\$16,358.02
Increased by:		
Grants Appropriated	A-24	<u>10,760.09</u>
		27,118.11
Decreased by:		
Grants Appropriated	A-24	<u>16,358.02</u>
Balance, December 31, 2016	A	<u><u>\$10,760.09</u></u>

**BOROUGH OF KEYPORT
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF CASH AND CASH EQUIVALENTS

	Ref.	Animal Control Fund	Other Trust Fund	Open Space Trust Fund
Balance, December 31, 2015	B	\$ 6,174.72	\$ 605,359.25	\$ 54,366.34
Increased by:				
Animal Control Fees	B-2	\$ 2,798.80	\$ -	\$ -
Budget Appropriations	B-2	13,000.00	-	-
State Fees	B-3	642.60	-	-
Due Current Fund	B-4	-	335.12	-
Due to State of NJ	B-5	-	1,225.00	-
Community Development Block Grant	B-6	-	24,597.50	-
Reserve for Other Trust Fund Activity	B-8	-	1,272,530.95	-
Tax Levy	B-9	-	-	170,836.94
		<u>16,441.40</u>	<u>1,298,688.57</u>	<u>170,836.94</u>
		22,616.12	1,904,047.82	225,203.28
Decreased by:				
Animal Control Expenditures	B-2	17,742.96	-	-
State Fees	B-3	642.60	-	-
Due to the State of New Jersey	B-5	-	1,275.00	-
Community Development Block Grant	B-7	-	178,974.43	-
Reserve for Other Trust Fund Activity	B-8	-	1,266,614.90	-
Open Space Expenditures	B-9	-	-	181,441.41
		<u>18,385.56</u>	<u>1,446,864.33</u>	<u>181,441.41</u>
Balance, December 31, 2016	B	<u>\$ 4,230.56</u>	<u>\$ 457,183.49</u>	<u>\$ 43,761.87</u>

**BOROUGH OF KEYPORT
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>		
Balance, December 31, 2015	B		\$ 6,174.72
Increased by:			
Cash Receipts - Dog and Cat Licenses	B-1	\$ 2,798.80	
Budget Appropriation	B-1	<u>13,000.00</u>	
			<u>15,798.80</u>
			21,973.52
Decreased by:			
Expenditures Paid by Current Fund	B-1		<u>17,742.96</u>
Balance, December 31, 2016	B		<u><u>\$ 4,230.56</u></u>

SCHEDULE OF DUE TO STATE OF NEW JERSEY - ANIMAL CONTROL FUND

	<u>Ref.</u>		
Balance, December 31, 2015			\$ -
Increased by:			
State Fees Collected	B-1		<u>642.60</u>
			642.60
Decreased by:			
Payments to State of New Jersey	B-1		<u>642.60</u>
Balance, December 31, 2016			<u><u>\$ -</u></u>

**BOROUGH OF KEYPORT
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

	<u>Ref.</u>	
Balance, December 31, 2015	B	\$ 260.92
Decreased by:		
Cash Receipts	B-1	<u>335.12</u>
Balance, December 31, 2016	B	<u><u>\$ (74.20)</u></u>

SCHEDULE OF DUE TO STATE OF NEW JERSEY - OTHER TRUST FUND

	<u>Ref.</u>	
Balance, December 31, 2015	B	\$ 305.00
Increased by:		
State Fees Collected	B-1	<u>1,225.00</u> 1,530.00
Decreased by:		
Payments to State of New Jersey	B-1	<u>1,275.00</u>
Balance, December 31, 2016	B	<u><u>\$ 255.00</u></u>

**BOROUGH OF KEYPORT
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

COMMUNITY DEVELOPMENT BLOCK GRANT RECEIVABLE

	<u>Ref.</u>	
Increased by:		
2016 Community Development Block Grant	B-7	\$ 470,000.00
Decreased by:		
Cash Receipts	B-1	<u>24,597.50</u>
Balance, December 31, 2016	B	<u><u>\$ 445,402.50</u></u>

RESERVE FOR COMMUNITY DEVELOPMENT BLOCK GRANT

	<u>Ref.</u>	
Increased by:		
2016 Community Development Block Grant	B-6	\$ 470,000.00
Decreased by:		
Cash Disbursements	B-1	<u>178,974.43</u>
Balance, December 31, 2016	B	<u><u>\$ 291,025.57</u></u>

**BOROUGH OF KEYPORT
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF RESERVE FOR OTHER TRUST FUND ACTIVITY

	Balance			Balance
	<u>December 31, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>December 31, 2016</u>
Cellular Tower Lease	\$ 6,267.02	\$ -	\$ -	\$ 6,267.02
Premium on Tax Sale	134,500.00	78,600.00	98,800.00	114,300.00
Welcome Center	100.00	-	-	100.00
Cash Repair Deposits	44,977.00	7,352.00	5,000.00	47,329.00
POAA	3,907.52	358.00	-	4,265.52
Public Defender Fees	11,450.75	4,365.00	4,000.00	11,815.75
Municipal Drug Alliance	3,499.92	-	-	3,499.92
Construction Debris Deposits	10,503.00	-	-	10,503.00
Material Disposition	350.00	-	-	350.00
Law Enforcement Trust	13,027.85	1,293.43	-	14,321.28
Developer's Escrow Deposits	272,706.32	116,612.85	132,209.05	257,110.12
Bayfront Improvements	41,851.64	43,324.38	72,279.65	12,896.37
Recreation Commission	74,648.50	35,894.23	22,878.80	87,663.93
Unemployment	8,307.64	40,675.39	36,489.94	12,493.09
Donations - Maintenance and Beautification	583.06	-	50.00	533.06
Reserve for Recreation Events	9,227.47	6,672.45	6,629.26	9,270.66
Reserve for Disaster Assistance - Sandy	250.00	-	-	250.00
Reserve for TTL Redemptions	4,482.48	671,540.72	676,023.20	-
Police Off Duty	(35,325.00)	265,842.50	212,255.00	18,262.50
	<u>\$ 605,315.17</u>	<u>\$1,272,530.95</u>	<u>\$1,266,614.90</u>	<u>\$ 611,231.22</u>
	Below	B-1	B-1	B
Accounts Receivable	Ref. B \$ (35,325.00)			
Reserve for Other Trust Fund Activity	B 640,640.17			
	<u>\$ 605,315.17</u>			
	Above			

**BOROUGH OF KEYPORT
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF RESERVE FOR OPEN SPACE TRUST FUND

	<u>Ref.</u>	
Balance, December 31, 2015	B	\$ 54,366.34
Increased by:		
2016 Tax Levy		\$ 170,646.00
2016 Added and Omitted		<u>190.94</u>
	B-1	<u>170,836.94</u>
		<u>225,203.28</u>
Decreased by:		
Cash Disbursements	B-1	<u>181,441.41</u>
Balance, December 31, 2016	B	<u><u>\$ 43,761.87</u></u>

**BOROUGH OF KEYPORT
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF CASH AND INVESTMENTS

	<u>Ref.</u>		
Balance, December 31, 2015	C		\$ 1,169,109.13
Increased by:			
Capital Improvement Fund	C-7	\$ 200,000.00	
Grants Receivable	C-6	50,000.00	
Various Reserves	C-13	<u>39,395.36</u>	
			<u>289,395.36</u>
			1,458,504.49
Decreased by:			
Capital Surplus	C-1	6,000.00	
Improvement Authorizations	C-8	385,257.29	
Bond Anticipation Notes	C-11	309,000.00	
Various Reserves	C-13	<u>200,500.00</u>	
			<u>900,757.29</u>
Balance, December 31, 2016	C-3		<u><u>\$ 557,747.20</u></u>
Cash and Cash Equivalents	C		\$ 487,947.20
Investment in Special Emergency Note	C		<u>69,800.00</u>
			<u><u>\$ 557,747.20</u></u>

**BOROUGH OF KEYPORT
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

ANALYSIS OF CASH AND CASH EQUIVALENTS

	Balance December 31, 2016
	<hr/>
Fund Balance	\$ 75.04
Capital Improvement Fund	93,850.69
Encumbrances Payable	1,242,680.01
Various Reserves	1,309,590.89
Grants Receivable	(1,872,680.00)
Improvement Authorizations:	
28-02 Acquisition of Fire Trucks, Equipment and Non Passenger Vehicles	(100.00)
08-03, 05,04 Improvements to Therese Street	(33,112.75)
15-03, 17-16 Construction of a Public Works Complex	(5,055.98)
28-03 Improvements to Benjamin Terry Park Bulkhead	(638.81)
14-04, 22-05 Construction of a Waterfront Park / Bulkhead Improv.	75,594.87
23-08, 09-09 Waterfront Park and Related Improvements	28,925.39
26-03 Various Capital Improvements	(260.00)
08-11 Various Improvements - BT Bulkhead	104,712.56
08-12 Osborn Street Improvements	(3,925.72)
06-13 Improvements Luppataong Ave Area	95,968.62
08-13 Improvements to Elizabeth Street	71,259.76
11-13 Acquisition of Various Equipment and Vehicles	239.19
08-14 Acquisition of Various Equipment and Vehicles	5,169.59
11-16 Acquisition of a Ladder Truck	(894,526.15)
12-16 Various Road Improvements	439,480.00
23-16 Improv. To Beach Park Outfall and Beers Street Outfall	<hr/> (99,500.00) <hr/>
	<hr/> \$ 557,747.20 <hr/>

Ref.

C-2

**BOROUGH OF KEYPORT
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. #	Purpose	Analysis of Balance - December 31, 2016							
		Balance December 31, 2015	2016 Authorizations	Bond Anticipation Notes	Cancelled	Balance December 31, 2016	Bond Anticipation Notes	Expended	Unexpended Balance Improvement Authorization
28-02	Acquisition of Fire Trucks, Equipment and Non-Passenger Vehicles	\$ 100.00	\$ -	\$ -	\$ -	\$ 100.00	\$ -	\$ 100.00	\$ -
8-03, 5-04	Improvements to Therese Street	40,000.00	-	-	6,887.25	33,112.75	-	33,112.75	-
15-03, 17-16	Construction/Acquisition of a Public Works Complex	725,300.00	-	14,800.00	-	710,500.00	-	5,055.98	705,444.02
20-03, 12-04	Improvements to Atlantic Street	100,000.00	-	-	100,000.00	-	-	-	-
26-03	Various 2003 Capital Improvements	260.00	-	-	-	260.00	-	260.00	-
28-03	Improvements to Benjamin Terry Park Bulkhead	54,000.00	-	-	53,361.19	638.81	-	638.81	-
14-04, 22-05	Construction of Waterfront Park/Bulkhead Improve.	481,000.00	-	46,000.00	-	435,000.00	380,000.00	-	55,000.00
08-05, 22-07	Reconstruction of Third Street	73.00	-	-	73.00	-	-	-	-
23-08	Waterfront Park and Related Improvements	725,656.23	-	30,000.00	-	695,656.23	675,000.00	-	20,656.23
25-08	Various Capital Improvements	40,000.00	-	-	40,000.00	-	-	-	-
2-09	Various Capital Improvements	25,000.00	-	-	25,000.00	-	-	-	-
09-11	Various Roadway Improvements	100,900.00	-	-	100,900.00	-	-	-	-
08-12	Osborn Street Improvements	356,800.00	-	-	352,874.28	3,925.72	-	3,925.72	-
01-13	Improvements and Repairs Waterfront	800,000.00	-	216,000.00	584,000.00	-	-	-	-
11-13	Acquisition of Various Equipment and a Vehicle	190,000.00	-	-	-	190,000.00	190,000.00	-	-
08-14	Acquisition of Various Capital Equipment and Vehicle	380,000.00	-	-	-	380,000.00	380,000.00	-	-
11-16	Acquisiton of a Ladder Truck	-	950,000	-	-	950,000.00	-	894,526.15	55,473.85
12-16	Various Road Improvements	-	442,000	-	-	442,000.00	-	-	442,000.00
23-16	Improvements to Beach Park Outfall and Beers Street Outfall	-	425,000	-	-	425,000.00	-	99,500.00	325,500.00
		<u>\$ 4,019,089.23</u>	<u>\$1,817,000.00</u>	<u>\$ 306,800.00</u>	<u>\$1,263,095.72</u>	<u>\$ 4,266,193.51</u>	<u>\$1,625,000.00</u>	<u>\$1,037,119.41</u>	<u>\$1,604,074.10</u>
	Ref.	C	C-8, C-14	C-11	C-8, C-14	C			
	Improvement Authorizations - Unfunded								\$1,714,003.14
	Less Unexpended Proceeds:								
14-04, 22-05	Construction of Waterfront Park/Bulkhead Improve.								75,594.87
23-08	Waterfront Park and Related Improvements								28,925.39
11-13	Acquisition of Various Equipment and a Vehicle								239.19
08-14	Acquisition of Various Capital Equipment and Vehicle								5,169.59
									<u>\$1,604,074.10</u>

**BOROUGH OF KEYPORT
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

	<u>Ref.</u>		
Balance, December 31, 2015	C		\$ 7,577,998.95
Decreased by:			
General Serial Bonds Payment	C-9	\$ 690,000.00	
Green Acres Loan Payment	C-10	<u>35,246.78</u>	
			<u>725,246.78</u>
Balance, December 31, 2016	C		<u>\$ 6,852,752.17</u>

**BOROUGH OF KEYPORT
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF GRANTS RECEIVABLE

	<u>Balance</u> <u>December 31, 2015</u>	<u>Grants</u> <u>Received</u>	<u>Cash</u> <u>Receipts</u>	<u>Balance</u> <u>December 31, 2016</u>
NJ Department of Transportation:				
Osborn Street	\$ 50,000.00	\$ -	\$ 50,000.00	\$ -
Elizabeth Street	62,500.00			62,500.00
Elizabeth Street - Phase II		213,000.00		213,000.00
	<u>112,500.00</u>	<u>213,000.00</u>	<u>50,000.00</u>	<u>275,500.00</u>
NJ Department of Environmental Protection:				
Waterfront Park	425,000.00			425,000.00
Waterfront Park - Grant	299,375.00			299,375.00
Waterfront Park - Loan	373,125.00			373,125.00
	<u>1,097,500.00</u>	<u>-</u>	<u>-</u>	<u>1,097,500.00</u>
NJ Office of Emergency Management:				
Beach Park and Beers Street Outfall Sites		355,590.00		355,590.00
Community Development Block Grant:				
Cass, Jackson and Monroe		144,090.00		144,090.00
	<u>\$ 1,210,000.00</u>	<u>\$ 712,680.00</u>	<u>\$ 50,000.00</u>	<u>\$ 1,872,680.00</u>
<u>Ref.</u>	<u>C</u>	<u>Below</u>	<u>C-2</u>	<u>C</u>
Various Reserves	C-13	\$ 355,590.00		
Improvement Authorizations	C-8	357,090.00		
		<u>\$ 712,680.00</u>		
		Above		

**BOROUGH OF KEYPORT
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance, December 31, 2015	C	\$94,760.69
Increased by:		
2016 Budget Appropriation	C-2	<u>200,000.00</u>
		294,760.69
Decreased by:		
Improvement Authorizations	C-8	<u>200,910.00</u>
Balance, December 31, 2016	C	<u><u>\$93,850.69</u></u>

**BOROUGH OF KEYPORT
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. #	Improvement Description	Original Amount	Balance, December 31, 2015		2016 Authorizations	Paid or Charged	Authorizations Cancelled	Balance, December 31, 2016	
			Funded	Unfunded				Funded	Unfunded
10-01	Various Capital Improvements	\$ 1,000,000	\$ 75.30	\$ -	\$ -	\$ -	\$ 75.30	\$ -	\$ -
08-03, 05/04	Improvements to Therese Street	150,000	-	6,887.25	-	-	6,887.25	-	-
15-03, 17-16	Construction / Acquisition of a Public Works Complex	850,000	-	706,044.02	-	600.00	-	-	705,444.02
20-03, 12-04	Improvements to Atlantic Street	450,000	9,381.25	100,000.00	-	-	109,381.25	-	-
28-03	Improvements to Benjaic Terry Park Bulkhead	100,000	-	53,361.19	-	-	53,361.19	-	-
11-04	Replacement of William A. Ralph Pier	850,000	56,374.02	-	-	-	56,374.02	-	-
14-04, 22-05	Construction of a Waterfront Park/Bulkhead Imp.	400,000	-	130,594.87	-	-	-	-	130,594.87
08-05, 22-07	Reconstruction of Third Street	645,000	10,124.82	73.00	-	-	10,197.82	-	-
27-05	Preliminary Planning for Redevelopment Projects	150,000	1,476.82	-	-	-	1,476.82	-	-
18-08	Recon. of Warren Street and Coluco Pl and Drainage Improv. to Green Grove Avenue / Beach Park and Therese Ave. Park	525,000	9,155.76	-	-	-	9,155.76	-	-
23-08, 09-09	Waterfront Park and Related Improvements	1,750,000	-	46,114.48	-	(3,467.14)	-	-	49,581.62
25-08	Various Capital Improvements - Ambulance / PW Trucks	325,000	13,010.57	40,000.00	-	-	53,010.57	-	-
02-09	Various Road Improvements	1,425,000	18,114.06	25,000.00	-	(166.40)	43,280.46	-	-
11-10	Improvements to Beers Street - Phase III	330,000	8,886.40	-	-	-	8,886.40	-	-
08-11	Various Improvements to Firemans' Park Boardwalk, Benjamin Terry Park Bulkhead, and William Ralph Pier	725,000	99,921.88	-	-	(4,790.68)	-	104,712.56	-
09-11	Various Roadway Improvements	900,000	39,244.56	100,900.00	-	-	140,144.56	-	-
08-12	Osborn Street Improvements	900,000	-	352,874.28	-	-	352,874.28	-	-
01-13	Imprvts. And Repairs to Waterfront Structures and Facilities Damaged During Hurricane Sandy	1,400,000	-	590,678.32	-	-	590,678.32	-	-
06-13	Improvements to Luppataong Avenue Area (Phase II)	650,000	88,836.45	-	-	(7,132.17)	-	95,968.62	-
08-13	Improvements to Elizabeth Street	350,000	17,541.17	-	-	(53,718.59)	-	71,259.76	-
11-13	Acquisition of Various Equipment and a Vehicle	200,000	-	91,103.96	-	90,864.77	-	-	239.19
08-14	Acquisition of Various Capital Equipment and Vehicles	400,000	-	118,120.45	-	112,950.86	-	-	5,169.59
11-16	Acquisition of a Ladder Truck	1,000,000	-	-	1,000,000.00	944,526.15	-	-	55,473.85
12-16	Various Road Improvements	950,000	-	-	950,000.00	68,520.00	-	439,480.00	442,000.00
23-16	Improvements to Beach Park Outfall and Beers Street Outfall	425,000	-	-	425,000.00	99,500.00	-	-	325,500.00
			<u>\$ 372,143.06</u>	<u>\$ 2,361,751.82</u>	<u>\$ 2,375,000.00</u>	<u>\$ 1,247,686.80</u>	<u>\$ 1,435,784.00</u>	<u>\$ 711,420.94</u>	<u>\$ 1,714,003.14</u>
	<u>Ref.</u>		C	C	Below	Below	Below	C	C
	Cash Disbursements	C-2			\$ -	\$ 385,257.29	\$ -		
	Deferred Charges to Future Taxation - Unfunded	C-4			1,817,000.00	-	1,263,095.72		
	Capital Improvement Fund	C-7			200,910.00	-	-		
	Encumbrances Payable	C-12			-	1,242,680.01	-		
	Encumbrances Payable - Prior Year Reversals	C-12			-	(380,250.50)	-		
	Grants Receivable	C-6			357,090.00	-	-		
	Reserve for Debt Service	C-13			-	-	172,688.28		
					<u>\$ 2,375,000.00</u>	<u>\$ 1,247,686.80</u>	<u>\$ 1,435,784.00</u>		
					Above	Above	Above		

EXHIBIT C-9

**BOROUGH OF KEYPORT
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF GENERAL SERIAL BONDS

Purpose	Date of Issue	Original Amount	Maturities of Bonds Outstanding December 31, 2016		Interest Rate %	Balance December 31, 2015	Decrease	Balance December 31, 2016
			Date	Amount				
Various Improvements	08/04/2011	\$3,000,000	08/01/17	\$ 200,000	3.000	\$2,200,000.00	\$ 200,000.00	\$2,000,000.00
			08/01/18	200,000	3.000			
			08/01/19	200,000	3.000			
			08/01/20	200,000	3.000			
			08/01/21	200,000	3.000			
			08/01/22	200,000	3.125			
			08/01/23	200,000	4.000			
			08/01/24	200,000	4.000			
			08/01/25	200,000	4.000			
			08/01/26	200,000	4.000			
MCIA Refunding Bonds, Series 2012	05/22/2012	3,525,000	12/01/17	350,000	Various	2,890,000.00	325,000.00	2,565,000.00
			12/01/18	350,000	Various			
			12/01/19	360,000	Various			
			12/01/20	375,000	Various			
			12/01/21	370,000	Various			
			12/01/22	380,000	Various			
			12/01/23	380,000	Various			

EXHIBIT C-9

**BOROUGH OF KEYPORT
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF GENERAL SERIAL BONDS

Purpose	Date of Issue	Original Amount	Maturities of Bonds Outstanding December 31, 2016		Interest Rate %	Balance December 31, 2015	Decrease	Balance December 31, 2016
			Date	Amount				
MCIA Bonds	12/24/2014	\$2,160,000	12/01/17	\$ 185,000	4.000	<u>2,015,000.00</u>	<u>165,000.00</u>	<u>1,850,000.00</u>
			12/01/18	185,000	4.000			
			12/01/19	185,000	4.000			
			12/01/20	185,000	4.000			
			12/01/21	185,000	5.000			
			12/01/22	185,000	5.000			
			12/01/23	185,000	5.000			
			12/01/24	185,000	5.000			
			12/01/25	185,000	5.000			
			12/01/26	185,000	5.000			
				<u>Ref.</u>	<u>C</u>	<u>C-5</u>	<u>C</u>	

**BOROUGH OF KEYPORT
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF GREEN ACRES LOAN PAYABLE

	<u>Ref.</u>	
Balance, December 31, 2015	C	\$ 472,998.95
Decreased by:		
Loan Payment	C-5	<u>35,246.78</u>
Balance, December 31, 2016	C	<u><u>\$ 437,752.17</u></u>

**BOROUGH OF KEYPORT
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF BOND ANTICIPATION NOTES

Ord. #	Improvement Description	Original	Date of		Interest	Balance	Increase	Decrease	Balance
		Date	Issue	Maturity		December 31,			December 31,
		Issued			Rate %	2015			2016
15-03	Public Works Complex	02/17/04				\$ 14,800.00	\$ -	\$ 14,800.00	\$ -
14-04, 22-05	Construction of Waterfront Park/Bulkhead Improvements	08/11/05	04/29/16	04/28/17	0.096	442,000.00	354,000.00	442,000.00	354,000.00
14-04, 22-05	Construction of Waterfront Park/Bulkhead Improvements	08/10/06	04/29/16	04/28/17	0.096	39,000.00	26,000.00	39,000.00	26,000.00
23-08	Waterfront Park and Related Improvements	08/06/09	04/29/16	04/28/17	0.096	705,000.00	675,000.00	705,000.00	675,000.00
01-13	Improvements and Repairs to Waterfront - Hurricane Sandy	08/02/13				470,000.00	-	470,000.00	-
11-13	Acquisition of Various Equipment and a Vehicle	08/01/14	04/29/16	04/28/17	0.096	190,000.00	190,000.00	190,000.00	190,000.00
08-14	Acquisition of Various Capital Equipment and a Vehicle	07/31/15	04/29/16	04/28/17	0.096	380,000.00	380,000.00	380,000.00	380,000.00
						<u>\$ 2,240,800</u>	<u>\$ 1,625,000.00</u>	<u>\$ 2,240,800.00</u>	<u>\$ 1,625,000.00</u>
					<u>Ref.</u>	C	Below	Below	C
	Bonds and Notes Issued				Contra		\$ 1,625,000.00	\$ 1,625,000.00	
	Capital Cash Disbursements				C-2, C-14			309,000.00	
	Deferred Charges - Unfunded				C-4			306,800.00	
							<u>\$ 1,625,000.00</u>	<u>\$ 2,240,800.00</u>	
							Above	Above	

**BOROUGH OF KEYPORT
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF ENCUMBRANCES PAYABLE

	<u>Ref.</u>	
Balance, December 31, 2015	C	\$ 380,250.50
Increased by:		
Charges to Improvement Authorizations	C-8	<u>1,242,680.01</u>
		1,622,930.51
Decreased by:		
Reverse Prior Year Balance	C-8	<u>380,250.50</u>
Balance, December 31, 2016	C	<u><u>\$1,242,680.01</u></u>

**BOROUGH OF KEYPORT
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF VARIOUS RESERVES

	<u>Balance December 31, 2015</u>	<u>Grants Received</u>	<u>Improvement Authorizations Cancelled</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance December 31, 2016</u>
Reserve for:						
Cash or Appropriated Reserves:						
Debt Service	\$ 99,417.25	\$ -	\$ 172,688.28	\$ -	\$ 30,000.00	\$ 242,105.53
Insurance Proceeds	<u>170,500.00</u>			<u>39,395.36</u>	<u>170,500.00</u>	<u>39,395.36</u>
	269,917.25	-	172,688.28	39,395.36	200,500.00	281,500.89
Grants, and Loans Receivables:						
State of NJ DEP:						
Waterfront Park - Grants	299,375.00					299,375.00
Waterfront Park - Loans	373,125.00					373,125.00
State of NJ OEM:						
Hazard Mitigation Grant		<u>355,590.00</u>				<u>355,590.00</u>
	<u>672,500.00</u>	<u>355,590.00</u>	-	-	-	<u>1,028,090.00</u>
	<u>\$ 942,417.25</u>	<u>\$ 355,590.00</u>	<u>\$ 172,688.28</u>	<u>\$ 39,395.36</u>	<u>\$ 200,500.00</u>	<u>\$ 1,309,590.89</u>
	C	C-6	C-8	C-2	C-2	C

**BOROUGH OF KEYPORT
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. #	Improvement Description	Balance December 31, 2015	2016 Authorized	Notes paid by Capital Cash	Cancelled	Balance December 31, 2016
28-02	Acquisition of Fire Trucks, Equipment and Non Passenger Vehicles	\$ 100.00	\$ -	\$ -	\$ -	\$ 100.00
08-03, 05-04	Improvements to Therese Street	40,000.00			6,887.25	33,112.75
14-04, 22-05	Construction of a Waterfront Park/Bulkhead Improvements	-		55,000.00		55,000.00
15-03,17-16	Construction of a Public Works Complex	710,500.00				710,500.00
20-03, 12-04	Improvements to Atlantic Street	100,000.00			100,000.00	-
25-08	Various Capital Improvements	40,000.00			40,000.00	-
02-09	Various Capital Improvements	25,000.00			25,000.00	-
26-03	Various Capital Improvements	260.00				260.00
28-03	Improvements to Benjamin Terry Park Bulkhead	54,000.00			53,361.19	638.81
08-05	Reconstruction of Third Street	73.00			73.00	-
23-08, 09-09	Waterfront Park and Related Improvements	20,656.23				20,656.23
09-11	Various Roadway Improvements	100,900.00			100,900.00	-
08-12	Osborn Street Improvements	356,800.00			352,874.28	3,925.72
01-13	Improvements and Repairs to Waterfront Structures and Facilities Damaged during Hurricane Sandy	330,000.00		254,000.00	584,000.00	-
11-16	Acquisition of a Ladder Truck		950,000.00			950,000.00
12-16	Various Road Improvements		442,000.00			442,000.00
23-16	Improvements to Beach Park Outfall and Beers Street Outfall		425,000.00			-
		<u>\$1,778,289.23</u>	<u>\$1,817,000.00</u>	<u>\$ 309,000.00</u>	<u>\$1,263,095.72</u>	<u>\$2,641,193.51</u>
<u>Ref.</u>		C	C-4	C-11	C-4	C

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>		
Balance, December 31, 2015	D		\$ 398,300.87
Increased by Receipts:			
Consumer Accounts Receivable	D-7	\$2,853,480.67	
Miscellaneous	D-3	190,816.31	
Capital Fund Balance	D-3	6,640.35	
BRSA Rent Reserve	D-3	51,010.85	
Due from Water and Sewer Utility Capital Fund	D-6	56,715.63	
Consumer Account Overpayments	D-11	3,908.16	
Prepaid Consumer Accounts	D-12	<u>262,513.50</u>	
			<u>3,425,085.47</u>
			3,823,386.34
Decreased by Disbursements:			
Appropriations	D-4	2,834,201.49	
Due from Water and Sewer Utility Capital Fund	D-6	50,000.00	
Appropriation Reserves	D-9	81,458.03	
Accrued Interest on Bonds, Notes and Loans	D-13	<u>192,396.36</u>	
			<u>3,158,055.88</u>
Balance, December 31, 2016	D		<u><u>\$ 665,330.46</u></u>

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF DUE FROM WATER AND SEWER UTILITY CAPITAL FUND

	Ref.	
Balance, December 31, 2015	D	\$6,715.63
Increased by:		
Cash Disbursements	D-5	50,000.00
		56,715.63
Decreased by:		
Cash Receipts	D-5	56,715.63
		56,715.63
Balance, December 31, 2016	D	\$ -

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>		
Balance, December 31, 2015	D		\$ 193,479.84
Increased by:			
Water and Sewer Utility Billings	Reserve		<u>3,147,407.11</u>
			<u>3,340,886.95</u>
Decreased by:			
Cash Receipts	D-5	\$ 2,853,480.67	
Overpayments Applied	D-11	3,493.36	
Prepays Applied	D-12	<u>252,983.89</u>	
			<u>3,109,957.92</u>
Balance, December 31, 2016	D		<u><u>\$ 230,929.03</u></u>

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF BRSA RENT RESERVE

	<u>Ref.</u>	
Balance, December 31, 2015	D	\$322,814.69
Increased by:		
Interest on Rent Reserve	Reserve	464.75
		<u>323,279.44</u>
Decreased by:		
Withdrawal from Rent Reserve	Reserve	51,010.85
		<u>51,010.85</u>
Balance, December 31, 2016	D	<u><u>\$272,268.59</u></u>

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF APPROPRIATION RESERVES

Expenditures	Balance December 31, 2015	Reserve for Encumbrances December 31, 2015	Balance After Modification	Paid or Charged	Balance Lapsed
Operating:					
Salaries and Wages	\$ 2,709.08	\$ -	\$ 109.08	\$ -	\$ 109.08
Other Expenses	1,800.51	39,781.25	43,981.76	41,823.56	2,158.20
Bayshore Regional Sewerage Authority	29.76	-	29.76	-	29.76
Acquisition of Water	33,884.36	-	38,084.36	37,654.47	429.89
Capital Improvements:					
Capital Outlay	4,063.00	7,057.00	7,120.00	1,980.00	5,140.00
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	196.85	-	196.85	-	196.85
TOTAL GENERAL APPROPRIATIONS	<u>\$ 42,683.56</u>	<u>\$ 46,838.25</u>	<u>\$ 89,521.81</u>	<u>\$ 81,458.03</u>	<u>\$ 8,063.78</u>
	D	D-10		D-5	D-1

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>Ref.</u>	
Balance, December 31, 2015	D	\$ 46,838.25
Increased by:		
Charges to 2016 Appropriations	D-4	73,686.92
		<u>120,525.17</u>
Decreased by:		
Transferred to Appropriation Reserves	D-9	<u>46,838.25</u>
Balance, December 31, 2016	D	<u><u>\$ 73,686.92</u></u>

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF WATER AND SEWER OVERPAYMENTS

	<u>Ref.</u>	
Balance, December 31, 2015	D	\$ 3,493.36
Increased by:		
Collections	D-5	<u>3,908.16</u>
		7,401.52
Decreased by:		
Applied to Water and Sewer Rents Receivable	D-7	<u>3,493.36</u>
Balance, December 31, 2016	D	<u><u>\$ 3,908.16</u></u>

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF PREPAID CONSUMER ACCOUNTS

	<u>Ref.</u>	
Balance, December 31, 2015	D	\$ 252,983.89
Increased by:		
Cash Collections	D-5	<u>262,513.50</u>
		515,497.39
Decreased by:		
Applied to 2016 Water and Sewer	D-7	<u>252,983.89</u>
Balance, December 31, 2016	A	<u><u>\$ 262,513.50</u></u>

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF ACCRUED INTEREST ON BONDS, NOTES AND LOANS

	<u>Ref.</u>	
Balance, December 31, 2015	D	\$ 38,813.88
Increased by:		
Budget Appropriations	D-4	<u>192,571.04</u>
		231,384.92
Decreased by:		
Cash Disbursements	D-5	<u>192,396.36</u>
Balance, December 31, 2016	D	<u><u>\$ 38,988.56</u></u>

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF CASH AND CASH EQUIVALENTS

	<u>Ref.</u>		
Balance, December 31, 2015	D		\$ 259,162.01
Increased by:			
Bond Anticipation Notes	D-23	\$ 1,000,000.00	
Due to Water and Sewer Utility Operating Fund	D-28	50,000.00	
Reserve for Deferred Amortization	D-26	<u>799,843.00</u>	
			<u>1,849,843.00</u>
			2,109,005.01
Decreased by:			
Capital Surplus	D-2	6,640.35	
Improvement Authorizations	D-20	1,327,627.18	
Due to Water and Sewer Utility Operating Fund	D-28	<u>56,715.63</u>	
			<u>1,390,983.16</u>
Balance, December 31, 2016	D		<u>\$ 718,021.85</u>

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

ANALYSIS OF CASH AND CASH EQUIVALENTS

	<u>Ref.</u>	<u>Balance December 31, 2016</u>
Fund Balance	D-2	\$ 37,482.20
Capital Improvement Fund	D-19	50,087.00
Encumbrances Payable	D-24	628,701.72
Reserve for Grants and Loans Receivable	D-27	782,127.00
Grants Receivable	D-16	(1,282,127.00)
Improvement Authorizations:		
08-09, 10-11 Sanitary Sewer System Upgrades USDA		(242,543.35)
01-14 Design and Permitting in Connection with Various Improvements to Water/Sewer Utility USDA Phase II		361.08
06-14 Various Water/Sewer Improvements USDA Phase II		(180,066.80)
07-16 Improvements to the Perry St Water Treatment Plant		<u>924,000.00</u>
	D	<u>\$ 718,021.85</u>

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF GRANTS RECEIVABLE

	Balance December 31, 2015	Grants Received	Cash Receipts	Balance December 31, 2016
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
United States Department of Agriculture:				
Various Improvements - Phase II	\$ 1,000,000.00	\$ -	\$ 799,843.00	\$ 200,157.00
Perry Street Water Treatment Plant		500,000.00		500,000.00
	<u>1,000,000.00</u>	<u>500,000.00</u>	<u>799,843.00</u>	<u>700,157.00</u>
 NJ Office of Emergency Management:				
Various Improvements to the Water/Sewer Utility		581,970.00		581,970.00
	<u>\$ 1,000,000.00</u>	<u>\$ 1,081,970.00</u>	<u>\$ 799,843.00</u>	<u>\$ 1,282,127.00</u>
	<u>Ref. D</u>	<u>Below</u>	<u>D-27</u>	<u>D</u>
 Reserve for Grants and Loans	D-27	\$ 581,970.00		
Reserve for Deferred Amortization	D-26	500,000.00		
		<u>\$ 1,081,970.00</u>		
		Above		

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF FIXED CAPITAL

Project	Balance December 31, 2015	Completed Projects	Balance December 31, 2016
Distribution System Land	\$ 20,500.00	\$ -	\$ 20,500.00
Miscellaneous Land - Capital	750.00	-	750.00
Springs and Wells	107,432.80	-	107,432.80
Collection Reservoir	15,000.00	-	15,000.00
Filters	31,877.89	-	31,877.89
Clear Well Basin	1,000.00	-	1,000.00
Pumping Station Structures	68,569.50	-	68,569.50
Reservoirs and Standpipes	10,000.00	-	10,000.00
Distribution Mains and Accessories	770,104.60	-	770,104.60
Fire Hydrant and Cisterns	2,500.00	-	2,500.00
Bulkheads	15,691.72	-	15,691.72
Meters and Meter Boards	1,391.05	-	1,391.05
Insurance and Bonds	1,275.00	-	1,275.00
Electric Pumping Power Equipment	42,940.50	-	42,940.50
Ferry Street Plant and Wells	1,467,500.00	-	1,467,500.00
General Equipment	71,609.00	-	71,609.00
Construction of Well #8	249,863.33	-	249,863.33
Repairs and Improvements to Water Plant	435,000.00	-	435,000.00
Cedar Street Pumping Station	210,000.00	-	210,000.00
Rehabilitation of Sewer System	151,000.00	-	151,000.00
Various Improvements to Water and Sewer System	-	242,314.56	242,314.56
Perry Street Water Treatment Facility Upgrade	-	1,100,000.00	1,100,000.00
Cass Street Standpipe Painting Project	-	416,672.60	416,672.60
Various Water and Sewer Improvements	-	150,000.00	150,000.00
	<u>\$ 3,674,005.39</u>	<u>\$ 1,908,987.16</u>	<u>\$ 5,582,992.55</u>
Ref.	D	D-18	D

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF FIXED CAPITAL - AUTHORIZED AND UNCOMPLETED

Ord. #	Purpose	Balance December 31, 2015	2016 Authorizations	Completed Projects	Balance December 31, 2016
13-04	Various Improvements to Water and Sewer System	\$ 250,000.00	\$ -	\$ 250,000	\$ -
21-05	Perry Street Water Treatment Facility Upgrade	1,100,000.00	-	1,100,000.00	-
05-06	Cass Street Standpipe Painting Project	600,000.00	-	600,000.00	-
08-09	Sanitary Sewer System Upgrades USDA	3,500,000.00	-		3,500,000.00
07-13	Various Water and Sewer Improvements	150,000.00	-	150,000.00	-
01-14	Design and Permitting - USDA Phase II	3,890,000.00	-		3,890,000.00
06-14	Various Water and Sewer Improvements - USDA Phase II	180,000.00			180,000.00
07-16	Improvements to Perry Street Water Treatment Plant		3,750,000		3,750,000.00
24-16	Various Improvements to the Water/Sewer Utility		638,300		638,300.00
		<u>\$ 9,670,000.00</u>	<u>\$4,388,300.00</u>	<u>\$2,100,000.00</u>	<u>\$ 11,958,300.00</u>
		<u>Ref. D</u>	<u>D-20</u>	<u>Below</u>	<u>D</u>
	Fixed Capital	D-17		\$1,908,987.16	
	Reserve for Deferred Amortization	D-26		37,412.84	
	Unfunded Improvement Authorizations Cancelled	D-20		<u>153,600.00</u>	
				<u>\$2,100,000.00</u>	
				Above	

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance, December 31, 2016 and 2015	D	<u>\$50,087.00</u>

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. #	Improvement Description	Original Amount	Balance, December 31, 2015		2016 Authorizations	Encumbrances December 31, 2015	Paid or Charged	Encumbrances December 31, 2016	Authorizations Cancelled	Balance, December 31, 2016	
			Funded	Unfunded						Funded	Unfunded
13-04	Various Water/Sewer Improvements	\$ 250,000	\$ 7,685.44	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,685.44	\$ -	\$ -
05-06	Cass Street Standpipe Painting Project	600,000	29,727.40	153,600.00	-	-	-	-	183,327.40	-	-
08-09, 10-11	Sanitary Sewer System Upgrades USDA	1,600,000	-	68,263.14	-	139,483.51	32,949.13	102,625.87	-	-	72,171.65
01-14	Design and Permitting in Connection with Various Improvements to Water/Sewer Utility USDA Phase II	180,000	4,400.85	-	-	361.08	4,400.85	-	-	361.08	-
06-14	Various Water/Sewer Improvements USDA Phase II	3,890,000	-	-	-	1,260,443.25	1,210,766.00	29,587.05	-	-	20,090.20
07-16	Improvements to the Perry St Water Treat Plant USDA	3,750,000	-	-	3,750,000.00	-	79,511.20	496,488.80	-	-	3,174,000.00
24-16	Various Improvements to the Water/Sewer Utility	638,300	-	-	638,300.00	-	-	-	-	-	638,300.00
			<u>\$ 41,813.69</u>	<u>\$ 221,863.14</u>	<u>\$ 4,388,300.00</u>	<u>\$ 1,400,287.84</u>	<u>\$ 1,327,627.18</u>	<u>\$ 628,701.72</u>	<u>\$ 191,012.84</u>	<u>\$ 361.08</u>	<u>\$ 3,904,561.85</u>
	Ref.		D	D	D-18	D-24	D-14	D-24	Below	D	D
	Fund Balance	D-2							37,412.84		
	Fixed Capital - Authorized and Uncompleted	D-18							153,600.00		
									<u>\$ 191,012.84</u>		
									Above		

**BOROUGH OF KEYPORT
 WATER AND SEWER UTILITY CAPITAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF GENERAL SERIAL BONDS

Purpose	Date of Issue	Original Amount	Maturities of Bonds Outstanding December 31, 2016		Interest Rate %	Balance December 31, 2015	Decrease	Balance December 31, 2016					
			Date	Amount									
MCIA Bonds	12/24/14	\$1,070,000	12/01/17	\$ 85,000	4.00								
			12/01/18	85,000	4.00								
			12/01/19	85,000	4.00								
			12/01/20	85,000	4.00								
			12/01/21	90,000	5.00								
			12/01/22	90,000	5.00								
			12/01/23	95,000	5.00								
			12/01/24	95,000	5.00								
			12/01/25	95,000	5.00								
			12/01/26	95,000	5.00								
											\$ 985,000.00	\$ 85,000.00	\$ 900,000.00
											\$ 985,000.00	\$ 85,000.00	\$ 900,000.00
				<u>Ref.</u>	D	D-25	D						

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF LOANS PAYABLE

	<u>Ref.</u>	
Balance, December 31, 2015	D	\$5,668,315.47
Decreased by:		
Loan Payment	D-26	<u>83,888.34</u>
Balance, December 31, 2016	D	<u><u>\$5,584,427.13</u></u>

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF BOND ANTICIPATION NOTES

<u>Ord. #</u>	<u>Improvement Description</u>	<u>Original Date Issued</u>	<u>Date of</u>		<u>Interest Rate %</u>	<u>Balance December 31, 2015</u>	<u>Increase</u>	<u>Balance December 31, 2016</u>
			<u>Issue</u>	<u>Maturity</u>				
07-16	Improvements to Perry St Water Treatment Plant	12/01/16	12/01/16	04/28/17	1.14	\$ -	\$ 1,000,000.00	\$ 1,000,000.00
						<u>\$ -</u>	<u>\$ 1,000,000.00</u>	<u>\$ 1,000,000.00</u>
					<u>Ref.</u>		D-14, D-29	D

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF ENCUMBRANCES PAYABLE

	<u>Ref.</u>	
Balance, December 31, 2015	D	\$1,400,287.84
Increased by:		
Improvement Authorizations	D-20	<u>628,701.72</u>
		2,028,989.56
Decreased by:		
Reverse Prior Year Balance	D-20	<u>1,400,287.84</u>
Balance, December 31, 2016	D	<u><u>\$ 628,701.72</u></u>

SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>Ref.</u>		
Balance, December 31, 2015	D		\$3,674,005.39
Increased by:			
Reserve for Deferred Amortization	D-26	\$ 923,987.16	
Bond Principal Paid	D-21	<u>85,000.00</u>	
			<u>1,008,987.16</u>
Balance, December 31, 2016	D		<u><u>\$4,682,992.55</u></u>

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF RESERVE FOR DEFERRED AMORTIZATION

	<u>Ref.</u>		
Balance, December 31, 2015	D		\$1,548,369.53
Increased by:			
Cash Receipts	D-14	\$ 799,843.00	
USDA Grant Receivable	D-16	500,000.00	
USDA Loan Principal Paid	D-22	<u>83,888.34</u>	
			<u>1,383,731.34</u>
			2,932,100.87
Decreased by:			
Reserve for Amortization	D-25	923,987.16	
Fixed Capital - Authorized and Uncompleted	D-18	<u>37,412.84</u>	
			<u>961,400.00</u>
Balance, December 31, 2016	D		<u><u>\$1,970,700.87</u></u>

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF RESERVE FOR GRANTS AND LOANS RECEIVABLE

	Balance December 31, 2015	Grants Received	Cash Receipts	Balance December 31, 2016
United States Department of Agriculture: Various Improvements - Phase II	\$ 1,000,000.00	\$ -	\$ 799,843.00	\$ 200,157.00
NJ Office of Emergency Management: Various Improvements to the Water/Sewer Utility	_____	581,970.00	_____	581,970.00
	\$ 1,000,000.00	\$ 581,970.00	\$ 799,843.00	\$ 782,127.00
<u>Ref.</u>	D	D-16	D-16	D

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

DUE TO WATER AND SEWER UTILITY OPERATING FUND

	<u>Ref.</u>	
Balance, December 31, 2015	D	\$ 6,715.63
Increased by:		
Cash Receipts	D-14	<u>50,000.00</u> 56,715.63
Decreased by:		
Cash Disbursements	D-14	<u>56,715.63</u>
Balance, December 31, 2016	D	<u><u>\$ -</u></u>

**BOROUGH OF KEYPORT
WATER AND SEWER UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ord. #</u>	<u>Improvement Description</u>	Balance December 31, 2015	2016 Authorized	Notes Issued	Grant Received	Cancelled	Balance December 31, 2016
05-06	Cass Street Standpipe Painting Project	\$ 153,600.00	\$ -	\$ -	\$ -	\$ 153,600.00	\$ -
08-09, 10-11	Sewer System Upgrades - USDA	314,715.00					314,715.00
06-14	Various Water/Sewer Improve USDA Phase II	1,000,000.00			799,843.00		200,157.00
07-16	Improvements to Perry St Water Treatment Plant	-	3,250,000.00	1,000,000.00			2,250,000.00
24-16	Various Improvements to the Water/Sewer Utility	-	638,300.00				638,300.00
		<u>\$1,468,315.00</u>	<u>\$3,888,300.00</u>	<u>\$1,000,000.00</u>	<u>\$ 799,843.00</u>	<u>\$ 153,600.00</u>	<u>\$3,403,172.00</u>
<u>Ref.</u>		D		D-23			D

**BOROUGH OF KEYPORT
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF CASH

Balance, December 31, 2015	<u>Ref.</u> E	\$ 3,395.49
Increased by:		
Payroll Deductions Payable	E-3	<u>1,800,706.91</u>
		1,804,102.40
Decreased by:		
Payroll Deductions Payable	E-3	<u>1,800,390.12</u>
Balance, December 31, 2016	E	<u><u>\$ 3,712.28</u></u>

**BOROUGH OF KEYPORT
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF DUE TO CURRENT FUND

	<u>Ref.</u>	
Balance, December 31, 2016 and 2015	E	<u>\$ 614.24</u>

**BOROUGH OF KEYPORT
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF PAYROLL DEDUCTIONS PAYABLE

	Balance December 31, 2015	Payroll Deductions	Disbursements	Balance December 31, 2016
Federal Withholding Tax	\$ -	\$ 479,230.71	\$ 479,230.71	\$ -
Social Security/Medicare		439,872.92	439,872.92	-
State Withholding Tax		141,356.63	141,356.63	-
SUI/Disability	45.73	15,638.38	15,638.38	45.73
457B Plan		36,350.00	36,350.00	-
AFLAC		10,815.98	10,815.98	-
PERS	1,053.57	161,388.82	161,531.60	910.79
PFRS	148.00	218,388.02	217,432.78	1,103.24
Police/Firemens Insurance		5,771.04	5,771.04	-
Garnishments		69,694.54	69,694.54	-
Monoc Credit Union		20,080.00	20,080.00	-
PBA Dues		14,962.50	14,962.50	-
Clerical/PW Union Dues		20,386.77	20,386.77	-
Life Insurance		960.00	960.00	-
Miscellaneous	1,505.22	-	495.67	1,009.55
Health Insurance Co-Pay	28.73	161,237.17	161,237.17	28.73
DCRP		4,573.43	4,573.43	-
	<u>\$ 2,781.25</u>	<u>\$ 1,800,706.91</u>	<u>\$ 1,800,390.12</u>	<u>\$ 3,098.04</u>
<u>Ref.</u>	E	E-1	E-1	E

**BOROUGH OF KEYPORT
GENERAL FIXED ASSETS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF CHANGES IN FIXED ASSETS

	Balance <u>December 31, 2015</u>	<u>Additions</u>	Balance <u>December 31, 2016</u>
Land	\$ 5,186,100.00	\$ -	\$ 5,186,100.00
Buildings/Building Improvements	5,481,800.00	-	5,481,800.00
Motor Vehicles and Equipment	2,985,709.08	49,812.00	3,035,521.08
Machinery and Equipment	483,618.30	-	483,618.30
Office Furniture and Equipment	163,066.09	-	163,066.09
Other Equipment	218,914.00	-	218,914.00
	<u>\$14,519,207.47</u>	<u>\$ 49,812.00</u>	<u>\$14,569,019.47</u>
<u>Ref.</u>	F	F-2	F

**BOROUGH OF KEYPORT
GENERAL FIXED ASSETS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

SCHEDULE OF RESERVE FOR FIXED ASSETS

Balance, December 31, 2015	<u>Ref.</u> F	\$14,519,207.47
Increased by:		
Additions	F-1	<u>49,812.00</u>
Balance, December 31, 2016	F	<u><u>\$14,569,019.47</u></u>

REPORT OF AUDIT

SINGLE AUDIT SECTION

BOROUGH OF KEYPORT
DECEMBER 31, 2016

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

Matthew A. Donohue, CPA
Robert A. Gironda, CPA
Robert G. Doria, CPA (N.J. & N.Y.)
Frederick J. Tomkins, CPA, RMA

310 Broadway
Bayonne, NJ 07002
(201) 437-9000
Fax: (201) 437-1432
E-Mail: dgd@dgdcpas.com

Linda P. Kish, CPA, RMA
Mark W. Bednarz, CPA, RMA
Jason R. Gironda, CPA
Mauricio Canto, CPA, RMA

INDEPENDENT AUDITOR'S 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), the accompanying financial statements – regulatory basis of the Borough of Keyport, New Jersey (the "Borough") and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements and have issued our report thereon dated September 26, 2017.

As described in Note 1, the Borough prepares its financial statements on a regulatory basis of accounting prescribed by the Division that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a special purpose framework of accounting other than accounting principles generally accepted in the United States of America. Our report expressed an unmodified opinion on the financial statements in conformity with the regulatory basis. Our report also expressed a modified opinion on the financial statements due to the departure from accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

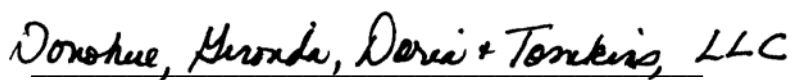
Compliance and Other Matters

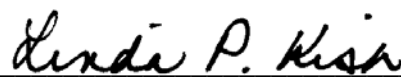
As part of obtaining reasonable assurance about whether the Borough's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

We also noted other matters involving compliance and internal control over financial reporting that we reported to management of the Borough in the General Comments and Recommendations section of this report.

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


DONOHUE, GIRONDA, DORIA & TOMKINS, LLC
Certified Public Accountants


LINDA P. KISH
Registered Municipal Accountant #487

Bayonne, New Jersey
September 26, 2017

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

Matthew A. Donohue, CPA
Robert A. Gironda, CPA
Robert G. Doria, CPA (N.J. & N.Y.)
Frederick J. Tomkins, CPA, RMA

310 Broadway
Bayonne, NJ 07002
(201) 437-9000
Fax: (201) 437-1432
E-Mail: dgd@dgdcpas.com

Linda P. Kish, CPA, RMA
Mark W. Bednarz, CPA, RMA
Jason R. Gironda, CPA
Mauricio Canto, CPA, RMA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Borough of Keyport, New Jersey's (the "Borough's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Borough's major federal programs for the year ended December 31, 2016. The Borough's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Borough's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Borough's compliance.

Opinion on Each Major Federal Program

In our opinion, the Borough complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control over Compliance

Management of the Borough is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Donohue, Gironde, Doria + Tomkins, LLC
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC
Certified Public Accountants

Linda P. Kish

LINDA P. KISH
Registered Municipal Accountant #487

Bayonne, New Jersey
September 26, 2017

**BOROUGH OF KEYPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Federal Department and Program</u>	<u>State Account Number/ Grant Number</u>	<u>Federal CFDA Number</u>	<u>Grant Year</u>	<u>Program or Award Amount</u>	<u>Cash Received</u>	<u>Expenditures</u>	<u>Cumulative Expenditures</u>
U.S. Department of Agriculture:							
** Water and Waste Disposal Systems for Rural Communities	N/A	10.760	Continuous	\$ 7,570,000.00	\$ 799,843.00	\$ 1,248,115.98	\$ 7,300,227.98
** Water and Waste Disposal Systems for Rural Communities	N/A	10.760	2016	<u>3,750,000.00</u>	<u>-</u>	<u>79,511.20</u>	<u>79,511.20</u>
Total U.S. Department of Agriculture				<u>11,320,000.00</u>	<u>799,843.00</u>	<u>1,327,627.18</u>	<u>7,379,739.18</u>
U.S. Department of Commerce:							
Passed through State of NJ Department of Environmental Protection: Coastal Zone Management Program	N/A	11.419	2014	<u>11,900.00</u>	<u>-</u>	<u>8,221.40</u>	<u>11,900.00</u>
Total U.S. Department of Commerce				<u>11,900.00</u>	<u>-</u>	<u>8,221.40</u>	<u>11,900.00</u>
U.S. Department of Health and Human Services:							
Passed through State of NJ Department of Health and Senior Services Area Plan Grant for the Aging	46-4275-100-262-12	93.044	2015	36,000.00	36,000.00	-	36,000.00
Area Plan Grant for the Aging	46-4275-100-262-12	93.044	2016	<u>28,500.00</u>	<u>-</u>	<u>28,500.00</u>	<u>28,500.00</u>
Total U.S. Department of Health and Human Services				<u>64,500.00</u>	<u>36,000.00</u>	<u>28,500.00</u>	<u>64,500.00</u>
U.S. Department of Housing and Urban Development:							
Passed through the County of Monmouth: Community Development Block Grant: Post Sandy Planning II	N/A	14.218	2016	<u>470,000.00</u>	<u>24,597.50</u>	<u>178,974.43</u>	<u>178,974.43</u>
Total U.S. Department of Housing and Urban Development				<u>470,000.00</u>	<u>24,597.50</u>	<u>178,974.43</u>	<u>178,974.43</u>
U.S. Department of Transportation:							
Passed through State of NJ Department of Law and Public Safety: Drive Sober or Get Pulled Over	066-1160-100-157	20.616	2015	<u>5,000.00</u>	<u>-</u>	<u>-</u>	<u>4,100.00</u>
Total U.S. Department of Transportation				<u>5,000.00</u>	<u>-</u>	<u>-</u>	<u>4,100.00</u>
TOTAL FEDERAL AWARDS				<u><u>\$ 11,871,400.00</u></u>	<u><u>\$ 860,440.50</u></u>	<u><u>\$ 1,543,323.01</u></u>	<u><u>\$ 7,639,213.61</u></u>

** Denotes Major Program

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**BOROUGH OF KEYPORT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Borough of Keyport, New Jersey (the “Borough”) conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for federal awards through the following accounting practices which differ from those required by accounting principles generally accepted in the United States of America.

The Borough, in accordance with the Division’s directives, fully realizes revenues and charges appropriations when grants are adopted by the governing body in the budget of its Current Fund. Grant revenues are realized and the amount awarded is accounted for as a receivable, and appropriations are charged and the amount allotted for spending is accounted for as an appropriated reserve. Programs within the General Capital Fund, Water and Sewer Utility Capital Fund and Trust Funds are accounted for within the equivalent revenue accounts for those respective funds. Expenditures are measured from payments charged directly to specific grant programs. The Borough is not utilizing the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipients.

B. REPORTING ENTITY

The Borough for purposes of the schedule of expenditures of federal awards includes all the funds of the primary government as defined by criteria established by the Governmental Accounting Standards Board.

The Borough may at times administer certain federal award programs through subrecipients. Those subrecipients would not be considered part of the Borough’s reporting entity.

C. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Borough under programs of the federal government for the year ended December 31, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**BOROUGH OF KEYPORT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

C. BASIS OF PRESENTATION (continued)

All federal awards received directly from federal agencies or passed through other government agencies are included on the schedule of expenditures of federal awards. Because the Schedule presents only a selected portion of the operations of the Borough, it is not intended to and does not present the financial position or changes in fund balance of the Borough.

D. LOCAL CONTRIBUTIONS

Local matching contributions are required by certain federal grants. The percentage of matching contributions varies with each program. Local matching contributions are raised in the Current Fund budget.

E. CONTINGENCIES

Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable laws and regulations. Federal grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors.

F. RELATIONSHIP TO FINANCIAL STATEMENTS – REGULATORY BASIS

Amounts reported in the accompanying Schedule agree with amounts reported in the Borough’s statutory basis financial statements. These amounts are reported in the Current Fund, Water and Sewer Capital Fund or CDA Trust Fund as follows:

Funds Received:	
Current Fund	\$ 36,000.00
Trust Fund	24,597.50
Water and Sewer Utility Capital Fund	<u>799,843.00</u>
	<u>\$ 860,440.50</u>
Expenditures:	
Current Fund	\$ 36,721.40
Trust Fund	178,974.43
Water and Sewer Utility Capital Fund	<u>1,327,627.18</u>
	<u>\$ 1,543,323.01</u>

**BOROUGH OF KEYPORT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

G. RELATIONSHIP TO FEDERAL AND STATE FINANCAL REPORTS

Amounts reported in the accompanying Schedule agree with amounts reported in the related state financial reports, where required.

**BOROUGH OF KEYPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Section 1 - Summary of Auditor's Results

Financial Statement Section

A) Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified - NJ DLGS special purpose framework	Adverse - GAAP
B) Internal Control over Financial Reporting:		
1) Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
2) Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported
C) Noncompliance material to basic financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No

Federal Awards Section

D) Internal Control over major federal programs:		
1) Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
2) Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported
E) Type of auditor's report issued on compliance for major federal programs	Unmodified	
F) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes	_____ <input checked="" type="checkbox"/> No

G) Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	USDA - Water and Waste Disposal Systems for Rural Communities

H) Dollar threshold used to distinguish between Type A and Type B Programs.	\$750,000
---	-----------

I) Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> Yes	_____ <input type="checkbox"/> No
---	---	-----------------------------------

**BOROUGH OF KEYPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Section 1 - Summary of Auditor's Results

State Awards Section - Not Applicable - Expenditures below \$750,000

J) Dollar threshold used to distinguish between Type A and Type B Programs.

K) Auditee qualified as low-risk auditee?

_____ Yes _____ No

L) Internal Control over major state programs:

1) Material weakness(es) identified?

_____ Yes _____ No

2) Significant deficiency(ies) identified?

_____ Yes _____ None reported

M) Type of auditor's report issued on compliance for major state programs:

N) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08, as amended?

_____ Yes _____ No

O) Identification of major state programs:

State Grant/Project Number(s)

Name of State Program

**BOROUGH OF KEYPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Section 2 – Financial Statement Findings

(This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting.)

Significant Deficiency(s)

None noted

Non-Compliance

None noted

Section 3 – Federal Awards Findings and Questioned Costs

(This section identifies audit findings required to be reported by the Uniform Guidance.)

Significant Deficiency(s)

None noted

Non-Compliance

None noted

**BOROUGH OF KEYPORT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND
QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016**

(This section identifies the status of prior year audit findings related to the basic financial statements and federal awards that are required to be reported in accordance with Chapter 4 of *Government Auditing Standards* and the Uniform Guidance.)

Financial Statement Findings

No prior year findings were noted.

Federal Awards Findings and Questioned Costs

No prior year findings or questioned costs were noted.

REPORT OF AUDIT

SUPPLEMENTARY DATA
SECTION

BOROUGH OF KEYPORT
DECEMBER 31, 2016

BOROUGH OF KEYPORT

**CURRENT FUND
SCHEDULE OF OPERATIONS AND CHANGES IN FUND BALANCE**

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	December 31, 2016		December 31, 2015	
	Amount	Percent	Amount	Percent
Revenue and Other Income Realized:				
Fund Balance Utilized	\$ 396,000.00	1.80%	\$ 110,000.00	0.55%
Miscellaneous Revenue Anticipated	2,455,969.84	11.15%	2,288,941.25	11.36%
Receipts from Delinquent Taxes	658,538.69	2.99%	624,398.29	3.10%
Receipts from Current Taxes	17,871,032.46	81.16%	16,713,490.44	82.98%
Other Credits to Income	638,909.13	2.90%	404,551.37	2.01%
Total Income	<u>22,020,450.12</u>	<u>100.00%</u>	<u>20,141,381.35</u>	<u>100.00%</u>
Expenditures:				
Budget Appropriations	9,296,130.61	44.54%	8,235,160.32	41.90%
County Taxes	1,927,494.24	9.23%	1,923,184.05	9.79%
School Taxes	9,332,171.00	44.71%	9,058,886.00	46.10%
Business Improvement District Taxes	118,000.00	0.57%	118,000.00	0.60%
Municipal Open Space Taxes	170,836.94	0.82%	166,137.61	0.85%
Other	27,929.15	0.13%	149,080.58	0.76%
Total Expenditures	<u>20,872,561.94</u>	<u>100.00%</u>	<u>19,650,448.56</u>	<u>100.00%</u>
Excess in Revenue	1,147,888.18		490,932.79	
Fund Balance, Beginning of Year	<u>528,134.93</u>		<u>147,202.14</u>	
Decreased by Utilized as Anticipated Revenue	<u>396,000.00</u>		<u>110,000.00</u>	
Fund Balance, End of Year	<u><u>\$ 1,280,023.11</u></u>		<u><u>\$ 528,134.93</u></u>	

BOROUGH OF KEYPORT

**WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF OPERATIONS AND CHANGES IN FUND BALANCE**

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	December 31, 2016		December 31, 2015	
	Amount	Percent	Amount	Percent
Revenue and Other Income Realized:				
Fund Balance Utilized	\$ 20,200.00	0.59%	\$ 27,900.00	0.86%
Collection of Water and Sewer Rents	3,109,957.92	91.45%	2,940,485.98	91.12%
Miscellaneous - From other than Water and Sewer Rents	270,612.96	7.96%	258,797.94	8.02%
Total Income	<u>3,400,770.88</u>	<u>100.00%</u>	<u>3,227,183.92</u>	<u>100.00%</u>
Expenditures:				
Operating	2,726,700.00	85.44%	2,847,000.00	88.77%
Debt Service	375,540.35	11.77%	277,026.28	8.64%
Capital Improvements	25,000.00	0.78%	19,000.00	0.59%
Deferred Charges and Statutory Expenditures	64,000.00	2.01%	64,000.00	2.00%
Total Expenditures	<u>3,191,240.35</u>	<u>100.00%</u>	<u>3,207,026.28</u>	<u>100.00%</u>
Excess in Revenue	209,530.53		20,157.64	
Fund Balance, Beginning of Year	<u>20,203.56</u>		<u>27,945.92</u>	
Decreased by Utilized as Anticipated Revenue	<u>20,200.00</u>		<u>27,900.00</u>	
Fund Balance, End of Year	<u><u>\$ 209,534.09</u></u>		<u><u>\$ 20,203.56</u></u>	

BOROUGH OF KEYPORT
SCHEDULE OF TAX RATE INFORMATION
FOR THE LAST FIVE YEARS

<u>Year</u>	<u>Assessed Valuations</u>	<u>Tax Rate</u>	<u>Apportionment of Tax Rate</u>		
			<u>Municipal</u>	<u>County</u>	<u>Local School</u>
2016	\$ 682,585,290	\$ 2.585	\$ 0.956	\$ 0.262	\$ 1.367
2015	663,989,376	2.597	0.943	0.290	1.364
2014	639,829,108	2.573	0.944	0.266	1.363
2013	733,669,411	2.241	0.810	0.265	1.166
2012	747,294,827	2.186	0.781	0.260	1.145

BOROUGH OF KEYPORT
SCHEDULE OF TAX LEVIES AND COLLECTIONS
FOR THE LAST FIVE YEARS

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

Year	Tax Levy	Cash Collection	Percent Collected
2016	\$ 17,783,034.64	\$ 17,161,901.11	96.51%
2015	17,377,147.13	16,713,490.44	96.18%
2014	16,588,061.47	15,940,510.12	96.10%
2013	16,577,094.95	15,893,374.93	95.88%
2012	16,465,174.66	15,683,963.80	95.26%

SCHEDULE OF WATER AND SEWER UTILITY BILLINGS AND COLLECTIONS
FOR THE LAST FIVE YEARS

Year	Billings	* Cash Collections	Percent Collected
2016	\$ 3,147,407.11	\$ 3,109,957.92	98.81%
2015	2,932,601.00	2,940,486.00	100.27%
2014	2,948,148.04	2,965,837.88	100.60%
2013	3,007,497.00	3,034,037.00	100.88%
2012	3,062,656.00	3,054,329.00	99.73%

* Includes collections of prior unpaid balances

BOROUGH OF KEYPORT

SCHEDULE OF DELINQUENT TAXES AND TAX TITLE LIENS

FOR THE LAST FIVE YEARS

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 five years.

<u>Year</u>	<u>Liens</u>	<u>Delinquent Taxes</u>	<u>Total</u>	<u>Percent of Tax Levy</u>
2016	\$ 194,288.32	\$ 605,212.24	\$ 799,500.56	4.50%
2015	171,378.42	660,645.17	832,023.59	4.79%
2014	157,804.60	623,148.29	780,952.89	4.71%
2013	150,295.19	618,350.95	768,646.14	4.64%
2012	139,316.30	703,365.15	842,681.45	5.12%

SCHEDULE OF PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

FOR THE LAST FIVE YEARS

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>
2016	\$ 97,100.00
2015	97,100.00
2014	97,100.00
2013	97,100.00
2012	97,100.00

BOROUGH OF KEYPORT
SCHEDULE OF FUND BALANCES
FOR THE LAST FIVE YEARS

<u>Year</u>	<u>Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
	<u>Current Fund</u>	
2016	\$1,280,023.01	\$ 550,000.00
2015	528,134.93	396,000.00
2014	147,202.14	110,000.00
2013	90,404.39	87,700.00
2012	193,180.00	183,000.00
	<u>Water and Sewer Utility Operating Fund</u>	
2016	\$ 209,534.09	\$ 40,000.00
2015	20,203.56	20,200.00
2014	27,945.92	27,900.00
2013	69,164.83	69,100.00
2012	267,200.00	254,660.00

BOROUGH OF KEYPORT

ROSTER OF OFFICIALS

DECEMBER 31, 2016

<u>Name</u>	<u>Title</u>
Harry M. Aumack II	Mayor
Warren Chamberlain	Councilperson
Isaiah Cooper	Councilperson
Matthew Goode	Councilperson
Kenneth Howe	Councilperson
Sophia Lamberson	Councilperson
Joseph E. Sheridan	Councilperson
Stephen J. Gallo	Business Administrator
Valerie T. Heilweil	Borough Clerk
Thomas P. Fallon, CPA, RMA	Chief Financial Officer
Keri R. Stencil	Tax/Utility Collector, Treasurer
Joseph P. Baumann, Jr.	Borough Attorney

All employees are covered by a Public Employees Dishonesty Blanket Bond in the amount of \$50,000 written by Municipal Excess Liability Joint Insurance Fund. In addition, there are blanket bonds for secondary coverage with the Municipal Excess Liability Joint Insurance Fund in the amount of \$1,000,000 for public employees.

**BOROUGH OF KEYPORT
GENERAL COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED PER N.J.S.A. 40A:11-3 AND 11-4, ET SEQ.

N.J.S.A. 40A:11-3 states: “When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$40,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.”

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

During the year ended December 31, 2016 the Borough’s bid threshold was \$17,500. The governing body of the Borough has the responsibility of determining whether expenditures in any category will exceed the Borough’s bid threshold. Where questions arise as to whether any contract or agreement might result in a violation of the Statute, the opinion of Borough Counsel should be sought before a commitment is made.

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

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of \$17,500 “for the performance of any work, or for the furnishing of any materials, supplies or labor, or the hiring of teams or vehicles,” other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of N.J.S.A. 40A:11-6. We did note, however, an instance where accumulated purchases from an individual vendor totaled in excess of \$17,500 without public bidding or purchasing through a state contract.

**BOROUGH OF KEYPORT
GENERAL COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

**CONTRACTS AND AGREEMENTS EXCEPTED FROM PUBLIC
ADVERTISEMENT FOR BIDS PER N.J.S.A. 40A:11-5, et seq. AND 40A:11-12**

N.J.S.A. 40A:11-5.1(a)(i) states: “Any contract the amount of which exceeds the bid threshold, may be negotiated and awarded by the governing body without public advertising for bids and bidding thereof and shall be awarded by resolution of the governing body if the subject matter thereof consists of professional services. The governing body shall in each instance state supporting reasons for its action in the resolution awarding each contract and shall forthwith cause to be printed once, in the official newspaper, a brief notice stating the nature, duration, service and amount of the contract, and that the resolution and contract are on file and available for public inspection in the office of the clerk.”

A test of the minutes indicate that resolutions were adopted and advertised, in most cases, authorizing the awarding of contracts or agreements for “Professional Services” per N.J.S.A. 40A:11-5.

N.J.S.A. 40A:11-12 states: “Any contracting unit under this act may without advertising for bids, or having rejected all bids obtained pursuant to advertising therefore, purchase any goods or services under any contract or contracts for such goods or services entered into on behalf of the State by the Division of Purchase and Property in the Department of the Treasury.”

When utilizing state contracts, as the contracts are commonly referred to, the Borough is required to place its order with the vendor offering the lowest price, including delivery charges, that best meets its requirements, and is also required to document such with specificity prior to placing the order.

**EXPENDITURE LESS THAN THE BID THRESHOLD BUT 15% OR MORE OF THAT
AMOUNT PER N.J.S.A. 40A:11-6.1**

N.J.S.A. 40A:11-6.1 states, “For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, except for paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A:11-5) concerning professional services and paragraph (b) of that subsection concerning work by employees of the contracting unit, the contracting unit agent shall award the contract after soliciting at least two competitive quotations, if practicable.” The Borough advised us that quotations were, for the most part, solicited for items, the cost of which is \$2,625 or more, within the terms of N.J.S.A. 40A:11-6.1.

**BOROUGH OF KEYPORT
GENERAL COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

COLLECTION OF INTEREST ON DELINQUENT TAXES AND ASSESSMENTS

The statutes provide 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 Borough's governing body, on January 1, 2016, adopted the following resolution authorizing interest to be charged on delinquent taxes and assessments:

WHEREAS, N.J.S.A. 54:4-67 permits the Governing Body of each municipality to fix the rate of interest to be charged for non-payment of taxes, assessments, or other municipal liens or charges, unless otherwise provided by law, on or before the date when they would become delinquent; and

WHEREAS, N.J.S.A. 54:4-67 states that the rate so fixed shall not exceed 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00, to be calculated from the date the tax was payable until the date that actual payment to the tax collector is made; and

WHEREAS, N.J.S.A. 54:4-67 also states 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 as billed, prior to the end of the calendar year.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the Borough of Keyport, County of Monmouth, State of New Jersey as follows:

1. The Tax Collector is hereby authorized and directed to charge 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00, to be calculated from the date the tax was payable until the date that actual payment to the tax collector is made and is further directed to charge 6% penalty on any municipal charges in excess of \$10,000 who fails to pay that delinquency as billed, prior to the end of the calendar fiscal year.
2. Effective January 1, 2016 there will be a ten (10) day grace period of quarterly tax payments.
3. Any payments not made in accordance with paragraph one of this Resolution shall be charged interest from the due date as set forth in N.J.S.A. 54:4-66. a. Taxes for municipalities operating under the calendar fiscal year shall be payable the first installment as hereinafter provided on February 1, the second installment on May 1, the third installment on August 1 and the fourth installment on November 1.

An examination of the Collector's records indicated that interest on delinquent accounts was calculated in accordance with the foregoing resolution.

**BOROUGH OF KEYPORT
GENERAL COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

TAXES AND TAX TITLE LIENS

Taxes outstanding at December 31 2016, included taxes from the years ended December 31, 2016 and prior. The following comparison is made of the number of tax title liens receivable on December 31st of the last three years:

<u>Year</u>	<u>Tax Title Liens</u>	<u>Water and Sewer Liens</u>
2016	15	0
2015	13	0
2014	20	0

INTERFUND RECEIVABLE/PAYABLE BALANCES

Interfund balances appear on the balance sheets of the Borough's various funds at December 31, 2016.

These interfunds, in most cases, resulted from 2016 operations and closing entries.

DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

At December 31, 2016 the Analysis of General Capital Fund Cash included cash deficits for ordinances over 5 years old. These cash deficits have been raised in the 2017 municipal budget.

CONTROL DEFICIENCIES – SEGREGATION OF DUTIES

Conditions exist whereby the same individual may collect, record, and deposit or remit cash receipts, as well as have the responsibility for maintaining the Tax and Water and Sewer Utility receivable subsidiary ledgers.

This condition results from the small size of the Borough's staff, which necessitates multiple tasks being performed by the same individual within the Borough's various departments.

INTERNAL CONTROL DOCUMENTATION

We suggest that the Borough continue to develop its process of documentation of internal controls. We also suggest that the Borough consider utilizing the framework established by the Council of Sponsoring Organizations of the Treadway Commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communications; and Monitoring. In addition, we also suggest that the documentation should also include the internal controls that exist over grant compliance.

**BOROUGH OF KEYPORT
GENERAL COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

DEDICATION BY RIDERS

Certain activity is being accounted for through Trust Fund reserves established in prior years, however, not all of those reserves have been approved by the Division as Dedication by Rider.

RECOMMENDATIONS

The Borough should review the status of its Trust Fund reserves and determine which reserves require approval from the Division as Dedication by Rider.

STATUS OF PRIOR YEAR AUDIT RECOMMENDATIONS

There were no prior year audit recommendations.

ACKNOWLEDGEMENT

During the course of our engagement we received the complete cooperation of the various employees and officials of the Borough, and the courtesies extended to us were greatly appreciated.