

TOWN OF KEARNY
Financial Statements With
Supplementary Information
December 31, 2015
(With Independent Auditors' Reports Thereon)

TOWN OF KEARNY

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Town Council
Town of Kearny
County of Hudson, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Town of Kearny in the County of Hudson, as of December 31, 2015 and 2014, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



The Honorable Mayor and
Members of the Town Council
Page 2.

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 of the financial statements, the financial statements are prepared by the Town of Kearny on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

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 above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Town of Kearny as of December 31, 2015 and 2014, or changes in financial position for the years then ended.



The Honorable Mayor and
Members of the Town Council
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Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2015 and 2014, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2015 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kearny's basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 are the responsibility of management and were derived from and relates 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 directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter of comments and recommendations 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 assurance on it.



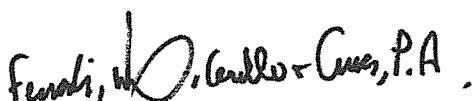
The Honorable Mayor and
Members of the Town Council
Page 4.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2016 on our consideration of the Town of Kearny's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Kearny's internal control over financial reporting and compliance.



Steven D. Wielkotz, C.P.A.
Registered Municipal Accountant
No. CROO413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

July 14, 2016



Exhibit A

TOWN OF KEARNY, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2015 and 2014

	<u>Ref.</u>	Dec. 31, <u>2015</u>	Dec. 31, <u>2014</u>
<u>Assets</u>			
Regular Fund:			
Current Assets:			
Cash - Operating Accounts	A-4	\$ 7,812,154	6,611,787
Cash - Change Fund	A-5	800	800
		<u>7,812,954</u>	<u>6,612,587</u>
Due from State of New Jersey per Ch. 129, P.L. 1976	A-7	24,770	16,946
State Aid	A-8	5,605,076	6,873,304
		<u>5,629,846</u>	<u>6,890,250</u>
		<u>13,442,800</u>	<u>13,502,837</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes	A-9	1,549,322	1,526,703
Tax Title Liens	A-10	7,148,366	6,730,416
Property Acquired for Taxes - Assessed Valuation	A-11	2,943,200	2,943,200
Revenue Accounts Receivable	A-12	80,318	83,164
Interfunds Receivable: Escrow Trust Fund	A-13	3,298	1,111
		<u>11,724,504</u>	<u>11,284,594</u>
Deferred Charges:			
Special Emergency Authorization	A-14	<u>2,608,400</u>	<u>1,598,000</u>
		<u>2,608,400</u>	<u>1,598,000</u>
		<u>27,775,704</u>	<u>26,385,431</u>
Federal and State Grant Fund:			
Cash - Operating Accounts	A-4	2,259,012	2,973,403
Grants Receivable	A-15	3,768,826	2,225,829
Interfund Receivable	A-16	493,280	493,280
		<u>6,521,118</u>	<u>5,199,232</u>
		<u>\$ 34,296,822</u>	<u>31,584,663</u>

Exhibit A

TOWN OF KEARNY, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2015 and 2014

	<u>Ref.</u>	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>
Liabilities, Reserves and Fund Balance			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3/A-17	\$ 443,689	591,729
Unencumbered	A-3/A-17	376,598	65,770
Reserve for:			
Maintenance of Free Public Library w/ State Aid	A-18	46,131	68,065
Tax Overpayments	A-19	196,352	83,687
Due to Library	A-20	97,728	210,959
Prepaid Taxes	A-24	464,818	533,904
Interfunds Payable	A-13	10,174	
Special Emergency Note Payable	A-25	2,608,400	1,598,000
Tax Anticipation Note Payable	A-26	10,000,000	10,000,000
		14,243,890	13,152,114
Reserve for Receivables	Contra	11,724,504	11,284,594
Fund Balance	A-1	1,807,310	1,948,723
		27,775,704	26,385,431
Federal and State Grant Fund			
Reserve for:			
Appropriated Grants	A-27	3,588,038	1,748,467
Encumbrances	A-28	504,464	642,879
Urban Enterprise Zone	A-29	2,428,616	2,753,269
Unappropriated Grants	A-30		54,617
		6,521,118	5,199,232
	\$	34,296,822	31,584,663

See accompanying notes to financial statements.

TOWN OF KEARNY, N.J.

Comparative Statement of Operations and Changes in
Fund Balance - Regulatory Basis

Current Fund

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenues and Other Income:		
Fund Balance Utilized	\$ 1,900,000	2,400,000
Miscellaneous Revenue Anticipated	33,182,596	32,289,966
Receipts from Delinquent Taxes	1,509,947	1,448,903
Receipts from Current Taxes	107,434,935	104,087,146
Non-Budget Revenue	151,649	370,989
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	<u>82,765</u>	<u>206,962</u>
Total Revenues and Other Income	<u>144,261,892</u>	<u>140,803,966</u>
Expenditures:		
Budget and Emergency Appropriations:		
Operations:		
Salaries and Wages	30,099,000	29,981,500
Other Expenses	29,939,195	27,372,070
Capital Improvement Fund	250,000	200,063
Municipal Debt Service	8,281,953	8,358,754
Deferred Charges	886,000	1,272,000
Statutory Expenditures	<u>7,423,392</u>	<u>6,814,104</u>
	<u>76,879,540</u>	<u>73,998,491</u>
Prior Year Tax Court Judgements	136,063	342,582
Prior Year Senior Veteran's 100% Exemption	996	
County Taxes	18,752,667	17,874,221
Local District School Tax	<u>48,176,039</u>	<u>47,113,186</u>
Total Expenditures	<u>143,945,305</u>	<u>139,328,480</u>
Excess (Deficit) Revenue Over Expenditures	316,587	1,475,486
Adjustment to Income Before Fund Balance:		
Expenditures Included Above Which Are By Statute Deferred		
Charges to Budget of Succeeding Year	<u>1,442,000</u>	<u>458,000</u>
Statutory Excess to Fund Balance	1,758,587	1,933,486
Fund Balance, January 1,	<u>1,948,723</u>	<u>2,415,237</u>
	<u>3,707,310</u>	<u>4,348,723</u>
Decreased by:		
Fund Balance Utilized as Budget Revenue	<u>1,900,000</u>	<u>2,400,000</u>
Fund Balance, December 31,	<u>\$ 1,807,310</u>	<u>1,948,723</u>

See accompanying notes to the financial statements.

TOWN OF KEARNY, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	<u>Budget</u>	<u>Realized</u>	Excess or (Deficit)
Fund Balance Anticipated	\$ 1,900,000	1,900,000	
Miscellaneous Revenues:			
Licenses:			
Alcoholic Beverages	\$ 49,000	49,524	524
Other	89,000	73,807	(15,193)
Fees and Permits	223,000	190,749	(32,251)
Fines and Costs:			
Municipal Court	945,000	1,024,830	79,830
Interest and Costs on Taxes	282,000	260,482	(21,518)
Parking Meters	220,000	260,449	40,449
Interest on Investments and Deposits	86,000	98,436	12,436
Hackensack Meadowlands Development Corporation - Tax Sharing	3,794,000	3,778,021	(15,979)
Hartz Mountain Lease Agreement	122,000	122,736	736
Transitional Aid	1,500,000	1,500,000	
Energy Receipts Tax	18,465,489	18,465,489	
Uniform Construction Code Fees	634,000	914,383	280,383
State and Federal Revenues Offset w/ Appropriations:			
Recycling Tonnage Grant 2015	54,617	54,617	
Municipal Alliance Grant FY2016	35,148	35,148	
Office on Aging Grant 2015	46,624	46,624	
Distracted Driving Crackdown Grant 2015	5,000	5,000	
Clean Communities Grant 2015	57,860	57,860	
Emergency Management Assistance Grant FY2013	10,000	10,000	
UEZ Public Safety Projects 2015	160,290	160,290	
UEZ Clean Project 2015	96,000	96,000	
UEZ Marking Zone Promotion Phase VI	200,000	200,000	
FEMA Port Security Grant FY2014	9,576	9,576	
Asst. Firefighters Grant - Breathing Apparatus	49,316	49,316	
Asst. Firefighters Grant - Fire Prevention & Safety	242,710	242,710	
Port Authority FY2011 Grant (Additional)	370,267	370,267	
Highway Safety - Drive Sober Get Pulled Over	5,000	5,000	
FEMA Port Security Grant FY2015	13,593	13,593	
Asst. Firefighters Grant - SAFER Grant FY2014	1,595,844	1,595,844	
Body Armor Replacement Fund 2015	9,846	9,846	

TOWN OF KEARNY, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	<u>Budget</u>	<u>Realized</u>	Excess or (Deficit)
Other Special Items:			
Uniform Fire Safety Act	108,000	107,265	(735)
Kearny Municipal Utilities Authority Sludge Removal	860,000	860,000	
Franchise Feds - Comcast & Verizon	394,000	394,188	188
Recycling Revenue	31,000	97,891	66,891
Police Private Duty Administrative Fees	116,000	109,790	(6,210)
PVSC User Fees	33,000	46,182	13,182
Clean Earth	28,000	52,623	24,623
New Jersey Meadowlands Lease Agreements	1,224,000	1,387,211	163,211
PILOT Payments	68,000	64,849	(3,151)
Federal and State Reimbursement - Emergency	192,000	192,000	
South Kearny Police & Fire Facility - Litigation Settlement	170,000	170,000	
 Total Miscellaneous Revenues	 32,595,180	 33,182,596	 587,416
 Receipts from Delinquent Taxes	 <u>1,550,000</u>	 <u>1,509,947</u>	 <u>(40,053)</u>
 Subtotal General Revenues	 <u>36,045,180</u>	 <u>36,592,543</u>	 <u>547,363</u>
 Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	 <u>42,152,307</u>	 <u>42,806,229</u>	 <u>653,922</u>
 Budget Totals	 <u>78,197,487</u>	 <u>79,398,772</u>	 <u>1,201,285</u>
 Non-Budget Revenue	 <u>151,649</u>	 <u>151,649</u>	 <u>151,649</u>
 <u>\$ 78,197,487</u>	 <u>79,550,421</u>	 <u>1,352,934</u>	
Adopted Budget Added by N.J.S.A. 40A:4-87	<u>75,901,335</u> <u>2,296,152</u>		
 <u>\$ 78,197,487</u>			

Exhibit A-2

TOWN OF KEARNY, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2015

Analysis of Realized Revenues

Revenue from Current Tax Collections	\$ 107,434,935
Allocated to County of Hudson Local School District	\$ 18,752,667 <u>48,176,039</u>
	<u>66,928,706</u>
Balance for Support of Municipal Budget Appropriations	40,506,229
Add : Appropriation - Reserve for Uncollected Taxes	<u>2,300,000</u>
Amount for Support of Municipal Budget Appropriations	\$ <u>42,806,229</u>
Receipts from Delinquent Taxes:	
Delinquent Taxes	<u>1,509,947</u>
	<u>\$ 1,509,947</u>

Analysis of Non-budget Revenues

Miscellaneous Revenue Not Anticipated

Reimbursements-County & State	\$ 1,661
Health Services-East Newark	15,000
Premium on Tax and Emergency Notes	1,300
Premium on Foreclosed Tax Liens	20,100
Access Agreements-Accidental Chemical	12,000
Redevelopment Agreement-Admin Fees	10,000
NJMC IA Landfill Solar Project	20,000
Insurance Reimbursement-Workers Compensation	9,735
Response Calls-NJ Turnpike Authority	3,000
Auction and Sale of Assets	269
Motor Vehicle Inspection Fines	350
Refunds	680
Rentals and Leases	1,720
Unclaimed Municipal Court Bail	1,829
NSF Check Fees	240
Tax Sale Costs	1,138
SC&VT Deduction-Admin Fees	4,228
New Jersey Clean Energy Program	<u>48,399</u>
	<u>\$ 151,649</u>

See accompanying notes to the financial statements.

Exhibit A-3

TOWN OF KEARNY, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
General Government:					
Administration:					
Salaries and Wages	\$ 125,000	119,500	119,212	288	
Other Expenses	50,000	65,000	56,254	8,746	
Mayor and Council					
Salaries and Wages	65,000	92,000	91,101	899	
Other Expenses	5,000	5,000	4,660	340	
Town Clerk					
Salaries and Wages	237,000	221,000	220,659	341	
Other Expenses	35,000	40,000	34,872	5,128	
Elections:					
Salaries and Wages	5,000	3,500	3,461	39	
Other Expenses	30,000	28,000	27,518	482	
Legal:					
Other Expenses	550,000	550,000	537,819	12,181	
Auditor:					
Other Expenses	65,000	65,000	65,000		
Engineering:					
Other Expenses	130,000	197,000	196,947	53	
Insurance:					
Life Insurance for Employees	60,000	55,500	55,328	172	
Employee Hospitalization	10,800,000	10,750,000	10,737,810	12,190	
Other Insurance	30,000	20,500	20,230	270	
Dedicated Insurance Fund	1,218,000	1,193,000	1,192,536	464	
Municipal Court					
Salaries and Wages	450,000	438,500	438,194	306	
Other Expenses	45,000	46,500	46,195	305	
Prosecutor	45,000	51,000	50,912	88	
Public Defender:					
Other Expenses	25,000	31,000	30,897	103	

TOWN OF KEARNY, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Financial Administration:					
Treasurer:					
Salaries and Wages	300,000	297,000	296,974		26
Other Expenses	175,000	200,000	196,380		3,620
Assessment of Taxes:					
Salaries and Wages	90,000	89,000	88,784		216
Other Expenses	80,000	85,000	74,719		10,281
Collection of Taxes:					
Salaries and Wages	140,000	131,000	130,628		372
Other Expenses	15,000	15,000	11,334		3,666
Public Safety:					
Police:					
Salaries and Wages	14,000,000	14,720,000	14,718,838		1,162
Other Expenses	450,000	465,000	451,365		13,635
Uniform Fire Safety Act: (P.L. 1983 Chap. 383)					
Fire:					
Salaries and Wages	10,000,000	10,535,000	10,531,149		3,851
Other Expenses	250,000	500,000	492,057		7,943
Fire Prevention					
Salaries and Wages	185,000	160,000	159,309		691
Health and Welfare					
Board of Health					
Salaries and Wages	255,000	251,500	247,943		3,557
Other Expenses	50,000	45,000	44,950		50
Intercounty Council on Drugs					
Board of Health-Contractual agreement					
Meals on Wheels Program					
Other Expenses	40,000	38,000	37,090		910
Animal License					
Other Expenses	50,000	50,000	50,000		
Shelter Workshop for Handicapped					
	22,000	22,000	22,000		22,000

TOWN OF KEARNY, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Department of Public Works					
Streets and Roads:					
Salaries and Wages	1,250,000	1,173,000	1,172,978	22	
Other Expenses	500,000	590,000	586,672	3,328	
Pump Maintenance- North Arlington	10,000	10,000			10,000
Shade Tree:					
Salaries and Wages	568,000	541,000	540,602	398	
Other Expenses	225,000	245,000	239,735	5,265	
Public Buildings and Grounds:					
Salaries and Wages	183,000	183,000	180,620	2,380	
Other Expenses	350,000	350,000	341,949	8,051	
Vehicle Maintenance:					
Salaries and Wages	224,000	221,000	220,517	483	
Other Expenses	225,000	230,000	223,409	6,591	
Recreation and Parks:					
Recreation:	130,000	128,000	127,599	401	
Unified Recreation Committee	60,000	45,000	44,839	161	
Other Expenses					
Parks and Playgrounds:					
Other Expenses:	45,000	40,000	36,346	3,654	
Celebration of Public Events:					
Other Expenses:	25,000	25,000	24,635	365	
Senior Citizen Center					
Salaries and Wages	140,000	146,000	145,690	310	
Other Expenses	15,000	12,000	11,642	358	
Construction Code Enforcement					
Salaries and Wages	600,000	591,000	590,635	365	
Other Expenses	25,000	45,000	42,837	2,163	
Zoning Commission					
Salaries and Wages	3,000	3,000	3,000		
Other Expenses	25,000	25,000	14,413		10,587

TOWN OF KEARNY, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Board of Appeals					
Salaries and Wages	1,000				
Other Expenses	2,500				
Planning Board					
Salaries and Wages	3,000	3,000	3,000		3,035
Other Expenses	25,000	40,000	36,965		99
Parking Lot Lease Payment	40,000	37,500	37,401		130
Annual League Conventions	2,000	500	370		
Management Information					
Salaries and Wages	52,000	52,000	48,898		3,102
Other Expenses	125,000	105,000	97,299		7,701
Unclassified:					
Electricity and Gas	525,000	450,000	405,882		44,118
Street Lighting	700,000	750,000	750,000		
Communications	250,000	253,500	253,427		73
Gasoline	350,000	245,000	209,976		35,024
Postage	75,000	45,000	40,371		4,629
North Hudson Community Action Council					
Landfill and Solid Waste Disposal Costs	10,000	10,000	10,000		
Garbage and Trash:					
Garbage and Trash Collection	1,400,000	1,400,000	1,398,600		1,400
Garbage and Trash Disposal	1,900,000	1,975,000	1,975,000		
Total Operations within "CAPS"	50,215,500	51,620,000	51,351,103		268,897
B. Contingent	1,975	1,975			1,975
Total Operations Including Contingent within "CAFS"	50,217,475	51,621,975	51,351,103		270,872
Detail:					
Salaries & Wages	29,006,000	30,099,000	30,079,791		19,209
Other Expenses (Including Contingent)	21,211,475	21,522,975	21,271,312		251,663

Exhibit A-3

TOWN OF KEARNY, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
(E) Deferred Charges and Statutory Expenditures- Municipal within "CAPS"					
Deferred Charges					
Anticipated Deficit in Water Utility Budget	900,000	900,000	454,895		445,105
Statutory Expenditures					
Contribution to:					
Public Employees' Retirement System	772,758	772,758	711,487		61,271
Social Security System (O.A.S.I.)	825,000	812,500	807,959		4,541
Consolidated Police and Firemen's Pension					
Police and Firemen's Retirement System	5,723,134	5,723,134	5,723,134		
Unemployment Insurance	50,000	100,000	100,000		
Defined Contribution Retirement Program	15,000	15,000	11,633		3,367
Total Deferred Charged and Statutory Expenditures-Municipal within "CAPS"	8,285,892	8,323,392	7,809,108		445,105
Total General Appropriations for Municipal Purposes within "CAPS"	<u>58,503,367</u>	<u>59,945,367</u>	<u>59,160,211</u>	<u>340,051</u>	<u>445,105</u>
Passaic Valley Sewer Commission:					
Share of Costs	4,324,000	4,324,000	4,323,037		963
Maintenance of Free Public Library (Ch. 82 & 541, P.L. 1985)	<u>1,130,529</u>	<u>1,130,529</u>	<u>1,027,854</u>	<u>102,675</u>	
Total Other Operations - Excluded from "CAPS"	<u>5,454,529</u>	<u>5,454,529</u>	<u>5,350,891</u>	<u>103,638</u>	
Public and Private Programs Offset					
by Revenues					
Recycling Tonnage Grant	54,617	54,617	54,617		
Municipal Alliance Grant FY-2016	35,148	35,148	35,148		
Public and Private Programs Offset					
by Revenues (Cont...)					
Office of Aging Grant 2015	46,624	46,624	46,624		
Distracted Driving Crackdown Grant 2015	5,000	5,000	5,000		

TOWN OF KEARNY, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpected Balance Canceled
Clean Communities Grant 2015	57,860	57,860	57,860		
Emergency Management Assistance Grant 2015	10,000	10,000	10,000		
UEZ Public Safety Project 2015	160,290	160,290	160,290		
UEZ Clean Project 2015	96,000	96,000	96,000		
UEZ Marketing Zone Promotion Phase VI	200,000	200,000	200,000		
FEMA Port Security Grant FY-2014	9,576	9,576	9,576		
Asst. Firefighters Grant - Breathing Apparatus	49,316	49,316	49,316		
Asst. Firefighters Grant - Fire Prevention & Safety	242,710	242,710	242,710		
Port Authority FY-2011 Grant (Additional)	370,267	370,267	370,267		
Highway Safety - Drive Sober Get Pulled Over	5,000	5,000	5,000		
FEMA Port Security Grant FY-2015	13,593	13,593	13,593		
Asst. Firefighters Grant - SAFER Grant FY-2014	1,595,844	1,595,844	1,595,844		
Body Armor Replacement Fund 2015	9,846	9,846	9,846		
Total Public and Private Programs Offset by Revenues	2,961,691	2,961,691	2,961,691		
Total Operations-Excluded from "CAPS"	8,416,220	8,416,220	8,312,582	103,638	
Detail:					
Salaries and Wages					
Other Expenses					
Capital Improvements-"Excluded from CAPS"	250,000	250,000	250,000		
Capital Improvement Fund	250,000	250,000	250,000		
Total Capital Improvements-"Excluded from CAPS"	250,000	250,000	250,000		

TOWN OF KEARNY, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	<u>Budget</u>	Budget after Modification and Transfer	Paid or Charged	<u>Reserved</u>	Unexpended Balance Cancelled
Municipal Debt Service - Excluded from "CAPS"					
Green Trust Loan Program					
Loan Repayments for Principal and Interest	94,200	94,200		94,132	68
N.J. Wastewater Treatment Trust					
Loan Repayments for Principal and Interest	737,100	737,100		724,843	12,257
Payment of Bond Principal					
Payment of Bond Anticipation Notes and Capital Notes	6,000,000	6,000,000		6,000,000	
Interest on Bonds					
Interest on Notes	450,000	450,000		450,000	
	767,800	767,800		765,778	2,022
	247,200	247,200		247,200	
Total Municipal Debt Service-Excluded from "CAPS"	8,296,300	8,296,300		8,281,953	14,347
DEFERRED CHARGES:					
Emergency Authorizations	431,600	431,600		431,105	495
Total Deferred Charges - Municipal -					
Excluded from "CAPS"	431,600	431,600		431,105	495
Total General Appropriations for					
Municipal Purposes Excluded from "CAPS"	17,394,120	17,394,120		17,275,640	103,638
					14,842
Subtotal General Appropriations	75,897,487	77,339,487		76,435,851	443,689
Reserve for Uncollected Taxes	2,300,000	2,300,000		2,300,000	
Total General Appropriations	\$ 78,197,487	79,639,487		78,735,851	443,689
					459,947

TOWN OF KEARNY, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Emergency Appropriations		75,901,335			
Added by N.J.S.A. 40A:4-87		1,442,000			
		<u>2,296,151</u>			
			\$ <u>79,639,486</u>		
Reserve for Uncollected Taxes			2,300,000		
Grants			2,961,691		
Encumbrances			<u>376,598</u>		
Qualified Debt Service Payments			7,304,381		
Cash			<u>65,793,181</u>		
				\$ <u>78,735,851</u>	

See accompanying notes to the financial statements.

Exhibit B

TOWN OF KEARNY, N.J.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2015 and 2014

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>Assets</u>			
Animal Trust Fund:			
Cash	B-1	<u>12,407</u>	<u>30,438</u>
		<u>12,407</u>	<u>30,438</u>
Other Trust Funds:			
Cash	B-1	4,552,302	4,373,282
Intrafund Accounts Receivable			
Due from Escrow Trust Fund	B-9	<u>216,871</u>	<u>216,871</u>
		<u>4,769,173</u>	<u>4,590,153</u>
Community Development Trust Fund:			
Community Development Grants Receivable	B-3	<u>657,360</u>	<u>570,039</u>
		<u>657,360</u>	<u>570,039</u>
Urban Development Action Grant Trust Fund:			
Cash	B-1	62,010	1,032,681
Intrafund Accounts Receivable:			
Community Development Trust Fund	B-9	<u> </u>	<u>1,211</u>
		<u>62,010</u>	<u>1,033,892</u>
		<u>\$ 5,500,950</u>	<u>6,224,522</u>

Exhibit B

TOWN OF KEARNY, N.J.

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2015 and 2014

<u>Liabilities, Reserves & Fund Balance</u>	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Animal Trust Fund:			
Due to State of New Jersey	B-2	43	31
Reserve for Animal Control Expenditures	B-4	<u>12,364</u>	<u>30,407</u>
		<u>12,407</u>	<u>30,438</u>
Other Trust Fund:			
Reserves for:			
Other Expenditures	B-5	4,549,004	4,372,171
Interfunds Accounts Payable:			
Due to Current Fund	B-8	3,298	1,111
Intrafund Accounts Payable:			
Due to Affordable Housing Trust Fund	B-9	98,357	98,357
Due to Other Trust Fund	B-9	<u>118,514</u>	<u>118,514</u>
		<u>4,769,173</u>	<u>4,590,153</u>
Community Development Trust Fund:			
Intrafund Accounts Payable:			
Due to Urban Development Action Grant Trust Fund	B-9	1,211	
Interfunds Accounts Payable:			
Due to Federal and State Grant Fund	B-8	483,106	
Reserve for Community Development Block Grants	B-6	<u>174,254</u>	<u>568,828</u>
		<u>657,360</u>	<u>570,039</u>
Urban Development Action Grant Trust Fund:			
Reserve for Urban Development Action Grants	B-7	<u>62,010</u>	<u>1,033,892</u>
		<u>\$ 5,500,950</u>	<u>6,224,522</u>

See accompanying notes to financial statements.

TOWN OF KEARNY, N.J.

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31, 2015 and 2014

	Ref.	Dec. 31, 2015	Dec. 31, 2014
<u>Assets</u>			
Cash - Checking Accounts	C-2/C-3	\$ 2,734,701	572,823
Accounts Receivable:			
Department of Transportation Grants	C-4	307,534	706,187
Loans Receivable:			
Environmental Infrastructure Loans	C-5	858,918	858,918
Deferred Charges to Future Taxation:			
Funded	C-6	22,167,564	28,884,140
Unfunded	C-7	<u>19,347,562</u>	<u>17,707,067</u>
		\$ <u>45,416,279</u>	<u>48,729,135</u>
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds	C-8	15,406,000	21,406,000
Bond Anticipation Notes Payable	C-14	17,277,872	13,452,377
New Jersey Wastewater Loan Payable	C-9	5,708,305	6,350,969
Green Acres Trust Loan Payable	C-10	1,053,259	1,127,171
Improvement Authorizations:			
Funded	C-11	35,000	120,695
Unfunded	C-11	4,593,134	6,244,043
Reserve for Payment of Debt	C-12	1,094,002	
Capital Improvement Fund	C-13	140,000	
Fund Balance	C-1	<u>108,707</u>	<u>27,880</u>
		\$ <u>45,416,279</u>	<u>48,729,135</u>

There were \$2,090,000 and \$4,275,000 of Bonds and Notes Authorized but Not Issued on December 31, 2015 and December 31, 2014 respectively (Exhibit C-15).

See accompanying notes to the financial statements.

Exhibit C-1

TOWN OF KEARNY, N.J.

Comparative Statement of Changes in Fund Balance - Regulatory Basis

General Capital Fund

Year Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Balance, December 31	\$ 27,880	62,760
Increased by:		
Cancelled Improvement Authorizations	20,695	
Bond Anticipation Note Premium	<u>60,132</u>	<u>27,120</u>
	108,707	89,880
Decreased by Disbursements:		
Appropriated as Budget Revenue	<u> </u>	<u>62,000</u>
Balance, December 31	<u>\$ 108,707</u>	<u>27,880</u>

See accompanying notes to the financial statements.

Exhibit D

TOWN OF KEARNY, N.J.

Comparative Balance Sheet - Regulatory Basis

Water Utility Fund

December 31, 2015 and 2014

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>Assets</u>			
Water Utility Operating Fund:			
Cash - Treasurer	D-5	\$ 202,030	215,556
Deferred Charges - Special Emergency	D-7	91,600	42,000
Deficit in Operations	D-1	<hr/> 293,630	<hr/> 72,570
		<hr/>	<hr/>
Receivables with Full Reserves:			
Consumers' Accounts Receivable	D-8	<hr/> 1,162,655	<hr/> 904,411
		<hr/> 1,162,655	<hr/> 904,411
Total Water Utility Operating Fund		<hr/> 1,456,285	<hr/> 1,234,537
Capital Fund:			
Cash - Treasurer	D-5,D-6	542,360	1,580,612
Loans Receivable			
Environmental Infrastructure Loans	D-10	145,501	243,636
Fixed Capital	D-11	28,355,425	28,355,425
Fixed Capital Authorized and Uncompleted	D-12	<hr/> 4,205,573	<hr/> 3,635,573
		<hr/> 33,248,859	<hr/> 33,815,246
Total Capital Fund		<hr/> \$ 34,705,144	<hr/> 35,049,783

Exhibit D

TOWN OF KEARNY, N.J.

Comparative Balance Sheet - Regulatory Basis

Water Utility Fund

December 31, 2015 and 2014

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Water Utility Operating Fund:			
Appropriation Reserves	D-4,D-9	16,469	1,839
Reserve for Encumbrances	D-4	4,076	53,074
Emergency Notes Payable	D-13	91,600	42,000
Accrued Interest on Bonds and Notes	D-14	<u>181,485</u>	<u>233,213</u>
		293,630	330,126
Reserve for Receivables	Contra	<u>1,162,655</u>	<u>904,411</u>
		<u>1,456,285</u>	<u>1,234,537</u>
Capital Fund:			
Serial Bonds Payable	D-19	5,483,000	5,833,000
NJ Environmental Infrastructure Loan Payable	D-20	1,403,367	1,519,995
Bond Anticipation Notes Payable	D-21	7,562,184	6,658,338
Improvement Authorization:			
Funded	D-15	135,813	200,224
Unfunded	D-15	917,987	2,419,568
Capital Improvement Fund	D-16	27,750	57,750
Reserve for:			
Amortization	D-17	17,436,547	16,873,765
Payment of Debt, Ord. 2010-5	D-18	240,000	240,000
Fund Balance	D-2	<u>42,211</u>	<u>12,606</u>
		<u>33,248,859</u>	<u>33,815,246</u>
	\$	<u>34,705,144</u>	<u>35,049,783</u>

There were \$689,568 and \$1,119,568 of Bonds and Notes Authorized But Not Issued on December 31, 2015 and December 31, 2014 respectively (Exhibit D-22).

See accompanying notes to financial statements.

TOWN OF KEARNY, N.J.

Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

Water Utility Operating Fund

Years Ended December 31, 2015 and 2014

	Dec. 31, <u>2015</u>	Dec. 31, <u>2014</u>
Revenue and other income:		
Water rents	\$ 5,686,307	5,201,756
Water Capital Surplus		40,949
Deficit (General Budget)	454,895	932,000
Miscellaneous Revenue	33,891	3,113
Unexpended balance appropriation reserve	<u>9,159</u>	<u>12,926</u>
 Total revenue and other income	 <u>6,184,252</u>	 <u>6,190,744</u>
 Expenditures:		
Operating	5,318,000	5,279,000
Debt service	800,083	871,699
Deferred charges and statutory expenditures	<u>124,169</u>	<u>154,615</u>
 Total expenditures	 <u>6,242,252</u>	 <u>6,305,314</u>
 Deficit in Revenue	 (58,000)	 (114,570)
 Adjustment to income before Fund Balance:		
Expenditures Included Above Which are by Statute		
Deferred Charges to Budget of Succeeding Year	<u>58,000</u>	<u>42,000</u>
 Operating Deficit to be Raised in Budget of Succeeding Year	 \$	 (72,570)

See accompanying notes to financial statements.

Exhibit D-2

TOWN OF KEARNY, N.J.

Comparative Schedule of Fund Balance - Regulatory Basis

Water Utility Capital Fund

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Balance, December 31,	\$ 12,606	40,949
Increased by:		
Premium on Bond Anticipation Notes	<u>29,605</u>	<u>12,606</u>
	42,211	53,555
Decreased by:		
Utilized as Budget Revenue - Operating Fund	<u> </u>	<u>40,949</u>
Balance, December 31,	<u>\$ 42,211</u>	<u>12,606</u>

See accompanying notes to financial statements.

TOWN OF KEARNY, N.J.

Statement of Revenues - Regulatory Basis

Water Utility Operating Fund

Year Ended December 31, 2015

	<u>Anticipated</u>	<u>Realized</u>	Excess (deficit)
Rents	\$ 5,400,000	5,686,307	286,307
Miscellaneous		33,891	33,891
Deficit (General Budget)	<u>900,000</u>	<u>454,895</u>	<u>(445,105)</u>
	<u>\$ 6,300,000</u>	<u>6,175,093</u>	<u>(124,907)</u>

Analysis of Realized Revenue

Rents	\$ 5,686,307
Miscellaneous	33,891
Deficit (General Budget)	<u>454,895</u>
	<u>6,175,093</u>

Analysis of Miscellaneous Revenue Not Anticipated

Stand Pipe Permit	315
Hydrant Permit	979
Insurance Reimbursement	7,355
Connection Fee	<u>25,242</u>
	<u>\$ 33,891</u>

See accompanying notes to financial statements.

TOWN OF KEARNY, N.J.

Statement of Expenditures - Regulatory Basis

Water Utility Operating Fund

Year Ended December 31, 2015

	<u>Appropriations</u>	<u>Budget</u>	<u>Paid or charged</u>	<u>Reserved</u>	<u>Canceled</u>
	<u>Budget</u>	<u>after modification</u>			
Operating:					
Salaries and Wages	\$ 600,000	658,000	564,521	479	93,000
Other Expenses	990,000	990,000	974,244	15,756	
North Jersey Water District Supply	3,763,000	3,763,000	3,762,926	74	
Total Operating	5,353,000	5,411,000	5,301,691	16,309	93,000
Debt Service:					
General Serial Bonds:					
Payment of Principal	350,000	350,000	350,000		
Payment of Bond Anticipation and Capital Notes	96,800	96,800	96,154		646
Interest on Bonds	211,200	211,200	211,200		
Interest on Notes	38,500	38,500	38,500		
NJEIT Loans	119,300	119,300	104,229		15,071
Total Debt Service	815,800	815,800	800,083		15,717
Deferred Charges and Statutory Expenditures:					
Deferred Charges:					
Special Emergency Authorizations	8,400	8,400	8,400		
Deficit in Operations	72,600	72,600	72,569		31
Statutory Expenditures - Contribution to:					
Social Security	50,200	50,200	43,040	160	7,000
Total Deferred Charges and Statutory Expenditures	131,200	131,200	124,009	160	7,031
Adopted Budget	\$ 6,300,000	6,358,000	6,225,783	16,469	115,748
Emergency Appropriations		\$ 58,000			
		\$ 6,358,000			
Cash Disbursed		5,888,438			
Deferred Charges		80,969			
Accrued Interest on Bonds and Notes		252,300			
Encumbrances		4,076			
		\$ 6,225,783			

See accompanying notes to financial statements.

TOWN OF KEARNY, N.J.

Comparative Balance Sheets-Regulatory Basis

Public Assistance Trust Fund

December 31, 2015 and 2014

	<u>Ref.</u>	Dec. 31, <u>2015</u>	Dec. 31, <u>2014</u>
<u>Assets</u>			
<u>Goodwill Account</u>			
Cash	E-1	\$ 26,332	26,332
		\$ 26,332	26,332

Liabilities

<u>Goodwill Account</u>			
Reserve for Public Assistance Expenditures	E-2	\$ 26,332	26,332
		\$ 26,332	26,332

See accompanying notes to the financial statements.

Exhibit F

TOWN OF KEARNY, N.J.

Comparative Balance Sheets-Regulatory Basis

Payroll Account

December 31, 2015 and 2014

	<u>Dec. 31,</u> <u>2015</u>	<u>Dec. 31,</u> <u>2014</u>
<u>Assets</u>		
Cash	\$ 2,141	\$ 2,660
	<u>\$ 2,141</u>	<u>\$ 2,660</u>
<u>Liabilities</u>		
Reserve for Net Payroll	\$ 2,141	\$ 2,660
	<u>\$ 2,141</u>	<u>\$ 2,660</u>

See accompanying notes to the financial statements.

Exhibit G

TOWN OF KEARNY, N.J.

Comparative Statement of General Fixed Assets-Regulatory Basis

December 31, 2015 and 2014

	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>
General Fixed Assets:		
Land	\$ 55,925,900	55,925,900
Buildings	7,906,400	7,906,400
Machinery and equipment	<u>13,278,627</u>	<u>12,324,630</u>
	<u>77,110,927</u>	<u>76,156,930</u>
 Investment in General Fixed Assets	 <u>\$ 77,110,927</u>	 <u>76,156,930</u>

See accompanying notes to financial statements.

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the Town of Kearny have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 Town accounts for its financial transactions through the following separate funds which differ from the fund structure required by GAAP.

A. Reporting Entity

The Town of Kearny (the "Town") operates under a Mayor/Council form of government. The Town's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

However, the municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Town do not include the Volunteer Fire Department, First Aid Organization or Public Library, which is considered a component unit under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

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

The Town has the following funds and account group:

Current Fund - This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

Trust Funds - Trust Funds are used to account for assets held by the government in a trustee capacity. Funds held by the Town as an agent for individual, private organizations, or other governments are recorded in the Trust Funds.

Other Trust Fund - This fund is established to account for the assets and resources which are also held by the Town as a trustee or agent for individuals, private organizations, other governments and/or other funds.

Animal License Fund - This fund is used to account for fees collected from animal licenses and expenditures, which are regulated by NJS 4:19-15.11.

Community Development Block Grant - This fund is used to account for the award and receipt of grant monies and subsequent expenditure of grants awarded through the Department of Housing and Urban Development passed through the County of Hudson as required by the grant agreements.

Payroll Fund - Receipts and disbursements of payroll withholdings that the Town collects on behalf of various agencies as their agents.

General Capital Fund - This fund is used to account for the receipt and disbursement of funds used for acquisition or improvement of general capital facilities, other than those acquired in the Current Fund.

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Town pursuant to Title 44 of New Jersey Statutes. The Town transferred administration of the assistance program to the Hudson County Board of Social Services.

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Water Utility Fund – This fund is used to account for revenues and expenditures for operation of the Town's water facilities and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities are accounted for in the capital section of the fund.

General Fixed Assets Account Group - To account for all fixed assets of the Town. The Town's infrastructure is not reported in the group.

Basis of Accounting

A modified accrual basis of accounting is followed by the Town of Kearny. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 6% per annum, or 12% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Town. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on the 11th day of the 11th month of the year levied, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Town. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved,

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Town's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Grant Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Town's budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

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 for the Current Fund and the water utility operating fund. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Town and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

The Town is not required to adopt budgets for the following funds:

General Capital Fund
Trust Fund
Public Assistance Fund
Water Utility Capital Fund

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted.

Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level.

During the years ended December 31, 2015 and 2014, the Governing Body approved additional revenues and appropriations of \$2,296,151 and \$1,421,551, respectively, in accordance with N.J.S.A. 40A:4-87. In addition, several budget transfers were approved by the governing body in 2015 and 2014. The Mayor and Council approved Current Fund Special Emergency appropriations of \$1,442,000 and \$458,000, respectively, in 2015 and 2014 for accumulated sick and vacation payments. The Mayor and Council also approved Water Utility Special Emergency appropriations of \$58,000 and \$42,000, respectively, in 2015 and 2014 for accumulated sick and vacation payments.

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 an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless canceled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

Encumbrances - Contractual orders outstanding at December 31 are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves - Are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

Property Acquired for Taxes - Is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market value on the date of acquisition.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at cost which approximates fair value and are limited by N.J.S.A. 40A:5-15.1(a).

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

Deferred Charges to Future Taxation Funded and Unfunded - Upon the authorization of capital projects, the Town 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 nonfunding of the authorized cost of capital projects. According to N.J.S.A. 40A:2-4, the Town may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Town raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

General Fixed Assets - The Town of Kearny has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

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

GAAP requires that fixed assets be capitalized at historical or estimated historical cost if actual historical cost is not available.

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

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (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 Town's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Recent Accounting Pronouncements

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the entity's financial reporting. However, the provisions of this statement required significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

In April of 2013, the Government Accounting Standards Board issued GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement is effective for reporting periods beginning after June 15, 2013 and will not have any impact on the entity's financial statement disclosures.

In November 2013, the Government Accounting Standards Board issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014. The provisions of this Statement required significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

In February 2015, the Government Accounting Standards Board issued GASB Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Recent Accounting Pronouncements, (continued)

also provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for periods beginning after June 15, 2015. The Town is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement is effective for periods beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for periods beginning after June 15, 2016. The Town is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This Statement applies to OPEB plans and basically parallels GASB Statement 67 and replaces GASB Statement 43 and is effective for periods beginning after June 15, 2016. The Town is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. The Town is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Recent Accounting Pronouncements, (continued)

authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. This Statement is effective for periods beginning after June 15, 2015. The Town is currently reviewing what effect, if any, this Statement might have on future financial statements.

In August 2015, the Government Accounting Standards Board issued GASB Statement No. 77, Tax Abatement Disclosures, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Town is currently reviewing what effect, if any, this Statement might have on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for reporting periods beginning after December 15, 2015. The Town is currently reviewing what effects, if any, this Statement might have on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it established criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015, and for certain provisions, periods beginning after December 15, 2015. The Town is currently reviewing what effects, if any, this Statement might have on future financial statements.

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C. Basic Financial Statements

The GASB Codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Town presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodian credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2015 and 2014, \$-0- of the Town's bank balances of \$19,080,151 and \$18,049,537, respectively, were exposed to custodial credit risk.

Investments

Investment Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the town is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS, (continued)

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer.

NOTE 3. MUNICIPAL DEBT

Long-term debt as of December 31, 2015 consisted of the following:

	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds Payable:					
General Obligation Debt	\$21,406,000	\$	\$6,000,000	\$15,406,000	\$4,846,000
Water Utility Obligation Debt	<u>5,833,000</u>	<u> </u>	<u>350,000</u>	<u>5,483,000</u>	<u>373,000</u>
Total Bonds Payable	<u>27,239,000</u>	<u> </u>	<u>6,350,000</u>	<u>20,889,000</u>	<u>5,219,000</u>
Other Liabilities:					
New Jersey Wastewater Loans - Current	6,350,969		642,664	5,708,305	652,883
New Jersey Wastewater Loans - Water	1,519,995		116,628	1,403,367	116,681
Green Acres Trust Loans	1,127,171		73,912	1,053,259	75,255
Compensated Absences Payable	<u>5,865,981</u>	<u>2,037,215</u>	<u>1,527,834</u>	<u>6,375,362</u>	<u> </u>
Total Other Liabilities	<u>14,864,116</u>	<u>2,037,215</u>	<u>2,361,038</u>	<u>14,540,293</u>	<u>844,819</u>
	<u>\$42,103,116</u>	<u>\$2,037,215</u>	<u>\$8,711,038</u>	<u>\$35,429,293</u>	<u>\$6,063,819</u>
	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds Payable:					
General Obligation Debt	\$27,134,000	\$	\$5,728,000	\$21,406,000	\$6,000,000
Water Utility Obligation Debt	<u>6,173,000</u>	<u> </u>	<u>340,000</u>	<u>5,833,000</u>	<u>350,000</u>
Total Bonds Payable	<u>33,307,000</u>	<u> </u>	<u>6,068,000</u>	<u>27,239,000</u>	<u>6,350,000</u>
Other Liabilities:					
New Jersey Wastewater Loans - Current	6,981,329		630,360	6,350,969	642,663
New Jersey Wastewater Loans - Water	1,636,586		116,591	1,519,995	116,629
Green Acres Trust Loans	1,199,766		72,595	1,127,171	73,912
Compensated Absences Payable	<u>6,049,326</u>	<u>307,073</u>	<u>490,418</u>	<u>5,865,981</u>	<u> </u>
Total Other Liabilities	<u>15,867,007</u>	<u>307,073</u>	<u>1,309,964</u>	<u>14,864,116</u>	<u>833,204</u>
	<u>\$49,174,007</u>	<u>\$307,073</u>	<u>\$7,377,964</u>	<u>\$42,103,116</u>	<u>\$7,183,204</u>

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

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

The Town's debt is summarized as follows:

	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014	Year Ended Dec. 31, 2013
Issued:			
General Bonds, Notes and Loans	\$39,445,436	\$42,336,517	\$49,339,472
Municipal Utility Authority*	14,614,237	16,057,069	17,545,361
Water Utility Bonds, Notes and Loans	<u>14,448,551</u>	<u>14,011,333</u>	<u>14,480,624</u>
Net Debt Issued	<u>68,508,224</u>	<u>72,404,919</u>	<u>81,365,457</u>
Authorized But Not Issued:			
General Bonds and Notes	2,090,000	4,275,000	
Water Utility Bonds and Notes	<u>689,568</u>	<u>1,119,568</u>	<u>119,568</u>
Total Authorized But Not Issued	<u>2,779,568</u>	<u>5,394,568</u>	<u>119,568</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$71,287,792</u>	<u>\$77,799,487</u>	<u>\$81,485,025</u>

* Guaranteed by the Town of Kearny

SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENTS

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.640% for 2015.

<u>2015</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$24,780,000	\$24,780,000	\$0
General Debt	56,149,673	15,728,549	40,421,124
Utility Debt	<u>15,138,119</u>		<u>15,138,119</u>
	<u>\$96,067,792</u>	<u>\$40,508,549</u>	<u>\$55,559,243</u>

Net Debt \$55,559,243 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$3,387,026,753 equals 1.640%.

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.880% for 2014.

<u>2014</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$24,900,000	\$24,900,000	\$0
General Debt	62,668,586	16,057,069	46,611,517
Utility Debt	<u>15,130,901</u>	<u>240,000</u>	<u>14,890,901</u>
	<u>\$102,699,487</u>	<u>\$41,197,069</u>	<u>\$61,502,418</u>

Net Debt \$61,502,418 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$3,270,963,466 equals 1.880%.

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

	<u>2015</u>	<u>2014</u>
3 ½% of equalized valuation basis (municipal)	\$118,545,936	\$114,483,721
Net Debt	<u>56,673,555</u>	<u>61,502,418</u>
Remaining borrowing power	<u>\$61,872,381</u>	<u>\$52,981,303</u>

Calculation of "Self-Liquidating Purpose", Water Utility Per N.J.S.A. 40A:2-45

	<u>2015</u>	<u>2014</u>
Cash receipts from fees, rents or other charges for year	\$5,720,198	\$5,245,818
Deductions:		
Operating and Maintenance Cost	5,461,200	5,328,722
Debt Service per Water Utility	<u>800.083</u>	<u>871,699</u>
Total Deductions	<u>6,261,283</u>	<u>6,200,421</u>
(Deficit) in Revenue	<u>(\$541,085)</u>	<u>(\$954,603)</u>

The Water Utility is not Self-Liquidating

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

BORROWING POWER UNDER N.J.S. 40A:2-6 AS AMENDED, (continued)

The Town's long term debt consisted of the following at December 31, 2015 and 2014:

<u>General Obligation Bonds - Paid by Current Fund</u>	<u>2015</u>	<u>2014</u>
\$14,140,000 Refunding Bonds - with an interest rate from 2.00% to 4.25% issued January 15, 2003 through January 15, 2016	\$176,000	\$216,000
\$8,875,000 Pension Refunding Bonds (Taxable) - with an interest rate of 3.28% to 5.92% issued January 15, 2003 through February 1, 2021	2,905,000	3,840,000
\$7,480,000 Refunding Bonds - with an interest rate from 4.5% to 5.00% issued February 1, 2007, due through February 1, 2016	300,000	1,470,000
\$8,875,000 Refunding Bonds (Taxable) - with an interest rate from 4.98% to 5.16% issued February 1, 2007, due through February 1, 2016	230,000	1,330,000
\$10,305,000 General Improvement Bonds - with an interest rate from 3.50% to 4.00% issued January 15, 2008, due through January 15, 2021	9,355,000	10,005,000
\$7,915,000 Refunding Bonds, Series 2011 - with an interest rate from 2.00% to 3.00% issued August 5, 2011, due through January 15, 2016	2,015,000	4,020,000
\$1,080,000 Fiscal Year Adjustment Refunding Bonds Series 2011 - with an interest rate from 2.00% to 3.00% issued August 5, 2011, due through January 15, 2016	<u>425,000</u>	<u>525,000</u>
	<u>\$15,406,000</u>	<u>\$21,406,000</u>

Green Acres Loan - Paid by Current Fund

The Town has six outstanding loan agreements with New Jersey Green Acres Bond Act of 1983 for the Harvey Field Project, the Riverbank Park Project, the Gunnel Oval Skateboard Park Project, the Bell Playground Project, the Waterfront Acquisition Project, and the Harvey Field Soccer Improvement Project.

	<u>2015</u>	<u>2014</u>
The 2003 Harvey Field Project award is at a rate of 2% in the amount of \$235,731 with semi-annual loan payments of various amounts made on July 11 and January 11 through July 11, 2022	\$95,305	\$107,869
The 2004 Riverbank Park Project Award is at a rate of 2% in the amount of \$250,000 with semi-annual loan payments of various amounts made on February 28 and August 28 through February 28, 2024	120,966	133,898
The 2008 Bell Playground Project award is at a rate of 2% in the amount of \$275,000 with semi-annual loan payments of various amounts made on January 9 and July 9 through July 9, 2027	189,676	203,531
The 2009 Gunnel Oval Skateboard Park Project award is an interest free loan in the amount of \$138,690 with semi-annual loan payments of \$3,556 made on May 26 and November 26 through November 26, 2028	92,460	99,573
The 2012 Waterfront Acquisition Project award is at a rate of 2% in the amount of \$191,500 with semi-annual loan payments of various amounts made on February 17 and August 17 through February 17, 2032	166,653	175,101
The 2012 Harvey Field Soccer Improvements Project award is at a rate of 2% in the amount of \$435,000 with semi-annual loan payments of various amounts made on January 9, August 28 and February 28 through August 28, 2032	<u>388,199</u>	<u>407,199</u>
	<u>\$1,053,259</u>	<u>\$1,127,171</u>

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

BORROWING POWER UNDER N.J.S. 40A:2-6 AS AMENDED, (continued)

Wastewater Treatment Loans - Paid by Current Fund

The Town has three outstanding loan agreements with the New Jersey Environmental Infrastructure Trust for financing relating to improvement to the Wastewater Treatment Plants.

	<u>2015</u>	<u>2014</u>
\$1,575,000 Trust Bonds Series 1998A - Trust Share - with an interest rate of 4.0%-4.5% issued November 1, 1998, due through August 1, 2018	\$345,000	\$450,000
\$1,025,000 Trust Bonds Series 1998A - Fund Share - at a zero rate of interest issued November 1, 1998, due through August 1, 2018	590,000	645,000
\$1,255,000 Trust Bonds Series 2004A - Trust Share - with an interest rate of 3.0%-5.0% issued November 4, 2004, due through August 1, 2024	905,000	960,000
\$1,507,371 Trust Bonds Series 2004A - Fund Share - at a zero rate of interest issued November 4, 2004, due through August 1, 2024	243,516	324,530
\$3,047,070 Trust Bonds Series 2007A - Trust Share - with an interest rate of 3.4%-5.0% issued November 8, 2007, due through August 1, 2027	1,397,736	1,559,005
\$3,623,250 Trust Bonds Series 2007A - Fund Share - at a zero rate of interest issued November 8, 2007, due through August 1, 2027	<u>2,227,053</u>	<u>2,412,434</u>
	<u>\$5,708,305</u>	<u>\$6,350,969</u>

Water Utility Bonds - Paid by Water Utility Fund

Water and Sewer Utility Serial Bonds

The Town pledges revenue from operations to pay debt service on bonds issued. Water utility bonds outstanding at December 31, 2015 are as follows:

	<u>2015</u>	<u>2014</u>
\$735,000 Water Utility Bonds - with an interest rate of 5.10% issued November 15, 1997, due through August 1, 2016	\$45,000	\$85,000
\$1,463,000 Water Utility Bonds (Taxable) - with an interest rate of 5.00% to 5.50% issued January 15, 2003, due through January 15, 2016	153,000	303,000
\$5,925,000 Water Utility Bonds - with an interest rate of 3.50% to 5.25% issued January 15, 2008, due through January 15, 2027	5,260,000	5,395,000
\$105,000 Water Utility Refunding Bonds - with an interest rate from 2.00% to 3.00% issued August 5, 2011, due through January 15, 2016	<u>25,000</u>	<u>50,000</u>
	<u>\$5,483,000</u>	<u>\$5,833,000</u>

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

BORROWING POWER UNDER N.J.S. 40A:2-6 AS AMENDED, (continued)

Water and Sewer Utility Serial Bonds

The Town has outstanding two loan agreement with the New Jersey Environmental Infrastructure Trust for financing relating to improvement to Central Ave Water Improvements.

	<u>2015</u>	<u>2014</u>
\$365,000 Trust Bonds Series 2010A - Trust Share - with an interest rate of 4.00% to 5.00% issued March 10, 2010, due through August 1, 2029	\$290,000	\$305,000
\$1,110,375 Trust Bonds Series 2010A - Fund Share - at a zero rate of interest issued March 10, 2010, due through August 1, 2029	368,342	424,801
\$227,554 Trust Bonds Series 2012A - Trust Share - with an interest rate of 0.22% to 3.14% issued May 16, 2012, due through August 1, 2031	195,232	206,039
\$652,878 Trust Bonds Series 2012A - Fund Share - at a zero rate of interest issued May 16, 2012, due through August 1, 2031	<u>549,793</u>	<u>584,155</u>
	<u><u>\$1,403,367</u></u>	<u><u>\$1,519,995</u></u>

The Town's principal and interest for bonds and loans issued and outstanding as of December 31, 2015 is as follows:

	<u>Serial/Refunding Bonds</u>					
	<u>General Capital Debt</u>		<u>Water Utility Capital Debt</u>			
<u>Dec.31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2016	\$4,846,000	\$553,827	\$373,000	\$217,028	\$5,989,855	
2017	2,375,000	414,884	350,000	201,525	3,341,409	
2018	1,965,000	310,486	400,000	184,900	2,860,386	
2019	2,060,000	215,880	425,000	165,900	2,866,780	
2020	2,130,000	129,020	450,000	148,400	2,857,420	
2021-2025	2,030,000	42,400	2,475,000	451,500	4,998,900	
2026-2027	<u>\$15,406,000</u>	<u>\$1,666,497</u>	<u>\$5,483,000</u>	<u>\$1,409,853</u>	<u>\$23,965,350</u>	

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

New Jersey Environmental Infrastructure Trust Loans

<u>Dec.31,</u>	General Capital Fund		Water Utility Capital Fund		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2016	\$652,883	\$84,700	\$116,681	\$16,003	\$870,267
2017	648,130	74,550	116,744	15,190	854,614
2018	671,025	63,625	116,828	14,356	865,834
2019	458,148	51,975	121,937	13,497	645,557
2020	476,431	46,375	122,071	12,563	657,440
2021-2025	2,247,704	130,375	422,060	47,654	2,847,793
2026-2030	553,984	12,125	338,202	18,167	922,478
2031			48,844	455	49,299
	<u>\$5,708,305</u>	<u>\$463,725</u>	<u>\$1,403,367</u>	<u>\$137,885</u>	<u>\$7,713,282</u>

Green Acres Trust Loan

<u>Dec.31,</u>	General Capital Fund		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$75,255	\$18,877	\$94,132
2017	76,625	17,507	94,132
2018	78,022	16,110	94,132
2019	79,447	14,685	94,132
2020	80,901	13,231	94,132
2021-2025	358,715	44,650	403,365
2026-2030	234,010	17,831	251,841
2031-2032	70,284	1,677	71,961
	<u>\$1,053,259</u>	<u>\$144,568</u>	<u>\$1,197,827</u>

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 4. BOND ANTICIPATION NOTES

The Town issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid or retired. A second and third legal installment must be paid if the notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.

On December 31, 2015 and 2014, the Town had \$17,277,872 and \$13,452,377, respectively, in outstanding General Capital bond anticipation notes. The Town also had \$7,562,184 and \$6,658,338, respectively, in outstanding Water Utility Capital bond anticipation notes.

The following activity related to bond anticipation notes occurred during the periods ended December 31, 2015 and 2014:

<u>2015</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Capital Notes Payable:				
Roosevelt & Cross, Inc.	\$1,777,477	\$	\$1,777,477	\$0
TD Securities, LLC.	11,674,900	15,500,395	11,674,900	15,500,395
Oppenheimer & Co., Inc.	<u>13,452,377</u>	<u>17,277,872</u>	<u>13,452,377</u>	<u>17,277,872</u>
Water Utility Capital Notes Payable:				
TD Securities, LLC	<u>6,658,338</u>	<u>7,562,184</u>	<u>6,658,338</u>	<u>7,562,184</u>
	<u>6,658,338</u>	<u>7,562,184</u>	<u>6,658,338</u>	<u>7,562,184</u>
	<u><u>\$20,110.715</u></u>	<u><u>\$24,840.056</u></u>	<u><u>\$20,110.715</u></u>	<u><u>\$24,840.056</u></u>
<u>2014</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Capital Notes Payable:				
Roosevelt & Cross, Inc.	\$	\$1,777,477	\$	\$1,777,477
TD Securities, LLC.		11,674,900		11,674,900
Oppenheimer & Co., Inc.	2,227,477		2,227,477	
Jefferies LLC	<u>11,796,900</u>		<u>11,796,900</u>	
	<u>14,024,377</u>	<u>13,452,377</u>	<u>14,024,377</u>	<u>13,452,377</u>
Water Utility Capital Notes Payable:				
TD Securities, LLC		6,658,338		6,658,338
Jefferies LLC	<u>6,671,038</u>		<u>6,671,038</u>	
	<u>6,671,038</u>	<u>6,658,338</u>	<u>6,671,038</u>	<u>6,658,338</u>
	<u><u>\$20,695.415</u></u>	<u><u>\$20,110.715</u></u>	<u><u>\$20,695.415</u></u>	<u><u>\$20,110,715</u></u>

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 5. SPECIAL EMERGENCY NOTES

Following the adoption of an ordinance or resolution for special emergency appropriations, the town may borrow money and issue special emergency notes which may be renewed from time to time, but at least 1/3 or 1/5 of all such notes and the renewal thereof, shall mature and be paid in each year so that all notes have been paid by the end of the third or fifth year following the date of the special emergency resolution.

On December 31, 2015 and 2014, the Town had \$2,608,400 and \$1,598,000, respectively, in outstanding Current Fund Special Emergency Notes. The Town also had \$91,600 and \$42,000, respectively, in outstanding Water Utility Operating Special Emergency Notes.

The following activity related to bond anticipation notes occurred during the periods ended December 31, 2015 and 2014:

	Balance Dec. 31, 2014	Additions	Reductions	Balance Dec. 31, 2015
Current Fund:				
The Provident Bank	\$660,000	\$440,000	\$660,000	\$440,000
Roosevelt & Cross, Inc.	938,000		938,000	
Township of West Windsor		726,400		726,400
Township of East Brunswick		1,442,000		1,442,000
	<u>1,598,000</u>	<u>2,608,400</u>	<u>1,598,000</u>	<u>2,608,400</u>
Water Utility Operating:				
Township of East Brunswick		58,000		58,000
Township of West Windsor		33,600		33,600
Roosevelt & Cross, Inc.	42,000		42,000	
	<u>42,000</u>	<u>91,600</u>	<u>42,000</u>	<u>91,600</u>
	<u>\$1,640,000</u>	<u>\$2,700,000</u>	<u>\$1,640,000</u>	<u>\$2,700,000</u>
	Balance Dec. 31, 2013	Additions	Reductions	Balance Dec. 31, 2014
Current Fund:				
The Provident Bank	\$880,000	\$660,000	\$880,000	\$660,000
Roosevelt & Cross, Inc.	600,000	938,000	600,000	
	<u>1,480,000</u>	<u>1,598,000</u>	<u>1,480,000</u>	<u>1,598,000</u>
Water Utility Capital Notes Payable:				
Roosevelt & Cross, Inc.		42,000		42,000
		42,000		42,000
	<u>\$1,480,000</u>	<u>\$1,640,000</u>	<u>\$1,480,000</u>	<u>\$1,640,000</u>

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 6. TAX ANTICIPATION NOTES

In any fiscal year in anticipation of the collection of taxes for such year, whether levied or to be levied in such year, or in anticipation of other revenues for such year, the Town may borrow money in the form of tax anticipation notes. The amount of tax anticipation notes of any fiscal year outstanding at any one time shall not exceed an amount certified as the gross borrowing power. Tax anticipation notes may be renewed from time to time, but all such notes and any renewals shall mature within 120 days after the beginning of the succeeding fiscal year.

The following activity related to tax anticipation notes occurred during the calendar years ended December 31, 2015 and 2014:

	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
Current Fund:				
Oppenheimer & Company, Inc.	\$ <u>10,000,000</u>	\$10,000,000	\$ <u>10,000,000</u>	\$10,000,000
Jefferies, LLC	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>
	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2014</u>
Current Fund:				
Jefferies, LLC	<u>\$1,000,000</u>	<u>\$10,000,000</u>	<u>\$1,000,000</u>	<u>\$10,000,000</u>

NOTE 7. PENSION PLANS

Description of Systems:

Substantially all of the Town's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Police and Firemens' Retirement System (PFRS) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Public Employees' Retirement System and the Police and Firemens' Retirement System (PFRS) are considered a cost sharing multiple-employer plans. According to the State of New Jersey Administrative Code, all obligations of the systems will be assumed by the State of New Jersey should the systems terminate.

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Description of Systems: (continued)

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to certain qualified members. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system. Vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 60, plus 3% for every year under age 55.

Chapter 89, P.L. 2008 increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; increased the minimum annual compensation required for membership eligibility for new members. Also, it amended the early retirement reduction formula for members hired on or after November 1, 2008 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 62, plus 3% for every year under age 55.

Chapter 1, P.L. 2010, effective May 21, 2010, changed the membership eligibility criteria for new members of PERS from the amount of compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members and

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Description of Systems: (continued)

Public Employees' Retirement System (PERS), (continued)

repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 78, P.L. 2011, provides that new members of PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65. Tier 5 members will be eligible for a service retirement benefit at age 65.

Police and Firemens' Retirement System (PFRS)

The Police and Firemens' Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to its members. Membership is mandatory for all full time county and municipal police and firemen, and state firemen or officer employees with police powers appointed after June 30, 1944.

Enrolled members of the Police and Firemens' Retirement System may retire at age 55 with no minimum service requirement. The annual allowance is equal to 2% of the members' final compensation for each year of service up to 30 years, plus 1% of each year of creditable service over 30 years. Final compensation equals the compensation for the final year of service prior to retirement. Special retirement is permitted to members who have 25 or more years of creditable service in the system.

Benefits fully vest on reaching 10 years of service. Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of members' contributions.

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Description of Systems: (continued)

Police and Firemens' Retirement System (PFRS), (continued)

Chapter 1, P.L. 2010, effective May 21, 2010, eliminated the provision in PFRS that would permit a member to retire, at any age after 25 years of service credit, on a special retirement allowance of 70% of final compensation after the retirement system reaches a funded level of 104%. Also, for new members of PFRS, the law capped the maximum compensation that can be used to calculate a pension from the plan at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for PERS and PFRS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Divisions of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waive participation in the DCRP for that office or position. The waiver is irrevocable.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee, employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment option provided by the employer.

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Defined Contribution Retirement Program, (continued)

The law requires that three classes of employees enroll in the DCRP detailed as follows:

All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may retain in the PERS.

A Governor appointee with advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.

Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator, or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

Contributions made by employees for DCRP are currently at 5.5% of the base wages. Member contributions are matched by a 3.0% employer contribution.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 and 8.5% for PFRS, which increased to 10% in October 2011, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Contribution Requirements, (continued)

The Town's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>	<u>DCRP</u>
2015	\$762,522	\$5,723,134	\$11,633
2014	765,394	5,631,595	10,347
2013	824,940	5,084,365	3,869

Statement No's 68 and 71 require a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. However, since the financial statements are prepared on another comprehensive basis of accounting, the net pension liability of the various pension systems is not recorded in the financial statements and is only required to be disclosed in the notes to the financial statements.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees Retirement System (PERS)

At December 31, 2015, the Town had a liability of \$19,818,495 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the Town's proportion was 0.0882862535 percent, which was an increase/(decrease) of (0.00545119) percent from its proportion measured as of June 30, 2014.

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

For the year ended December 31, 2015, the Town recognized pension expense of \$762,522. At December 31, 2015, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$472,800	\$
Changes of assumptions	2,128,348	
Net difference between projected and actual earnings on pension plan investments	318,643	
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	<u> </u>	<u>1,899,439</u>
Total	<u>\$2,601,148</u>	<u>\$2,218,082</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2015) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$415,531
2017	415,531
2018	415,531
2019	661,799
2020	374,113

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

Additional Information

Local Group Collective balances at June 30, 2015 and June 30, 2014 are as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Collective deferred outflows of resources	\$3,578,755,666	\$952,194,675
Collective deferred inflows of resources	993,410,455	1,479,224,662
Collective net pension liability	22,447,996,119	18,722,735,003
Town's Proportion	0.0882862535%	0.093737448%

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which rolled forward to June 30, 2015. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.04 Percent
Salary Increases:	
2012-2021	2.15-4.40 Percent (based on age)
Thereafter	3.15-5.40 Percent (based on age)
Investment Rate of Return	7.90 Percent

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Returns	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, 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 recommended 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.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2015 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2015		
	1%	At Current	1%
	Decrease <u>3.90%</u>	Discount Rate <u>4.90%</u>	Increase <u>5.90%</u>
Town's proportionate share of the pension liability	\$24,631,964	\$19,818,495	\$15,782,917

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

Police and Firemen's Retirement System (PFRS)

At December 31, 2015, the Town had a liability of \$110,792,497 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the Town's proportion was 0.6651601631 percent, which was an increase/(decrease) of 0.00192319 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Town recognized pension expense of \$5,723,134. At December 31, 2015, deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in actual and expected experience	\$20,455,047	\$955,620
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	1,928,246	
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>210,955</u>	<u>4,216,012</u>
Total	<u>\$20,666,002</u>	<u>\$7,099,878</u>

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System, (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2015) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$3,337,087
2017	3,337,087
2018	3,337,087
2019	5,471,673
2020	2,088,247

Additional Information

Local Group Collective balances at June 30, 2015 and June 30, 2014 are as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Collective deferred outflows of resources	\$3,512,729,953	\$750,532,959
Collective deferred inflows of resources	871,083,367	1,561,923,934
Collective net pension liability	16,656,514,197	13,933,627,178
Town's Proportion	0.6651601631%	0.6632369690%

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System, (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which rolled forward to June 30, 2015. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.04 Percent
Salary Increases:	
2012-2021	2.60-9.48 Percent (based on age)
Thereafter	3.60-10.48 Percent (based on age)
Investment Rate of Return	7.90 Percent

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2015 are summarized in the following table:

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System, (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Returns	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 5.79% and 6.32% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, 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

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System, (continued)

employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended 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.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2015, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2015		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
Town's proportionate share of the pension liability	<u>4.79%</u>	<u>5.79%</u>	<u>6.79%</u>
	\$149,152,499	\$110,792,497	\$79,513,343

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 8. ACCUMULATED VACATION AND SICK PAY

Under the existing policies and labor agreements of the Town, employees are allowed to accumulate (with certain restrictions) sick pay over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death or retirement. Employees are not allowed to accumulate unused vacation pay.

The estimated accumulated sick time liability as of December 31, 2015 and 2014 was \$6,375,362 and \$5,865,981, respectively.

NOTE 9. FIXED ASSETS

The following is a summary of General Fixed Assets Account Group as of December 31, 2015:

	<u>Balance Dec.31, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec.31, 2015</u>
Land	\$55,925,900	\$	\$	\$55,925,900
Building	7,906,400			7,906,400
Machinery and Equipment	<u>12,324,630</u>	<u>953,997</u>	<u>0</u>	<u>13,278,627</u>
	<u>\$76,156,930</u>	<u>\$953,997</u>	<u>\$0</u>	<u>\$77,110,927</u>

NOTE 10. DUE TO/FROM OTHER FUNDS

Balances due from/to other funds at December 31, 2015 consist of the following:

\$1,351	Due to the Current Fund from the Escrow Trust Fund for interest earnings.
1,947	Due to the Current Fund from the NJ Saver Trust Fund for deposits in error.
10,174	Due to the Federal and State Grant Fund from the Current Fund for deposits in error.
<u>483.106</u>	Due to the Federal and State Grant Fund from the Community Development Trust Fund for return of cash advance.
<u>\$496,578</u>	

It is anticipated that all interfunds will be liquidated during the fiscal year.

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 11. TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	<u>Balance Dec.31, 2015</u>	<u>Balance Dec.31, 2014</u>
Prepaid Taxes	<u>\$464,818</u>	<u>\$533,904</u>
Cash Liability for Taxes Collected in Advance	<u>\$464,818</u>	<u>\$533,904</u>

NOTE 12. COMMITMENTS AND CONTINGENT LIABILITIES

We are advised by the Town Counsel that the Town is involved in several legal suits. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Town.

There are currently 10 tax appeal litigations pending at December 31, 2015. The Town's tax appeal attorney is rigorously defending the Town's interest in those appeals which are currently estimated to be \$388,000. Any successful appeals would be raised through future taxation.

NOTE 13. FUND BALANCE APPROPRIATED

The fund balance at December 31, 2015 and 2014 which has been appropriated as revenue in the 2016 and 2015 budgets is as follows:

	<u>2016</u>	<u>2015</u>
Current Fund	<u>\$1,800,000</u>	<u>\$1,900,000</u>

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 14. OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 2, the Town provides post employment health care benefits in accordance with the provisions of Ch. 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, at its cost.

Plan Description

The Town of Kearny contributes to the State Health Benefits Program (SHBP) a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursements to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions/pdf/financial/gasb-43 -july2014.pdf>.

Plan Coverage

Any employee who retires after twenty-five (25) years or more of services within the Town shall be entitled to be continued in the above health insurance coverage on a family-plan basis, with the cost thereof to be paid by the Town. This does not include dental benefits.

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 14. OTHER POST EMPLOYMENT BENEFITS, (continued)

Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Town of Kearny on a monthly basis. The rates charges by the system for the years ended December 31, 2015 and 2014 were as follows:

The Town of Kearny contributions to SHBP for post-retirement benefits for the years ended December 31, 2015 and 2014 were \$5,256,855 and \$4,603,723, respectively, which equaled the required contribution for each period.

NOTE 15. DEFERRED CHARGES

Certain expenditures are required to be deferred to budgets of succeeding years. The following deferred charges are shown on the balance sheet of the Town of Kearny:

	Balance <u>Dec.31,</u>	Subsequent Year Budget <u>Appropriation</u>	Balance to Succeeding Year Budget
<u>2015</u>			
Current Fund:			
Special Emergency - N.J.S.A. 40A:4-55	\$2,608,400	\$720,000	\$1,888,400
Water Utility Fund:			
Special Emergency - N.J.S.A. 40A:4-55	91,600	20,000	71,600
Total Deferred Charges	<u>\$2,700,000</u>	<u>\$740,000</u>	<u>\$1,960,000</u>
 <u>2014</u>			
Current Fund:			
Special Emergency - N.J.S.A. 40A:4-55	\$1,598,000	\$431,600	\$1,166,400
Water Utility Fund:			
Deficit in Operations	72,570	72,570	-0-
Special Emergency - N.J.S.A. 40A:4-55	42,000	8,400	33,600
Total Deferred Charges	<u>\$1,712,570</u>	<u>\$512,570</u>	<u>\$1,200,000</u>

TOWN OF KEARNY
Notes to Financial Statements
Years Ended December 31, 2015 and 2014
(continued)

NOTE 16. SUBSEQUENT EVENTS

A subsequent event is an event or transaction occurring after the balance sheet date, but before the financial statements are either issued or available to be issued. A review of the Town's operating activity has been performed to identify events that provide evidence about conditions that did not exist as of the balance sheet date; instead, they arose subsequent to that date.

On January 19, 2016, the Town issued Bonds – \$25,731,000 General Obligation Bonds, Series 2016A (Qualified Pursuant to the Provisions of the Municipal Qualified Bond Act), consisting of \$17,599,000 General Improvement Bonds, Series 2016A-1 and \$8,132,000 Water Utility Bonds, Series 2016A-2 and \$1,768,000 General Obligation Bonds, Series 2016B (Federally Taxable) (Qualified Pursuant to the Provisions of the Municipal Qualified Bonds Act). The bonds mature on February 1, 2017 through 2035 with interest rates ranging from 2.00% to 5.00%.

The Town has evaluated subsequent events through July 14, 2016, the date which the financial statements were available to be issued and no other items were noted for disclosure.

SUPPLEMENTARY DATA AND SCHEDULES

TOWN OF KEARNY

Supplementary Data

Officials in Office and Surety Bonds

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

<u>Name</u>	<u>Title</u>	<u>Amount of bond</u>
Alberto Santos	Mayor	
Jon Giordano	Councilmember	
Albino Cardoso	Councilmember	
Carol Jean Doyle	Councilmember	
Eileen Eckel	Councilmember	
Richard Konopka	Councilmember	
Michael Landy	Councilmember	
Susan McCurrie	Councilmember	
Michael Martello	Business Administrator	(A)
Patricia Carpenter	Town Clerk	(A)
Shuaib Firozvi	Chief Financial Officer/Tax Collector	(A)
Gregory Castano	Town Attorney	(A)
Thomas D. McKeon	Magistrate	(A)
Melissa Murray	Court Administrator	(A)
Theresa McGuire	Prosecutor	(A)
Michael Neglia	Engineer	(A)

(A) - Statutory positions are covered under the Middlesex County Municipal Joint Insurance Fund (\$50,000) and Municipal Excess Liability Joint Insurance Fund (Excess Crime Policy - Public Employee Bond - \$950,000)

TOWN OF KEARNY

Supplementary data

Comparative Schedule of Tax Rate Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax rate	10.326	10.036	9.791
<hr/>			
Apportionment of tax rate:			
Municipal	3.992	3.872	3.733
County	1.771	1.692	1.664
School	4.563	4.472	4.394
<hr/>			

Assessed Value

2015	\$ 1,055,734,435
2014	1,053,625,518
2013	1,057,904,400

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Currently</u>		
	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collection</u>
2015	\$ 109,422,679	107,434,935	98.18%
2014	106,067,809	104,087,146	98.13%
2013	104,325,094	102,467,678	98.22%

Delinquent Taxes and Tax Title Liens

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

<u>Dec. 31</u>	<u>Amount of delinquent taxes</u>	<u>Tax title liens</u>	<u>Total delinquent</u>	<u>Percentage of tax levy</u>
2015	\$ 1,549,322	7,148,366	8,697,688	7.95%
2014	1,526,703	6,730,416	8,257,119	7.78%
2013	1,534,020	6,182,163	7,716,183	7.40%

TOWN OF KEARNY

Supplementary data

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2015 by foreclosure or deed, as a result of liquidation of tax title liens.

The value of property acquired by litigation 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>
2015	\$ 2,943,200
2014	2,943,200
2013	2,943,200

Comparative Schedule of Fund Balance

	<u>Year</u>	<u>Dec. 31</u>	<u>Utilized in budget of succeeding year</u>
Current Fund	Dec. 31, 2015	\$ 1,807,310	1,800,000
	Dec. 31, 2014	1,948,723	1,900,000
	Dec. 31, 2013	2,415,237	2,400,000
	Dec. 31, 2012	4,837,825	4,800,000
	Dec. 31, 2011	6,518,570	5,000,000
Water Utility Operating Fund	Dec. 31, 2015	-0-	-0-
	Dec. 31, 2014	-0-	-0-
	Dec. 31, 2013	-0-	-0-
	Dec. 31, 2012	-0-	-0-
	Dec. 31, 2011	-0-	-0-

TOWN OF KEARNY, N.J.

Cash Receipts and Disbursements -Treasurer

Current Fund

Year Ended December 31, 2015

	Current Fund	Federal and State Grant Fund
Balance, December 31, 2014	\$ 6,611,787	2,973,403
Increased by Receipts:		
Tax Collector	108,255,342	
Miscellaneous Revenue Not Anticipated	151,649	
Due From State of New Jersey	136,176	
Petty Cash	1,700	
Revenue Accounts Receivable	11,755,416	
Interfunds	10,174	
Tax Overpayments	194,649	
Prepaid Taxes	464,818	
Due to State - DCA Fees	85,685	
State Aid Receivable	12,429,336	
Special Emergency Notes	1,442,000	
Tax Anticipation Notes	10,000,000	
State and Federal Grants Receivable		1,317,653
Reserve for Urban Enterprise Zone	<u>76,054</u>	<u>1,393,707</u>
	144,926,945	
	151,538,732	4,367,110
Decreased by:		
Current Year Budget Appropriations	65,793,181	
Petty Cash	1,700	
Appropriation Reserves	559,208	
Reserve for Maintenance of Free Public Library with State Aid	21,934	
Due to Library	128,757	
Due to State - DCA Fees	85,685	
Interfunds		483,106
Tax Overpayments	207,407	
County Taxes Payable	18,752,667	
Local District School Taxes	48,176,039	
Tax Anticipation Note	10,000,000	
Encumbrances Payable		642,879
Reserve for Urban Enterprise Zone		400,707
Appropriated Reserves for Grants		<u>581,406</u>
	143,726,578	2,108,098
Balance, December 31, 2015	<u>\$ 7,812,154</u>	<u>2,259,012</u>

Exhibit A-5

TOWN OF KEARNY, N.J.

Schedule of Cash - Change Fund

Current Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ <u> </u> 800
Balance, December 31, 2015	\$ <u> </u> 800

Exhibit A-6

Schedule of Cash - Petty Cash

Current Fund

Year Ended December 31, 2015

	<u>Funds Established</u>	<u>Funds Returned</u>
Health Department	\$ 300	300
Fire Department	300	300
Police Department	600	600
Purchasing Department	200	200
Library	100	100
Department of Public Works	<u>200</u>	<u>200</u>
	<u>\$ 1,700</u>	<u>1,700</u>

Exhibit A-7

TOWN OF KEARNY, N.J.

**Schedule of Amount Due from/(to) State of New Jersey
for Senior Citizens' and Veterans' Deductions - CH. 129 P.L. 1976**

Current Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ 16,946
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Increased by:

Senior Citizens' Deductions Per Tax Billing	\$ 36,000
Veterans' Deductions Per Tax Billing	105,250
Senior Citizen and Veteran's Allowed - 2015	<u>2,750</u>
	<u>144,000</u>

160,946

Decreased by:

State Share of Senior Citizens and Veteran Deductions Received in Cash	<u>136,176</u>
Balance, December 31, 2015	\$ <u>24,770</u>

Exhibit A-8

TOWN OF KEARNY, N.J.

**Due from State of New Jersey -
State Aid**

Current Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ 6,873,304
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Increased By:

Revenue Accounts Receivable	<u>18,465,489</u>
-----------------------------	-------------------

25,338,793

Decreased By:

Cash Receipts	12,429,336
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Qualified Debt Service Payments	<u>7,304,381</u>
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19,733,717

Balance, December 31, 2015	\$ <u>5,605,076</u>
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Exhibit A-9

TOWN OF KEARNY, N.J.

Schedule of Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Year Ended December 31, 2015

<u>Year</u>	<u>Balance, Dec. 31, 2014</u>	<u>Levy</u>	<u>Collected 2014</u>	<u>Collected 2015</u>	<u>Senior Citizen and Veteran Deductions</u>	<u>Transferred to Tax Title Liens</u>	<u>Canceled</u>	<u>Balance, Dec. 31, 2015</u>
2013	635			635				18,257
2014	<u>1,526,069</u>	<u>1,500</u>	<u>1,500</u>	<u>1,509,947</u>	<u>1,509,312</u>	<u>635</u>	<u>635</u>	<u>18,257</u>
2015	<u>1,526,704</u>	<u>109,422,679</u>	<u>533,904</u>	<u>106,757,031</u>	<u>144,000</u>	<u>393,810</u>	<u>62,869</u>	<u>1,531,065</u>
<u>\$ 1,526,704</u>	<u>109,424,179</u>	<u>533,904</u>	<u>108,266,978</u>	<u>144,000</u>	<u>393,810</u>	<u>62,869</u>	<u>1,549,322</u>	
			Overpayments Applied	11,636				
			Cash Receipts	<u>108,255,342</u>	<u>\$ 108,266,978</u>			

Analysis of Tax Levy

Tax yield:

General Purpose Tax	\$ 109,015,138
Added/Omitted Taxes	<u>407,541</u>
	<u>\$ 109,422,679</u>

Tax Levy:

Local District School Tax	\$ 48,176,039
County Tax	\$ 18,682,788
County Added and Omitted Taxes	<u>69,879</u>
	<u>18,752,667</u>

Local Tax for Municipal Purposes	42,152,307
Additional Taxes	<u>341,666</u>
	<u>42,493,973</u>
	<u>\$ 109,422,679</u>

Exhibit A-10

TOWN OF KEARNY, N.J.

Schedule of Tax Title Liens Receivable

Current Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ 6,730,416
Increased by:	
6% Year End Penalty Assessed	\$ 24,140
Transfers from 2015 Taxes Receivable	<u>393,810</u>
	<u>417,950</u>
Balance, December 31, 2015	\$ <u>7,148,366</u>

Exhibit A-11

Schedule of Property Acquired for Taxes

Current Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ <u>2,943,200</u>
Balance, December 31, 2015	\$ <u>2,943,200</u>

Analysis of Balance

Prior Years	227,466
287/48	1,684,237
287/50	<u>1,031,497</u>
	<u>2,943,200</u>

TOWN OF KEARNY, N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2015

<u>Source</u>	<u>Balance Dec. 31, 2014</u>	<u>Accrued</u>	<u>Collected</u>	<u>Balance Dec. 31, 2015</u>
Clerk:				
Licenses:				
Alcoholic beverages	\$ 49,524		49,524	
Other	73,807		73,807	
Fees and Permits	190,749		190,749	
Construction Code Official:				
Fees and Permits	914,383		914,383	
Municipal Court:				
Fines and Costs	83,164	1,021,984	1,024,830	80,318
Interest and Costs on Taxes		260,482	260,482	
Parking Meters		260,449	260,449	
Interest on Investments and Deposits		98,436	98,436	
New Jersey Meadowlands Commission - Tax Sharing	3,778,021		3,778,021	
Hartz Mountain Lease Agreement		122,736	122,736	
Transitional Aid		1,500,000	1,500,000	
Energy Receipts Tax		18,465,489	18,465,489	
Uniform Fire Safety Act		107,265	107,265	
Kearny Municipal Utilities Authority Sludge Removal		860,000	860,000	
Franchise Feds - Comcast & Verizon		394,188	394,188	
Recycling Revenue		97,891	97,891	
Police Private Duty Administrative Fees		109,790	109,790	
PVSC User Fees		46,182	46,182	
Clean Earth		52,623	52,623	
New Jersey Meadowlands Lease Agreements	1,387,211		1,387,211	
PILOT Payments		64,849	64,849	
Federal and State Reimbursement - Emergency		192,000	192,000	
South Kearny Police & Fire Facility - Litigation Settlement		170,000	170,000	
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 83,164	30,218,059	30,220,905	80,318
		Cash \$ 11,755,416		
		Accounts Receivable:		
		State Aid 18,465,489		
				30,220,905

TOWN OF KEARNY, N.J.

Schedule of Interfunds Due from/(to) Various Funds

Current Fund

Year Ended December 31, 2015

<u>Fund</u>	Balance Dec. 31, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance Dec. 31, <u>2015</u>
Federal and State Grant Fund	\$ 10,174		\$ (10,174)	
Trust Funds:				
Escrow Trust	1,111	240		1,351
Tax Collector Saver	<u>1,111</u>	<u>240</u>	<u>1,351</u>	<u>1,947</u>
	<u>\$ 1,111</u>	<u>2,187</u>	<u>10,174</u>	<u>\$ (6,876)</u>
Due from	1,111	2,187		3,298
Due to	<u>1,111</u>	<u>2,187</u>	<u>10,174</u>	<u>(10,174)</u>
	<u>\$ 1,111</u>	<u>2,187</u>	<u>10,174</u>	<u>(6,876)</u>

Analysis of Changes

Interest	\$ 240	
Cash Receipts		10,174
Deposit in Error	<u>1,947</u>	
	<u>\$ 2,187</u>	<u>10,174</u>

TOWN OF KEARNY, N.J.

Schedule of Deferred Charges N.J.S.A. 40A:4-53, Special Emergency Authorizations

Current Fund

Year Ended December 31, 2015

<u>Purpose</u>	<u>Date</u>	Amount <u>Authorized</u>	Not Less Than 1/5 of Amount <u>Authorized</u>	Balance, Dec. 31, <u>2014</u>	Added in <u>2015</u>	Decreased by: Budget Appropriation	Balance, Dec. 31, <u>2015</u>
Accumulated Sick/Terminal Pay	Sept. 25, 2012	1,100,000	220,000	\$ 660,000		220,000	440,000
Accumulated Sick/Terminal Pay	Dec. 10, 2013	600,000	120,000	480,000		120,000	360,000
Accumulated Sick/Terminal Pay	Nov. 12, 2014	458,000	91,600	458,000		91,600	366,400
Accumulated Sick/Terminal Pay	Dec. 15, 2015	1,442,000	288,400		1,442,000		1,442,000
				\$ 1,598,000	1,442,000	431,600	2,608,400

TOWN OF KEARNY, N.J.

Schedule of Grants Receivable

Federal and State Grant Fund

Year Ended December 31, 2015

		2015	Transferred from Unappropriated	Balance, Dec. 31, <u>2015</u>
		Balance, Dec. 31, <u>2014</u>	Budget Revenue <u>Realized</u>	<u>Collections</u> <u>Reserves</u> <u>Canceled</u>
FY 2010 Grants:				
KUEZ - Business Development Revolving Loan	\$ 290,994			290,994
2009 Hudson County Open Space:				
LEED Impr. at Veteran's Field	57,004		28,393	28,611
All Season Multipurpose Veteran's Field	150,000		47,938	102,062
2010 Grants:				
KUEZ - Marketing and Promotion II Add'l Funds	3,045			3,045
2011 Grants:				
2011 Office on Aging Grant				
Surface at Veteran's Field	100,000			100,000
2010 Hudson County Open Space - Magullian				
Property Riverbank Park Development	6,557			6,557
2012 Grants:				
KUEZ Business Development Revolving Loan Phase V	189,884			189,884
FY'10 Port Security Grant (Fire Boat)	74,724		70,998	3,726
Hazardous Discharge Site Remediation Fund	6,155			6,155
2012 Justice Assistance Grant	10,191		10,174	17
2013 Grants:				
UEZ Marketing & Zone Promotion Program IV	148			148
UEZ Marketing & Zone Promotion Program IV	70		70	
UEZ Marketing & Zone Promotion Program V	61,178		49,814	11,364
FY11 Port Security Grant	199,938	370,267	570,205	
2013 NJ Community Forestry Grant	3,000			3,000
FY12 Port Security Grant	857			857
FY2014 Pedestrian Safety, Education and Enforcement	7,300			7,300
Riverbank Park Bike Trail - DOT	44,410		11,564	32,846
FY2013 Federal Bulletproof Vest Partnership Program	6,716			6,716
2014 Grants:				
KUEZ Adminstrative Budget FY' 2015 and FY' 2016	123,412		44,355	79,057
KUEZ Parking Lot - 101 Kearny Avenue	51,810		39,815	11,995
2014 Municipal Alliance	35,148		35,146	2
Office on Aging 2014 Grant	11,663		7,187	4,476
Hazardous Discharge Site Remediation Fund	45,948			45,948
Hazard Mitigation Grant Program - Energy Allocation	250,000			250,000
De-Snagging and Shoal Dredging Grant	88,032			88,032
Hazard Mitigation Grant Program - Local Designated Shell	132,853			132,853
Riverbank Park Dog Run 2014 Grant	175,000		18,955	156,045
Bulletproof Vest Partnership FY 2014 Grant	15,341			15,341
Hazardous Discharge Site Remediation Fund	84,451			84,451
2015 Grants:				
Recycling Tonnage Grant 2012		54,617	54,617	
Municipal Alliance Grant FY2016		35,148		35,148
Office on Aging Grant 2015		46,624	44,054	2,570
Distracted Driving Crackdown Grant 2015		5,000	4,800	200
Clean Communities Grant 2015		57,860	57,860	
Emergency Management Assistance Grant FY2013		10,000	10,000	
UEZ Public Safety Project 2015		160,290	153,747	6,543
UEZ Clean Project 2015		96,000	89,902	6,098
UEZ Marking Zone Promotion Phase VI		200,000	23,004	176,996
FEMA Port Security Grant FY2014		9,576		9,576
Asst. Firefighters Grant - Breathing Apparatus		49,316		49,316

TOWN OF KEARNY, N.J.

Schedule of Grants Receivable

Federal and State Grant Fund

Year Ended December 31, 2015

		2015		Transferred		
		Budget	from	Unappropriated		Balance,
	Dec. 31,	Revenue		Reserves	Canceled	Dec. 31,
	2014	Realized	Collections			2015
Asst. Firefighters Grant - Fire Prevention & Safety		242,710				242,710
Highway Safety - Drive Sober Get Pulled Over		5,000				5,000
FEMA Port Security Grant FY2015		13,593				13,593
Asst. Firefighters Grant - SAFER Grant FY2014		1,595,844				1,595,844
Body Armor Replacement Grant 2015		9,846	9,846			
	\$ 2,225,829	2,961,691	1,327,827	54,617	36,250	3,768,826
Cash Receipts	\$ 1,317,653					
Interfunds	10,174					
	\$ 1,327,827					

Exhibit A-16

TOWN OF KEARNY, N.J.

Schedule of Interfunds Due from/(to) Various Funds

Federal and State Grant Fund

Year Ended December 31, 2015

<u>Fund</u>	<u>Increases</u>	Balance Dec. 31, <u>2015</u>
Current Fund	\$ 10,174	\$ 10,174
CDBG Trust Fund	483,106	483,106
	<hr/>	<hr/>
	\$ <u>493,280</u>	\$ <u>493,280</u>

Analysis of Changes

Cash Disbursements	\$ 483,106
Grants Receivable	<u>10,174</u>
	<u>493,280</u>

TOWN OF KEARNY, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2015

	<u>Balance, Dec. 31, 2014</u>	<u>Transfers and Encumbrances</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Salaries and Wages:				
Administration	73	73		73
Mayor and Council	8	8		8
Town Clerk	99	99		99
Elections	24	24		24
Municipal Court	48	48		48
Treasurer	37	37		37
Assessment of Taxes	77	77		77
Collection of Taxes	54	54		54
Police	36	36		36
Fire	2	2		2
Fire Prevention	59	59		59
Board of Health	25	25		25
Streets and Roads	71	71		71
Shade Tree	15	15		15
Public Building and Grounds	44	44		44
Vehicle Maintenance	99	99		99
Parks and Recreation	94	94		94
Senior Citizen Center	70	70		70
Construction Code Enforcement	71	71		71
Zoning Commission	420	420		420
Management Information	54	54		54
Other Expenses:				
Administrative	25	2,828	2,460	368
Mayor and Council	96	96	80	16
Town Clerk	12	1,903	211	1,692
Elections	56	56		56
Legal	919	6,919	3,081	3,838
Prosecutor	176	863	688	175
Auditor	40	40		40
Engineering	321	321		321
Life Insurance for Employees	27	27		27
Employee Hospitalization	486	44,016	43,482	534
Other Insurance	76	76		76
Dedicated Insurance Fund	90	90		90
Municipal Court	37	3,605	882	2,723
Public Defender	33	1,457	563	894
Treasurer	1	1		1
Assessment of Taxes	159	159	108	51
Collection of Taxes	356	2,811	2,455	356
Police	12,372	55,722	37,850	17,872
Fire	19	26,428	24,979	1,449
Board of Health	52	1,252	1,227	25
Board of Health- Intercounty Council on Drugs	6,000	6,000		6,000
Board of Health-Contractual Agreement	29	3,547	3,518	29
Meals on Wheels	69	69		69
Shelter Workshop for Handicapped		22,000	22,000	
Department of Public Works	2,070			
Streets and Roads		25,187	13,322	11,865
Pump Maintenance - North Arlington	79	79		79
Shade Tree	588	2,827	753	2,074
Public Buildings and Grounds	557	21,568	18,928	2,640

TOWN OF KEARNY, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2015

	Balance, Dec. 31, 2014	Transfers and Encumbrances	Paid or Charged	Balance Lapsed
Vehicle Maintenance	1,137	24,134	21,213	2,921
Parks and Recreation	181	634	239	395
Parks and Playgrounds	3,654	14,888	11,235	3,653
Celebration of Public Events	23	273		273
Senior Citizen Center	83	3,833	3,750	83
Construction Code Enforcement	103	103		103
Zoning Commission	9,172	10,172	189	9,983
Planning Board	3,132	3,132	3,132	
Parking Lot Lease Payment	19	19		19
Annual League Convention	60	60		60
Management Information	3,697	39,859	36,039	3,820
Electricity and Gas	364	45,344	44,973	371
Street Lighting	3,150	64,150	61,963	2,187
Communications	4,189	4,225	4,217	8
Gasoline	516	15,124	13,434	1,690
Postage	19	41	19	22
HMDC Dump Tickets Baler Fees		151,488	151,488	
Public Employees' Retirement System	90	90		90
Social Security System (O.A.S.I.)	77	77		77
Consolidated Police and Firemans Retirement System	33	33		33
Unemployment Insurance		3,930	1,915	2,015
Defined Contribution Retirement Program	53	53		53
Passaic Valley Sewer Commission Share of Costs	69	69		69
Maintenance of Public Library (Ch. 82 & 541, P.L. 1985)				
Contribution	<u>9,724</u>	<u>44,341</u>	<u>44,341</u>	<u> </u>
TOTAL	<u>\$ 65,770</u>	<u>657,499</u>	<u>574,734</u>	<u>82,765</u>
Encumbrances	\$ 591,729			
Appropriation Reserves	<u>65,770</u>			
	<u>\$ 657,499</u>			
Cash Disbursements		559,208		
Transferred to Due to Library		<u>15,526</u>		
		<u>\$ 574,734</u>		

TOWN OF KEARNY, N.J.

Schedule of Reserve for Library Expenditures - State Aid

Current Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ 68,065
Decreased by:	
Library Aid Expenditures	<u>21,934</u>
Balance, December 31, 2015	\$ <u>46,131</u>

Exhibit A-19

TOWN OF KEARNY, N.J.

Schedule of Tax Overpayments

Current Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ 83,687
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Increased by:

Collections	\$ 194,649
Prior Year 100% Disabled Veteran Exemption	
Charged to Operations	996
Prior year State Tax Court Judgments	
Charged to Operations	<u>136,063</u>
	<u>331,708</u>
	415,395

Decreased by:

Refunds	207,407
Applied	<u>11,636</u>
	<u>219,043</u>

Balance, December 31, 2015	\$ <u>196,352</u>
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TOWN OF KEARNY, N.J.

Schedule of Reserve for Due to Library

Current Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ 210,959
Increased By:	
Transferred from Appropriation Reserves	<u>15,526</u>
	226,485
Decreased By:	
Cash Disbursements	<u>128,757</u>
Balance, December 31, 2015	\$ <u>97,728</u>

Exhibit A-21

TOWN OF KEARNY, N.J.

Schedule of County Taxes Payable

Current Fund

Year Ended December 31, 2015

Increased by:

Levy	\$ 18,509,406
Open Space Preservation	173,382
Added Assessments	<u>69,879</u>
	\$ <u>18,752,667</u>

Decreased by:

Payments	\$ <u>18,752,667</u>
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Exhibit A-22

Schedule of Local District School Taxes Payable

Current Fund

Year Ended December 31, 2015

Increased by:

Levy	\$ <u>48,176,039</u>
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Decreased by:

Payments	\$ <u>48,176,039</u>
----------	----------------------

Exhibit A-23

TOWN OF KEARNY, N.J.

Schedule of Due to State - DCA Fees

Current Fund

Year Ended December 31, 2015

Increased by:	
Collections	\$ 85,685
Decreased by:	
Disbursements	\$ 85,685

Exhibit A-24

TOWN OF KEARNY, N.J.

Schedule of Prepaid Taxes

Current Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ 533,904
Increased by:	
Collections	<u>464,818</u>
	998,722
Decreased by:	
Applied to 2015 Taxes Receivable	<u>533,904</u>
Balance, December 31, 2015	\$ <u>464,818</u>

TOWN OF KEARNY, N.J.

Schedule of Special Emergency Notes Payable

Current Fund

Year Ended December 31, 2015

<u>Improvement description</u>	<u>Date of original issue</u>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance, Dec. 31, 2014</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, Dec. 31, 2015</u>
Special Emergency - Terminal Leave 2012	Dec. 21, 2012	Dec. 17, 2015	Dec. 16, 2016	1.85%	\$ 660,000	440,000	660,000	440,000
Special Emergency - Terminal Leave 2013	Dec. 20, 2013	Dec. 17, 2015	Dec. 16, 2016	1.15%	480,000	360,000	480,000	360,000
Special Emergency - Terminal Leave 2014	Nov. 12, 2014	Dec. 17, 2015	Dec. 16, 2016	1.15%	458,000	366,400	458,000	366,400
Special Emergency - Terminal Leave 2015	Dec. 15, 2015	Dec. 17, 2015	Dec. 16, 2016	1.75%		1,442,000		1,442,000
					\$ 1,598,000	<u>2,608,400</u>	<u>1,598,000</u>	<u>2,608,400</u>
<hr/>								
Budget Appropriations			Cash	\$ 1,442,000			431,600	
Renewed					1,166,400		1,166,400	
					\$ 2,608,400		1,598,000	

TOWN OF KEARNY, N.J.

Schedule of Tax Anticipation Notes

Current Fund

Year Ended December 31, 2015

<u>Purpose</u>	Date of original <u>issue</u>	Date of <u>issue</u>	Date of <u>maturity</u>	Interest <u>rate</u>	Balance, Dec. 31, <u>2014</u>	Increased	Decreased	Balance, Dec. 31, <u>2015</u>
Tax Anticipation Notes	June 21, 2013	June 27, 2014	March 30, 2015	1.00%	\$ 10,000,000	10,000,000	10,000,000	\$ 10,000,000

TOWN OF KEARNY, N.J.

Schedule of Appropriated Reserves for Grants

Current Fund

Year Ended December 31, 2015

<u>Grant</u>	<u>Balance, Dec. 31, 2014</u>	<u>2015 Grants Budgeted</u>	<u>Expenditures</u>	<u>Balance, Dec. 31, 2015</u>
KUEZ - Marketing and Zone Promotion				
KUEZ - Business Development Revolving Loan	193,076		(842)	193,918
FY 2009 Drunk Diving Enforcement Fund	1,185			1,185
2009 Hudson County Open Space:				
LEED Impr. at Veteran's Field	57,004		28,393	28,611
All Season Multipurpose Veteran's Field	150,000		150,000	
KUEZ - Marketing and Zone Promotion II Add'l Funds	49		(2,996)	3,045
2009 Jersey Fresh Grant	1,482			1,482
2009 COPS Technology Program Grant				
2010 NJ Transit Reforestation Plan	68,400		54,890	13,510
Assistance to Firefighters FY2010				
Assistance to Firefighters FY2010 - Match				
2010 Hudson County Open Space - All Season				
Surface at Veteran's Field	100,000		100,000	
2009 Recycling Tonnage Grant	10,950			10,950
KUEZ Business Development Revolving Loan Phase V				
FY'10 Port Security Grant (Fire Boat)	3,726			3,726
2012 Clean Communities Grant	284			284
Hazardous Discharge Site Remediation Fund				
FY'11 Emergency Management Assistance	7,297		2,530	4,767
2012 Justice Assistance Grant	7,098		7,081	17
2010 Recycling Tonnage Grant	14,067			14,067
UEZ Marketing & Zone Promotion Program IV	148			148
UEZ Marketing & Zone Promotion Program IV				
UEZ Marketing & Zone Promotion Program V	35,728		33,674	2,054
FY11 Port Security Grant	119	370,267	98	370,288
2013 NJ Community Forestry Grant	3,000			3,000
2013 Clean Communities Grant	35,472		3,996	31,476
FY12 Port Security Grant	857			857
2012 Alcohol Education and Rehabilitation	158			158
FY2014 Pedestrian Safety, Education and Enforcement	7,300			7,300
Riverbank Park Bike Trail - DOT				
FY2013 Federal Bulletproof Vest Partnership Program				
FY12 Emergency Assistance Grant	10,000			10,000
2011 Recycling Tonnage Grant	59,181			59,181
2013 Body Armor Replacement Fund	11,688			11,688
KUEZ Adminstrative Budget FY' 2015 and FY' 2016	115,542		38,422	77,120
KUEZ Parking Lot - 101 Kearny Avenue	7,632		(4,363)	11,995
2014 Municipal Alliance	29,741		29,739	2
Office on Aging 2014 Grant	11,663		7,187	4,476
Clean Communities FY 2014 Grant	47,589			47,589
Hazardous Discharge Site Remediation Fund	45,948		45,948	
Hazard Mitigation Grant Program - Energy Allocation	250,000		23,350	226,650
De-Snagging and Shoal Dredging Grant	75,532			75,532
Hazard Mitigation Grant Program - Local Designated Shelter	132,853		19,750	113,103
Riverbank Park Dog Run 2014 Grant	156,040		156,040	
Bulletproof Vest Partnership FY 2014 Grant	13,207			13,207

TOWN OF KEARNY, N.J.

Schedule of Appropriated Reserves for Grants

Current Fund

Year Ended December 31, 2015

<u>Grant</u>	Balance, Dec. 31, <u>2014</u>	2015 Grants <u>Budgeted</u>	Expenditures (8,851)	Canceled	Balance, Dec. 31, <u>2015</u>
2014 Body Armor Replacement Fund			(8,851)		8,851
Hazardous Discharge Site Remediation Fund	84,451		11,815		72,636
Recycling Tonnage Grant 2012		54,617			54,617
Municipal Alliance Grant FY2016		35,148	4,117		31,031
Office on Aging Grant 2015		46,624	44,054		2,570
Distracted Driving Crackdown Grant 2015		5,000	4,800	200	
Clean Communities Grant 2015		57,860	2,040		55,820
Emergency Management Assistance Grant FY2013		10,000			10,000
UEZ Public Safety Project 2015	160,290	153,747	6,543		
UEZ Clean Project 2015	96,000	89,902	6,098		
UEZ Marketing & Zone Promotion Phase VI	200,000	56,596			143,404
FEMA Port Security Grant FY2014		9,576			9,576
Asst. Firefighters Grant - Fire Prevention & Safety		49,316	34,753		14,563
Asst. Firefighters Grant - Breathing Apparatus		242,710			242,710
Highway Safety - Drive Sober Get Pulled Over		5,000			5,000
FEMA Port Security Grant FY2015		13,593			13,593
Asst. Firefighters Grant - SAFER Grant FY2014	1,595,844				1,595,844
Body Armor Replacement Grant 2015		9,846			9,846
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 1,748,467	2,961,691	1,085,870	36,250	3,588,038

Budget Appropriations	665,539
Appropriations by 40a:4-87	2,296,152
	<hr/>
\$ 2,961,691	

Cash	581,406
Encumbrances	504,464
	<hr/>
\$ 1,085,870	

Exhibit A-28

TOWN OF KEARNY, N.J.

Schedule of Reserve for Encumbrances

Federal and State Grant Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ 642,879
Increased By:	
Transferred from Budget Appropriations	<u>504,464</u>
	1,147,343
Decreased By:	
Cash Disbursements	<u>642,879</u>
Balance, December 31, 2015	\$ <u>504,464</u>

Exhibit A-29

Schedule of Reserve for Urban Enterprise Zone

Federal and State Grant Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ 2,753,269
Increased By:	
Cash Receipts	\$ 61,807
Interest Earned on Investments	<u>14,247</u>
	76,054
	2,829,323
Decreased By:	
Cash Disbursements - Intrafund	<u>400,707</u>
Balance, December 31, 2015	\$ <u>2,428,616</u>

Analysis of Balance

Revolving Loan Fund	1,828,237
Fundraiser Account	30,945
Second Generation	97,406
State Reimbursement	472,028
	\$ <u>2,428,616</u>

Exhibit A-30

TOWN OF KEARNY, N.J.

Schedule of Unappropriated Reserves

Federal and State Grant Fund

Year Ended December 31, 2015

<u>Purpose</u>	<u>Balance, Dec. 31, 2014</u>	<u>Transferred to Budget</u>
Recycling Tonnage Grant 2012	\$ <u>54,617</u>	<u>54,617</u>
	<u>\$ 54,617</u>	<u>54,617</u>

TOWN OF KEARNY, N.J.

Schedule of Cash

Trust Funds

Year Ended December 31, 2015

	<u>Animal Trust Fund</u>	<u>Other Trust Fund</u>	<u>Community Development Trust Fund</u>	<u>Urban Development Action Grant Trust Fund</u>
Balance - December 31, 2014	\$ 30,438	4,373,282		1,032,681
Increased by Receipts:				
Animal License Fees Collected	24,791			
Amount Due to the State of New Jersey	2,747			
Budget Appropriation	50,000			
Community Development			289,660	
Interfunds		2,187	483,106	
Intrafunds			346,342	347,553
Other Trust Funds		5,339,360		
Total Receipts	77,538	5,341,547	1,119,108	347,553
	107,976	9,714,829	1,119,108	1,380,234
Decreased by Disbursements:				
Reserve for Animal Trust Expenditures	92,834			
Amount Due to the State of New Jersey	2,735			
Intrafunds			347,553	346,342
Miscellaneous Reserve		5,162,527		
UDAG Trust				971,882
Community Development			771,555	
Total Disbursements	95,569	5,162,527	1,119,108	1,318,224
Balance - December 31, 2015	\$ 12,407	4,552,302		62,010

Exhibit B-2

TOWN OF KEARNY, N.J.

Schedule of Due to State of New Jersey

Animal Trust Fund

Year Ended December 31, 2015

	<u>Dog License Fees</u>
Balance - December 31, 2014	\$ 31
Increased by:	
Dog License Fees	<u>2,747</u>
	2,778
Decreased by:	
Payments	<u>2,735</u>
Balance - December 31, 2015	\$ <u>43</u>

TOWN OF KEARNY, N.J.

Schedule of Community Development Receivables

Other Trust Fund

Year Ended December 31, 2015

	Balance Dec. 31, <u>2014</u>	<u>Awards</u>	<u>Decreases</u>	Adjustments/ <u>Canceled</u>	Balance Dec. 31, <u>2015</u>
2011 -					
Kearny/Laurel Avenue Road Reconstruction			23,921	74,214	50,293
2012 -					
Kearny/Laurel Avenue Road Reconstruction	110,281		2,047	(74,214)	34,020
2013 -					
Central Avenue Reconstruction	48,232			(48,232)	
2014-					
Arlington/John Hay Avenue Reconstruction	411,526		263,692		147,834
2015-					
Veteran's Field Improvements		376,981		48,232	425,213
	<u>\$ 570,039</u>	<u>376,981</u>	<u>289,660</u>		<u>657,360</u>

Exhibit B-4

TOWN OF KEARNY, N.J.

Schedule of Reserve for Animal Trust Fund Expenditures

Animal Trust Fund

Year Ended December 31, 2015

Balance - December 31, 2014	\$ 30,407
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Increased by:

Budget Appropriation	\$ 50,000
Dog License Fees	22,126
Cat License Fees	915
Late Fees	<u>1,750</u>

74,791

105,198

Decreased by:

Expenditures Under R.S. 4:19-15.11	<u>92,834</u>
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Balance - December 31, 2015	\$ <u>12,364</u>
-----------------------------	------------------

License fees collected

<u>Year</u>	<u>Amount</u>
2013	\$ 26,413
2014	<u>26,984</u>
	\$ <u>53,397</u>

TOWN OF KEARNY, N.J.

Schedule of Reserves

Other Trust Fund

Year Ended December 31, 2015

	Balance Dec. 31, <u>2014</u>	<u>Increased</u>	<u>Decreased</u>	Balance Dec. 31, <u>2015</u>
Recreation	\$ 157,681	197,425	203,138	151,968
Swim Pool	73,145	14,039	18,774	68,410
Public Defender Fees	21,968	16,921		38,889
Dedicated Fire Penalties	28,219			28,219
Performance Deposits	273,412			273,412
Escrow Bonds	10,200			10,200
Developer's Contribution	62,500	15,625		78,125
DARE Program	4,456	4,180	3,999	4,637
Various Donations	35,596	11,150	15,530	31,216
Miscellaneous	2,405			2,405
Domestic Violence	1,500			1,500
Police Outside Duty	302,526	1,457,126	1,302,089	457,563
Escrow Deposits	645,809	692,775	162,487	1,176,097
Tax Title Lien Premiums	1,826,100	523,528	1,135,628	1,214,000
Recreation Umpire	411	40,545	40,771	185
Affordable Housing	613,090	9,242		622,332
POAA	128,905	19,182	1,036	147,051
Tax Collector Trust		2,265,812	2,265,812	
Law Enforcement Trust Fund	70,263	4,330		74,593
Public Library Trust				
Donations - Reserved Principal	9,609	391		10,000
Donations - Unreserved Interest	164			164
Donations - Unreserved	309	76	227	158
Bureau of Combustible	74,543	23,059	4,525	93,077
Unemployment	29,360	31,209		60,569
DEA Fund	<u>13,136</u>	<u>8,738</u>		<u>4,398</u>
	<u>\$ 4,372,171</u>	<u>5,339,751</u>	<u>5,162,918</u>	<u>4,549,004</u>
Cash	5,339,360	5,162,527		
Reclassify	<u>391</u>	<u>391</u>		
	<u>\$ 5,339,751</u>	<u>5,162,918</u>		

TOWN OF KEARNY, N.J.

Schedule of Reserve for Community Development Block Grants

Other Trust Fund

Year Ended December 31, 2015

	Balance Dec. 31, <u>2014</u>	<u>Awards</u>	<u>Decreases</u>	Balance Dec. 31, <u>2015</u>
2011 -				
Kearny/Laurel Avenue Road Reconstruction	74,214		23,922	50,292
2012 -				
Kearny/Laurel Avenue Road Reconstruction	34,856		836	34,020
2013 -				
Central Avenue Road Reconstruction	48,232		48,232	
2014 -				
Arlington/John Hay Avenue Reconstruction	411,526		321,584	89,942
2015 -				
Veteran's Field Improvements	<u> </u>	<u>425,213</u>	<u>425,213</u>	<u> </u>
	<u>\$ 568,828</u>	<u>425,213</u>	<u>819,787</u>	<u>174,254</u>
	Awards	376,981		
	Reallocation	<u>48,232</u>		
	<u>\$ 425,213</u>			
	Expenditures	771,555		
	Reallocation	48,232		
	<u>\$ 819,787</u>			

TOWN OF KEARNY, N.J.

Schedule of Reserve for Urban Development Action Grant Trust Fund

Urban Development Action Grant Trust Fund

Year Ended December 31, 2015

Balance - December 31, 2014	\$ 1,033,892
Decreased by:	
Payment of Claims	<u>971,882</u>
Balance - December 31, 2015	\$ <u>62,010</u>

Exhibit B-8

TOWN OF KEARNY, N.J.

Schedule of Interfunds Due from/(to) Various Funds

Year Ended December 31, 2015

<u>Fund</u>	Balance Dec. 31, <u>2014</u>	Increases	Balance Dec. 31, <u>2015</u>
Other Trust Fund:			
Current Fund - Escrow Trust Fund	\$ (1,111)	240	(1,351)
Current Fund - Tax Collector NJ Saver		1,947	(1,947)
Community Development Trust Fund:			
Federal and State Grant Fund	<u> </u>	<u>483,106</u>	<u>(483,106)</u>
	<u>\$ (1,111)</u>	<u>485,293</u>	<u>(486,404)</u>
Due (to)	<u>\$ (1,111)</u>	<u>485,293</u>	<u>(486,404)</u>
	<u>\$ (1,111)</u>	<u>485,293</u>	<u>(486,404)</u>

Analysis of Changes

Interest	\$ 240
Cash Receipt	483,106
Deposit in Error	1,947
	<u>\$ 485,293</u>

TOWN OF KEARNY, N.J.

Schedule of Intrafunds Due from/(to) Various Trust Funds

Other Trust Fund

Year Ended December 31, 2015

<u>Fund</u>		Balance Dec. 31, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance Dec. 31, <u>2015</u>
Other Trust Fund:					
Escrow Trust Fund	\$ 118,514				118,514
Affordable Housing Trust Fund:					
Escrow Trust Fund	98,357				98,357
Community Development Trust Fund:					
Urban Development Action Grant Trust Fund	(1,211)	347,553		346,342	
Urban Development Action Grant Trust Fund:					
Community Development Trust Fund	1,211	346,342		347,553	
Escrow Trust Fund:					
Other Trust Fund	(118,514)				(118,514)
Affordable Housing Trust Fund	(98,357)				(98,357)
	\$ <u> </u>	<u>693,895</u>		<u>693,895</u>	<u> </u>
Due from	\$ 218,082	346,342	347,553	216,871	
Due (to)	<u>(218,082)</u>	<u>347,553</u>	<u>346,342</u>	<u>(216,871)</u>	
	\$ <u> </u>	<u>693,895</u>	<u>693,895</u>	<u> </u>	

Exhibit C-2

TOWN OF KEARNY, N.J.

Schedule of Cash

General Capital Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ 572,823
Increased by Receipts:	
Grants	\$ 398,653
Bond Anticipation Notes	4,275,000
Bond Anticipation Notes - Premium	60,132
Capital Improvement Fund	<u>250,000</u>
	<u>4,983,785</u>
	5,556,608
Decreased by Disbursements:	
Improvement Authorizations	<u>2,821,907</u>
Balance, December 31, 2015	\$ <u>2,734,701</u>

Exhibit C-3

TOWN OF KEARNY, N.J.

Analysis of Cash

General Capital Fund

Year Ended December 31, 2015

Excess Note Proceeds	\$ 20,310
Reserve for Payment of Debt	1,094,002
Capital Improvement Fund	140,000
Fund Balance	108,707
Department of Transportation Grants	(307,534)
N.J. Environmental Infrastructure Trust Loans Receivable	(858,918)

Improvement Authorizations:

Ordinance

<u>Number</u>	<u>Improvement Description</u>	
2012-27	Various Road and Sewer Improvements	29,987
2013-21	Various Road & Sewer Improvements	307,099
2013-22	Various Capital Improvements	100,068
2014-33	Various Capital Improvements	791,576
2014-51	Water Utility Infrastructure Improvements	1,399,655
2015-06	Dukes Street Pump Station	(125,251)
2015-47	Parks & Playground Improvements	<u>35,000</u>

\$ 2,734,701

TOWN OF KEARNY, N.J.

Schedule of Grants Receivable

General Capital Fund

Year Ended December 31, 2015

<u>Ordinance Number</u>	<u>Description</u>		Balance, Dec. 31, <u>2014</u>		Balance, Dec. 31, <u>2015</u>
			<u>Reduced</u>		
<u>State of New Jersey, Department of Transportation:</u>					
2012-27	Various Road Improvements	\$ 156,697			156,697
2013-21	Various Road and Sewer Improvements	367,560	262,898		104,662
2014-33	Various Capital Improvements	<u>181,930</u>	<u>135,755</u>		<u>46,175</u>
		<u>\$ 706,187</u>	<u>398,653</u>		<u>307,534</u>

Exhibit C-5

TOWN OF KEARNY, N.J.

Schedule of Loans Receivable

General Capital Fund

Year Ended December 31, 2015

<u>Ordinance Number</u>	<u>Description</u>	<u>Balance, Dec. 31, 2014</u>	<u>Balance, Dec. 31, 2015</u>
Environmental Infrastructure Loans:			
2002-59	Riverbank Park	\$ 437,597	437,597
2004-25	Improvements to CSO Control Facilities	<u>421,321</u>	<u>421,321</u>
		<u><u>\$ 858,918</u></u>	<u><u>858,918</u></u>

TOWN OF KEARNY, N.J.

**Schedule of Deferred Charges to Future
Taxation - Funded**

General Capital Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ 28,884,140
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Decreased by:

Current Year Budget Appropriations:

Serial Bonds	\$ 6,000,000
N.J. Wastewater Loans	642,664
Green Acres Loans	<u>73,912</u>
	<u>6,716,576</u>

Balance, December 31, 2015	\$ <u>22,167,564</u>
----------------------------	----------------------

TOWN OF KEARNY, N.J.

Schedule of Deferred Charges to
Future Taxation - Unfunded

General Capital Fund

Year Ended December 31, 2015

Ordinance Number	Improvement Description	Balance Dec. 31, 2014	Authorizations	Decreased by	Analysis of Balance - December 31, 2015		
					Financed by Bond	Anticipation Notes	Expenditures
General improvements:							
1998-26/2004-25	Improvements to Solids and Floatables Facility	\$ 1,777,477			78,948	1,777,477	
2008-34	Various Road and Sewer Improvements	1,342,102				1,263,154	1,263,154
2008-35/2011-43	Various Capital Imps./Imps. To Parks, Playgrounds and Municipal Bldg.	803,172			69,142	734,030	742,566
2008-36	Multi-Park Improvements	453,992			17,242	436,750	448,274
2009-12	Various Capital Improvements	452,594			11,203	441,391	441,391
2010-06	Various Improvements	877,954			71,970	805,984	806,030
2011-13	Various Improvements	899,796			50,000	849,796	850,000
2012-27	Various Road Improvements	1,425,000			75,000	1,350,000	1,350,000
2012-47	Various Capital Improvements	1,900,000			76,000	1,824,000	1,824,000
2013-20	Acquisition of Property	690,475				690,475	690,475
2013-21	Various Road and Sewer Improvements	1,142,855				1,142,855	1,142,855
2013-22	Various Capital Improvements	1,666,650				1,666,650	1,666,650
2014-33	Various Capital Improvements	2,375,000				2,375,000	2,375,000
2014-51	Water Utility Infrastructure Improvements	1,900,000				1,900,000	1,900,000
2015-06	Dukes Street Pump Station	1,425,000				1,425,000	1,425,000
2015-47	Parks & Playground Improvements	665,000				665,000	665,000
		\$ 17,707,067	2,090,000	449,505	19,347,562	17,277,872	125,251
	Budget Appropriations			449,505			
		\$ 449,505					

TOWN OF KEARNY, N.J.

**Schedule of Deferred Charges to
Future Taxation - Unfunded**

General Capital Fund

Year Ended December 31, 2015

TOWN OF KEARNY, N.J.

Schedule of General Serial Bonds Payable

General Capital Fund

Year Ended December 31, 2015

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	Maturities of Bonds Outstanding, December 31, 2015		<u>Interest Rate</u>	<u>Balance Dec. 31, 2014</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2015</u>
			<u>Date</u>	<u>Amount</u>				
Refunding Bonds Series 2003A	Jan. 15, 2003	14,140,000	1/15/2016	176,000	4.25%	216,000	40,000	176,000
Refunding Bonds Series 2003B	Jan. 15, 2003	8,875,000	2/1/2016	1,050,000	5.25%	3,840,000	935,000	2,905,000
			2/1/2017	1,175,000	5.35%			
			2/1/2018	140,000	5.80%			
			2/1/2019	160,000	5.80%			
			2/1/2020	180,000	5.80%			
			2/1/2021	200,000	5.80%			
Refunding Bonds Series 2006A	Feb. 1, 2007	7,480,000	2/1/2016	300,000	5.00%	1,470,000	1,170,000	300,000
Refunding Bonds Series 2006B	Feb. 1, 2007	5,100,000	2/1/2016	230,000	5.16%	1,330,000	1,100,000	230,000

TOWN OF KEARNY, N.J.

Schedule of General Serial Bonds Payable**General Capital Fund****Year Ended December 31, 2015**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding, December 31, 2015</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2014</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2015</u>
			<u>Date</u>	<u>Amount</u>				
General Improvement Bonds	Jan. 1, 2008	10,305,000	1/15/2016	650,000	3.50%	10,005,000	650,000	9,355,000
			1/15/2017	1,200,000	3.50%			
			1/15/2018	1,825,000	5.25%			
			1/15/2019	1,900,000	4.00%			
			1/15/2020	1,950,000	4.00%			
			1/15/2021	1,830,000	4.00%			
Refunding Bonds, Series 2011	Aug. 5, 2011	7,915,000	1/15/2016	815,000	2.00%	4,020,000	2,005,000	2,015,000
			1/15/2016	1,200,000	3.00%			
Fiscal Year Adjustment Refunding Bonds, Series 2011	Aug. 5, 2011	1,080,000	1/15/2016	425,000	2.00%	525,000	100,000	425,000
						\$ 21,406,000	6,000,000	15,406,000

TOWN OF KEARNY, N.J.

Schedule of New Jersey Wastewater Loan Payable

General Capital Fund

Year Ended December 31, 2015

	Original Issue		Maturities of Loans Outstanding, December 31, 2015		Interest Rate	Balance Dec. 31, 2014	Decreased	Balance Dec. 31, 2015
	Date	Amount	Date	Amount				
Trust Share	11/05/98	\$ 1,575,000	08/01/16	110,000	4.50%	\$ 450,000	105,000	345,000
			08/01/17	115,000	4.50%			
			08/01/18	120,000	4.50%			
Trust Share	11/04/04	1,025,000	08/01/16	55,000	4.00%	645,000	55,000	590,000
			08/01/17	55,000	4.00%			
			08/01/18	60,000	5.00%			
			08/01/19	60,000	5.00%			
			08/01/20	65,000	5.00%			
			08/01/21	70,000	5.00%			
			08/01/22	70,000	5.00%			
			08/01/23	75,000	5.00%			
			08/01/24	80,000	4.25%			
			08/01/25	85,000	4.50%			
Trust Share	11/08/07	\$ 1,255,000	08/01/16	60,000	5.00%	960,000	55,000	905,000
			08/01/17	60,000	5.00%			
			08/01/18	65,000	5.00%			
			08/01/19	65,000	4.00%			
			08/01/20	70,000	4.00%			
			08/01/21	75,000	5.00%			
			08/01/22	75,000	5.00%			
			08/01/23	80,000	4.25%			
			08/01/24	85,000	4.50%			
			08/01/25	85,000	4.50%			

TOWN OF KEARNY, N.J.

Schedule of New Jersey Wastewater Loan Payable

General Capital Fund

Year Ended December 31, 2015

	Original Issue		Maturities of Loans Outstanding, December 31, 2015		Interest Rate	Balance Dec. 31, 2014	Decreased	Balance Dec. 31, 2015
	Date	Amount	Date	Amount				
Fund Share	11/05/98	\$ 1,507,371	02/01/16	5,021	*	324,530	81,014	243,516
			08/01/16	76,167	*			
			02/01/17	3,420	*			
			08/01/17	77,801	*			
			02/01/18	1,746	*			
			08/01/18	79,361	*			
Fund Share	11/04/04	\$ 3,047,070	02/01/16	26,428	*	1,559,005	161,269	1,397,736
			08/01/16	130,674	*			
			02/01/17	24,344	*			
			08/01/17	128,589	*			
			02/01/18	21,737	*			
			08/01/18	135,459	*			
			02/01/19	18,894	*			
			08/01/19	132,616	*			
			02/01/20	16,051	*			
			08/01/20	139,250	*			
			02/01/21	12,971	*			
			08/01/21	145,647	*			
			02/01/22	9,655	*			
			08/01/22	142,330	*			
			02/01/23	6,338	*			
			08/01/23	148,490	*			
			02/01/24	3,317	*			
			08/01/24	154,946	*			

TOWN OF KEARNY, N.J.

Schedule of New Jersey Wastewater Loan Payable

General Capital Fund

Year Ended December 31, 2015

	Original Issue		Maturities of Loans Outstanding, December 31, 2015		Interest Rate	Balance Dec. 31, 2014	<u>Decreased</u>	Balance Dec. 31, 2015
	Date	Amount	Date	Amount				
Fund Share	11/08/07	3,623,250	02/01/16	38,642	*	2,412,434	185,381	2,227,053
			08/01/16	150,951	*			
			02/01/17	35,834	*			
			08/01/17	148,143	*			
			02/01/18	33,026	*			
			08/01/18	154,695	*			
			02/01/19	29,984	*			
			08/01/19	151,653	*			
			02/01/20	27,551	*			
			08/01/20	158,579	*			
			02/01/21	24,930	*			
			08/01/21	165,317	*			
			02/01/22	21,421	*			
			08/01/22	161,808	*			
			02/01/23	17,911	*			
			08/01/23	167,657	*			
			02/01/24	14,730	*			
			08/01/24	173,834	*			
			02/01/25	11,149	*			
			08/01/25	170,254	*			
			02/01/26	7,569	*			
			08/01/26	176,034	*			
			02/01/27	3,778	*			
			08/01/27	181,603	*			
						\$ 6,350,969	642,664	5,708,305

* Interest Free

TOWN OF KEARNY, N.J.

Schedule of Green Acres Trust Loans Payable

General Capital Fund

Year Ended December 31, 2015

<u>Purpose</u>	<u>Original Issue</u>	Maturity of Loans Outstanding, December 31, 2015		Interest Rate	Balance Dec. 31, 2014	<u>Decreased</u>	Balance Dec. 31, 2015
		<u>Date</u>	<u>Amount</u>				
Harvey Field	235,731	01/11/16	6,376	2.00%	\$ 107,869	12,564	95,305
		07/11/16	6,440				
		01/11/17	6,505				
		07/11/17	6,569				
		01/11/18	6,635				
		07/11/18	6,701				
		01/11/19	6,766				
		07/11/19	6,836				
		01/11/20	6,904				
		07/11/20	6,974				
		01/11/21	7,043				
		07/11/21	7,114				
		01/11/22	7,185				
		07/11/22	7,257				
Riverbank Park	250,000	02/28/16	6,563	2.00%	133,898	12,932	120,966
		08/28/16	6,629				
		02/28/17	6,695				
		08/28/17	6,762				
		02/28/18	6,830				
		08/28/18	6,898				
		02/28/19	6,967				
		08/28/19	7,037				
		02/28/20	7,107				
		08/28/20	7,178				
		02/28/21	7,250				
		08/28/21	7,322				
		02/28/22	7,396				
		08/28/22	7,469				
		02/28/23	7,544				
		08/28/23	7,620				
		02/28/24	7,697				

TOWN OF KEARNY, N.J.

Schedule of Green Acres Trust Loans Payable

General Capital Fund

Year Ended December 31, 2015

<u>Purpose</u>	<u>Original Issue</u>	Maturities of Loans Outstanding, December 31, 2015			Interest Rate	Balance Dec. 31, <u>2014</u>	Decreased	Balance Dec. 31, <u>2015</u>
		<u>Date</u>	<u>Amount</u>					
Bell Playground	275,000	01/09/16	7,032	2.00%		203,531	13,855	189,676
		07/09/16	7,102					
		01/09/17	7,173					
		07/09/17	7,245					
		01/09/18	7,317					
		07/09/18	7,391					
		01/09/19	7,465					
		07/09/19	7,539					
		01/09/20	7,615					
		07/09/20	7,691					
		01/09/21	7,768					
		07/09/21	7,845					
		01/09/22	7,924					
		07/09/22	8,003					
		01/09/23	8,083					
		07/09/23	8,164					
		01/09/24	8,246					
		07/09/24	8,328					
		01/09/25	8,411					
		07/09/25	8,495					
		01/09/26	8,580					
		07/09/26	8,666					
		01/09/27	8,753					
		07/09/27	8,840					
Gunnel Oval Skateboard Park	138,690	05/26/16	3,556	0%		99,573	7,113	92,460
		11/26/16	3,556					
		05/26/17	3,556					
		11/26/17	3,556					
		05/26/18	3,556					
		11/26/18	3,556					
		05/26/19	3,556					
		11/26/19	3,556					
		05/26/20	3,556					
		11/26/20	3,556					
		05/26/21	3,556					
		11/26/21	3,556					
		05/26/22	3,556					
		11/26/22	3,556					
		05/26/23	3,556					
		11/26/23	3,556					
		05/26/24	3,556					
		11/26/24	3,556					

TOWN OF KEARNY, N.J.

Schedule of Green Acres Trust Loans Payable

General Capital Fund

Year Ended December 31, 2015

<u>Purpose</u>	<u>Original Issue</u>	Maturities of Loans Outstanding, December 31, 2015		Interest Rate	Balance Dec. 31, 2014	<u>Decreased</u>	Balance Dec. 31, 2015
		<u>Date</u>	<u>Amount</u>				
Gunnel Oval Skateboard, (cont.)		05/26/25	3,556				
		11/26/25	3,556				
		05/26/26	3,556				
		11/26/26	3,556				
		05/26/27	3,556				
		11/26/27	3,556				
		05/26/28	3,556				
		11/26/28	3,560				
Waterfront Acquisition	191,500	02/17/16	4,288	2.00%	175,101	8,448	166,653
		08/17/16	4,330				
		02/17/17	4,374				
		08/17/17	4,417				
		02/17/18	4,462				
		08/17/18	4,506				
		02/17/19	4,551				
		08/17/19	4,597				
		02/17/20	4,643				
		08/17/20	4,689				
		02/17/21	4,736				
		08/17/21	4,783				
		02/17/22	4,831				
		08/17/22	4,880				
		02/17/23	4,928				
		08/17/23	4,978				
		02/17/24	5,027				
		08/17/24	5,078				
		02/17/25	5,129				
		08/17/25	5,180				
		02/17/26	5,232				
		08/17/26	5,284				
		02/17/27	5,337				
		08/17/27	5,390				
		02/17/28	5,444				
		08/17/28	5,499				
		02/17/29	5,553				
		08/17/29	5,609				
		02/17/30	5,665				
		08/17/30	5,722				
		02/17/31	5,779				
		08/17/31	5,837				
		02/17/32	5,895				

TOWN OF KEARNY, N.J.

Schedule of Green Acres Trust Loans Payable

General Capital Fund

Year Ended December 31, 2015

TOWN OF KEARNY, N.J.

Schedule of Improvement Authorizations

General Capital Fund

Year Ended December 31, 2015

Exhibit C-12

TOWN OF KEARNY, N.J.

Schedule of Reserve for Payment of Debt

General Capital Fund

Year Ended December 31, 2015

Increased by:

Cancelled Improvement Authorizations \$ 1,094,002

Balance, December 31, 2015 \$ 1,094,002

Exhibit C-13

TOWN OF KEARNY, N.J.

Schedule of Capital Improvement Fund

General Capital Fund

Year Ended December 31, 2015

Increased by:

Budget appropriation \$ 250,000

Decreased by:

Appropriated to Finance
Improvement Authorizations 110,000

Balance, December 31, 2015

\$ 140,000

TOWN OF KEARNY, N.J.

Schedule of Bond Anticipation Notes Payable

General Capital Fund

Year Ended December 31, 2015

Ordinance Number	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2014	Increased	Decreased	Balance Dec. 31, 2015
2008-34	Road/Sewer Improvements	June 29, 2010	Feb. 5, 2015	Feb. 5, 2016	1.00%	1,342,102	1,263,154	1,342,102	1,263,154
2008-35/2011-43	Various Capital Improvements	June 29, 2010	Feb. 5, 2015	Feb. 5, 2016	1.00%	811,708	742,566	811,708	742,566
2008-36	Multi-Park Improvements	June 29, 2010	Feb. 5, 2015	Feb. 5, 2016	1.00%	465,516	448,274	465,516	448,274
2009-12	Various Capital Improvements	June 29, 2010	Feb. 5, 2015	Feb. 5, 2016	1.00%	452,594	441,391	452,594	441,391
2010-06	Various Capital Improvements	June 28, 2011	Feb. 5, 2015	Feb. 5, 2016	1.00%	878,000	806,030	878,000	806,030
2011-13	Various Capital Improvements	June 28, 2011	Feb. 5, 2015	Feb. 5, 2016	1.00%	900,000	850,000	900,000	850,000
2012-27	Various Road Improvements	Dec. 21, 2012	Feb. 5, 2015	Feb. 5, 2016	1.00%	1,425,000	1,350,000	1,425,000	1,350,000
2012-47	Various Capital Improvements	Dec. 21, 2012	Feb. 5, 2015	Feb. 5, 2016	1.00%	1,900,000	1,824,000	1,900,000	1,824,000
2013-22	Various Capital Improvements	Aug. 15, 2013	Feb. 5, 2015	Feb. 5, 2016	1.00%	690,475	690,475	690,475	690,475
1998-26	Sewer Separation Project	Aug. 14, 2013	Feb. 5, 2015	Feb. 5, 2016	1.00%	1,142,855	1,142,855	1,142,855	1,142,855
2004-25	Imps. To CSO Solids/Floatables Control Facilities	Aug. 14, 2013	Feb. 5, 2015	Feb. 5, 2016	1.00%	1,666,650	1,666,650	1,666,650	1,666,650
2014-33	Various Capital Improvements	Feb. 5, 2015	Feb. 5, 2015	Feb. 5, 2016	1.00%	2,375,000	2,375,000	2,375,000	2,375,000
2014-51	Various Capital Improvements	Feb. 5, 2015	Feb. 5, 2015	Feb. 5, 2016	1.00%	1,900,000	1,900,000	1,900,000	1,900,000
1998-26	Sewer Separation Project	Aug. 14, 2013	Feb. 5, 2015	Feb. 5, 2016	1.38%	9,310	9,310	9,310	9,310
2004-25	Imps. To CSO Solids/Floatables Control Facilities	Aug. 14, 2013	Feb. 5, 2015	Feb. 5, 2016	1.38%	1,768,167	1,768,167	1,768,167	1,768,167
						\$ 13,452,377	17,277,872	13,452,377	17,277,872
						Cash \$ 4,275,000		449,505	
						Budget Appropriation Renewed	13,002,872	13,002,872	
						\$ 13,002,872	13,452,377		

TOWN OF KEARNY, N.J.

Schedule of Bonds and Notes Authorized But Not Issued

General Capital Fund

Year Ended December 31, 2015

<u>Ordinance Number</u>	<u>Improvement Description</u>	Balance	Balance
		December 31, <u>2014</u>	December 31, <u>2015</u>
<u>General Improvements:</u>			
2014-33	Various Capital Improvements	\$ 2,375,000	2,375,000
2014-51	Water Utility Infrastructure Improvements	1,900,000	1,900,000
2015-06	Dukes Street Pump Station	1,425,000	1,425,000
2015-47	Parks & Playground Improvements	665,000	665,000
		<u>\$ 4,275,000</u>	<u>4,275,000</u>
			Bond Anticipation Notes \$ <u>4,275,000</u>
			\$ <u>4,275,000</u>

TOWN OF KEARNY, N.J.

Schedule of Cash - Treasurer

Water Utility Fund

Year Ended December 31, 2015

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2014	\$ 215,556	1,580,612
Increased by Receipts:		
Water Collector	6,175,093	
Special Emergency Note	91,600	
Infrastructure Trust Fund Loans	98,135	
Bond Anticipation Notes	1,000,000	
Premium on Bond Anticipation Notes	<u>29,605</u>	
	6,266,693	1,127,740
	6,482,249	2,708,352
Decreased by Disbursements:		
2015 Appropriations	5,888,438	
2014 Appropriation Reserves	45,755	
Accrued Interest on Bonds, Notes and Loans	304,028	
Special Emergency Note	42,000	
Improvement Authorizations	<u>2,165,992</u>	
	6,280,220	2,165,992
Balance, December 31, 2015	<u>\$ 202,030</u>	<u>542,360</u>

Exhibit D-6

TOWN OF KEARNY, N.J.

Analysis of Cash

Water Utility Capital Fund

Year Ended December 31, 2015

	<u>Balance, Dec. 31, 2015</u>
NJ Infrastructure Trust Fund Loans Receivable	\$ (145,501)
Capital Improvement Fund	27,750
Unexpended Note Proceeds on cancelled	
Improvement Authorizations:	
Ord. 2008-32	223
Ord. 2008-50	13,445
Reserve for Payment of Debt, Ord. 2010-05	240,000
Capital fund Balance	42,211
Improvement Authorizations:	
Ordinance	
<u>number</u>	<u>General improvements</u>
2009-31	Central Ave Water Improvements
2010-05	North Hackensack Ave and Stern Ave Water Improvements
2012-26	Various Water Utility Improvements
2014-52	Various Water Utility Improvements
2015-07	Various Water Utility Improvements
	<u>135,573</u>
	<u>(3,214)</u>
	<u>191,249</u>
	<u>40,384</u>
	<u>240</u>
	<u><u>\$ 542,360</u></u>

TOWN OF KEARNY, N.J.

Schedule of Deferred Charges N.J.S.A. 40A:4-53, Special Emergency Authorizations

Water Utility Operating Fund

Year Ended December 31, 2015

<u>Purpose</u>	<u>Date</u>	<u>Amount Authorized</u>	<u>Balance Dec. 31, 2014</u>	<u>Added in 2015</u>	<u>Decreased By: Budget Appropriations</u>	<u>Balance Dec. 31, 2015</u>
Accumulated Sick/Terminal Pay	12/29/14	42,000	\$ 42,000		8,400	33,600
Accumulated Sick/Terminal Pay	12/15/15	58,000	_____	58,000		58,000

Exhibit D-8

TOWN OF KEARNY, N.J.

**Schedule of Consumers' Accounts Receivable -
Operating Fund**

Water Utility Operating Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ 904,411
Increased by:	
2015 Levy	<u>5,944,551</u>
	6,848,962
Decreased by:	
Cash receipts	<u>5,686,307</u>
Balance, December 31, 2015	\$ <u>1,162,655</u>

Exhibit D-9

TOWN OF KEARNY, N.J.

Schedule of 2014 Appropriation Reserves

Water Utility Operating Fund

Year Ended December 31, 2015

		Balance after transfers and encumbrances	Paid or charged	Balance Lapsed
Operating:				
Salaries and Wages	\$ 65	65		65
Other Expenses	1,514	54,589	45,755	8,834
North Jersey Water District Supply	74	74		74
Statutory Expenditures:				
Social Security	186	186		186
	\$ 1,839	<u>54,914</u>	<u>45,755</u>	<u>9,159</u>
		Encumbrances	53,074	
		Appropriation Reserves	<u>1,839</u>	
		<u>\$ 54,913</u>		

TOWN OF KEARNY, N.J.

Schedule of Loans Receivable

Water Utility Capital Fund

Year Ended December 31, 2015

<u>Ordinance Number</u>	<u>Description</u>	Balance, Dec. 31, <u>2014</u>	<u>Reduced</u>	Balance, Dec. 31, <u>2015</u>
Environmental Infrastructure Loans:				
2009-31	Central Ave Water Improvements	\$ 135,573		135,573
2010-05	North Hackensack Ave and Stern Ave Water Improvements	108,063	98,135	9,928
		<u>\$ 243,636</u>	<u>98,135</u>	<u>145,501</u>

<u>Analysis of Balance</u>	
2009-31 Trust Loan	135,573
2010-05 Trust Loan	9,928
<u>\$ 145,501</u>	

TOWN OF KEARNY, N.J.

Schedule of Fixed Capital

Water Utility Capital Fund

Year Ended December 31, 2015

<u>Account</u>		Balance, Dec. 31, <u>2014</u>	Balance, Dec. 31, <u>2015</u>
Mains and Accessories	\$ 12,464,451	12,464,451	
Wanaque Project	4,466,891	4,466,891	
Ramapo Project	615,103	615,103	
General	5,289,670	5,289,670	
Acquisition of Vehicles	300,000	300,000	
Acquisition of Water Meters	<u>5,219,310</u>	<u>5,219,310</u>	
	<u>\$ 28,355,425</u>	<u>28,355,425</u>	

TOWN OF KEARNY, N.J.

Schedule of Fixed Capital Authorized and Uncompleted

Water Utility Capital Fund

Year Ended December 31, 2015

Ordinance number	<u>Improvement description</u>	Ordinance <u>Date</u>		Balance, Dec. 31, <u>2014</u>	Authorized in 2015	Balance, Dec. 31, <u>2015</u>
		<u>Amount</u>	<u>Amount</u>			
2009-31	Central Ave Water Improvements	July 21, 2009	1,700,000	\$ 135,573		
2010-05	North Hackensack Ave and Stern Ave Water Improvements	Feb. 23, 2010 June 26, 2012 Dec. 29, 2014 April 28, 2015	1,000,000 1,500,000 1,000,000 570,000		1,000,000 1,500,000 1,000,000 570,000	135,573
2012-26	Various Water Utility Improvements					1,000,000
2014-52	Various Water Utility Improvements					1,500,000
2015-07	Various Water Utility Improvements					1,000,000
				\$ 3,635,573	570,000	4,205,573

TOWNSHIP OF KEARNY, N.J.

Schedule of Special Emergency Notes Payable

Water Utility Operating Fund

Year Ended December 31, 2015

<u>Purpose</u>	Date of Original <u>Issue</u>	Date of <u>Issue</u>	Maturity	Interest Rate	Balance, Dec. 31, <u>2014</u>	Issued	Matured	Balance, Dec. 31, <u>2015</u>
Special Emergency Note	Nov. 12, 2014	Dec. 17, 2015	Dec. 16, 2016	1.148%	\$ 42,000	33,600	42,000	33,600
Special Emergency Note	Dec. 31, 2015	Dec. 31, 2015	Dec. 16, 2016	1.750%	—	58,000	—	58,000
					\$ 42,000	91,600	42,000	\$ 91,600

Exhibit D-14

TOWN OF KEARNY, N.J.

Schedule of Accrued Interest on Bonds, Notes and Loans

Water Utility Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ 233,213
Increased by:	
Budget Appropriation	<u>252,300</u>
	485,513
Decreased by:	
Payments	<u>304,028</u>
Balance, December 31, 2015	\$ <u>181,485</u>

<u>Analysis of Balance</u>	<u>Principal Outstanding December 31, 2015</u>	<u>Period</u>	<u>Interest Rate</u>	<u>Required Amount</u>
Serial Bonds	45,000	5 months	5.10%	956
Serial Bonds	153,000	5 1/2 months	Various	3,857
Serial Bonds	5,260,000	5 1/2 months	Various	97,579
Serial Bonds	25,000	5 1/2 months	Various	229
Bond Anticipation Notes	7,562,184	325 days	1.00%	68,270
NJEIT Loan	290,000	5 months	Various	4,969
NJEIT Loan	195,232	5 months	Various	1,699
Special Emergency Note	33,600	13 days	1.148%	14
Special Emergency Note	58,000	1 day	1.75%	<u>3</u>
				\$ <u>177,576</u>

TOWN OF KEARNY, N.J.

Schedule of Improvement Authorizations

Water Utility Capital Fund

Year Ended December 31, 2015

Ordinance number	Improvement description	Ordinance Date	Balance, Dec. 31, 2014		2015		Balance, Dec. 31, 2015
			Funded	Unfunded	Authorizations	Expended	
2009-31	Central Ave Water Improvements	July 21, 2009	1,700,000	135,573			135,573
2010-05	North Hackensack Ave and Stern Ave	Feb. 23, 2010	1,000,000	64,651	119,568	67,865	116,354
	Water Improvements	Jun. 26, 2012	1,500,000		1,300,000	1,108,751	191,249
2012-26	Various Water Utility Improvements	Dec. 29, 2014	1,000,000		1,000,000	959,616	40,384
2014-52	Various Water Utility Improvements	April 28, 2015	600,000			29,760	570,000
2015-07	Various Water Utility Improvements				600,000	240	
			\$ 200,224	2,419,568	600,000	2,165,992	135,813
							917,987

Exhibit D-16

TOWN OF KEARNY, N.J.

Schedule of Capital Improvement Fund

Water Utility Capital Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ 57,750
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>30,000</u>
Balance, December 31, 2015	\$ <u>27,750</u>

Exhibit D-17

Schedule of Reserve for Amortization

Water Utility Capital Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ 16,873,765
Increased by:	
Payment of Serial Bond Principal	\$ 350,000
Paydown on Bond Anticipation Notes	96,154
Payment of NJ Environmental Infrastructure Loan Principal	<u>116,628</u>
	<u>562,782</u>
Balance, December 31, 2015	\$ <u>17,436,547</u>

Exhibit D-18

TOWN OF KEARNY, N.J.

Schedule of Reserve for Payment of Debt

Water Utility Capital Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ <u>240,000</u>
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Balance, December 31, 2015	\$ <u><u>240,000</u></u>
----------------------------	--------------------------

TOWN OF KEARNY, N.J.

Schedule of Water Utility Serial Bonds

Water Utility Capital Fund

Year Ended December 31, 2015

TOWN OF KEARNY, N.J.

Schedule of New Jersey Wastewater Loan Payable

Water Utility Capital Fund

Year Ended December 31, 2015

	Original Issue		Maturities of Loans Outstanding, December 31, 2015		Interest Rate	Balance Dec. 31, 2014	Decreased	Balance Dec. 31, 2015
	Date	Amount	Date	Amount				
Trust Share	03/10/10	\$ 365,000	08/01/16	15,000	5.00%	\$ 305,000	15,000	290,000
			08/01/17	15,000	5.00%			
			08/01/18	15,000	5.00%			
			08/01/19	20,000	4.00%			
			08/01/20	20,000	5.00%			
			08/01/21	20,000	3.00%			
			08/01/22	20,000	4.00%			
			08/01/23	20,000	4.00%			
			08/01/24	20,000	4.00%			
			08/01/25	25,000	4.00%			
			08/01/26	25,000	3.50%			
			08/01/27	25,000	4.00%			
			08/01/28	25,000	4.00%			
			08/01/29	25,000	4.00%			

TOWN OF KEARNY, N.J.

Schedule of New Jersey Wastewater Loan Payable

Water Utility Capital Fund

Year Ended December 31, 2015

Fund Share	Original Issue		Maturities of Loans Outstanding, December 31, 2015		Interest Rate	Decreased	Balance Dec. 31, 2014	Balance Dec. 31, 2015
	Date	Amount	Date	Amount				
03/10/10	1,110,375	02/01/16	18,820	*		424,801	56,459	368,342
		08/01/16	37,640	*				
		02/01/17	18,819	*				
		08/01/17	37,640	*				
		02/01/18	18,820	*				
		08/01/18	37,640	*				
		02/01/19	18,819	*				
		08/01/19	37,640	*				
		02/01/20	18,820	*				
		08/01/20	37,640	*				
		02/01/21	18,820	*				
		08/01/21	37,640	*				
		02/01/22	18,820	*				
		08/01/22	10,764	*				

TOWN OF KEARNY, N.J.

Schedule of New Jersey Wastewater Loan Payable

Water Utility Capital Fund

Year Ended December 31, 2015

	<u>Original Issue Date</u>	<u>Amount</u>	Maturities of Loans Outstanding, December 31, 2015			<u>Interest Rate</u>	<u>Decreased</u>	Balance Dec. 31, <u>2014</u>	Balance Dec. 31, <u>2015</u>
			<u>Date</u>	<u>Amount</u>	<u>Rate</u>				
Trust Share	05/16/12	227,554	08/01/16	10,859	0.58%		206,039	10,807	195,232
			08/01/17	10,922	0.77%				
			08/01/18	11,006	0.99%				
			08/01/19	11,115	1.21%				
			08/01/20	11,249	1.47%				
			08/01/21	11,415	1.68%				
			08/01/22	11,606	1.84%				
			08/01/23	11,820	1.99%				
			08/01/24	12,055	2.11%				
			08/01/25	12,310	2.23%				
			08/01/26	12,584	2.33%				
			08/01/27	12,877	2.86%				
			08/01/28	13,246	2.95%				
			08/01/29	13,636	3.03%				
			08/01/30	14,050	3.08%				
			08/01/31	14,482	3.14%				

TOWN OF KEARNY, N.J.

Schedule of New Jersey Wastewater Loan Payable

Water Utility Capital Fund

Year Ended December 31, 2015

Fund Share	<u>Original Issue Date</u>	<u>Amount</u>	Maturities of Loans Outstanding, December 31, 2015			Interest Rate	Decreased	Balance Dec. 31, 2014	Balance Dec. 31, 2015
			<u>Date</u>	<u>Amount</u>	<u>Interest Rate</u>				
	05/16/12	652,878	02/01/16	11,454	*			584,155	34,362
			08/01/16	22,908	*				549,793
			02/01/17	11,454	*				
			08/01/17	22,908	*				
			02/01/18	11,454	*				
			08/01/18	22,908	*				
			02/01/19	11,454	*				
			08/01/19	22,908	*				
			02/01/20	11,454	*				
			08/01/20	22,908	*				
			02/01/21	11,454	*				
			08/01/21	22,908	*				
			02/01/22	11,454	*				
			08/01/22	22,908	*				
			02/01/23	11,454	*				
			08/01/23	22,908	*				
			02/01/24	11,454	*				
			08/01/24	22,908	*				
			02/01/25	11,454	*				
			08/01/25	22,908	*				

TOWN OF KEARNY, N.J.

Schedule of New Jersey Wastewater Loan Payable

Water Utility Capital Fund

Year Ended December 31, 2015

Fund Share, cont.

* Interest Free

TOWN OF KEARNY, N.J.

Schedule of Bond Anticipation Notes Payable

Water Utility Capital Fund

Year Ended December 31, 2015

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Original Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2014</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2015</u>
2008-32	Various Water Improvements	June 29, 2010	Feb. 5, 2015	Feb. 6, 2016	1.00%	\$ 1,462,012	1,443,024		1,462,012
2008-33	Water Meter Acquisition	June 29, 2010	Feb. 5, 2015	Feb. 6, 2016	1.00%	\$ 1,462,012	1,443,024		1,462,012
2008-50	Various Water Improvements	June 29, 2010	Feb. 5, 2015	Feb. 6, 2016	1.00%	\$ 1,247,014	1,220,483		1,247,014
2011-14	Water Utility Infrastructure Imps.	Jun. 28, 2011	Feb. 5, 2015	Feb. 6, 2016	1.00%	\$ 987,300	974,641		987,300
2012-26	Various Water Improvements	Dec. 21, 2012	Feb. 5, 2015	Feb. 6, 2016	1.00%	\$ 1,500,000	1,481,012		1,500,000
2014-52	Various Water Utility Improvements	Feb. 5, 2015	Feb. 5, 2015	Feb. 6, 2016	1.00%	\$ 1,000,000			1,000,000
						\$ 6,658,338	7,562,184	6,658,338	7,562,184
						Cash	1,000,000		
						Budget Appropriation		96,154	
						Renewed	\$ 6,562,184	6,562,184	
							\$ 7,562,184		6,658,338

TOWN OF KEARNY, N.J.

Schedule of Bonds and Notes Authorized But Not Issued

Water Utility Capital Fund

Year Ended December 31, 2015

Ordinance Number	Improvement Description	Balance, Dec. 31, <u>2014</u>	<u>Authorized</u>	<u>Decreased</u>	Balance, Dec. 31, <u>2015</u>
2010-05	North Hackensack Ave and Stern Ave Water Improvements	\$ 119,568			119,568
2014-52	Various Water Utility Improvements	1,000,000		1,000,000	
2015-07	Various Water Utility Improvements	<u>570,000</u>			<u>570,000</u>
		<u>\$ 1,119,568</u>	<u>570,000</u>	<u>1,000,000</u>	<u>689,568</u>
	Bond Anticipation Notes Issued			\$ 1,000,000	
				<u>\$ 1,000,000</u>	

Exhibit E-1

TOWN OF KEARNY, N.J.

Schedule of Cash

Public Assistance Trust Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ <u>26,332</u>
Balance, December 31, 2015	\$ <u>26,332</u>

Exhibit E-2

Reserve for Public Assistance Expenditures

Public Assistance Trust Fund

Year Ended December 31, 2015

Balance, December 31, 2014	\$ <u>26,332</u>
Balance December 31, 2015	\$ <u>26,332</u>

TOWN OF KEARNY

Letters on Compliance and on Internal Control

General Comments and Recommendations

Year Ended December 31, 2015

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
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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

Honorable Mayor and
Members of the Town Council
Town of Kearny
County of Hudson, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements-regulatory basis of the Town of Kearny in the County of Hudson as of and for the year ended December 31, 2015 and the related notes to the financial statements, and have issued our report thereon dated July 14, 2016, which was adverse due to being presented in accordance with New Jersey regulatory basis of accounting.

Internal Control Over Financial Reporting

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



Honorable Mayor and
Members of the Town Council
Page 2.

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. We did not identify any material deficiencies in internal control that we consider to be significant deficiencies.

We also identified certain immaterial deficiencies in internal control that we have reported to management of the Town of Kearny in the accompany comments and recommendations section of this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Kearny's financial statements-regulatory basis 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 certain immaterial instances of noncompliance that we have reported to the management of the Town of Kearny in the accompanying 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 Town of Kearny'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 Town of Kearny's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.



Steven D. Wielkotz, C.P.A.
Registered Municipal Accountant
No. CR00413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.

Certified Public Accountants
Pompton Lakes, New Jersey

July 14, 2016



Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE AND N.J. OMB CIRCULAR 15-08

Honorable Mayor and
Members of the Town Council
Town of Kearny
County of Hudson, New Jersey

Report on Compliance for Each Major Federal Program

We have audited the Town of Kearny in the County of Hudson compliance with the types of compliance requirements described in the OMB Compliance Supplement and N.J. Office of Management and Budget (OMB) Circular 15-08 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015. The Town of Kearny'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 the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Kearny'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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and N.J. OMB Circular 15-08. Those standards, the Uniform Guidance and N.J. OMB Circular 15-08 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 Town of Kearny's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



Honorable Mayor and
Members of the Town Council
Page 2.

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 on the Town of Kearny's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Kearny 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, 2015.

Report on Internal Control Over Compliance

Management of the Town of Kearny 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 Town of Kearny's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance with the Uniform Guidance and N.J. OMB Circular 15-08, 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 Town of Kearny'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.



Honorable Mayor and
Members of the Town Council
Page 3.

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 and N.J. OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.



Steven D. Wielkotz, C.P.A.
Registered Municipal Accountant
No. CR00413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.

Certified Public Accountants
Pompton Lakes, New Jersey

July 14, 2016



Schedule 1

TOWN OF KEARNY, N.J.

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2015

Program	CFDA number	Grant period	Award Amount	Cash Received	MEMO	
					Cumulative Total Expenditures	Total Expenditures
<u>Federal and State Grant Fund:</u>						
U.S. Department of Justice:						
COPS Technology Program Grant	16.710	2010	200,000		157,956 *	200,000
Bulletproof Vest Partnership Program	16.607	2013	8,892		3,839 *	6,015
Bulletproof Vest Partnership Program	16.607	2014	15,341		*	
Justice Assistance Grant	16.738	2012	10,191	10,174	7,081 *	10,174
				10,174	168,876 *	216,189
U.S. Department of Transportation	20.601	12/11/15-1/1/16	5,000		*	
Drive Sober or Get Pulled Over (Holiday)	20.600	4/1/15-4/21/15	5,000	4,800	4,800 *	4,800
Distracted Driving Crackdown						
National Highway Traffic Safety Administration	20.609	2013	12,000		*	4,700
Pedestrian Safety Grant						
Federal Highway Administration(FHWA)	20.205	2012	122,790	11,564	24,113 *	112,710
Highway Planning and Construction						
Riverbank Park Bike Trail					16,364	28,913 *
						122,210

Schedule 1

TOWN OF KEARNY, N.J.

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2015

Program	CFDA number	Grant period	Award Amount	Cash Received	MEMO	
					Cumulative Total	Expenditures
<u>Department of Health and Human Services</u>						
Passed Through Hudson County Health Dept. - Office of the Aging	93.667	2014	51,100	7,187	7,187 *	46,624
Social Services Block Grant	93.667	2015	46,524	44,054	44,054 *	44,054
Social Services Block Grant				51,241	51,241 *	90,678
<u>Department of Homeland Security</u>						
Hazard Mitigation Grant Program - Energy Allocation Initiative	97.039	2014	250,000	8,776	8,776 *	8,776
Hazard Mitigation Grant Program - Local Designated Shelter	97.039	2014	132,854		*	*
Emergency Management Assistance	97.042	2010	10,000		*	11,830
Emergency Management Assistance	97.042	2012	10,000		2,530 *	5,233
Emergency Management Assistance	97.042	2013	10,000		*	*
Emergency Management Assistance	97.042	2015	10,000	10,000	*	*
Staffing for Adequate Fire and Emergency Response (SAFER)	97.044	2015	1,595,844		*	*
Assistance to Firefighters Grant - Fire Prevention and Safety	97.044	2015	49,316		*	*
Assistance to Firefighters Grant - Breathing Apparatus	97.044	2015	242,710		*	*
FY10 Port Security Grant - Fire Boat	97.056	2012	\$ 456,910	70,998	70,998	450,134
FY11 Port Security Grant - Response Equipment	97.056	2013	667,467	570,205	570,205	297,179
FY12 Port Security Grant	97.056	2012	21,800		*	20,943
FY14 Port Security Grant	97.056	2015	9,576		*	*
FY15 Port Security Grant	97.056	2015	13,593		*	*
				651,203	11,404 *	794,095
Total Federal and State Grant Fund				728,982	260,434 *	1,223,172
Current Fund:					*	*
U.S. Department of Law and Public Safety	97.036	10/30/2012	815,863		*	815,863
FEMA Reimbursement - Hurricane Sandy					*	*
Total Current Fund					*	815,863

Schedule 1

TOWN OF KEARNY, N.J.

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2015

Program	CFDA number	Grant period	Award Amount	Cash Received	MEMO	
					Cumulative Total Expenditures	Total Expenditures
<u>General Capital Fund:</u>						
U.S. Department of Transportation						
Federal Highway Administration (FHWA)						
Highway Planning and Construction - Ord. 2013-21	20.205	2013	367,560	262,898	* 367,560	
Total General Capital Fund				262,898	* 367,560	
<u>Water Utility Capital Fund:</u>						
Department of Environmental Protection - Office of Water Capitalization Grants for Drinking Water, State Revolving Funds - ARRA (Central Ave. Water Imps.) North Hackensack Ave and Stern Ave Water Imps.	66,468	2009 2012	782,730 632,878	73,602	73,602 *	685,314 652,878
Total Water Utility Capital Fund				73,602	73,602 *	652,878
<u>Other Trust Fund:</u>						
Department of Housing and Urban Development (passed through County of Hudson):						
Community Development Block Grant:						
Kearny/Laurel Avenue Road Construction	14.218	6-03K1-11	192,250	23,922	23,922 *	118,036
Kearny/Laurel Avenue Road Construction	14.218	6-03K1-12	400,000	2,047	836 *	365,145
Central Avenue Reconstruction	14.218	6-03K1-13	491,636			491,636
Arlington/John Hay Avenue Reconstruction	14.218	6-03K1-14	411,526	263,692	321,584 *	
Veteran's Field Improvements	14.218	6-03K1-15	425,213		425,213 *	
Total Trust Funds				289,661	771,555 *	974,817
Total Federal Awards				1,355,143	1,105,591 *	4,034,290

This schedule was subject to audit in accordance with the Uniform Guidance

Note: See accompanying notes to schedules of expenditures of federal and state awards.

Schedule 2

TOWN OF KEARNY, N.J.

Schedule of Expenditures of State Financial Assistance

Year Ended December 31, 2015

	Grant number	Grant period	Award Amount	Cash Received	Expenditures	<u>MEMO</u>						
						Cumulative Total Expenditures	Total Expenditures					
Federal and State Grant Fund:												
Department of Commerce & Economic Development:												
Urban Enterprise Zone Program:												
Business Development Revolving Loan	2830-763-250120-50	FY2010	600,000		97,076	*	406,082					
Business Dev. Revolving Loan Phase V	2830-763-250120-50	2012	250,000		72,875	*	132,991					
Marketing & Zone Promotion Program IV	2830-763-250120-50	2013	40,000		70	*	40,000					
Marketing & Zone Promotion Program V	2830-763-250120-50	2013	110,000	49,814	59,124	*	107,946					
Administration - FY15 and FY16	2830-763-250120-50	2014	150,000	44,355	44,447	*	71,035					
Parking Lot - 101 Kearny Avenue	2830-763-250120-50	2014	215,781	39,815	35,496	*	203,786					
Public Safety Project	2830-763-250120-50	2015	160,290	153,747	153,747	*	153,747					
Clean Project	2830-763-250120-50	2015	96,000	89,902	89,902	*	89,902					
Marketing & Zone Promotion Phase IV	2830-763-250120-50	2015	200,000	23,004	31,004	*	31,004					
					400,707	583,741	*					
							1,236,493					
Department of Community Affairs												
Municipal Alliance Program	2000-082-995120-44	2014	35,148	35,146	32,756	*	35,146					
Municipal Alliance Program	2000-082-995120-44	2015	35,148		3,037	*	3,037					
					35,146	35,793	*					
							38,183					
Department of Environmental Protection												
Clean Communities Program	4900-765-178910-60	2012	44,340			*	44,056					
Clean Communities Program	4900-765-178910-60	2013	51,137			*	35,472					
Clean Communities Program	4900-765-178910-60	2014	47,589			*						
Clean Communities Program	4900-765-178910-60	2015	57,860	57,860	2,040	*	2,040					

Schedule 2

TOWN OF KEARNY, N.J.

Schedule of Expenditures of State Financial Assistance

Year Ended December 31, 2015

	Grant number	Grant period	Award Amount	Cash Received	MEMO	
					Cumulative Total Expenditures	
Dept. of Environmental Protection, cont.						
Recycling Tonnage Grant	4900-752-178810-60	2011	54,337		*	43,387
Recycling Tonnage Grant	4900-752-178810-60	2012	64,428		*	50,361
Recycling Tonnage Grant	4900-752-178810-60	2013	59,181		*	
Recycling Tonnage Grant	4900-752-178810-60	2014	54,617		*	
Green Communities Grant (State Forestry Svcs)	PF13-095	2013	3,000		*	
Hazardous Discharge Site Remediation Fund	P39180	2012	47,258		7,486	* 36,323
Hazardous Discharge Site Remediation Fund	P40059	2014	84,451		3,068	* 3,068
De-Snagging and Shoal Dredging Grant		2014	88,032		10,926	* 10,926
Department of the Judiciary	9735-760-098	2013	158		27,516	* 225,633
Department of Law and Public Safety:						
Drunk Driving Enforcement Fund	4320-100-046-4750-241	FY10	14,755			13,570
Body Armor Grant	1020-718-001-066	2013	11,688			*
Body Armor Grant	1020-718-001-066	2014	8,851			*
Body Armor Grant	1020-718-001-066	2015	9,846			*
Total State Assistance	503,559		647,050			* 1,523,398

Schedule 2

TOWN OF KEARNY, N.J.

Schedule of Expenditures of State Financial Assistance

Year Ended December 31, 2015

<u>Grant number</u>	<u>Award Amount</u>	<u>Cash Received</u>	<u>Expenditures</u>	<u>MEMO</u>				
				<u>Cumulative Total Expenditures</u>	<u>Total Expenditures</u>			
<u>Other Financial Assistance:</u>								
<u>Hudson County:</u>								
Open Space Trust Fund:								
LEED Improvements at Veteran's Field	FY2010 N/A	175,000	28,393	28,393	*			
All Season Multipurpose Veteran's Field	FY2010 N/A	350,000	47,938	122,128	*			
All Season Surface - Veteran's Field	FY2010 PI-07-10	100,000		100,000	*			
Development of Riverbank Park	FY2010 PI-09-10	300,000			100,000			
Riverbank Park Dog Run	2014 PI-06-14	175,000	18,955	11,391	*			
					18,955			
<u>Other Miscellaneous Local Assistance:</u>								
Jersey Fresh Grant	N/A	2010 2010	1,482 68,400		*			
NJ Transit Reforestation Plan	N/A			54,890	<u>54,890</u>			
Total Other Financial Assistance								
				95,286	<u>316,802</u>			
					*			
					827,965			
Total Federal and State Grant Fund								
				598,845	<u>963,852</u>			
					*			
					2,351,363			

Schedule 2

TOWN OF KEARNY, N.J.

Schedule of Expenditures of State Financial Assistance

Year Ended December 31, 2015

<u>Grant number</u>	<u>Grant period</u>	<u>Award Amount</u>	<u>Cash Received</u>	<u>Expenditures</u>	<u>MEMO</u>				
					<u>Cumulative Total</u>				
General Capital Fund:									
Department of Transportation:									
Various Road Improvements	480-078-6320-AK-6010	2012-27	291,100	*	291,100				
Various Capital Improvements	480-078-6320-AK-6010	2014-33	181,930	*	181,930				
Total General Capital Fund			135,755	*	473,030				
Water Utility Capital Fund									
<u>Department of Environmental Protection</u>									
Central Avenue Water Improvements - Infrastructure Trust Financing - Trust Portion		2009	260,910	*	228,438				
North Hackensack Ave and Stern Ave Water Imprvs.		2012	227,554	24,533	* 227,554				
Infrastructure Trust Financing - Trust Portion			24,533	24,533	455,992				
Total Water Utility Capital Fund			759,133	988,385	* 3,280,385				
Total State Awards/Other Awards									

This schedule was not subject to audit in accordance with NJ OMB Circular 15-08.

Note: See accompanying notes to schedules of expenditures of federal and state awards.

TOWN OF KEARNY
NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1. GENERAL

The accompanying schedules of expenditures of awards present the activity of all federal and state financial assistance programs of the Town of Kearny, County of Hudson. The Town is defined in Note 1A to the Town's financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies is included on the schedule of expenditures of awards.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards are presented using the modified accrual basis of accounting as prescribed for counties by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. This basis of accounting is described in Note 1(B) to the Town's financial statements.

NOTE 3. RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules do not agree with amounts reported in the Town's financial statements because encumbrances are not reported in the accompanying schedules. Financial assistance awards are reported in the Town's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
Federal/State Grant Fund	\$260,434	\$647,050	\$316,802	\$1,224,286
Community Development Grant Fund	771,555			771,555
Water Utility Capital Fund	<u>73,602</u>	<u>24,533</u>		<u>98,135</u>
	<u><u>\$1,105,591</u></u>	<u><u>\$671,583</u></u>	<u><u>\$316,802</u></u>	<u><u>\$2,093,976</u></u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree, in all material respect, with the amounts reported in the related federal and state financial reports. However, we noted certain differences which are reported in the accompanying schedule of findings of noncompliance and questioned costs.

NOTE 5. ADJUSTMENTS

Amounts reported in the accompanying schedules were adjusted to report the financial assistance awards as described in Note 2 Basis of Accounting.

TOWN OF KEARNY
NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 6. FEDERAL AND STATE LOANS OUTSTANDING

The Town's federal and state loans outstanding at December 31, 2015, which are not required to be reported on the schedule of expenditures of federal and state awards, are as follows:

<u>Loan Program</u>	<u>Total</u>
State of New Jersey Environmental Infrastructure	
Trust Loan Program - Capital Fund	\$5,708,305
State of New Jersey Environmental Infrastructure	
Trust Loan Program - Utility Capital Fund	1,403,367
State of New Jersey Green Acres Bond Act	<u>1,053,259</u>
	<u>\$8,164,931</u>

TOWN OF KEARNY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: adverse: GAAP
unmodified: OCBOA

Internal control over financial reporting:

1. Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

2. Material weakness(es) identified? _____ yes X no

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards Section

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

Type of auditors' report on compliance for major programs: unmodified

Internal Control over compliance:

1. Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

2. Material weakness(es) identified? _____ yes X no

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant

**TOWN OF KEARNY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Section I - Summary of Auditor's Results, (continued)

State Awards Section

Not Applicable

TOWN OF KEARNY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(continued)

Section II - Financial Statement Findings

None

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

None

STATUS OF PRIOR YEAR FINDINGS

None

TOWN OF KEARNY

GENERAL COMMENTS

Contracts and Agreements

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

- a. When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (I) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.
- c. The Governor, in consultation with the Department of the Treasury, shall no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, c.198(C.40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made.

N.J.S.A. 40A:11-4 states:

- a. Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act of specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder.

TOWN OF KEARNY

GENERAL COMMENTS, (continued)

Effective July 1, 2005, the bid threshold, in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500 and with a qualified purchasing agent the threshold may be up to \$36,000. On July 1, 2015, the threshold with a qualified purchasing agent was increased to \$40,000.

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

The minutes indicated that bids were requested by public advertising for the following items:

- Security Services
- Tree Removal Services
- Tree Planting Contract
- Off-Leash Dog Run at Riverbank Park
- Veteran's Field Turf Improvements
- Janitorial Services for Various Locations
- Roll Off Truck for Department of Public Works
- West Bennett Avenue Water Improvements
- Hickory Street Playground Improvements
- Portable Generator Quick Connect Installations

Resolutions were adopted authorizing the awarding of contract or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. No violations were disclosed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the statutory threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

TOWN OF KEARNY

GENERAL COMMENTS, (continued)

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body did not adopt a resolution authorizing interest to be charged on delinquent taxes in the current year.

The governing body on February 5, 2013 adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, taxes are payable in quarterly installments on February 1, May 1, August 1 and November 1 of each year and installments become delinquent if not paid on or before these dates,

THEREFORE, BE IT RESOLVED that Mayor and Council authorize an interest charge of 6% per annum, upon delinquent installments of taxes and assessments; and

BE IT FURTHER RESOLVED, that the Mayor and Council authorize an interest charge of 12% per annum upon delinquent installments of taxes in excess of \$1,500.00 and an additional penalty of 6% on delinquencies in excess of \$10,000.00 at the end of the calendar year and,

BE IT FURTHER RESOLVED, that the Mayor and Council provide a grace period of 10 days, within which an installment of taxes or assessment may be received without an additional charge of interest; and

BE IT FURTHER RESOLVED, that any installment received after the expiration of the grace period shall bear interest from the due date,

BE IT FURTHER RESOLVED, that the rate of interest to be charged upon tax liens is hereby set at 18% per annum, and a copy of this resolution is to be filed with the Tax Collector - Treasurer and the Tax Assessor of the Town of Kearny.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 18, 2015 and was complete.

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

TOWN OF KEARNY

GENERAL COMMENTS, (continued)

The following comparison is made of the number of tax title liens receivable on the last three periods of audit:

<u>Year</u>	<u>Number of Liens</u>
2015	21
2014	21
2013	18

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services.

The results of the test, which was made as of December 31, 2015, is not yet known, but a separate report will be rendered if any irregularities were developed.

In addition, analytical review procedures were utilized to ascertain the validity of the receivables.

TOWN OF KEARNY
OTHER COMMENTS

Finance:

- 1.* Intra-funds between the Escrow, Other Trust and Affordable Housing Trust Funds have not been liquidated.
- 2.* The governing body did not adopt a resolution establishing interest rates to be charged on delinquent taxes.
- 3.* FEMA reimbursements relating to Hurricane Sandy have not been submitted.
4. There was a prior year invoice which was charged to the incorrect budget year.

Departments:

Municipal Clerk

- 1.* Minutes of Mayor and Council meetings are not being signed by the Town Clerk.
- 2.* Minutes of Mayor and Council meetings are not being approved by the Mayor and Council.
- 3.* A review of various professional service contracts and award procedures revealed that the Town did not properly utilize the “fair and open” process as set forth in the state’s “Pay to Play” statute (P.L. 2005, c.51).

Building Department

- 1.* Monthly revenue reports generated by the building department do not agree to actual cash collections due to receipts being collected at the time of application and permits being entered at time of issuance.

Municipal Court

- 1.* The analysis of open bail per the ATS/ACS reports is not in agreement with the reconciled cash balance at year end.

**TOWN OF KEARNY
RECOMMENDATIONS**

Finance:

- 1.* The various intra-funds between the Escrow, Other Trust and Affordable Housing Trust Funds be investigated and either liquidated, raised and/or cancelled via resolution.
2. That an interest resolution of the governing body be adopted annually in accordance with Chapter 435, laws of 1980.
3. That all FEMA reimbursements relating to Hurricane Sandy be submitted.
4. That more care be taken to ensure adequate funding is available in each budget year to support invoices.

Departments:

Municipal Clerk

- 1.* That official minutes of the Mayor and Council meetings be signed by the Town Clerk.
- 2.* That official minutes of the Mayor and Council meetings be reviewed and approved at subsequent meetings.
- 3.* Town officials develop and implement policies and procedures concerning the award of professional service contracts to ensure compliance with N.J.S.A. 19:4A-20.4.

Building Department

- 1.* That cash be collected at the time permits are entered into the system.

Municipal Court

- 1.* Court officials reconcile the Bail on Account per ATS/ACS to the reconciled cash balance at month end to ensure balances are in agreement.

TOWN OF KEARNY

STATUS OF PRIOR YEAR AUDIT FINDINGS/RECOMMENDATIONS

A review was performed on all prior year recommendations and corrective action was taken on all, except for those recommendations denoted with an asterisk ("*").

The problems and weaknesses noted in our audit were not of such magnitude that they would affect my ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to my comments or recommendations, or should you desire assistance in implementing my recommendations, please do not hesitate to call me.

Respectfully submitted,



Steven D. Wielkotz
Registered Municipal Accountant
No. CR00413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

July 14, 2016