

BOROUGH OF CHESTER
COUNTY OF MORRIS
REPORT OF AUDIT
2018

NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS

BOROUGH OF CHESTER

COUNTY OF MORRIS

REPORT OF AUDIT

2018

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BOROUGH OF CHESTER

PART I

INDEPENDENT AUDITORS' REPORT

AND FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2018

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the financial statements - *regulatory basis* - of the various funds of the Borough of Chester, in the County of Morris (the "Borough") as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough'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 Borough's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

The Honorable Mayor and Members
of the Borough Council
Borough of Chester
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Borough on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund and account group of the Borough as of December 31, 2018 and 2017, or the changes in financial position, or where applicable, cash flows thereof for the years then ended.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds and account group of the Borough of Chester as of December 31, 2018 and 2017, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the Borough implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the year ended December 31, 2018. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Borough's financial statements. The supplementary data schedules listed in the table of contents and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Honorable Mayor and Members
of the Borough Council
Borough of Chester
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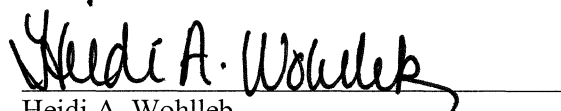
The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the various fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the various fund financial statements or to the various fund financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2019 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
June 7, 2019

NISIVOCCIA LLP

A handwritten signature in black ink, reading "Heidi A. Wohlleb", is written over a horizontal line.

Heidi A. Wohlleb
Registered Municipal Accountant No. 481
Certified Public Accountant

BOROUGH OF CHESTER
COUNTY OF MORRIS
2018
CURRENT FUND

BOROUGH OF CHESTER
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	2018	2017
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 2,203,702.22	\$ 2,686,007.71
Change Fund		100.00	100.00
		<u>2,203,802.22</u>	<u>2,686,107.71</u>
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions			
		60.01	
		<u>2,203,862.23</u>	<u>2,686,107.71</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	155,521.45	123,238.91
Property Acquired for Taxes at Assessed Valuation		181,200.00	181,200.00
Revenue Accounts Receivable	A-9	2,429.78	4,432.30
Due from Animal Control Trust Fund	B	1,022.86	6.16
Due from General Capital Fund	C	7,931.14	
Due from Solid Waste Utility Operating Fund	E	3,081.59	
Due from Swimming Pool Utility Operating Fund	F	3,651.92	
Due from Payroll Account		3,840.23	
Total Receivables and Other Assets With Full Reserves		<u>358,678.97</u>	<u>308,877.37</u>
Total Regular Fund		<u>2,562,541.20</u>	<u>2,994,985.08</u>
Federal and State Grant Fund:			
Grants Receivable	A-14	100,803.30	137,286.07
Due from Current Fund	A	56,453.34	25,629.04
Total Federal and State Grant Fund		<u>157,256.64</u>	<u>162,915.11</u>
<u>TOTAL ASSETS</u>		<u>\$ 2,719,797.84</u>	<u>\$ 3,157,900.19</u>

BOROUGH OF CHESTER
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

		December 31,	
	Ref.	2018	2017
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 141,798.90	\$ 48,772.00
Unencumbered	A-3;A-11	344,441.40	550,848.55
		<u>486,240.30</u>	<u>599,620.55</u>
Accounts Payable - Vendors	A-11	2,195.66	2,451.34
Prepaid Taxes		54,739.20	688,678.60
Tax Overpayments		7,930.54	15,379.28
Due to State of New Jersey:			
Department of Community Affairs Training Fees		3,598.00	1,664.00
Veteran and Senior Citizens Deductions			189.99
Due to Federal and State Grant Fund	A	56,453.34	25,629.04
Due to Other Trust Funds	B	159,503.24	198,208.81
Due to Sewer Utility Operating Fund	D	631.91	7,000.00
Due to Swimming Pool Utility Operating Fund	F		2,500.00
Reserve For Fire Prevention Penalties		385.00	385.00
		<u>771,677.19</u>	<u>1,541,706.61</u>
Reserve for Receivables and Other Assets	A	358,678.97	308,877.37
Fund Balance	A-1	1,432,185.04	1,144,401.10
		<u>2,562,541.20</u>	<u>2,994,985.08</u>
Total Regular Fund			
Federal and State Grant Fund:			
Appropriated Reserves	A-16	142,915.10	155,717.10
Unappropriated Reserves	A-15	14,341.54	7,198.01
		<u>157,256.64</u>	<u>162,915.11</u>
Total Federal and State Grant Fund			
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 2,719,797.84</u>	<u>\$ 3,157,900.19</u>

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

BOROUGH OF CHESTER
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE - REGULATORY BASIS

		Year Ended December 31,	
	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 385,000.00	\$ 435,000.00
Miscellaneous Revenue Anticipated		563,510.90	834,365.54
Receipts from:			
Delinquent Taxes		119,427.15	243,498.12
Current Taxes		10,382,021.54	10,219,902.05
Nonbudget Revenue		62,886.81	50,242.59
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		398,246.21	393,466.81
Prior Year Accounts Payable Cancelled			585.00
Prior Year Interfunds Returned		6.16	23,859.78
Total Income		<u>11,911,098.77</u>	<u>12,200,919.89</u>
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes		4,373,765.47	4,653,570.34
County Taxes		1,015,644.44	1,042,546.07
Local School District Taxes		3,719,297.00	3,714,473.00
Regional School District Taxes		2,069,943.00	1,859,922.00
Municipal Open Space Taxes		40,137.18	40,016.24
Interfunds Advanced		19,527.74	6.16
Close of Petty Cash and Change Fund Adjustment			283.81
Refund of Prior Year Revenue			81.65
Total Expenditures		<u>11,238,314.83</u>	<u>11,310,899.27</u>
Excess in Revenue		672,783.94	890,020.62
<u>Fund Balance</u>			
Balance January 1		<u>1,144,401.10</u>	<u>689,380.48</u>
		1,817,185.04	1,579,401.10
Decreased by:			
Utilized as Anticipated Revenue		<u>385,000.00</u>	<u>435,000.00</u>
Balance December 31	A	<u>\$ 1,432,185.04</u>	<u>\$ 1,144,401.10</u>

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

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>Budget</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 385,000.00	\$ 385,000.00	
Miscellaneous Revenue:			
Alcoholic Beverage Licenses	13,000.00	12,650.00	\$ 350.00 *
Other Licenses	7,000.00	945.00	6,055.00 *
Municipal Court - Fines and Costs	40,100.00	44,983.83	4,883.83
Interest and Costs on Taxes	68,000.00	13,127.57	54,872.43 *
Interest on Investments	10,000.00	46,483.07	36,483.07
Transient Merchant Vending Licenses	4,000.00	4,290.00	290.00
Board of Health Fees	20,000.00	24,993.00	4,993.00
Fire Prevention Fees	5,000.00	6,944.40	1,944.40
Payments in Lieu of Taxes - Robert Cole Apartments	27,400.00	20,885.55	6,514.45 *
Rental - School Board	77,000.00	71,824.46	5,175.54 *
Windy Acres Pad Rental	6,500.00	9,240.00	2,740.00
Antenna Rental	35,200.00	3,270.00	31,930.00 *
Energy Receipts Taxes	146,071.00	146,071.00	
Uniform Construction Code Fees	44,500.00	76,527.00	32,027.00
Mendham Borough Municipal Court	59,200.00	44,078.02	15,121.98 *
Recycling Tonnage Grant	7,198.00	7,198.00	
Sewer Operating Utility Utility Surplus Anticipated	30,000.00	30,000.00	
	<u>600,169.00</u>	<u>563,510.90</u>	<u>36,658.10 *</u>

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>Budget</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Receipts from Delinquent Taxes	\$ 120,000.00	\$ 119,427.15	\$ 572.85 *
Amount to be Raised by Taxes for Support of Municipal Budget:			
Local Tax for Municipal Purposes	3,558,081.99	3,822,356.91	264,274.92
Minimum Library Tax	129,643.01	129,643.01	
Total Amount to be Raised by Taxes for Support of Municipal Budget	3,687,725.00	3,951,999.92	264,274.92
Budget Totals	4,792,894.00	5,019,937.97	227,043.97
Nonbudget Revenue		62,886.81	62,886.81
	<u>\$ 4,792,894.00</u>	<u>\$ 5,082,824.78</u>	<u>\$ 289,930.78</u>

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes \$ 10,382,021.54

Allocated to:

Local School District Taxes	\$ 3,719,297.00
Regional School District Taxes	2,069,943.00
Municipal Open Space Taxes	40,137.18
County of Morris Taxes	<u>1,015,644.44</u>

6,845,021.62

Balance for Support of Municipal Budget

3,536,999.92

Add: Appropriation "Reserve for Uncollected Taxes"

415,000.00

Realized for Support of Municipal Budget

\$ 3,951,999.92

Interest on Investments:

Collected by Treasurer	\$ 38,548.93
Due from Animal Control Trust Fund	3.00
Due from General Capital Fund	<u>7,931.14</u>

Total Interest on Investments

\$ 46,483.07

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Analysis of Nonbudget Revenue:

Treasurer:

Recycling Fees	\$	604.00	
Insurance Reimbursement/Refunds		290.97	
Fees - Including Clerk Fees		15,340.15	
Zoning Permits		30.00	
Cable TV Franchise Fee		2,487.47	
Other Reimbursements		7,838.52	
Senior Citizen and Veteran Deductions Administrative Fee		210.00	
Escrow Application Fees		2,350.00	
Other Miscellaneous		<u>31,809.28</u>	
	\$		60,960.39

Tax Collector:

Duplicate Bills and Other Miscellaneous		656.56	
Due from Animal Control Fund - Statutory Excess in			
Reserve for Animal Control Fund Expenditures		1,004.86	
Due from Other Trust Fund - Other Miscellaneous		<u>265.00</u>	
	\$		<u><u>62,886.81</u></u>

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

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
General Administration:					
Salaries & Wages	\$ 43,000.00	\$ 43,000.00	\$ 42,951.17	\$ 48.83	
Other Expenses	20,700.00	20,700.00	18,739.95	1,960.05	
Mayor and Council:					
Salaries & Wages	32,000.00	32,000.00	32,000.00		
Other Expenses	13,000.00	12,880.00	8,960.16	3,919.84	
Municipal Clerk:					
Salaries & Wages	83,000.00	83,000.00	82,325.44	674.56	
Other Expenses	12,650.00	12,650.00	12,037.62	612.38	
Financial Administration:					
Salaries & Wages	116,400.00	116,400.00	92,238.13	24,161.87	
Other Expenses	12,100.00	12,100.00	11,405.61	694.39	
Annual Audit	22,000.00	22,000.00	2,600.00	19,400.00	
Collection of Taxes:					
Salaries & Wages	2,000.00	2,000.00	1,179.92	820.08	
Other Expenses	24,100.00	24,220.00	24,220.00		
Assessment of Taxes:					
Salaries & Wages	27,030.00	27,030.00	27,030.00		
Other Expenses	6,900.00	6,900.00	6,206.31	693.69	
Legal Services and Costs:					
Other Expenses - Fees	130,000.00	130,000.00	126,865.89	3,134.11	
Engineering Services and Costs:					
Other Expenses	28,000.00	28,000.00	2,157.50	25,842.50	
Municipal Court:					
Salaries & Wages	75,000.00	75,000.00	57,543.40	17,456.60	
Other Expenses	11,700.00	11,700.00	8,772.91	2,927.09	

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Operations Within "CAPS" (Continued):					
GENERAL GOVERNMENT (continued):					
Public Defender (P.L. 1997, Chapter 256):					
Other Expenses	\$ 2,000.00	\$ 2,000.00		\$ 2,000.00	
General Services:					
Other Expenses	35,000.00	35,000.00	\$ 35,000.00		
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Planning Board:					
Salaries & Wages	20,000.00	20,000.00	12,097.67	7,902.33	
Other Expenses	30,500.00	30,500.00	21,832.04	8,667.96	
Zoning Officer and Costs:					
Salaries & Wages	47,740.00	47,740.00	45,081.41	2,658.59	
Other Expenses	1,200.00	1,200.00	375.61	824.39	
Environmental Commission:					
Other Expenses	1,000.00	1,000.00	1,000.00		
Insurance (P.L. 2003, C.92):					
Liability Insurance	62,000.00	62,000.00	59,946.14	2,053.86	
Group Insurance for Employees	593,500.00	593,500.00	549,052.15	44,447.85	
Health Benefit Waivers	10,000.00	10,000.00		10,000.00	
PUBLIC SAFETY:					
Police:					
Other Expenses	870,000.00	870,000.00	859,415.69	10,584.31	
Police Dispatch/911	79,700.00	79,700.00	79,616.25	83.75	

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Operations Within "CAPS" (Continued):					
PUBLIC SAFETY:					
Emergency Management Services:					
Salaries & Wages	\$ 3,231.00	\$ 3,231.00	\$ 3,231.00		
Other Expenses	4,000.00	4,000.00		\$ 4,000.00	
Aid to Volunteer Fire Company:					
Other Expenses	45,305.00	45,305.00	45,305.00		
Aid to Volunteer Ambulance Companies:					
Other Expenses	22,000.00	22,000.00	21,930.00	70.00	
Fire Prevention:					
Other Expenses	450.00	450.00		450.00	
Municipal Prosecutor:					
Other Expenses	13,500.00	13,500.00	10,499.99	3,000.01	
PUBLIC WORKS:					
Road Repair and Maintenance:					
Salaries and Wages	265,000.00	265,000.00	264,998.38	1.62	
Other Expenses	113,000.00	113,000.00	101,690.48	11,309.52	
Traffic Light:					
Other Expenses	6,000.00	6,000.00	2,265.70	3,734.30	
Shade Tree Commission :					
Other Expenses	18,450.00	18,450.00	10,097.55	8,352.45	
Public Building and Grounds:					
Other Expenses	57,000.00	57,000.00	46,596.39	10,403.61	
Vehicle Maintenance:					
Other Expenses	16,000.00	16,000.00		16,000.00	
Community Services Act - Condo Costs:					
Kelly Bill - Chester Towne	400.00	400.00		400.00	

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Operations Within "CAPS" (Continued):					
HEALTH AND HUMAN SERVICES:					
Board of Health:					
Salaries & Wages	\$ 21,500.00	\$ 21,500.00	\$ 18,656.65	\$ 2,843.35	
Other Expenses	48,600.00	48,600.00	44,869.00	3,731.00	
Senior Citizen Transportation	18,000.00	18,000.00	8,596.92	9,403.08	
PARK AND RECREATION:					
Recreation Committee:					
Salaries & Wages	15,000.00	15,000.00	15,000.00		
Other Expenses	14,400.00	14,400.00	14,342.82	57.18	
OTHER COMMON OPERATING FUNCTIONS:					
Celebration of Public Events:					
Other Expenses	7,500.00	7,500.00	7,409.20	90.80	
UNCLASSIFIED:					
Utilities	105,500.00	105,500.00	63,523.30	41,976.70	
Fire Hydrant	41,000.00	41,000.00	35,105.01	5,894.99	
Salary Adjustment Account	10,000.00	10,000.00	10,000.00		
UNIFORM CONSTRUCTION CODE:					
State Uniform Construction Code:					
Construction Official:					
Salaries & Wages	40,000.00	40,000.00	38,423.88	1,576.12	
Other Expenses	10,700.00	10,700.00	9,802.00	898.00	
Total Operations Within "CAPS"	<u>3,308,756.00</u>	<u>3,308,756.00</u>	<u>2,992,994.24</u>	<u>315,761.76</u>	

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Total Operations including Contingent within "CAPS"	\$ 3,308,756.00	\$3,308,756.00	\$2,992,994.24	\$ 315,761.76	
Detail:					
Salaries & Wages	800,901.00	800,901.00	742,757.05	58,143.95	
Other Expenses	2,507,855.00	2,507,855.00	2,250,237.19	257,617.81	
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS":					
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	72,000.00	72,000.00	69,831.00	2,169.00	
Social Security System (O.A.S.I.)	60,000.00	60,000.00	60,000.00		
Defined Contribution Retirement Program	5,000.00	5,000.00	905.93	4,094.07	
Police and Firemen's Retirement System	151,800.00	151,800.00	147,297.00	4,503.00	
Unemployment Insurance	2,000.00	2,000.00		2,000.00	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	290,800.00	290,800.00	278,033.93	12,766.07	
Total General Appropriations for Municipal Purposes Within "CAPS"	3,599,556.00	3,599,556.00	3,271,028.17	328,527.83	
Operations Excluded from "CAPS":					
Aid to Library Proportionate Share (N.J.S.A. 40:54-35)	129,650.00	129,650.00	129,643.01	6.99	

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Operations Excluded from "CAPS" (Cont'd):					
Length of Service Awards Program	\$ 18,000.00	\$ 18,000.00	\$ 14,988.56	\$ 3,011.44	
Borough of Mendham - Contractual Agreement	59,200.00	59,200.00	46,304.86	12,895.14	
State and Federal Programs Offset by Revenues:					
Recycling Tonnage Grant	7,198.00	7,198.00	7,198.00		
Total Operations Excluded from "CAPS"	214,048.00	214,048.00	198,134.43	15,913.57	
Detail:					
Other Expenses	214,048.00	214,048.00	198,134.43	15,913.57	
Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	230,000.00	230,000.00	230,000.00		
Total Capital Improvements - Excluded from "CAPS"	230,000.00	230,000.00	230,000.00		
Municipal Debt Service - Excluded from "CAPS":					
Payment of Bond Principal	205,000.00	205,000.00	205,000.00		
Interest on Notes	6,840.00	6,840.00	6,840.00		
Interest on Bonds	108,260.00	108,260.00	104,139.90		\$ 4,120.10
Capital Lease Obligations	14,190.00	14,190.00	14,181.57		8.43
Total Municipal Debt Service - Excluded from "CAPS"	334,290.00	334,290.00	330,161.47		4,128.53

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Total General Appropriations - Excluded from "CAPS"	<u>\$ 778,338.00</u>	<u>\$ 778,338.00</u>	<u>\$ 758,295.90</u>	<u>\$ 15,913.57</u>	<u>\$ 4,128.53</u>
Subtotal General Appropriations	4,377,894.00	4,377,894.00	4,029,324.07	344,441.40	4,128.53
Reserve for Uncollected Taxes	<u>415,000.00</u>	<u>415,000.00</u>	<u>415,000.00</u>		
Total General Appropriations	<u><u>\$ 4,792,894.00</u></u>	<u><u>\$4,792,894.00</u></u>	<u><u>\$4,444,324.07</u></u>	<u><u>\$ 344,441.40</u></u>	<u><u>\$ 4,128.53</u></u>
<u>Ref.</u>				A	

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018
(Continued)

	<u>Ref.</u>	Analysis of:	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 4,792,894.00	
		<u>\$ 4,792,894.00</u>	
Reserve for Uncollected Taxes			\$ 415,000.00
Reserve for Encumbrances	A		141,798.90
Due to Federal and State Grant Fund			7,198.00
Cash Disbursed			<u>3,881,796.98</u>
			4,445,793.88
Less: Appropriation Refunds - Cash Received			<u>1,469.81</u>
			<u>\$ 4,444,324.07</u>

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

BOROUGH OF CHESTER
COUNTY OF MORRIS
2018
TRUST FUNDS

BOROUGH OF CHESTER
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2018</u>	<u>2017</u>
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	B-1	\$ 5,066.26	\$ 3,286.41
Due from State of New Jersey			2.40
		<u>5,066.26</u>	<u>3,288.81</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-1	1,600,032.06	1,496,055.62
Due from Current Fund	A	159,503.24	198,208.81
Due from Sewer Utility Fund	D		1,526.78
Accounts Receivable - Planning and Zoning Development Fees			686.34
		<u>1,759,535.30</u>	<u>1,696,477.55</u>
<u>TOTAL ASSETS</u>		<u>\$ 1,764,601.56</u>	<u>\$ 1,699,766.36</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Due to Current Fund	A	\$ 1,022.86	\$ 6.16
Reserve for Animal Control Expenditures	B-2	<u>4,043.40</u>	<u>3,282.65</u>
		<u>5,066.26</u>	<u>3,288.81</u>
Other Trust Funds:			
Due to General Capital Fund	C		3,215.00
Reserve for Developers' Escrow		196,319.05	157,181.53
Reserve for Open Space		397,633.44	359,073.74
Reserve for Planning and Zoning Development Fees		171,607.27	168,834.82
Reserve for Tax Sale Premiums		142,433.00	173,633.00
Reserve for Unemployment Compensation Insurance		16,268.15	18,247.67
Reserve for Accumulated Leave Compensation		14,600.95	23,031.26
Reserve for Parking Offenses Adjudication Act		474.00	474.00
Reserve for Recreation		93,251.53	81,025.73
Reserve for Larry Masey		2,300.99	2,262.92
Reserve for Housing Trust		692,774.73	678,556.75
Reserve for Public Defender		8,834.28	8,205.30
Reserve for Flexible Spending Account		51.83	50.98
Reserve for Storm Recovery		<u>22,986.08</u>	<u>22,684.85</u>
		<u>1,759,535.30</u>	<u>1,696,477.55</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 1,764,601.56</u>	<u>\$ 1,699,766.36</u>

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

BOROUGH OF CHESTER
COUNTY OF MORRIS
2018
GENERAL CAPITAL FUND

BOROUGH OF CHESTER
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>ASSETS</u>	<u>Ref.</u>	December 31,	
		<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	C-2	\$ 903,740.25	\$ 740,865.83
Due from State of New Jersey:			
Department of Transportation Grant Receivable		49,383.25	91,692.50
Due From Other Trust Funds	B		3,215.00
Deferred Charges to Future Taxation:			
Unfunded	C-4	570,000.00	570,000.00
Funded		3,435,000.00	3,640,000.00
<u>TOTAL ASSETS</u>		<u>\$ 4,958,123.50</u>	<u>\$ 5,045,773.33</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-7	\$ 570,000.00	\$ 570,000.00
Serial Bonds Payable	C-8	3,435,000.00	3,640,000.00
Improvement Authorizations:			
Funded	C-5	468,058.53	435,001.02
Unfunded	C-5	233,259.89	235,793.37
Due to Current Fund	A	7,931.14	
Due to Sewer Utility Operating Fund	D	100,000.00	
Capital Improvement Fund	C-6	131,376.67	152,976.67
Reserve for Green Acres Account		0.01	0.01
Fund Balance	C-1	12,497.26	12,002.26
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 4,958,123.50</u>	<u>\$ 5,045,773.33</u>

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

BOROUGH OF CHESTER
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>		
Balance December 31, 2017	C	\$	12,002.26
Increased by:			
Premium on Bond Anticipation Notes			<u>495.00</u>
Balance December 31, 2018	C	\$	<u><u>12,497.26</u></u>

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

BOROUGH OF CHESTER
COUNTY OF MORRIS
2018
SEWER UTILITY FUND

BOROUGH OF CHESTER
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	D-4	\$ 731,396.80	\$ 788,393.14
Due from Current Fund	A	631.91	7,000.00
Due from General Capital Fund	C	100,000.00	
Due from Sewer Utility Capital Fund	D		16,604.28
		<u>832,028.71</u>	<u>811,997.42</u>
Receivables with Full Reserve:			
Consumer Accounts Receivable:			
Sewer Rents	D-6	86,512.45	91,775.63
Significant User Fees	D-6	9,561.81	11,118.18
		<u>96,074.26</u>	<u>102,893.81</u>
Total Operating Fund		<u>928,102.97</u>	<u>914,891.23</u>
Capital Fund:			
Cash and Cash Equivalents	D-4	156,573.03	154,003.11
Due from Sewer Utility Operating Fund	D-5	10,825.80	
Fixed Capital	D-7	815,370.18	815,370.18
Fixed Capital Authorized and Uncompleted	D-8	2,095,865.97	2,095,865.97
Total Capital Fund		<u>3,078,634.98</u>	<u>3,065,239.26</u>
<u>TOTAL ASSETS</u>		<u>\$ 4,006,737.95</u>	<u>\$ 3,980,130.49</u>

BOROUGH OF CHESTER
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2018	2017
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Encumbered	D-3	\$ 36,570.96	\$ 6,297.88
Unencumbered	D-3;D-9	3,776.77	97,868.49
		40,347.73	104,166.37
Accounts Payable - Vendors		90,000.00	90,000.00
Sewer Rent Overpayments		3,881.92	426.65
Due to Other Trust Funds	B		1,526.78
Due to Sewer Utility Capital Fund	D	10,825.80	
Due to Solid Waste Utility Operating Fund	E	370.55	297.50
		145,426.00	196,417.30
Reserve for Receivables	D	96,074.26	102,893.81
Fund Balance	D-1	686,602.71	615,580.12
Total Operating Fund		928,102.97	914,891.23
Capital Fund:			
Improvement Authorizations:			
Funded	D-10	86,723.94	86,723.94
Due to Sewer Utility Operating Fund	D		16,604.28
Capital Improvement Fund	D-11	77,027.21	47,027.21
Deferred Reserve for Amortization	D-13	2,095,865.97	2,095,865.97
Reserve for Amortization	D-12	815,370.18	815,370.18
Reserve for Preliminary Expenses - Hydrogeological Study		2,985.68	2,985.68
Fund Balance	D-1A	662.00	662.00
Total Capital Fund		3,078,634.98	3,065,239.26
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>			
		\$ 4,006,737.95	\$ 3,980,130.49

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

BOROUGH OF CHESTER
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
REGULATORY BASIS

	Year Ended December 31,	
Ref.	2018	2017
<u>Revenue and Other Income Realized</u>		
Surplus Anticipated	\$ 40,300.00	\$ 53,820.00
Sewer User Fees	353,478.66	409,325.74
Significant User Fees	97,080.55	123,774.77
Miscellaneous Revenue Not Anticipated	19,270.51	51,574.63
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	96,492.87	85,173.05
Total Income	606,622.59	723,668.19
<u>Expenditures</u>		
Budget Expenditures:		
Operating	433,500.00	452,820.00
Capital Improvements	30,000.00	
Deferred Charges and Statutory Expenditures	1,800.00	16,000.00
Cancellation of Prior Year Reconciling Item		2,879.10
Total Expenditures	465,300.00	471,699.10
Excess in Revenue	141,322.59	251,969.09
<u>Fund Balance</u>		
Balance January 1	615,580.12	417,431.03
	756,902.71	669,400.12
Decreased by:		
Utilized as Anticipated Revenue	40,300.00	53,820.00
Utilized as Anticipated Revenue - Current Fund	30,000.00	
Balance December 31	D \$ 686,602.71	\$ 615,580.12

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

BOROUGH OF CHESTER
SEWER UTILITY CAPITAL FUND
STATEMENT OF SEWER CAPITAL FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2017	D	\$ <u>662.00</u>
Balance December 31, 2018	D	\$ <u><u>662.00</u></u>

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

BOROUGH OF CHESTER
SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	Anticipated	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 40,300.00	\$ 40,300.00	
Sewer User Fees	345,000.00	353,478.66	\$ 8,478.66
Significant User Fees	80,000.00	97,080.55	17,080.55
	465,300.00	490,859.21	25,559.21
Miscellaneous Revenue Not Anticipated		19,270.51	19,270.51
	<u>\$ 465,300.00</u>	<u>\$ 510,129.72</u>	<u>\$ 44,829.72</u>

Analysis of Sewer User Fees:

Cash Received	\$ 346,354.69
Overpayments Applied	658.36
Sewer Fees Collected in Current Fund	6,465.61
	<u>\$ 353,478.66</u>

Analysis of Miscellaneous Revenue Not Anticipated:

Treasurer:	
Interest on Investments	\$ 14,166.68
Interest on Penalties and Rents	2,533.91
	<u>\$ 16,700.59</u>
Due from Sewer Utility Capital Fund:	
Interest on Investments	2,569.92
	<u>\$ 19,270.51</u>

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

BOROUGH OF CHESTER
SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operating:					
Salaries and Wages	\$ 24,000.00	\$ 24,000.00	\$ 24,000.00		
Other Expenses	409,500.00	409,500.00	406,201.62	\$ 3,298.38	
Capital Improvements:					
Capital Improvement Fund	30,000.00	30,000.00	30,000.00		
Statutory Expenditures:					
Contribution to Social Security System (O.A.S.I.)	1,800.00	1,800.00	1,321.61	478.39	
	<u>\$ 465,300.00</u>	<u>\$ 465,300.00</u>	<u>\$ 461,523.23</u>	<u>\$ 3,776.77</u>	<u>\$ -0-</u>

Ref.

D

Analysis of Budget after Modification/Paid or Charged

Cash Disbursed		\$ 394,952.27
Encumbered	D	36,570.96
Due to Sewer Utility Capital Fund - Capital Improvement Fund		30,000.00
		<u>\$ 461,523.23</u>

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

BOROUGH OF CHESTER
COUNTY OF MORRIS
2018
SOLID WASTE UTILITY FUND

BOROUGH OF CHESTER
SOLID WASTE UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2018	2017
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	E-4	\$ 52,417.81	\$ 42,735.38
Due from Sewer Utility Operating Fund	D	370.55	297.50
		<u>52,788.36</u>	<u>43,032.88</u>
Receivable with Full Reserve:			
Consumer Accounts Receivable	E-5	7,978.18	13,381.61
Deferred Charges:			
Deficit in Operations			<u>818.45</u>
<u>TOTAL ASSETS</u>		<u>\$ 60,766.54</u>	<u>\$ 57,232.94</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Encumbered		\$ 9,873.54	\$ 8,031.71
Unencumbered	E-3;E-6	5,301.39	7,121.22
		<u>15,174.93</u>	<u>15,152.93</u>
Overpayments		5.09	603.36
Due to Current Fund	A	3,081.59	
		<u>18,261.61</u>	<u>15,756.29</u>
Reserve for Receivables	E	7,978.18	13,381.61
Fund Balance	E-1	34,526.75	28,095.04
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 60,766.54</u>	<u>\$ 57,232.94</u>

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

BOROUGH OF CHESTER
SOLID WASTE UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
REGULATORY BASIS

	Year Ended December 31,	
<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized		
Rents	\$ 141,782.93	\$ 135,574.62
Miscellaneous Revenue Not Anticipated	4,771.09	4,178.94
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	3,877.14	4,462.55
Total Income	150,431.16	144,216.11
<u>Expenditures</u>		
Budget Expenditures:		
Operating	142,681.00	143,750.00
Deferred Charges	818.45	
Statutory Expenditures	500.00	650.00
Cancellation of Prior Year Reconciling Item		634.56
Total Expenditures	143,999.45	145,034.56
Excess/(Deficit) in Revenue	6,431.71	(818.45)
Adjustment to Excess/(Deficit) in Revenue Before Fund Balance:		
Expenditures included above which are by Statute		
Deferred Charges to Budget of Succeeding Year:		
Deficit in Operations		818.45
Statutory Excess to Fund Balance	6,431.71	
<u>Fund Balance</u>		
Balance January 1	28,095.04	28,095.04
Balance December 31	E \$ 34,526.75	\$ 28,095.04

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

BOROUGH OF CHESTER
SOLID WASTE UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Rents	\$ 144,400.00	\$ 141,782.93	\$ 2,617.07 *
Miscellaneous Revenue Not Anticipated		4,771.09	4,771.09
	<u>\$ 144,400.00</u>	<u>\$ 146,554.02</u>	<u>\$ 2,154.02</u>

Analysis of Rents:

Cash Received	\$ 138,204.10
Overpayments	603.36
Due from Current Fund	2,091.94
Due from Sewer Utility Operating Fund	883.53
	<u>\$ 141,782.93</u>

Analysis of Miscellaneous Revenue Not Anticipated:

Treasurer:

Interest and Penalties on Rents	\$ 812.79
Bulky Waste Fees	3,289.99
Interest on Investments	668.31
	<u>\$ 4,771.09</u>

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

BOROUGH OF CHESTER
SOLID WASTE UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operating:					
Salaries and Wages	\$ 5,600.00	\$ 5,600.00	\$ 2,004.60	\$ 3,595.40	
Other Expenses	137,081.00	137,081.00	135,741.38	1,339.62	
Deferred Charges:					
Deficit in Operations	819.00	819.00	818.45		\$ 0.55
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	500.00	500.00	133.63	366.37	
	<u>\$ 144,000.00</u>	<u>\$ 144,000.00</u>	<u>\$ 138,698.06</u>	<u>\$ 5,301.39</u>	<u>\$ 0.55</u>
	<u>Ref.</u>			E	
		<u>Ref.</u>			
<u>Analysis of Paid or Charged:</u>					
Cash Disbursed			\$ 127,452.85		
Due to Current Fund			40.24		
Due to Sewer Utility Operating Fund			512.98		
Deferred Charges - Deficit in Operations			818.45		
Encumbrances		E	9,873.54		
			<u>\$ 138,698.06</u>		

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

BOROUGH OF CHESTER
COUNTY OF MORRIS
2018
SWIMMING POOL UTILITY FUND

BOROUGH OF CHESTER
SWIMMING POOL UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2018	2017
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	F-4	\$ 302,373.61	\$ 259,868.29
Change Fund			100.00
Due from Swimming Pool Utility Capital Fund	F	3,892.26	
Due from Current Fund	A		2,500.00
Total Operating Fund		306,265.87	262,468.29
Capital Fund:			
Cash and Cash Equivalents	F-4	235,287.92	231,395.66
Fixed Capital	F-7	2,651,077.81	2,651,077.81
Fixed Capital Authorized and Uncompleted	F-8	165,000.00	165,000.00
Total Capital Fund		3,051,365.73	3,047,473.47
<u>TOTAL ASSETS</u>		<u>\$ 3,357,631.60</u>	<u>\$ 3,309,941.76</u>

BOROUGH OF CHESTER
SWIMMING POOL UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Encumbered	F-3;F-9	\$ 2,730.95	\$ 3,200.00
Unencumbered	F-3;F-9	93,418.64	51,657.51
		<u>96,149.59</u>	<u>54,857.51</u>
Accrued Interest on Bonds			1,183.61
Due to Current Fund	A	3,651.92	
		<u>99,801.51</u>	<u>56,041.12</u>
Fund Balance	F-1	206,464.36	206,427.17
		<u>206,464.36</u>	<u>206,427.17</u>
Total Operating Fund		<u>306,265.87</u>	<u>262,468.29</u>
Capital Fund:			
Serial Bonds Payable	F-14		95,000.00
Improvement Authorizations:			
Funded	F-10	8,936.47	8,936.47
Due to Swimming Pool Utility Operating Fund	F	3,892.26	
Capital Improvement Fund	F-11	222,459.19	222,459.19
Deferred Reserve for Amortization	F-13	165,000.00	165,000.00
Reserve for Amortization	F-12	2,651,077.81	2,556,077.81
		<u>2,651,077.81</u>	<u>2,556,077.81</u>
Total Capital Fund		<u>3,051,365.73</u>	<u>3,047,473.47</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 3,357,631.60</u>	<u>\$ 3,309,941.76</u>

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

BOROUGH OF CHESTER
SWIMMING POOL UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
REGULATORY BASIS

	Year Ended December 31,	
Ref.	2018	2017
<u>Revenue and Other Income Realized</u>		
Fund Balance Anticipated	\$ 69,500.00	\$ 94,900.00
Swimming Pool Fees	339,024.18	360,675.00
Initiation Fee	39,870.00	47,525.00
Miscellaneous Revenue Not Anticipated	63,550.03	68,690.73
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	47,334.37	62,207.17
Total Income	559,278.58	633,997.90
<u>Expenditures</u>		
Budget Expenditures:		
Operating	378,500.00	411,800.00
Debt Service	95,241.39	98,091.40
Statutory Expenditures	16,000.00	16,000.00
Total Expenditures	489,741.39	525,891.40
Excess in Revenue	69,537.19	108,106.50
<u>Fund Balance</u>		
Balance January 1	206,427.17	223,220.67
	275,964.36	331,327.17
Decreased by:		
Utilized as Anticipated Revenue	69,500.00	94,900.00
Utilized as Anticipated Revenue - Current Fund		30,000.00
Balance December 31	F \$ 206,464.36	\$ 206,427.17

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

BOROUGH OF CHESTER
SWIMMING POOL UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 69,500.00	\$ 69,500.00	
Swimming Pool Fees	360,000.00	339,024.18	\$ 20,975.82 *
Initiation Fee	45,000.00	39,870.00	5,130.00 *
	<u>474,500.00</u>	<u>448,394.18</u>	<u>26,105.82 *</u>
Miscellaneous Revenue	16,500.00	63,550.03	63,550.03
	<u>\$ 491,000.00</u>	<u>\$ 511,944.21</u>	<u>\$ 37,444.21</u>

Analysis of Miscellaneous Revenue:

Treasurer:

Swim Team/Lessons	\$ 18,248.00
Party Fees	2,910.00
Guest Fees	22,445.46
Concession Stand Fee	1,500.00
Chester Township Camp	2,400.00
Other Miscellaneous	1,006.00
Interest on Investments	8,148.31
	<u>56,657.77</u>

Due from Current Fund:

Concession Stand Fee	3,000.00
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Due from Swimming Pool Utility Capital Fund:

Interest on Investments	3,892.26
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\$ 63,550.03

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

BOROUGH OF CHESTER
SWIMMING POOL UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operating:					
Salaries and Wages	\$ 202,800.00	\$ 202,800.00	\$ 188,834.05	\$ 13,965.95	
Other Expenses	175,700.00	175,700.00	96,598.18	79,101.82	
Debt Service:					
Payment of Bond Principal	95,000.00	95,000.00	95,000.00		
Interest on Bonds	1,500.00	1,500.00	241.39		\$ 1,258.61
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	16,000.00	16,000.00	15,649.13	350.87	
	<u>\$ 491,000.00</u>	<u>\$ 491,000.00</u>	<u>\$ 396,322.75</u>	<u>\$ 93,418.64</u>	<u>\$ 1,258.61</u>

Ref.

F

Analysis of Paid or Charged

Cash Disbursed		\$ 386,698.49
Encumbered	F	2,730.95
Due to Current Fund		6,651.92
Accrued Interest on Bonds		241.39
		<u>\$ 396,322.75</u>

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

BOROUGH OF CHESTER
COUNTY OF MORRIS
2018
GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF CHESTER
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,	
	2018	2017
<u>ASSETS</u>		
Land	\$ 13,131,760.00	\$ 13,131,760.00
Buildings	6,387,961.00	6,387,961.00
Machinery, Equipment and Vehicles	1,172,238.00	1,013,424.00
<u>TOTAL ASSETS</u>	<u>\$ 20,691,959.00</u>	<u>\$ 20,533,145.00</u>
 <u>RESERVES</u>		
Investment in General Fixed Assets	\$ 20,691,959.00	\$ 20,533,145.00
<u>TOTAL RESERVES</u>	<u>\$ 20,691,959.00</u>	<u>\$ 20,533,145.00</u>

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

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Chester include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Chester, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Borough of Chester do not include the operations of the municipal library, or volunteer fire and first aid squads.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

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

Current Fund - Resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

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

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

B. Description of Funds (Cont'd)

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

Sewer Utility Operating and Capital Funds - Account for the operations and acquisition of capital facilities of the municipally owned sewer utility.

Solid Waste Utility Operating Fund - Account for the operations of the municipally owned solid waste utility.

Swimming Pool Utility Operating and Capital Funds - Account for the operations and acquisition of capital facilities of the municipally owned swimming pool utility.

General Fixed Assets Account Group - These accounts were established with estimated values of land, building and certain fixed assets of the Borough as discussed in Note 1E.

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The more significant policies in New Jersey follow.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey. Grant revenue is realized in the Operating and Trust Funds on the cash basis, and in the capital funds when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality which are susceptible of accrual are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Had the Borough's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; federal and state grants and assistance would be recognized when earned, not when budgeted; inventories would not be reflected as expenditures at the time of purchase, investments would generally be stated at fair value, fixed assets purchased by the Utility Capital Funds would be depreciated and the Borough's net OPEB liability and net pension liability and related deferred inflows and outflows, where applicable, would be recorded.

The cash basis of accounting is followed in the Trust and Capital Funds.

D. Deferred Charges to Future Taxation

The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means the debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, or collecting a grant. The unfunded deferred charge may also be funded by selling bonds, by loans or by capital lease purchase agreements.

E. Other Significant Accounting Policies Include:

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments are stated at cost.

Grants Receivable – Grants receivable represent total grant awarded less amounts collected to date. Because the amount of grant funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amounts awarded.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
 (Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

E. Other Significant Accounting Policies Include: (Cont'd)

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences - Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

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

Inventories of Supplies - The cost of inventories of supplies is recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets.

General Fixed Assets Account Group - General fixed assets are recorded at historical cost or estimated historical cost. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided on general fixed assets.

The total value recorded for general fixed assets is offset by an "Investment in General Fixed Assets." When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly.

Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund, General Capital Fund, Sewer Utility Fund and Swimming Pool Utility Fund. The values recorded in the General Fixed Assets Account Group and the Current, General Capital, Sewer Utility and Swimming Pool Utility Funds may not always agree due to differences in valuation methods, timing of recognition of assets, and the recognition of infrastructures. Fixed assets are reviewed for impairment.

Property and equipment purchased by the Sewer Utility and Swimming Pool Utility Funds, are recorded in the capital accounts at cost and are not adjusted for dispositions and abandonments. The amounts shown do not purport to represent replacement costs or current value. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Funds represent charges to operations for the cost of acquisition of property, equipment and improvements. The utilities do not record depreciation on fixed assets.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

F. Budget/Budgetary Controls

Annual appropriated budgets are prepared in the 1st quarter for the Current, Open Space, and Utility Operating Funds. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Borough during the year.

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bonds to finance general Borough capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds. The Borough's full faith and credit and taxing power have been pledged to the payment of the general obligation debt principal and interest.

Summary of Municipal Debt

	December 31,		
	2018	2017	2016
<u>Issued</u>			
General - Bonds and Notes	\$ 4,005,000.00	\$ 4,210,000.00	\$ 4,410,000.00
Swimming Pool Utility - Bonds and Notes		95,000.00	190,000.00
Total Issued	4,005,000.00	4,305,000.00	4,600,000.00
Net Bonds, Notes and Loans Issued and Authorized but not Issued	\$ 4,005,000.00	\$ 4,305,000.00	\$ 4,600,000.00

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.024%.

	Gross Debt	Deductions	Net Debt
School Debt	\$ 27,001,988.00	\$ 27,001,988.00	
General Debt	4,005,000.00		\$ 4,005,000.00
	<u>\$ 31,006,988.00</u>	<u>\$ 27,001,988.00</u>	<u>\$ 4,005,000.00</u>

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

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

Summary of Statutory Debt Condition – Annual Debt Statement (Cont'd)

Net Debt \$4,005,000.00 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$390,991,834.33 = 1.024%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 13,684,714.20
Net Debt	<u>4,005,000.00</u>
Remaining Borrowing Power	<u><u>\$ 9,679,714.20</u></u>

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

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 511,944.21
Deductions:	
Operating and Maintenance Costs	\$ 394,500.00
Debt Service	<u>95,241.39</u>
	<u>489,741.39</u>
Excess in Revenue	<u><u>\$ 22,202.82</u></u>

Footnote: If there is an "excess in revenue", all such utility debt is deductible. If there is a "deficit", then utility debt is not deductible to the extent of 20 times such deficit amount.

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

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

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

Summary of Municipal Debt Issued and Outstanding - Prior Year

Fund	Balance 12/31/16	Additions	Retirements	Balance 12/31/17
Serial Bonds:				
General Capital	\$ 3,840,000.00		\$ 200,000.00	\$ 3,640,000.00
Swimming Pool Utility Capital	190,000.00		95,000.00	95,000.00
Bond Anticipation Notes:				
General Capital	570,000.00	\$ 570,000.00	570,000.00	570,000.00
	<u>\$ 4,600,000.00</u>	<u>\$ 570,000.00</u>	<u>\$ 865,000.00</u>	<u>\$ 4,305,000.00</u>

Summary of Municipal Debt Issued and Outstanding - Current Year

Fund	Balance 12/31/17	Additions	Retirements	Balance 12/31/18
Serial Bonds:				
General Capital	\$ 3,640,000.00		\$ 205,000.00	\$ 3,435,000.00
Swimming Pool Utility Capital	95,000.00		95,000.00	
Bond Anticipation Notes:				
General Capital	570,000.00	\$ 570,000.00	570,000.00	570,000.00
	<u>\$ 4,305,000.00</u>	<u>\$ 570,000.00</u>	<u>\$ 870,000.00</u>	<u>\$ 4,005,000.00</u>

The Borough's debt issued and outstanding on December 31, 2018, is described as follows:

General Capital Serial Bonds

<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
General Improvement Bonds	02/01/32	3.00-3.25%	<u>\$ 3,435,000.00</u>

General Capital Bond Anticipation Notes

<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
Improvements to Various Roads	10/18/19	3.25%	<u>\$ 570,000.00</u>
Total Debt Issued and Outstanding			<u>\$ 4,005,000.00</u>

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

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

Schedule of Annual Debt Service for Principal and Interest for the Next Five Years and Thereafter for Bonds Issued and Outstanding

Calendar Year	General Capital		Total
	Principal	Interest	
2019	\$ 210,000.00	\$ 102,031.26	\$ 312,031.26
2020	210,000.00	95,731.26	305,731.26
2021	215,000.00	89,356.26	304,356.26
2022	220,000.00	82,831.26	302,831.26
2023	225,000.00	76,156.26	301,156.26
2024-2028	1,230,000.00	273,456.30	1,503,456.30
2029-2032	1,125,000.00	73,821.89	1,198,821.89
	<u>\$3,435,000.00</u>	<u>\$ 793,384.49</u>	<u>\$ 4,228,384.49</u>

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$1,554,590 at June 30, 2018. See Note 5 for further information on the PERS.

Net OPEB Liability

The Borough's Net OPEB liability related to the State Health Benefit Local Government Retired Employees Plan at June 30, 2017 was calculated to be \$5,448,566. See Note 16 for further information on these net OPEB liabilities.

Note 3: Fund Balances Appropriated

The amount of fund balances at December 31, 2018 which are appropriated in the adopted budget for the year ending December 31, 2019 are as follows:

Current Fund	\$ 406,000.00
Sewer Utility Operating Fund	40,300.00
Solid Waste Utility Operating Fund	7,100.00
Swimming Pool Utility Operating Fund	50,000.00

Note 4: Local School District Taxes and Regional High School Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

The Borough of Chester has not elected to defer school taxes.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 5: Pension Plans

Borough employees participate in a contributory, defined benefit public employee retirement system: the State of New Jersey Public Employee's Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

The table on the following page represents the membership tiers for PERS:

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

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 5: Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$69,831.00 for 2018.

The employee contribution rate was 7.34% effective July 1, 2017 and increased to 7.50% effective July 1, 2018. Subsequent increases after October 1, 2011 were being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2018, the Borough's liability was \$1,554,590 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the Borough's proportion was 0.00789%, which was an increase of 0.0004% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Borough recognized actual pension expense in the amount of \$69,831.00.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
 (Continued)

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions

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

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

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

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

Long Term Expected Rate of Return

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

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Management Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 5: Pension Plans (Cont'd)

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

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

The following presents the Borough's proportionate share of the collective net pension liability as of June 30, 2018 calculated using the discount rate as disclosed below, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	At 1% Decrease (4.66%)	At Current Discount Rate (5.66%)	At 1% Increase (6.66%)
Borough's proportionate share of the Net Pension Liability	\$ 1,954,718	\$ 1,554,590	\$ 1,218,909

Pension Plan Fiduciary Net Position

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

B. Police and Firemen's Retirement System (PFRS)

Plan Description

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

Pension Expense

The Borough has a shared services agreement with the Township of Chester whereby the Township provides policing services effective January 1, 2018. The Borough's net pension liability was transferred to the Township of Chester as of June 30, 2018.

The Borough's contribution to the PFRS for 2018 of \$147,297.00 was calculated based on the Borough's pensionable base salary for the fiscal year ended June 30, 2016.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 5: Pension Plans (Cont'd)

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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 of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Borough recognized pension expense of \$2,885.12 for the year ended December 31, 2018. Employee contributions to DCRP amounted to \$5,126.53 for the year ended December 31, 2018.

Note 6: Accrued Vacation and Compensatory Time Benefits

The Borough of Chester has permitted employees to accrue unused vacation and compensatory time, which is paid to employees in the beginning of the following year. It is estimated that the current cost of such unpaid compensation at December 31, 2018 would approximate \$57,182.41. This amount is not reported either as an expenditure or liability. It is expected that the cost of such unpaid compensation would be included in the Borough of Chester's budget operating expenditures in the year in which it is used. This amount is partially reserved in the Reserve for Accumulated Leave Compensation of \$14,600.95 on the Trust Funds balance sheet at December 31, 2018.

Note 7: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 7th along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after April 1 and through December 31.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 7: Selected Tax Information (Cont'd)

Comparative Schedule of Tax Rate Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate</u>	\$ 2.626	\$ 2.587	\$ 2.611
<u>Apportionment of Tax Rate</u>			
Municipal (includes Open Space)	0.927	0.931	0.842
County	0.255	0.262	0.334
Local School	0.928	0.929	0.951
Regional High School	0.516	0.465	0.484
<u>Assessed Valuations</u>			
2018	<u>\$ 401,160,100.00</u>		
2017		<u>\$ 400,091,700.00</u>	
2016			<u>\$ 396,148,900.00</u>

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	\$ 10,540,021.48	\$ 10,382,021.54	98.50%
2017	10,352,202.50	10,219,902.05	98.72%
2016	10,356,330.29	10,199,378.13	98.48%

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 8: Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost. The Borough classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Borough in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 8: Cash and Cash Equivalents and Investments (Cont'd)

Interest Rate Risk – In accordance with its cash management plan, the Borough ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Borough limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed below and on the following page.

Custodial Credit Risk – The Borough's policy with respect to custodial credit risk requires that the Borough ensures that the Borough's funds are only deposited in financial institutions in which New Jersey municipalities are permitted to invest their funds.

Deposits:

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

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 8: Cash and Cash Equivalents and Investments (Cont'd)

Investments: (Cont'd)

- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281(C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

Investments: (Cont'd)

As of December 31, 2018, cash and cash equivalents of the Borough of Chester consisted of the following:

Fund	Cash on Hand	Checking Accounts	Total
Current Fund	\$ 100.00	\$ 2,203,702.22	\$ 2,203,802.22
Animal Control Fund		5,066.26	5,066.26
Other Trust Funds		1,600,032.06	1,600,032.06
General Capital Fund		903,740.25	903,740.25
Sewer Utility Operating Fund		731,396.80	731,396.80
Sewer Utility Capital Fund		156,573.03	156,573.03
Solid Waste Utility Fund		52,417.81	52,417.81
Swimming Pool Utility Operating Fund		302,373.61	302,373.61
Swimming Pool Utility Capital Fund		235,287.92	235,287.92
	<u>\$ 100.00</u>	<u>\$ 6,190,589.96</u>	<u>\$ 6,190,689.96</u>

During the period ended December 31, 2018, the Borough did not hold any investments. The carrying amount of the Borough's cash and cash equivalents at December 31, 2018, was \$6,190,689.96, and the bank balance was \$5,919,050.90.

Note 9: Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Health benefits are provided to employees through the State of New Jersey Health Benefits Plan.

The Borough of Chester is a member of the Morris County Municipal Joint Insurance Fund (the "Fund"). This Fund is both an insured and self-administered group of municipalities established for the purpose of providing certain low-cost insurance coverage for member municipalities in order to keep local property taxes at a minimum.

The following coverages are offered by this fund to its members:

- a.) Workers' Compensation and Employers' Liability
- b.) Liability Other Than Motor Vehicles
- c.) Property Damage Other Than Motor Vehicles
- d.) Motor Vehicle
- e.) Environmental

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 9: Risk Management (Cont'd)

As a member of this Fund, the Borough could be subject to supplemental assessments in the event of deficiencies. If the assets of the Funds were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

This Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

Selected financial information of this Fund as of December 31, 2018 is as follows:

	<u>Morris County Municipal Joint Insurance Fund</u>
Total Assets	<u>\$ 33,810,987</u>
Net Position	<u>\$ 13,583,877</u>
Total Revenue	<u>\$ 19,078,609</u>
Total Expenses	<u>\$ 20,655,181</u>
Change in Net Position	<u>\$ (1,576,572)</u>
Member Dividends	<u>\$ -0-</u>

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

PERMA Risk Management Services
9 Campus Drive, Suite 216
Parsippany, NJ 07054
(201) 881-7632

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 9: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

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

The following is a summary of Borough and employee contributions, interest earned and reimbursements to the State for benefits paid and the ending balance of the Borough's expendable trust fund for the current and previous two years:

<u>Year</u>	<u>Employer Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018		\$ 284.15		\$ 2,263.67	\$ 16,268.15
2017	\$ 4,000.00	103.91	\$ 1,494.60	139.50	18,247.67
2016		40.24		13,313.15	12,788.66

Note 10: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 15,687.51	\$ 216,588.49
Federal and State Grant Fund	56,453.34	
Animal Control Fund		1,022.86
Other Trust Funds	159,503.24	
General Capital Fund		107,931.14
Sewer Utility Operating Fund	100,631.91	11,196.35
Sewer Utility Capital Fund	10,825.80	
Solid Waste Utility Operating Fund	370.55	3,081.59
Swimming Pool Utility Operating Fund	3,892.26	3,651.92
Swimming Pool Utility Capital Fund		3,892.26
	<u>\$ 347,364.61</u>	<u>\$ 347,364.61</u>

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 10: Interfund Receivables and Payables (Cont'd)

The interfund between the Current Fund and the Federal and State Grant Fund is the net of the prior year interfund as well as current year unappropriated grant and grants receivable collections less appropriated grant expenditures in the Current Fund. The interfund between the Animal Control Fund and the Current Fund is primarily due to current year interest earnings and the statutory excess in the Reserve for Animal Control Fund Expenditures. The interfund between the Swimming Pool Utility Operating Fund and the Current Fund is for concession stand fees collected by the Current Fund net of Swimming Pool Utility Operating Fund budget expenditures disbursed by the Current Fund. The interfund between the Solid Waste Utility Operating Fund and the Sewer Utility Operating Fund is the net of Solid Waste receipts that were deposited in the Sewer Utility Operating Fund and budget expenditures paid by the Sewer Utility Operating Fund for the Solid Waste Utility Operating Fund. The interfund between the Sewer Utility Operating Fund and the Sewer Utility Capital Fund is mainly for prior year activity and current year interest due to Sewer Utility Operating Fund less the budgeted Capital Improvement Fund appropriation due to the Sewer Utility Capital Fund. The interfund between the Sewer Utility Operating Fund and the Current Fund is for the net of tax collections due from the Sewer Utility Operating Fund offset by sewer rents that were deposited in the Current Fund. The interfund between the General Capital Fund and the Sewer Utility Operating Fund is for cash advanced to the General Capital Fund. The interfund between the Current Fund and the Other Trust Funds is due primarily to the prior year interfund not fully settled as well as refunds of tax sale premiums and Reserve for Accumulated Leave Compensation expenses paid by the Current Fund offset by Developers Escrow receipts collected in the Current Fund.

Note 11: Contingent Liabilities

The Borough is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury, various contract disputes and tax appeals. The Borough vigorously contests these lawsuits and believes the ultimate resolution will not have a material adverse effect on their financial position.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Borough as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Borough officials expect such amounts, if any, to be immaterial.

Note 12: Deferred Compensation Plans

The Borough of Chester offers its employees a deferred compensation plan (the "Plan") created in accordance with Section 457 of the Internal Revenue Code. The Plan, which is administered by Lincoln Financial Group, is available to all Borough of Chester employees and permits participants to defer a portion of their salary. The deferred compensation is not available until termination, retirement, unforeseeable emergency, or upon death to their beneficiaries.

Note 13: Open Space Tax

The Borough of Chester created an Open Space Trust Fund which allows the Borough to collect a tax of up to \$.02 per \$100 of assessed valuation. The funds collected are used to acquire and maintain open space property in the Borough. The Open Space tax levy for 2018 was \$.01. As of December 31, 2018, the balance in the Open Space Trust Fund was \$397,633.44.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 14: Tax Abatements

The Governmental Accounting Standards Board requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

As of December 31, 2018, the Borough provides a tax abatement to a nonprofit housing corporation for its senior citizen housing development in the Borough pursuant to the authority contained in Section 5 of the Senior Citizens Nonprofit Rental Housing Tax Law (N.J.S.A. 55:14I-5) (the "Law") and a resolution of the governing body and an agreement in 1988. In consideration of the full abatement of taxes, the nonprofit housing corporation is required to pay to the Borough an annual service charge. The annual service charge made by the nonprofit corporation will be equal to 15% of the annual gross shelter rents derived from such housing project as detailed in the tax abatement agreement. The tax abatement provided under the agreement shall be terminated when the nonprofit corporation or its successors and the development cease to remain subject to the provisions of the Law or a period of not more than 50 years from the effective date of the tax exemption, whichever event occurs first.

The Borough recognized revenue in the amount of \$20,885.55 from this annual service charge or payment in lieu of taxes which is recorded as anticipated in the Current Fund. The taxes which would have been paid on this property for 2018 without the abatement would have been \$70,153.59 of which \$24,764.81 would have been for the local municipal tax, minimum library tax and municipal open space tax.

Note 15: Fixed Assets

The following is a summarization of the activity of the Borough's fixed assets for the year ended December 31, 2018:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Land	\$ 13,131,760.00			\$ 13,131,760.00
Buildings	6,387,961.00			6,387,961.00
Machinery, Equipment and Vehicles	1,013,424.00	\$ 178,801.00	\$ 19,987.00	1,172,238.00
	<u>\$ 20,533,145.00</u>	<u>\$ 178,801.00</u>	<u>\$ 19,987.00</u>	<u>\$ 20,691,959.00</u>

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 16: Postemployment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees

General Information about the OPEB Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost sharing multiple employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Benefits Provided

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

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

The Borough provides other post-retirement benefits to certain Borough employees after retirement, substantially similar in nature to the health benefits provided to employees presently working. The coverage applies to the employees and dependents. In the event of an employee's death, coverage ceases. In order to be eligible for this benefit, the employee must have a minimum of twenty (20) years of full-time service with the Borough.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

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

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

Actuarial Assumptions and Other Inputs

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

Inflation Rate	2.50%
Salary Increases*:	
Through 2026	1.65% - 8.98%
Thereafter	2.65% to 9.98%

* - Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

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

Certain actuarial assumptions used in the June 30, 2016 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 – June 30, 2014, respectively.

Health Care Trend Assumptions

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

Discount Rate

The discount rate for June 30, 2017 was 3.58%. The discount rate for June 30, 2016 was 2.85%. This represents the municipal bond rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

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

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

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

The following presents the net OPEB Liability of the Borough as of June 30, 2017, calculated using the discount rate as disclosed in this note, as well as what the net OPEB Liability of the Borough would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
Net OPEB Liability Attributable to the Borough	\$ 6,426,746	\$ 5,448,566	\$ 4,672,397

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

The following presents the net OPEB Liability of the Borough as of June 30, 2017, calculated using the healthcare trend rate as disclosed in this note, as well as what the net OPEB Liability of the Borough would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability Attributable to the Borough	\$ 4,527,917	\$ 5,448,566	\$ 6,647,357

SUPPLEMENTARY DATA

BOROUGH OF CHESTER
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2018

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Surety</u>
Janet Hoven	Mayor		
Gary Marshuetz	Council President		
Karen Ferrone	Councilwoman		
Russell Goodwin	Councilman		
Elizabeth Gugliemini	Councilwoman		
Kyle Holman	Councilman		
Timothy Iversen	Councilman		
Marvin Joss	Administrator	(A)	
Denean Probasco	Borough Clerk	(A)	
Helene Turner	Chief Financial Officer/Treasurer (To 4/2/2018)	\$1,000,000	Municipal Excess Liability JIF
Jason Gabloff	Chief Financial Officer/Treasurer (From 4/18/2018)	\$1,000,000	Municipal Excess Liability JIF
John Marcione	Tax Assessor	(A)	
Antoinette Theesfeld	Tax Collector/Utility Collector	(B)	
Brian Levine	Magistrate	(A)	
Lisa Conover	Court Administrator (To 11/12/2018)	(A)	
Amanda Elsayed	Court Administrator (From 11/19/2018)	(A)	
James Lasala	Borough Prosecutor		
Brian W. Mason	Attorney		
Paul Ferriero	Engineer		

(A) - All employees, who are not specifically bonded, are covered under a \$50,000 Faithful Performance Blanket Bond with the Morris County Municipal Joint Insurance Fund and a \$950,000 Faithful Performance Blanket Bond with the Municipal Excess Liability Joint Insurance Fund.

(B) - Surety bond coverage through the Township of Chester shared services agreement.

BOROUGH OF CHESTER
COUNTY OF MORRIS
2018
CURRENT FUND

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2017	A	\$ 2,686,007.71
Increased by Receipts:		
Tax Collector	\$ 9,856,434.28	
Revenue Accounts Receivable	535,251.19	
Due to/from State of New Jersey:		
Department of Community Affairs Training Fees	4,450.00	
Veterans and Senior Citizens' Deductions	10,500.00	
Marriage License Fees	175.00	
Miscellaneous Revenue Not Anticipated	60,960.39	
Appropriation Refunds	1,469.81	
Appropriation Reserve Refunds	692.54	
Due to Federal and State Grant Fund:		
Grants Receivable	36,482.77	
Unappropriated Reserves	14,341.53	
Due from Animal Control Fund:		
Settlement of Prior Year Interfund	6.16	
Due to/from Other Trust Funds:		
Partial Settlement of Prior Year Interfund	1,501.55	
Reserve for Developer's Escrow Receipts	5,500.00	
Due to Sewer Utility Operating Fund:		
Sewer User Fees	6,465.61	
Due to Solid Waste Utility Operating Fund:		
Solid Waste Rents	2,091.94	
Due to Swimming Pool Utility Operating Fund:		
Concession Stand Fees	3,000.00	
	<hr/>	<hr/>
		10,539,322.77
		13,225,330.48

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF CASH - TREASURER

Ref.

Decreased by Disbursements:

2018 Appropriation Expenditures	\$ 3,881,796.98
2017 Appropriation Reserves	199,859.88
Accounts Payable	2,462.68
Tax Overpayments	4,306.59
Local School Taxes	3,719,297.00
Regional School Taxes	2,069,943.00
County Taxes	1,015,644.44
Due to State of New Jersey:	
Department of Community Affairs Training Fees	2,516.00
Marriage License Fees	175.00
Due from Payroll Account	3,840.23
Due from Federal and State Grant Fund -	
Appropriated Reserves	20,000.00
Due from Animal Control Trust Fund:	
Reserve for Animal Control Fund Expenditures	15.00
Due to/from Other Trust Funds:	
Reserve for Tax Sale Premiums Refunds	31,200.00
Reserve for Open Space Levy	40,116.01
Prior Year Interfund Returned	7.07
Reserve for Storm Recovery Expenditures	5,000.00
Reserve for Recreation Expenditures	825.00
Reserve for Accumulated Leave Compensation	
Expenditures	8,431.22
Due to Sewer Utility Operating Fund:	
Interfund Returned - Prior Year	7,000.00
Due from Solid Waste Utility Operating Fund:	
2018 Budget Expenditures	40.24
Due to/from Swimming Pool Utility Operating Fund:	
Prior Year Interfund Returned	2,500.00
2018 Budget Expenditures	6,651.92

\$ 11,021,628.26

Balance December 31, 2018

A

\$ 2,203,702.22

BOROUGH OF CHESTER
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2018

Increased by Receipts:

Taxes Receivable	\$ 9,781,722.71	
Prepaid Taxes	54,739.20	
Interest & Costs on Taxes	13,127.57	
Tax Overpayments	6,188.24	
Tax Miscellaneous Revenue	<u>656.56</u>	
		<u>\$ 9,856,434.28</u>

Increased by Disbursements:

Paid to Treasurer		<u><u>\$ 9,856,434.28</u></u>
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BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2017	2018 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Overpayments Applied	Cancelled	Balance Dec. 31, 2018
			2017	2018				
2017	\$ 123,238.91			\$ 119,427.15			\$ 3,811.76	
2018		\$ 10,540,021.48	\$ 688,678.60	9,673,262.55	\$ 10,750.00	\$ 9,330.39	2,478.49	\$ 155,521.45
	<u>\$ 123,238.91</u>	<u>\$ 10,540,021.48</u>	<u>\$ 688,678.60</u>	<u>\$ 9,792,689.70</u>	<u>\$ 10,750.00</u>	<u>\$ 9,330.39</u>	<u>\$ 6,290.25</u>	<u>\$ 155,521.45</u>
Ref.	A							A

\$ 9,781,722.71 Received in Current Fund
5,833.70 Received in Sewer Utility Operating Fund
5,133.29 Received in Solid Waste Utility Operating Fund
\$ 9,792,689.70

Analysis of 2018 Property Tax Levy

Tax Yield:

General Purpose Tax	\$10,534,464.21
Added and Omitted Taxes (54:4-63.1 et. seq.)	5,557.27
	<u>\$10,540,021.48</u>

Tax Levy:

Local School District Taxes	\$ 3,719,297.00
Regional School District Taxes	2,069,943.00
County Taxes	\$ 1,015,106.92
Due County for Added and Omitted Taxes	<u>537.52</u>
	1,015,644.44
Municipal Open Space Taxes	40,116.01
Due Open Space for Added and Omitted Taxes	<u>21.17</u>
	40,137.18
	<u>6,845,021.62</u>
Local Tax for Municipal Purposes Levied	3,558,081.99
Minimum Library Tax	129,643.01
Additional Taxes Levied	<u>7,274.86</u>
	3,694,999.86
	<u>\$10,540,021.48</u>

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Accrued In</u> <u>2018</u>	<u>Received In</u> <u>2018</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
Alcoholic Beverage Licenses		\$ 12,650.00	\$ 12,650.00	
Other Licenses		945.00	945.00	
Municipal Court:				
Fines and Costs	\$ 4,432.30	42,981.31	44,983.83	\$ 2,429.78
Interest on Investments		38,548.93	38,548.93	
Transient Merchants Vending Licenses		4,290.00	4,290.00	
Board of Health Fees:				
Fees and Permits		24,993.00	24,993.00	
Fire Prevention Fees		6,944.40	6,944.40	
Energy Receipts Taxes		146,071.00	146,071.00	
Uniform Construction Code Fees		76,527.00	76,527.00	
Payments in Lieu of Taxes - Robert Cole Apartments		20,885.55	20,885.55	
Shared Service Agreement - Mendham Borough Municipal Court		44,078.02	44,078.02	
Sewer Utility Operating Fund Surplus Anticipated		30,000.00	30,000.00	
Windy Acres Rental Pad Fee		9,240.00	9,240.00	
Antenna Rental		3,270.00	3,270.00	
Rental - School Board		71,824.46	71,824.46	
	<u>\$ 4,432.30</u>	<u>\$ 533,248.67</u>	<u>\$ 535,251.19</u>	<u>\$ 2,429.78</u>

Ref.

A

A

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF 2017 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2018

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
GENERAL GOVERNMENT:				
General Administration:				
Salaries & Wages	\$ 4,408.38	\$ 4,408.38		\$ 4,408.38
Other Expenses	2,296.96	2,296.96	\$ 1,441.72	855.24
Mayor and Council:				
Salaries & Wages	163.00	163.00		163.00
Other Expenses	12,816.00	12,816.00		12,816.00
Municipal Clerk:				
Salaries & Wages	500.03	500.03		500.03
Other Expenses	5,973.34	5,973.34	346.36	5,626.98
Financial Administration:				
Salaries & Wages	8,131.78	8,131.78	3,058.66	5,073.12
Other Expenses	6,931.90	6,931.90	747.72	6,184.18
Annual Audit	21,050.00	21,050.00	17,200.00	3,850.00
Collection of Taxes:				
Other Expenses	5,796.08	5,796.08	600.00	5,196.08
Tax Assessment Administration:				
Salaries & Wages	41.60	41.60		41.60
Other Expenses	5,003.52	5,003.52	3,500.00	1,503.52
Legal Services and Costs:				
Other Expenses	21,856.91	21,856.91	15,989.27	5,867.64
Municipal Court:				
Salaries & Wages	2,239.77	2,239.77		2,239.77
Other Expenses	17.92	17.92		17.92
Public Defender:				
Other Expenses	2,000.00	2,000.00		2,000.00
Engineering Services and Costs:				
Other Expenses	24,790.59	24,790.59	4,923.37	19,867.22
Municipal Land Use Law:				
Planning Board:				
Salaries & Wages	9,742.98	9,742.98	2,185.00	7,557.98
Other Expenses	31,188.92	31,188.92	1,627.38	29,561.54
General Services:				
Other Expenses	20,686.56	20,686.56	4,946.96	15,739.60
Zoning Officer:				
Salaries & Wages	301.52	301.52		301.52
Other Expenses	825.40	825.40		825.40
Environmental Commission:				
Other Expenses	700.00	700.00		700.00
Insurance:				
Other Insurance Premiums	32,438.98	32,438.98		32,438.98
Group Insurance for Employees	14,249.68	14,249.68		14,249.68
Health Benefit Waivers	10,000.00	10,000.00		10,000.00

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF 2017 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2018
(Continued)

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
PUBLIC SAFETY:				
Police:				
Other Expenses	\$ 12,130.30	\$ 12,130.30		\$ 12,130.30
911 Communication System	79,700.00	79,700.00	\$ 79,616.25	83.75
Emergency Management Services:				
Salaries & Wages	4,269.90	4,269.90		4,269.90
Other Expenses	4,000.00	4,000.00	3,994.80	5.20
Fire Protection Contract	2,646.00	2,646.00		2,646.00
Aid to Volunteer Ambulance Companies:				
Other Expenses	1,284.00	1,284.00		1,284.00
Fire Prevention Program:				
Other Expenses	550.00	550.00		550.00
PUBLIC WORKS:				
Road Repairs and Maintenance:				
Salaries & Wages	21,174.65	21,174.65		21,174.65
Other Expenses	68,153.73	68,153.73	11,577.17	56,576.56
Traffic Lighting:				
Other Expenses	918.94	918.94	918.94	
Shade Tree Commission:				
Other Expenses	18,700.50	18,700.50	10,758.00	7,942.50
Public Buildings and Grounds:				
Other Expenses	11,307.03	11,307.03	5,310.03	5,997.00
Vehicle Maintenance:				
Other Expenses	16,893.93	16,893.93		16,893.93
Community Services Act - Condo Costs:				
Kelly Bill - Chester Town	380.00	380.00	182.87	197.13
HEALTH AND HUMAN SERVICES:				
Board of Health:				
Salaries & Wages	694.00	694.00		694.00
Other Expenses	271.93	271.93		271.93
Senior Citizen Transportation	7,290.09	7,290.09	4,118.64	3,171.45
PARKS AND RECREATION:				
Recreation:				
Salaries & Wages	8,007.36	8,007.36		8,007.36
Other Expenses	4,377.08	4,377.08	2,134.00	2,243.08

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF 2017 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2018
(Continued)

	Balance Dec. 31, 2017	Balance After Modification	Paid or Charged	Balance Lapsed
OTHER COMMON OPERATING FUNCTIONS:				
Celebration of Public Events:				
Other Expenses	\$ 0.64	\$ 0.64		\$ 0.64
UNCLASSIFIED:				
Utilities	37,380.86	37,380.86	\$ 6,553.20	30,827.66
Fire Hydrant	6,776.90	6,776.90	3,202.10	3,574.80
Salary Adjustment Account	11,526.28	11,526.28		11,526.28
UNIFORM CONSTRUCTION CODE:				
Construction Official:				
Salaries & Wages	190.34	190.34		190.34
Other Expenses	6,608.96	6,608.96	2,988.00	3,620.96
STATUTORY EXPENDITURES:				
Contribution to:				
Public Employees' Retirement System	2.89	2.89		2.89
Social Security System (O.A.S.I.)	23,473.29	23,473.29	11,527.87	11,945.42
Defined Contribution Retirement Program	1,089.11	1,089.11		1,089.11
Police and Firemen's Retirement System	38.99	38.99		38.99
OPERATIONS EXCLUDED FROM "CAPS":				
Length of Service Awards Program	2,064.76	2,064.76		2,064.76
Shared Service Agreement:				
Borough of Mendham - Contractual Agreement	3,566.27	3,566.27	1,926.03	1,640.24
	<u>\$ 599,620.55</u>	<u>\$ 599,620.55</u>	<u>\$ 201,374.34</u>	<u>\$ 398,246.21</u>
<u>Analysis of Balance December 31, 2017:</u>	<u>Ref.</u>			
Encumbered	A \$ 48,772.00			
Unencumbered	A 550,848.55			
	<u>\$ 599,620.55</u>			
Cash Disbursements			\$ 199,859.88	
Accounts Payable			2,207.00	
Less: Appropriation Refund			(692.54)	
			<u>\$ 201,374.34</u>	

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2018

Increased by:

Levy - Calendar Year 2018	\$ 3,719,297.00
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Decreased by:

Payments to Local School District	\$ 3,719,297.00
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BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF REGIONAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2018

Increased by:

Levy - Calendar Year 2018	\$ 2,069,943.00
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Decreased by:

Payments to Regional School District	\$ 2,069,943.00
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BOROUGH OF CHESTER
FEDERAL AND STATE GRANT FUND
SCHEDULE OF GRANTS RECEIVABLE

Grant	Balance Dec 31, 2017	2018 Revenue Realized	Collected in Current Fund	Transferred from Unappropriated Reserves	Balance Dec 31, 2018
Recycling Tonnage Grant		\$ 7,198.00		\$ 7,198.00	
Recreational Trails Program	\$ 24,000.00		\$ 14,988.67		\$ 9,011.33
Community Forestry Management Plan	3,000.00				3,000.00
Highlands Water Protection and Planning Grant	110,286.07		21,494.10		88,791.97
	<u>\$ 137,286.07</u>	<u>\$ 7,198.00</u>	<u>\$ 36,482.77</u>	<u>\$ 7,198.00</u>	<u>\$ 100,803.30</u>
	A				A

BOROUGH OF CHESTER
FEDERAL AND STATE GRANT FUND
SCHEDULE OF UNAPPROPRIATED RESERVES

Grant	Balance Dec 31, 2017	Collected in Current Fund	Transferred to 2018 Budget	Balance Dec 31, 2018
Recycling Tonnage Grant	\$ 7,198.01	\$ 6,220.31	\$ 7,198.00	\$ 6,220.32
Clean Communities		8,047.99		8,047.99
Alcohol Education and Rehabilitation		73.23		73.23
	<u>\$ 7,198.01</u>	<u>\$ 14,341.53</u>	<u>\$ 7,198.00</u>	<u>\$ 14,341.54</u>
<u>Ref.</u>	A			A

BOROUGH OF CHESTER
FEDERAL AND STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVES

	Balance Dec. 31, 2017	Transferred From 2018 Budget Appropriations	Expended in Current Fund	Balance Dec. 31, 2018
Recycling Tonnage Grant	\$ 16,402.34	\$ 7,198.00	\$ 20,000.00	\$ 3,600.34
Drunk Driving Enforcement Fund	10.82			10.82
Clean Communities Program	8,931.61			8,931.61
Body Armor Replacement Grant	3,293.22			3,293.22
Highlands Water Protection and Planning Grant	115,213.00			115,213.00
Alcohol Education and Rehabilitation	536.40			536.40
Recreational Trails Grant	8,329.71			8,329.71
Community Forestry Management Plan	3,000.00			3,000.00
	<u>\$ 155,717.10</u>	<u>\$ 7,198.00</u>	<u>\$ 20,000.00</u>	<u>\$ 142,915.10</u>
<u>Ref.</u>	A			A

BOROUGH OF CHESTER
COUNTY OF MORRIS
2018
TRUST FUNDS

BOROUGH OF CHESTER
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

		<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
	<u>Ref.</u>		
Balance December 31, 2017	B	\$ 3,286.41	\$ 1,496,055.62
Increased by Receipts:			
Borough Dog License Fees		\$ 2,097.60	
Penalties on Dog License Fees		137.00	
State Dog License Fees		215.40	
Due to Current Fund:			
Interest Earned		3.00	
Partial Settlement of Prior Year Interfund			\$ 5,007.07
Miscellaneous Revenue Not Anticipated -			
Other Miscellaneous			265.00
Due from Sewer Utility Operating Fund:			
Settlement of Prior Year Interfund			1,526.78
Planning and Zoning Development			
Fees Receivable			686.34
Developers Escrow			63,789.34
Open Space Trust:			
Open Space Tax Levy			40,116.01
Interest Earned			6,072.52
Planning and Zoning:			
Development Fees			9,054.46
Unemployment Compensation Insurance:			
Interest Earned			284.15
Recreation:			
Interest Earned			968.51
Receipts			56,653.17
Larry Masey			38.07
Housing Trust			20,835.75
Accumulated Leave Compensation			0.91
Flexible Spending Account			0.85
Storm Recovery			301.23
Public Defender			2,428.98
		<u>2,453.00</u>	<u>208,029.14</u>
		5,739.41	1,704,084.76

BOROUGH OF CHESTER
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
<u>Ref.</u>		
Decreased by Disbursements:		
Due to State of New Jersey		
Board of Health	\$ 213.00	
Administrative Expenses -		
(R.S. 4:19-15.11)	453.99	
Due to Current Fund:		
Settlement of Prior Year Interfund	6.16	
Partial Settlement of Prior Year Interfund		\$ 1,501.55
Due to General Capital Fund:		
Settlement of Prior Year Interfund		3,215.00
Developer's Escrow		30,151.82
Open Space Trust		7,650.00
Planning and Zoning Development Fees		6,282.01
Unemployment Compensation Insurance		2,263.67
Recreation		44,570.88
Public Defender		1,800.00
Housing Trust		6,617.77
	<u>\$ 673.15</u>	<u>\$ 104,052.70</u>
Balance December 31, 2018	B <u>\$ 5,066.26</u>	<u>\$ 1,600,032.06</u>

BOROUGH OF CHESTER
ANIMAL CONTROL FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>		
Balance December 31, 2017	B	\$	3,282.65
Increased by:			
Dog License Fees Collected		\$	2,097.60
Late Fees			<u>137.00</u>
			<u>2,234.60</u>
			5,517.25
Decreased by:			
Expenditures Under R.S. 4:19-15.11:			
Expenditures Paid by Animal Control Fund			453.99
Expenditures Paid by Current Fund			15.00
Statutory Excess Due to Current Fund			<u>1,004.86</u>
			<u>1,473.85</u>
Balance December 31, 2018	B	\$	<u><u>4,043.40</u></u>

<u>License Fees Collected</u>	
<u>Year</u>	<u>Amount</u>
2016	\$ 1,918.20
2017	<u>2,125.20</u>
Maximum Allowable Reserve	<u><u>\$ 4,043.40</u></u>

BOROUGH OF CHESTER
COUNTY OF MORRIS
2018
GENERAL CAPITAL FUND

BOROUGH OF CHESTER
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

Balance December 31, 2017	<u>Ref.</u> C	\$ 740,865.83
Increased by:		
Bond Anticipation Notes	\$ 570,000.00	
NJ Department of Transportation Grant Receipts	42,309.25	
Capital Fund Balance:		
Bond Anticipation Note Premium	495.00	
Due to Sewer Utility Operating Fund - Interfund Advanced	100,000.00	
Due from Other Trust Funds - Settlement of Prior Year Interfund	3,215.00	
Due to Current Fund:		
Interest on Investments	7,931.14	
Budget Appropriation - Capital Improvement Fund	230,000.00	
		<u>953,950.39</u>
		1,694,816.22
Decreased by:		
Improvement Authorization Expenditures	221,075.97	
Bond Anticipation Notes	570,000.00	
		<u>791,075.97</u>
Balance December 31, 2018	C	<u><u>\$ 903,740.25</u></u>

BOROUGH OF CHESTER
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance (Deficit) Dec. 31, 2017	Receipts			Disbursements		Transfers		Balance (Deficit) Dec. 31, 2018
		Budget Appropriation	Bond Anticipation Notes	Miscellaneous	Improvement Authorizations	Bond Anticipation Notes	From	To	
Capital Improvement Fund	\$ 152,976.67	\$ 230,000.00					\$251,600.00		\$ 131,376.67
Due to Current Fund				\$ 7,931.14					7,931.14
Due from Other Trust Funds	(3,215.00)			3,215.00					
Due to Sewer Utility Operating Fund				100,000.00					100,000.00
Due from State of New Jersey - Department of Transportation Grants Receivable	(91,692.50)			42,309.25					(49,383.25)
Reserve for Green Acres Account	0.01								0.01
Fund Balance	12,002.26			495.00					12,497.26
Ord. Number	Improvement Description								
13-17	Supplemental to HVAC Project	60,964.00							60,964.00
14-06	Capital Purchases for Volunteer Fire Company	7,117.33							7,117.33
14-13	Purchase of Rescue Truck by Chester Volunteer Fire Company	0.20							0.20
15-07	Acquisition of Capital Equipment	133.43							133.43
15-11	Improvement of Fairmount Avenue Sidewalks and Improvement of Budd Avenue and Grove Street	163,924.03			\$ 2,386.62				161,537.41
15-14	Purchase of Computer Equipment and Improvement of Fairmount Avenue	9,260.25							9,260.25
16-03	Improvements and Equipment Purchases for DPW	13,682.05			7,357.20				6,324.85
16-04	Improvements of Various Roads	235,793.37	\$ 570,000.00		2,533.48	\$ 570,000.00			233,259.89
17-07	Capital Equipment Purchases and Improvement to Borough and Equipment Purchases for Chester Volunteer Fire Company and First Aid Squad	179,919.73			71,625.00				108,294.73
18-09	Purchase for Equipment, Repairs and Capital Replacements for the Municipal Building, Public Works Facility and Fire Department				137,173.67			\$186,600.00	49,426.33
18-12	Upgrades to Traffic Signals within the Borough							65,000.00	65,000.00
		\$ 740,865.83	\$ 230,000.00	\$ 570,000.00	\$ 153,950.39	\$ 221,075.97	\$ 570,000.00	\$251,600.00	\$ 903,740.25

BOROUGH OF CHESTER
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. Number	Improvement Description	Balance Dec. 31, 2017	Balance Dec. 31, 2018	Analysis of Balance December 31, 2018	
				Financed by Bond Anticipation Notes	Unexpended Improvement Authorizations
16-04	Improvements of Various Roads	<u>\$ 570,000.00</u>	<u>\$ 570,000.00</u>	<u>\$ 570,000.00</u>	<u>\$ -0-</u>
	<u>Ref.</u>	C	C		
	Improvement Authorizations - Unfunded				\$ 233,259.89
	Less: Unexpended Proceeds of Bond Anticipation Notes Issued - Ordinance No. 16-04				<u>(233,259.89)</u>
					<u>\$ -0-</u>

BOROUGH OF CHESTER
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord No.	Improvement Description	Ordinance		Balance Dec. 31, 2017		2018 Authorizations Capital Improvement Fund	Paid or Charged	Balance Dec. 31, 2018	
		Date	Amount	Funded	Unfunded			Funded	Unfunded
13-17	Supplemental to HVAC Project	12/03/13	95,000.00	\$ 60,964.00				\$ 60,964.00	
14-06	Capital Purchases for Volunteer Fire Company	04/15/14	37,595.00	7,117.33				7,117.33	
14-13	Purchase of Rescue Truck by Chester Volunteer Fire Company	10/07/14	116,962.00	0.20				0.20	
15-07	Acquisition of Capital Equipment	06/30/15	95,000.00	133.43				133.43	
15-11	Improvement of Fairmount Avenue Sidewalks and Improvement of Budd Avenue and Grove Street	09/15/15	570,000.00	163,924.03			\$ 2,386.62	161,537.41	
15-14	Purchase of Computer Equipment and Improvement of Fairmount Avenue	10/06/15	67,000.00	9,260.25				9,260.25	
16-03	Improvements and Equipment Purchases for DPW	05/17/16	216,795.00	13,682.05			7,357.20	6,324.85	
16-04	Improvements of Various Roads	09/06/16	600,000.00		\$ 235,793.37		2,533.48		\$ 233,259.89
17-07	Capital Equipment Purchases and Improvement to Borough and Equipment Purchases for Chester Volunteer Fire Company and First Aid Squad	11/02/17	190,500.00	179,919.73			71,625.00	108,294.73	
18-09	Purchase for Equipment, Repairs and Capital Replacements for the Municipal Building, Public Works Facility and Fire Department	06/07/18	186,600.00			\$ 186,600.00	137,173.67	49,426.33	
18-12	Upgrades to Traffic Signals within the Borough	11/01/18	65,000.00			65,000.00		65,000.00	
				<u>\$ 435,001.02</u>	<u>\$ 235,793.37</u>	<u>\$ 251,600.00</u>	<u>\$ 221,075.97</u>	<u>\$ 468,058.53</u>	<u>\$ 233,259.89</u>
				Ref. C				C	C

BOROUGH OF CHESTER
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 152,976.67
Increased by:		
2018 Budget Appropriation		<u>230,000.00</u>
		382,976.67
Decreased by:		
Appropriated to Finance:		
Improvement Authorizations		<u>251,600.00</u>
Balance December 31, 2018	C	<u><u>\$ 131,376.67</u></u>

BOROUGH OF CHESTER
GENERAL CAPITAL FUND
SCHEDULE OF BONDS ANTICIPATION NOTES PAYABLE

Ord. Number	Improvement Authorization	Original Note		Date of		Interest Rate	Balance	Issued	Matured	Balance
		Date of Issue	Amount	Issue	Maturity		Dec. 31, 2017			Dec. 31, 2018
16-04	Improvements to Various Roads	10/21/16	\$ 570,000.00	10/19/17	10/19/18	1.20%	\$ 570,000.00		\$ 570,000.00	
				10/18/18	10/18/19	3.25%		\$ 570,000.00		\$ 570,000.00
							<u>\$ 570,000.00</u>	<u>\$ 570,000.00</u>	<u>\$ 570,000.00</u>	<u>\$ 570,000.00</u>
						<u>Ref.</u>	C			C
							Renewed	<u>\$ 570,000.00</u>	<u>\$ 570,000.00</u>	

BOROUGH OF CHESTER
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance Dec. 31, 2017	Matured	Balance Dec. 31, 2018
			Date	Amount				
General Improvement Bonds	6/06/2012	\$ 4,600,000.00	02/01/19	\$ 210,000.00	3.000%			
			02/01/20	210,000.00	3.000%			
			02/01/21	215,000.00	3.000%			
			02/01/22	220,000.00	3.000%			
			02/01/23	225,000.00	3.000%			
			02/01/24	235,000.00	3.000%			
			02/01/25	240,000.00	3.000%			
			02/01/26	245,000.00	3.000%			
			02/01/27	250,000.00	3.000%			
			02/01/28	260,000.00	3.000%			
			02/01/29	270,000.00	3.125%			
			02/01/30	275,000.00	3.125%			
			02/01/31	285,000.00	3.250%			
			02/01/32	295,000.00	3.250%	\$ 3,640,000.00	\$ 205,000.00	\$ 3,435,000.00
						\$ 3,640,000.00	\$ 205,000.00	\$ 3,435,000.00

BOROUGH OF CHESTER
GENERAL CAPITAL FUND
SCHEDULE OF LOANS PAYABLE
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

BOROUGH OF CHESTER
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

BOROUGH OF CHESTER
COUNTY OF MORRIS
2018
SEWER UTILITY FUND

BOROUGH OF CHESTER
SEWER UTILITY FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2017	D	\$ 788,393.14	\$ 154,003.11
Increased by Receipts:			
Consumer Accounts Receivable		\$ 443,666.95	
Sewer Rent Overpayments		3,881.92	
Due to Solid Waste Utility Operating Fund:			
Rents		883.53	
Due to/from Current Fund:			
Taxes Receivable		5,833.70	
Prior Year Interfund Returned		7,000.00	
Miscellaneous Revenue not Anticipated		16,700.59	
Due to Sewer Utility Operating Fund:			
Interest on Investments			\$ 2,569.92
		<u>477,966.69</u>	<u>2,569.92</u>
		1,266,359.83	2,569.92
			<u>156,573.03</u>
Decreased by Disbursements:			
2018 Budget Appropriations		394,952.27	
2017 Appropriation Reserves		7,673.50	
Due to Current Fund:			
Fund Balance Anticipated		30,000.00	
Due to Other Trust Funds:			
Prior Year Interfund Returned		1,526.78	
Due from General Capital Fund:			
Interfund Advanced		100,000.00	
Due to/from Solid Waste Utility Fund:			
2018 Budget Expenditures		512.98	
Prior Interfund Returned		297.50	
		<u>534,963.03</u>	
Balance December 31, 2018	D	<u>\$ 731,396.80</u>	<u>\$ 156,573.03</u>

BOROUGH OF CHESTER
SEWER UTILITY OPERATING FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

BOROUGH OF CHESTER
SEWER UTILITY CAPITAL FUND
ANALYSIS OF SEWER CAPITAL CASH

	Balance Dec. 31, 2017	Receipts Miscellaneous	Transfers		Balance Dec. 31, 2018
			From	To	
Capital Improvement Fund	\$ 47,027.21			\$ 30,000.00	\$ 77,027.21
Due to/(from) Sewer Utility Operating Fund	16,604.28	\$ 2,569.92	\$ 30,000.00		(10,825.80)
Reserve for Preliminary Expenses - Hydrogeological Study	2,985.68				2,985.68
Fund Balance	662.00				662.00

Improvement Authorizations:

Ord Number	Improvement Description				
95-15; 96-17	Construction of Disposal Beds and Upgrade of Treatment Plant	68,680.94			68,680.94
00-08; 01-20; 04-19	Installation of Sanitary Sewer and of a Pump Station and Force Main	18,043.00			18,043.00
		<u>\$ 154,003.11</u>	<u>\$ 2,569.92</u>	<u>\$ 30,000.00</u>	<u>\$ 156,573.03</u>

Ref.

D

D

BOROUGH OF CHESTER
SEWER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2017	D	\$ 102,893.81
Increased by:		
Sewer Rents Levied		443,739.66
		<u>546,633.47</u>
Decreased by:		
Collections	\$	443,666.95
Overpayments Applied		426.65
Due from Current Fund		6,465.61
		<u>450,559.21</u>
Balance December 31, 2018		<u><u>\$ 96,074.26</u></u>
<u>Analysis of Balance</u>		
Sewer Rents Receivable	D	\$ 86,512.45
Significant User Fees Receivable	D	9,561.81
		<u><u>\$ 96,074.26</u></u>

BOROUGH OF CHESTER
SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

	<u>Ref.</u>	
Balance December 31, 2017	D	\$ 815,370.18
Balance December 31, 2018	D	<u>\$ 815,370.18</u>

BOROUGH OF CHESTER
SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

<u>Improvement Description</u>	<u>Ordinance</u>		<u>Balance</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2018</u>
Construction of Disposal	11/06/95;	\$ 700,000.00		
Beds and Upgrade of	06/19/95	1,550,000.00		
Treatment Plant			\$ 1,670,000.00	\$1,670,000.00
Installation of Sanitary	06/21/00;	1,150,000.00		
Sewer and of a Pump	10/15/01;			
Station and Force Main	07/20/04		425,865.97	425,865.97
			<u>\$ 2,095,865.97</u>	<u>\$2,095,865.97</u>
		<u>Ref.</u>	D	D

BOROUGH OF CHESTER
SEWER UTILITY OPERATING FUND
SCHEDULE OF 2017 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2018

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Salaries and Wages	\$ 205.11	\$ 205.11		\$ 205.11
Other Expenses	103,825.33	103,825.33	\$ 7,673.50	96,151.83
Statutory Expenditures:				
Contribution to:				
Social Security System	135.93	135.93		135.93
	<u>\$104,166.37</u>	<u>\$104,166.37</u>	<u>\$ 7,673.50</u>	<u>\$ 96,492.87</u>

Analysis of Balance December 31, 2017

	<u>Ref.</u>	
Encumbered	D	\$ 6,297.88
Unencumbered	D	<u>97,868.49</u>
		<u>\$104,166.37</u>

BOROUGH OF CHESTER
SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Improvement Description	Ordinance		Balance Dec. 31, 2017	Balance Dec. 31, 2018
	Date	Amount	Funded	Funded
Construction of Disposal Beds and Upgrade of Treatment Plant	6/19/1995	\$ 1,550,000.00	\$ 68,680.94	\$ 68,680.94
Installation of Sanitary Sewer and of a Pump Station and Force Main	6/21/2000; 10/15/2001; 7/20/2004	1,400,000.00 (250,000.00)	18,043.00	18,043.00
			<u>\$ 86,723.94</u>	<u>\$ 86,723.94</u>
		<u>Ref.</u>	D	D

BOROUGH OF CHESTER
SEWER UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2017	D	\$ 47,027.21
Increased by:		
2018 Budget Appropriation - Due from Sewer Utility Operating Fund		<u>30,000.00</u>
Balance December 31, 2018	D	<u><u>\$ 77,027.21</u></u>

BOROUGH OF CHESTER
SEWER UTILITY CAPITAL FUND
SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>Ref.</u>	
Balance December 31, 2017	D	\$ 815,370.18
Balance December 31, 2018	D	<u>\$ 815,370.18</u>

BOROUGH OF CHESTER
SEWER UTILITY CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

Ord. No.	Improvement Description	Ord. Date	Balance Dec. 31, 2017	Balance Dec. 31, 2018
95-15	Construction of Disposal Beds and Upgrade of Treatment Plant	11/6/1995	\$ 1,670,000.00	\$ 1,670,000.00
01-20; 04-19	Installation of Sanitary Sewer and of a Pump Station and Force Main	10/15/2001; 7/20/2004	425,865.97	425,865.97
			<u>\$ 2,095,865.97</u>	<u>\$ 2,095,865.97</u>
		<u>Ref.</u>	D	D

BOROUGH OF CHESTER
COUNTY OF MORRIS
2018
SOLID WASTE UTILITY FUND

BOROUGH OF CHESTER
SOLID WASTE UTILITY FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Operating</u>
Balance December 31, 2017	E	\$ 42,735.38
Increased by Receipts:		
Consumer Accounts Receivable		\$ 138,204.10
Interest on Investments		668.31
Interest and Penalties on Rents		812.79
Overpayments		5.09
Bulky Waste Fees		3,289.99
Due from Sewer Operating Fund:		
Settlement of Prior Year Interfund		297.50
Due to Current Fund:		
Taxes Receivable		5,133.29
		<u>148,411.07</u>
		191,146.45
Decreased by Disbursements:		
2018 Budget Appropriations		127,452.85
2017 Appropriation Reserves		11,275.79
		<u>138,728.64</u>
Balance December 31, 2018	E	<u><u>\$ 52,417.81</u></u>

BOROUGH OF CHESTER
SOLID WASTE UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2017	E	\$ 13,381.61
Increased by:		
Solid Waste Rents Levied		136,379.50
		<u>149,761.11</u>
Decreased by Collections:		
Cash Received	\$ 138,204.10	
Due from Sewer Utility Operating Fund	883.53	
Due from Current Fund	2,091.94	
Overpayments Applied	<u>603.36</u>	
		<u>141,782.93</u>
Balance December 31, 2018	E	<u><u>\$ 7,978.18</u></u>

BOROUGH OF CHESTER
SOLID WASTE UTILITY OPERATING FUND
SCHEDULE OF 2017 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2018

		<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:					
Salaries and Wages		\$ 844.35	\$ 844.35		\$ 844.35
Other Expenses		14,137.17	14,137.17	\$ 11,275.79	2,861.38
Statutory Expenditures:					
Social Security System		171.41	171.41		171.41
		<u>\$15,152.93</u>	<u>\$15,152.93</u>	<u>\$ 11,275.79</u>	<u>\$3,877.14</u>
	<u>Ref.</u>				
<u>Analysis of Balance at December 31, 2017</u>					
Encumbered	E	\$ 8,031.71			
Unencumbered	E	<u>7,121.22</u>			
		<u>\$15,152.93</u>			

BOROUGH OF CHESTER
COUNTY OF MORRIS
2018
SWIMMING POOL UTILITY FUND

BOROUGH OF CHESTER
SWIMMING POOL UTILITY FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2017	F	\$ 259,868.29	\$ 231,395.66
Increased by Receipts:			
Pool Fees		\$ 339,024.18	
Initiation Fee		39,870.00	
Due from Current Fund:			
Prior Year Interfund Settlement		2,500.00	
Change Fund		100.00	
Miscellaneous Revenue Not Anticipated		56,657.77	
Due to Swimming Pool Utility Operating Fund:			
Interest on Investments			\$ 3,892.26
		<u>438,151.95</u>	<u>3,892.26</u>
		698,020.24	235,287.92
Decreased by Disbursements:			
2018 Budget Appropriations		386,698.49	
2017 Appropriation Reserves		7,523.14	
Accrued Interest on Bonds		<u>1,425.00</u>	
		<u>395,646.63</u>	
Balance December 31, 2018	F	<u>\$ 302,373.61</u>	<u>\$ 235,287.92</u>

BOROUGH OF CHESTER
SWIMMING POOL UTILITY OPERATING FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

BOROUGH OF CHESTER
SWIMMING POOL UTILITY CAPITAL FUND
ANALYSIS OF SWIMMING POOL CAPITAL CASH

		Balance	Receipts	Balance
		Dec. 31, 2017	Miscellaneous	Dec. 31, 2018
Capital Improvement Fund		\$ 222,459.19		\$ 222,459.19
Due to Swimming Pool Utility Operating Fund			\$ 3,892.26	3,892.26
Improvement Authorizations:				
Ord				
Number	Improvement Description			
11-20	Swimming Pool Improvements	5,231.47		5,231.47
15-08	Acquisition of Capital Equipment	3,705.00		3,705.00
		<u>\$ 231,395.66</u>	<u>\$ 3,892.26</u>	<u>\$ 235,287.92</u>

BOROUGH OF CHESTER
SWIMMING POOL UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2018

NOT APPLICABLE

BOROUGH OF CHESTER
SWIMMING POOL UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

	<u>Ref.</u>	
Balance December 31, 2017	F	<u>\$ 2,651,077.81</u>
Balance December 31, 2018	F	<u><u>\$ 2,651,077.81</u></u>

BOROUGH OF CHESTER
SWIMMING POOL UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Improvement Description	Ordinance		Balance	Balance
	Date	Amount	Dec. 31, 2017	Dec. 31, 2018
Swimming Pool Improvements	12/21/11	\$ 135,000.00	\$ 135,000.00	\$ 135,000.00
Acquisition of Capital Equipment	06/08/15	30,000.00	30,000.00	30,000.00
			<u>\$ 165,000.00</u>	<u>\$ 165,000.00</u>
		<u>Ref.</u>	F	F

BOROUGH OF CHESTER
SWIMMING POOL UTILITY OPERATING FUND
SCHEDULE OF 2017 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2018

		<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Balance After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:					
Salaries and Wages		\$ 31,959.73	\$ 31,959.73		\$ 31,959.73
Other Expenses		22,858.80	22,858.80	\$ 7,523.14	15,335.66
Statutory Expenditures:					
Contribution to:					
Social Security System		38.98	38.98		38.98
		<u>\$ 54,857.51</u>	<u>\$ 54,857.51</u>	<u>\$ 7,523.14</u>	<u>\$ 47,334.37</u>
<u>Analysis of Balance December 31, 2017</u>	<u>Ref.</u>				
Encumbered	F	\$ 3,200.00			
Unencumbered	F	<u>51,657.51</u>			
		<u>\$ 54,857.51</u>			

BOROUGH OF CHESTER
SWIMMING POOL UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Improvement Description	Number	Ordinance		Balance Dec. 31, 2017	Balance Dec. 31, 2018
		Date	Amount	Funded	Funded
Swimming Pool Improvements	11-20	12/21/11	\$ 135,000.00	\$ 5,231.47	\$ 5,231.47
Acquisition of Capital Equipment	15-08	06/08/15	30,000.00	3,705.00	3,705.00
				<u>\$ 8,936.47</u>	<u>\$ 8,936.47</u>
			<u>Ref.</u>	F	F

BOROUGH OF CHESTER
SWIMMING POOL UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2017	F	<u>\$ 222,459.19</u>
Balance December 31, 2018	F	<u><u>\$ 222,459.19</u></u>

BOROUGH OF CHESTER
SWIMMING POOL UTILITY CAPITAL FUND
SCHEDULE OF RESERVE FOR AMORTIZATION

	<u>Ref.</u>	
Balance December 31, 2017	F	\$ 2,556,077.81
Increased by:		
Paid by Budget Appropriation - Serial Bonds		<u>95,000.00</u>
Balance December 31, 2018	F	<u><u>\$ 2,651,077.81</u></u>

BOROUGH OF CHESTER
SWIMMING POOL UTILITY CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Ord. Date</u>	<u>Balance Dec. 31, 2017</u>	<u>Balance Dec. 31, 2018</u>
11-20	Swimming Pool Improvements	12/21/11	\$ 135,000.00	\$ 135,000.00
15-08	Acquisition of Capital Equipment	06/08/15	30,000.00	30,000.00
			<u>\$ 165,000.00</u>	<u>\$ 165,000.00</u>
		<u>Ref.</u>	F	F

BOROUGH OF CHESTER
SWIMMING POOL UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Balance Dec. 31, 2017</u>	<u>Matured</u>	<u>Balance Dec. 31, 2018</u>
Pool Utility Bonds	06/12/12	\$ 550,000.00	<u>\$ 95,000.00</u>	<u>\$ 95,000.00</u>	<u>\$ -0-</u>
			<u>\$ 95,000.00</u>	<u>\$ 95,000.00</u>	<u>\$ -0-</u>
		<u>Ref.</u>	F		F

BOROUGH OF CHESTER

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2018

BOROUGH OF CHESTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

Name of Federal Agency or Department	Name of Program	C.F.D.A Account Number	Account Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures	Amount Paid to Subrecipients
				From	To					
U.S. Department of Transportation: (Passed through New Jersey Department of Transportation)	Municipal Aid: Fairmont Road Sidewalk Improvements	20.205	480-078-6320- ALW-609164	01/01/15	12/31/16	\$185,000.00	\$ 42,309.25		\$ 185,000.00	
(Passed through New Jersey Department of Law and Public Safety)	Recreation Trails Program	20.219	100-042-4875- 205-120600	01/01/16	12/31/18	24,000.00	14,988.67		15,670.29	
Total Department of Transportation							57,297.92		15,670.29	
Total Federal Awards							\$ 57,297.92	\$ -0-	\$ 15,670.29	\$ -0-

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF CHESTER
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2018

Name of State Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures
			From	To				
Department of Environmental Protection	Clean Communities	765-042-4900- 004-178910	01/01/15	12/31/18	\$ 4,166.81		\$ 3,589.55	\$ 4,166.81
			01/01/16	12/31/18	4,764.80		4,764.80	4,764.80
			01/01/17	12/31/18	7,198.00		7,198.00	7,198.00
			01/01/18	12/31/19	8,047.99	\$ 8,047.99	4,447.65	4,447.65
	Total Clean Communities Grant					8,047.99	20,000.00	20,577.26
	Recycling Tonnage Grant	765-042-4900- 001-6020	01/01/18	12/31/19	6,220.31	6,220.31		
	Total Recycling Tonnage Grant					6,220.31		
Total Department of Environmental Protection						14,268.30	20,000.00	20,577.26
Department of Health and Senior Services	Alcohol Education and Rehabilitation Fund	760-098-9735- 001-060000	01/01/18	12/31/19	73.23	73.23		
	Total Alcohol Education and Rehabilitation Fund					73.23		
Total Department of Health and Senior Services						73.23		
New Jersey Highlands Council	Regional Master Plan Compliance	100-082-2078- 033-290220	01/01/17	12/31/18	114,000.00	21,494.10		3,713.93
						21,494.10		
Total New Jersey Highlands Council						21,494.10		
Total State Awards						\$ 35,835.63	\$ 20,000.00	\$ 20,577.26

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF CHESTER
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2018

Note 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Borough of Chester under programs of the federal and state governments for the year ended December 31, 2018. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Borough, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Borough.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Borough has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Code.

Note 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.



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200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-298-8500 | 973-298-8501 Fax
Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
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Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("the Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - *regulatory basis* - of the various funds of the Borough of Chester, in the County of Morris (the "Borough") as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 7, 2019. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2018-001 that we consider to be a significant deficiency.

The Honorable Mayor and Members
of the Borough Council
Borough of Chester
Page 2

Compliance and Other Matters

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

The Borough's Response to the Finding

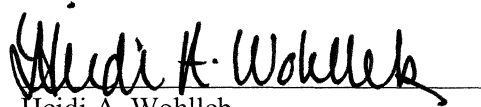
The Borough's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Mount Arlington, New Jersey
June 7, 2019

NISIVOCCIA LLP

A handwritten signature in black ink, reading "Heidi A. Wohlleb", is written over a horizontal line.

Heidi A. Wohlleb

Certified Public Accountant

Registered Municipal Accountant No. 481

BOROUGH OF CHESTER
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the Borough's financial statements, prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey.
- A significant deficiency disclosed during the audit of the financial statements is reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Borough which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Borough was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* for 2018 as grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJ OMB 15-08.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit disclosed the following significant deficiency required to be reported under Generally Accepted Government Auditing Standards:

Finding 2018-001

Segregation of Duties

Criteria

Concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Condition

The Borough does not maintain an adequate segregation of duties with respect to the recording and treasury functions.

The various departments/offices of the Borough are responsible for the issuance of permits and licenses; collections of taxes and permit and license fees; and recording of collections. Also, the reconciliation of bank accounts and the preparation of the general ledger are performed by one person with limited oversight review.

BOROUGH OF CHESTER
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards: (Cont'd)

- The audit disclosed the following significant deficiency required to be reported under Generally Accepted Government Auditing Standards: (Cont'd)

Finding 2018-001 (Cont'd)

Segregation of Duties (Cont'd)

Cause

This is due, in part, to the limited number of personnel of the Borough and the decentralized nature of governmental collection procedures.

Effect or Potential Effect

Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time.

Recommendation

It is recommended that an adequate segregation of duties is maintained with respect to the recording and treasury functions.

Management's Response

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

Findings and Questioned Costs for Federal Awards:

- Not Applicable – Grant expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not Applicable – Grant expenditures were below the single audit threshold.

BOROUGH OF CHESTER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018

The prior year audit finding 2017-01 pertaining to the segregation of duties was not resolved due to budgetary constraints and is included in the current year report as Finding 2018-001.

BOROUGH OF CHESTER

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

BOROUGH OF CHESTER
COMMENTS AND RECOMMENDATIONS

9

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

N.J.S. 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.40A11-2), 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. 40A: 11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective July 1, 2015 and thereafter, the bid thresholds in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) are \$17,500 for a contracting unit without a qualified purchasing agent and \$40,000 for a contracting unit with a qualified purchasing agent.

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

The minutes indicated that bids were requested by public advertising per N.J.S. 40A:11-4. The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per N.J.S. 40A:11-5.

BOROUGH OF CHESTER
COMMENTS AND RECOMMENDATIONS
(Continued)

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4 (Cont'd)

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

Collection of Interest on Delinquent Taxes, Utility Rents

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

On January 5, 2018, the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes and utility rents as follows:

1. The Tax Collector is hereby authorized and directed to charge 8% per annum on the first \$1,500.00 of taxes or utility rents becoming delinquent after the due date and 18% per annum on any amount of taxes and utility rents in excess of \$1,500.00, becoming delinquent after the due date, and if the total amount due on December 31, is in excess of \$10,000.00 an additional penalty of 6% shall be charged against the delinquency.
2. There will be a ten (10) day grace period, or 25 days after mailing, for quarterly tax payments or any other municipal charges. However, any payments not paid within the ten day grace period, or 25 days after mailing, will be charged interest from the due date.

It appears from an examination of the Tax/Utility Collector's records that interest was collected in accordance with the foregoing resolutions.

Delinquent Taxes and Tax Title Liens

There were no municipal liens for the last three years.

New Jersey Administrative Code Accounting Requirements

The Division of Local Government Services has established three (3) accounting requirements which are prescribed in the New Jersey Administrative Code. They are as follows:

1. Maintenance of an encumbrance accounting system.
2. General ledger accounting and record system.
3. Fixed assets accounting and reporting system.

The Borough is currently in compliance with the accounting requirements.

BOROUGH OF CHESTER
COMMENTS AND RECOMMENDATIONS
(Continued)

Municipal Court

The report of the Municipal Court has been forwarded to the Division of Local Government Services and the Borough's Magistrate under separate cover. Reflected below is a summary of receipts and disbursements for the year ended December 31, 2018.

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance Dec. 31, 2017	Receipts	Disbursements	Balance Dec. 31, 2018
Municipal Treasurer:				
Fines & Costs	\$ 4,432.30	\$ 42,967.31	\$ 44,969.83	\$ 2,429.78
P.O.A.A. FTA	2.00	12.00	14.00	
Conditional Discharge		675.00	600.00	75.00
Public Defender		2,499.83	2,299.83	200.00
Weights and Measures	5,250.00	37,750.00	40,200.00	2,800.00
Restitution	200.00	212.17	312.17	100.00
County:				
Fines	1,530.00	20,399.50	20,746.00	1,183.50
State:				
Fines and Costs	1,634.70	31,357.19	30,119.17	2,872.72
Bail	260.44	9,925.65	9,184.17	1,001.92
	<u>\$ 13,309.44</u>	<u>\$ 145,798.65</u>	<u>\$ 148,445.17</u>	<u>\$ 10,662.92</u>

During our testing, we selected a number of tickets that were assigned but not issued per the tickets assigned but not issued report. The Municipal Court was not able to provide us with copies of these tickets for audit review.

Recommendation

It is recommended that every effort be made to ensure that copies of tickets on the tickets assigned but not issued report are available for audit review.

Management's Response

The Court personnel will ensure that copies of tickets on the assigned but not issued report are available for audit review.

Outside Departments

During our review of the various outside departments we noted the following:

- 1) Monthly reports were not prepared for all of the outside departments and reconciled to the Treasurer's records on a monthly basis.

BOROUGH OF CHESTER
COMMENTS AND RECOMMENDATIONS
(Continued)

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Outside Departments (Cont'd)

During our review of the various outside departments we noted the following: (Cont'd)

- 2) During our review of the Building Inspector's records, it was noted that building permits are not prenumbered and issued in sequential order.
- 3) During our review of Planning/Zoning and Land Use Department it was noted that a summarized monthly cashbook was not prepared.

It is recommended that:

- 1) Monthly reports are prepared for the various departments and reconciled to the Treasurer's records.
- 2) Building permits are prenumbered and issued in sequential order.
- 3) A summarized monthly cashbook is prepared for the Planning/Zoning and Land Use Department.

Management's Response

Every effort will be made to ensure that outside office monthly reports are prepared and reconciled to the Treasurer's records. Building permits will be prenumbered and issued in sequential order in the future. A summarized monthly cashbook will be prepared for the Planning/Zoning and Land Use Department.

Swimming Pool Operations

During our review of the records for the Swimming Pool we noted the following:

- 1) Though improvement was made with the development of and use of a daily collections turnover sheet, formal written records were not maintained by Pool personnel for collections onsite at the Pool.
- 2) Receipts for swimming lessons and other events were not deposited within 48 hours per state statute.

It is recommended that:

- 1) Formal written records are maintained by Pool personnel for collections onsite at the Pool.
- 2) Receipts for swimming lessons and other events be deposited within 48 hours of receipt.

Management's Response

The Borough has developed formal written records for 2019 and will ensure that daily collections are maintained by Pool personnel and deposits are made within 48 hours of receipt.

Finance Department's Records

During our review of the Finance Department's Records we noted the following:

- 1) Although there was an effort made to liquidate all the prior year interfunds and limit the amount of interfund activity, there are still a large number of interfund balances at year end.

BOROUGH OF CHESTER
COMMENTS AND RECOMMENDATIONS
(Continued)

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Finance Department's Records (Cont'd)

During our review of the Finance Department's Records we noted the following: (Cont'd)

- 2) A review of the analysis of the balance for the Planning and Zoning Development Fees revealed that a portion of the balance is not identified.
- 3) During our review of the general ledgers for the various funds, we noted that the interfunds between the various funds were not always in agreement. We also noted that certain receipts were not posted to the correct revenue accounts in the Current Fund. Additionally, the tax and utility collections per the Tax/Utility records were not reconciled with the Treasurer's records.

It is recommended that:

- 1) A continuing effort be made to limit the number of interfunds at year end.
- 2) A complete analysis of the balance for the Planning and Zoning Development Fees be prepared which is reconciled with the cash balance.
- 3) Every effort be made to ensure that the interfunds between the various funds in the general ledger are reconciled, Current Fund receipts are posted to the correct revenue accounts and the tax and utility collections per the Tax/Utility records are reconciled with the Treasurer's records.

Management's Response

Every effort will be made to ensure that interfund activity is limited and liquidated by year end and a complete analysis of the balance for the Planning and Zoning Development Fees will be prepared. Also, the Borough will ensure that the interfunds are in agreement among the various funds, Current Fund receipts are posted to the appropriate revenue account and the tax and utility collections are reconciled between the Collector's and Treasurer's records.

Management Suggestions

Federal and State Grant Appropriated Grant Reserves

The Federal and State Grant Fund has numerous appropriated reserve grant balances that are several years old. It is suggested that the various appropriated grant reserve balances be reviewed for cancellation.

Purchase Order Process

During the review of the purchase orders processed during the year we noted that since most of the finance duties are being performed by a small Finance staff, it is not always possible for purchase orders to be physically encumbered in the accounting software prior to orders being placed for certain goods and services. Consideration should be given to maintaining an approval log for these purchases or other similar documentation.

BOROUGH OF CHESTER
COMMENTS AND RECOMMENDATIONS
(Continued)

Status of Prior Year Recommendations

The prior year recommendations regarding the lack of an adequate segregation of duties, an analysis of planning and zoning development fee balances, building permits, records not being maintained by Pool personnel for collections onsite at the Pool, and receipts for swimming lessons and other events be deposited in 48 hours were not resolved during the current year and are included as current year recommendations.

The prior year recommendations regarding tax and utility monthly collection reports be prepared, select Borough minutes, ensuring the Solid Waste Utility Fund does not incur an operating deficit and delinquent notices be sent on a regular basis, and access to the Public Works' petty cash were resolved during the year ended December 31, 2018.

BOROUGH OF CHESTER
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An adequate segregation of duties is maintained with respect to the recording and treasury functions.
2. Every effort be made to ensure that copies of tickets on the tickets assigned but not issued report are available for audit review.
3. Outside Departments
 - a. Monthly reports are prepared for the various outside departments and reconciled to the Treasurer's records.
 - b. Building permits are prenumbered and issued in sequential order.
 - c. A summarized monthly cashbook is prepared for the Planning/Zoning and Land Use Department.
4. Swimming Pool Operations
 - a. Formal written records are maintained by Pool personnel for collections onsite at the Pool.
 - b. Receipts for swimming lessons and other events be deposited within 48 hours of receipt.
5. Treasurer's Records
 - a. A continuing effort be made to limit the number of interfunds at year end.
 - b. A complete analysis of the balance for the Planning and Zoning Development Fees be prepared which is reconciled with the cash balance.
 - c. Every effort be made to ensure that the interfunds between the various funds in the general ledger are reconciled, Current Fund receipts are posted to the correct revenue accounts and the tax and utility collections per the Tax/Utility records are reconciled with the Treasurer's records.

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