

BOROUGH OF CHESTER
COUNTY OF MORRIS
REPORT OF AUDIT
2017

NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS

BOROUGH OF CHESTER

COUNTY OF MORRIS

REPORT OF AUDIT

2017

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BOROUGH OF CHESTER

PART I

INDEPENDENT AUDITORS' REPORT

AND FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2017

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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016, 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.

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 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.

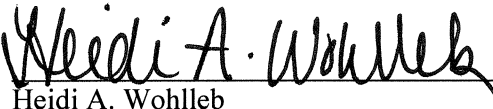
The Honorable Mayor and Members
of the Borough Council
Borough of Chester
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2018 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
June 5, 2018

NISIVOCIA LLP


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

BOROUGH OF CHESTER
COUNTY OF MORRIS
2017
CURRENT FUND

BOROUGH OF CHESTER
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2017	2016
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 2,686,007.71	\$ 1,728,859.56
Change Fund		100.00	150.00
Petty Cash			233.81
		<u>2,686,107.71</u>	<u>1,729,243.37</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	123,238.91	243,498.12
Property Acquired for Taxes at Assessed Valuation		181,200.00	181,200.00
Revenue Accounts Receivable	A-9	4,432.30	4,872.32
Due from Chester Library			8,978.46
Due from Assessment Trust Fund	B		33.03
Due from Animal Control Trust Fund	B	6.16	1,731.49
Due from General Capital Fund	C		1,174.37
Due from Payroll Account			73,727.43
Total Receivables and Other Assets With Full Reserves		<u>308,877.37</u>	<u>515,215.22</u>
Deferred Charges:			
Emergency Authorizations	A-3		107,500.00
			<u>107,500.00</u>
Total Regular Fund		<u>2,994,985.08</u>	<u>2,351,958.59</u>
Federal and State Grant Fund:			
Grants Receivable	A-14	137,286.07	24,000.00
Due from Current Fund	A	<u>25,629.04</u>	<u>33,960.01</u>
Total Federal and State Grant Fund		<u>162,915.11</u>	<u>57,960.01</u>
<u>TOTAL ASSETS</u>		<u>\$ 3,157,900.19</u>	<u>\$ 2,409,918.60</u>

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

	Ref.	December 31,	
		2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 48,772.00	\$ 52,765.01
Unencumbered	A-3;A-11	550,848.55	486,403.32
		<u>599,620.55</u>	<u>539,168.33</u>
Accounts Payable - Vendors	A-11	2,451.34	660.00
Prepaid Taxes		688,678.60	76,262.44
Tax Overpayments		15,379.28	9,312.78
Due to State of New Jersey:			
Department of Community Affairs Training Fees		1,664.00	1,428.00
Veteran and Senior Citizens Deductions		189.99	189.99
Due to Federal and State Grant Fund	A	25,629.04	33,960.01
Due to Other Trust Funds	B	198,208.81	478,569.31
Due to Sewer Utility Operating Fund	D	7,000.00	6,165.00
Due to Solid Waste Utility Operating Fund	E		1,262.03
Due to Swimming Pool Utility Operating Fund	F	2,500.00	
Reserve For Fire Prevention Penalties		385.00	385.00
		<u>1,541,706.61</u>	<u>1,147,362.89</u>
Reserve for Receivables and Other Assets	A	308,877.37	515,215.22
Fund Balance	A-1	1,144,401.10	689,380.48
		<u>2,994,985.08</u>	<u>2,351,958.59</u>
Total Regular Fund			
Federal and State Grant Fund:			
Appropriated Reserves	A-16	155,717.10	51,811.89
Unappropriated Reserves	A-15	7,198.01	6,148.12
		<u>162,915.11</u>	<u>57,960.01</u>
Total Federal and State Grant Fund			
		<u>162,915.11</u>	<u>57,960.01</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 3,157,900.19</u>	<u>\$ 2,409,918.60</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>2017</u>	<u>2016</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 435,000.00	\$ 421,600.00
Miscellaneous Revenue Anticipated		834,365.54	826,881.88
Receipts from:			
Delinquent Taxes		243,498.12	226,121.78
Current Taxes		10,219,902.05	10,199,378.13
Nonbudget Revenue		50,242.59	48,655.72
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		393,466.81	376,740.29
Prior Year Accounts Payable Cancelled		585.00	
Prior Year Interfunds Returned		23,859.78	2,119.03
Total Income		<u>12,200,919.89</u>	<u>12,101,496.83</u>
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes		4,653,570.34	4,793,044.14
County Taxes		1,042,546.07	998,686.37
Local School District Taxes		3,714,473.00	3,765,417.00
Regional School District Taxes		1,859,922.00	1,920,414.00
Municipal Open Space Taxes		40,016.24	39,664.22
Interfunds Advanced		6.16	85,611.87
Close of Petty Cash and Change Fund Adjustment		283.81	
Refund of Prior Year Revenue		81.65	440.00
Total Expenditures		<u>11,310,899.27</u>	<u>11,603,277.60</u>
Excess in Revenue		890,020.62	498,219.23
Adjustment to Excess in Revenue Before Fund Balance:			
Expenditures included above which are by Statute			
Deferred Charges to Budget of Succeeding Year			107,500.00
Statutory Excess to Fund Balance		890,020.62	605,719.23
<u>Fund Balance</u>			
Balance January 1		<u>689,380.48</u>	<u>505,261.25</u>
		1,579,401.10	1,110,980.48
Decreased by:			
Utilized as Anticipated Revenue		<u>435,000.00</u>	<u>421,600.00</u>
Balance December 31	A	\$ 1,144,401.10	\$ 689,380.48

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, 2017

	Budget	Added by N.J.S.A 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 435,000.00		\$ 435,000.00	
Miscellaneous Revenue:				
Alcoholic Beverage Licenses	12,000.00		12,650.00	\$ 650.00
Other Licenses	6,500.00		8,422.00	1,922.00
Municipal Court - Fines and Costs	63,387.00		45,018.37	18,368.63 *
Interest and Costs on Taxes	65,000.00		81,449.72	16,449.72
Interest on Investments	5,000.00		19,211.74	14,211.74
Transient Merchant Vending Licenses	3,500.00		4,020.00	520.00
Board of Health Fees	19,000.00		23,570.00	4,570.00
Fire Prevention Fees	4,000.00		8,965.00	4,965.00
Payments in Lieu of Taxes - Robert Cole Apartments	27,000.00		27,439.92	439.92
Rental - School Board	76,277.00		77,285.64	1,008.64
Energy Receipts Taxes	146,071.00		146,071.00	
Uniform Construction Code Fees	57,000.00		44,648.00	12,352.00 *
Mendham Borough Municipal Court	58,000.00		76,237.96	18,237.96
Body Armor Replacement Fund	1,141.59		1,141.59	
Clean Communities Program	4,764.80		4,764.80	
Reserve for Alcohol Education and Rehabilitation Fund	241.73		241.73	
Highlands Water Protection & Planning		\$ 114,000.00	114,000.00	
Community Forestry Management Plan		3,000.00	3,000.00	

BOROUGH OF CHESTERCURRENT FUNDSTATEMENT OF REVENUE - REGULATORY BASISYEAR ENDED DECEMBER 31, 2017

	Budget	Added by N.J.S.A 40A:4-87	Realized	Excess or Deficit *
Miscellaneous Revenue (Cont'd):				
Swimming Pool Utility Surplus Anticipated	\$ 30,000.00		\$ 30,000.00	
Windy Acres Pad Rental	5,750.00		9,240.00	\$ 3,490.00
Antenna Rental	27,750.00		35,203.07	7,453.07
Due from Payroll Account	61,785.00		61,785.00	
	<u>674,168.12</u>	<u>\$ 117,000.00</u>	<u>834,365.54</u>	<u>43,197.42</u>
Receipts from Delinquent Taxes	147,233.00		243,498.12	96,265.12
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	3,559,242.24		3,841,950.98	282,708.74
Minimum Library Tax	132,993.76		132,993.76	
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>3,692,236.00</u>		<u>3,974,944.74</u>	<u>282,708.74</u>
Budget Totals	4,948,637.12	117,000.00	5,487,808.40	422,171.28
Nonbudget Revenue			50,242.59	50,242.59
	<u>\$ 4,948,637.12</u>	<u>\$ 117,000.00</u>	<u>\$ 5,538,050.99</u>	<u>\$ 472,413.87</u>

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Allocation of Current Tax Collections:

Revenue from Collection of Current Taxes \$ 10,219,902.05

Allocated to:

Local School District Taxes	\$ 3,714,473.00
Regional School District Taxes	1,859,922.00
Municipal Open Space Taxes	40,016.24
County of Morris Taxes	<u>1,042,546.07</u>

6,656,957.31

Balance for Support of Municipal Budget 3,562,944.74

Add: Appropriation "Reserve for Uncollected Taxes" 412,000.00

Realized for Support of Municipal Budget \$ 3,974,944.74

Interest on Investments:

Collected by Treasurer	\$ 19,012.89
Due from Animal Control Trust Fund	6.16
Due from Other Trust Funds	<u>192.69</u>

Total Interest on Investments \$ 19,211.74

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Analysis of Nonbudget Revenue:

Treasurer:

Recycling Fees	\$ 1,511.46	
Insurance Reimbursement/Refunds	5,781.00	
FEMA Snow Storm Reimbursement	17,256.14	
Fees - Including Clerk Fees	160.00	
Police Reports and Fines	405.00	
DMV Reimbursement	2,900.13	
Cable TV Franchise Fee	2,198.03	
Rental Property Maintenance	1,700.00	
Prior Year Refund	4,770.27	
Senior Citizen and Veteran Deductions Administrative Fee	215.00	
Escrow Application Fees	5,400.00	
Other Miscellaneous	<u>7,945.56</u>	
		<u>\$ 50,242.59</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, 2017

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
General Administration:					
Salaries & Wages	\$ 34,000.00	\$ 34,000.00	\$ 29,591.62	\$ 4,408.38	
Other Expenses	46,090.00	46,090.00	45,127.96	962.04	
Mayor and Council:					
Salaries & Wages	32,000.00	32,000.00	31,837.00	163.00	
Other Expenses	14,000.00	14,000.00	1,184.00	12,816.00	
Municipal Clerk:					
Salaries & Wages	62,000.00	78,500.00	77,999.97	500.03	
Other Expenses	16,350.00	16,350.00	10,785.55	5,564.45	
Financial Administration:					
Salaries & Wages	102,250.00	102,250.00	94,118.22	8,131.78	
Other Expenses	17,650.00	17,650.00	11,465.82	6,184.18	
Annual Audit	21,050.00	21,050.00		21,050.00	
Collection of Taxes:					
Other Expenses	27,900.00	27,900.00	23,665.74	4,234.26	
Assessment of Taxes:					
Salaries & Wages	26,500.00	26,500.00	26,458.40	41.60	
Other Expenses	7,600.00	7,600.00	2,596.48	5,003.52	
Legal Services and Costs:					
Other Expenses - Fees	125,000.00	125,000.00	103,143.09	21,856.91	
Engineering Services and Costs:					
Other Expenses	30,000.00	30,000.00	5,209.41	24,790.59	
Municipal Court:					
Salaries & Wages	56,000.00	56,000.00	53,760.23	2,239.77	
Other Expenses	6,000.00	6,000.00	5,982.08	17.92	

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
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	38,300.00	38,300.00	\$ 22,640.40	15,659.60	
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Planning Board:					
Salaries & Wages	20,000.00	20,000.00	10,257.02	9,742.98	
Other Expenses	37,700.00	37,700.00	7,111.08	30,588.92	
Zoning Officer and Costs:					
Salaries & Wages	46,800.00	46,800.00	46,498.48	301.52	
Other Expenses	1,500.00	1,500.00	674.60	825.40	
Environmental Commission:					
Other Expenses	1,000.00	1,000.00	300.00	700.00	
Insurance (P.L. 2003, C.92):					
Liability Insurance	92,500.00	92,500.00	60,061.02	32,438.98	
Group Insurance for Employees	559,500.00	559,500.00	545,250.32	14,249.68	
Health Benefit Waivers	15,000.00	15,000.00	5,000.00	10,000.00	
PUBLIC SAFETY:					
Police:					
Other Expenses	860,550.00	860,550.00	848,419.70	12,130.30	
Police Dispatch/911	79,700.00	79,700.00		79,700.00	

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
PUBLIC SAFETY:					
Emergency Management Services:					
Salaries & Wages	\$ 7,500.00	\$ 7,500.00	\$ 3,230.10	\$ 4,269.90	
Other Expenses	4,000.00	4,000.00	3,994.80	5.20	
Aid to Volunteer Fire Company:					
Other Expenses	47,646.00	47,646.00	45,000.00	2,646.00	
Aid to Volunteer Ambulance Companies:					
Other Expenses	23,112.00	23,112.00	21,828.00	1,284.00	
Fire Prevention:					
Other Expenses	550.00	550.00		550.00	
Municipal Prosecutor:					
Other Expenses	13,500.00	13,500.00	13,500.00		
PUBLIC WORKS:					
Road Repair and Maintenance:					
Salaries and Wages	265,318.00	265,318.00	244,143.35	21,174.65	
Other Expenses	128,500.00	128,500.00	75,127.37	53,372.63	
Traffic Light:					
Other Expenses	5,000.00	5,000.00	4,081.06	918.94	
Shade Tree Commission :					
Other Expenses	20,150.00	20,150.00	11,757.50	8,392.50	
Public Building and Grounds:					
Other Expenses	69,500.00	69,500.00	60,375.39	9,124.61	
Vehicle Maintenance:					
Other Expenses	18,500.00	18,500.00	1,606.07	16,893.93	
Community Services Act - Condo Costs:					
Kelly Bill - Chester Towne	380.00	380.00		380.00	

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
Operations Within "CAPS" (Continued):					
HEALTH AND HUMAN SERVICES:					
Board of Health:					
Salaries & Wages	\$ 15,300.00	\$ 15,300.00	\$ 14,606.00	\$ 694.00	
Other Expenses	47,857.00	47,857.00	47,585.07	271.93	
Senior Citizen Transportation	19,000.00	19,000.00	11,709.91	7,290.09	
PARK AND RECREATION:					
Recreation Committee:					
Salaries & Wages	18,260.00	18,260.00	10,252.64	8,007.36	
Other Expenses	14,515.00	14,515.00	11,557.92	2,957.08	
OTHER COMMON OPERATING FUNCTIONS:					
Accumulated Leave Compensation:					
Salaries & Wages	5,000.00	5,000.00	5,000.00		
Celebration of Public Events:					
Other Expenses	6,500.00	6,500.00	6,499.36	0.64	
UNCLASSIFIED:					
Utilities	110,500.00	110,500.00	74,883.41	35,616.59	
Fire Hydrant	42,000.00	42,000.00	38,425.20	3,574.80	
Salary Adjustment Account	35,000.00	15,200.00	3,673.72	11,526.28	
UNIFORM CONSTRUCTION CODE:					
State Uniform Construction Code:					
Construction Official:					
Salaries & Wages	47,500.00	47,500.00	47,309.66	190.34	
Other Expenses	10,900.00	10,900.00	4,596.04	6,303.96	
Total Operations Within "CAPS"	3,354,928.00	3,351,628.00	2,829,880.76	521,747.24	

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Total Operations including Contingent within "CAPS"	\$ 3,354,928.00	\$3,351,628.00	\$2,829,880.76	\$ 521,747.24	
Detail:					
Salaries & Wages	773,428.00	770,128.00	698,736.41	71,391.59	
Other Expenses	2,581,500.00	2,581,500.00	2,131,144.35	450,355.65	
Deferred Charges and Statutory Expenditures -					
Municipal Within "CAPS":					
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	93,850.00	94,650.00	94,647.11	2.89	
Social Security System (O.A.S.I.)	80,000.00	80,000.00	56,526.71	23,473.29	
Defined Contribution Retirement Program	3,000.00	5,250.00	4,160.89	1,089.11	
Police and Firemen's Retirement System	162,100.00	162,350.00	162,311.01	38.99	
Unemployment Insurance	2,000.00	2,000.00	2,000.00		
Total Deferred Charges and Statutory Expenditures -					
Municipal Within "CAPS"	340,950.00	344,250.00	319,645.72	24,604.28	
Total General Appropriations for Municipal Purposes					
Within "CAPS"	3,695,878.00	3,695,878.00	3,149,526.48	546,351.52	
Operations Excluded from "CAPS":					
Aid to Library Proportionate Share (N.J.S.A. 40:54-35)	132,994.00	132,994.00	132,994.00		

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
Operations Excluded from "CAPS" (Cont'd):					
Length of Service Awards Program	\$ 20,000.00	\$ 20,000.00	\$ 17,935.24	\$ 2,064.76	
Borough of Mendham - Contractual Agreement	58,000.00	58,000.00	55,567.73	2,432.27	
State and Federal Programs Offset by Revenues:					
Highlands Water Protection & Planning (N.J.S.A. 40A:4-87 + \$114,000)		114,000.00	114,000.00		
Community Forestry Management Plan (N.J.S.A. 40A:4-87 + \$3,000)		3,000.00	3,000.00		
Reserve for Alcohol Education & Rehabilitation Fund	241.73	241.73	241.73		
Clean Communities Program	4,764.80	4,764.80	4,764.80		
Body Armor Replacement Fund	1,141.59	1,141.59	1,141.59		
Total Operations Excluded from "CAPS"	217,142.12	334,142.12	329,645.09	4,497.03	
Detail:					
Other Expenses	217,142.12	334,142.12	329,645.09	4,497.03	
Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	181,000.00	181,000.00	181,000.00		
Total Capital Improvements - Excluded from "CAPS"	181,000.00	181,000.00	181,000.00		
Municipal Debt Service - Excluded from "CAPS":					
Payment of Bond Principal	200,000.00	200,000.00	200,000.00		\$ 62.61
Interest on Notes	6,600.00	6,600.00	6,537.39		3.74
Interest on Bonds	114,335.00	114,335.00	114,331.26		0.43
Capital Lease Obligations	14,182.00	14,182.00	14,181.57		
Total Municipal Debt Service - Excluded from "CAPS"	335,117.00	335,117.00	335,050.22		66.78

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	Appropriations		Expended By		Unexpended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
Deferred Charges - Municipal - Excluded from "CAPS": Emergency Authorizations	\$ 107,500.00	\$ 107,500.00	\$ 107,500.00		
Total Deferred Charges - Municipal - Excluded from "CAPS"	107,500.00	107,500.00	107,500.00		
Total General Appropriations - Excluded from "CAPS"	840,759.12	957,759.12	953,195.31	\$ 4,497.03	\$ 66.78
Subtotal General Appropriations	4,536,637.12	4,653,637.12	4,102,721.79	550,848.55	66.78
Reserve for Uncollected Taxes	412,000.00	412,000.00	412,000.00		
Total General Appropriations	\$ 4,948,637.12	\$ 5,065,637.12	\$ 4,514,721.79	\$ 550,848.55	\$ 66.78
Ref.				A	

BOROUGH OF CHESTER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

	<u>Ref.</u>	Analysis of:	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 4,948,637.12	
Added by N.J.S.A. 40A:4-87		117,000.00	
		<u>\$ 5,065,637.12</u>	
Reserve for Uncollected Taxes			\$ 412,000.00
Reserve for Encumbrances	A		48,772.00
Due to Federal and State Grant Fund			123,148.12
Deferred Charges - Emergency Authorizations			107,500.00
Cash Disbursed			<u>3,865,632.10</u>
			4,557,052.22
Less: Appropriation Refunds - Cash Received			<u>42,330.43</u>
			<u>\$ 4,514,721.79</u>

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

BOROUGH OF CHESTER
COUNTY OF MORRIS
2017
TRUST FUNDS

BOROUGH OF CHESTER
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	B-4	\$ 3,286.41	\$ 6,176.29
Due from State of New Jersey		2.40	
		<u>3,288.81</u>	<u>6,176.29</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	1,496,055.62	1,401,933.67
Due from Current Fund	A	198,208.81	478,569.31
Due from Sewer Utility Fund	D	1,526.78	
Accounts Receivable - Planning and Zoning Development Fees		686.34	
		<u>1,696,477.55</u>	<u>1,880,502.98</u>
Assessment Trust Fund:			
Cash and Cash Equivalents	B-4		33.43
Assessments Receivable	B-7		11,126.56
			<u>11,159.99</u>
<u>TOTAL ASSETS</u>		<u>\$ 1,699,766.36</u>	<u>\$ 1,897,839.26</u>

BOROUGH OF CHESTER
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Due to State of New Jersey			\$ 70.20
Due to Current Fund	A	\$ 6.16	1,731.49
Reserve for Animal Control Expenditures	B-6	3,282.65	4,374.60
		<u>3,288.81</u>	<u>6,176.29</u>
Other Trust Funds:			
Due to General Capital Fund	C	3,215.00	3,215.00
Reserve for Developers' Escrow		157,181.53	133,540.00
Reserve for Open Space		359,073.74	332,046.26
Reserve for Planning and Zoning Development Fees		168,834.82	166,752.21
Reserve for Tax Sale Premiums		173,633.00	405,333.00
Reserve for Unemployment Compensation Insurance		18,247.67	12,788.66
Reserve for Accumulated Leave Compensation		23,031.26	36,233.75
Reserve for Parking Offenses Adjudication Act		474.00	444.00
Reserve for Recreation		81,025.73	68,790.90
Reserve for Larry Masey		2,262.92	2,247.84
Reserve for Forfeited Assets			19,797.02
Reserve for Housing Trust		678,556.75	678,432.19
Reserve for Public Defender		8,205.30	8,257.05
Reserve for Flexible Spending Account		50.98	50.61
Reserve for Storm Recovery		22,684.85	12,574.49
		<u>1,696,477.55</u>	<u>1,880,502.98</u>
Assessment Trust Fund:			
Due to Current Fund	A		33.03
Reserve for Assessments	B-8		11,126.56
Fund Balance	B-1		0.40
			<u>11,159.99</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 1,699,766.36</u>	<u>\$ 1,897,839.26</u>

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

BOROUGH OF CHESTER
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	<u>Ref.</u>		
Balance December 31, 2016	B	\$	0.40
Decreased by:			
Transferred to Current Fund		\$	<u>0.40</u>

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

BOROUGH OF CHESTER
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

BOROUGH OF CHESTER
COUNTY OF MORRIS
2017
GENERAL CAPITAL FUND

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

<u>ASSETS</u>	<u>Ref.</u>	December 31,	
		<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	C-2	\$ 740,865.83	\$ 832,533.97
Due from State of New Jersey:			
Department of Transportation Grant Receivable		91,692.50	91,692.50
Due From Other Trust Funds	B	3,215.00	3,215.00
Due From Payroll Account			40,825.89
Deferred Charges to Future Taxation:			
Unfunded	C-4	570,000.00	570,000.00
Funded		3,640,000.00	3,840,000.00
<u>TOTAL ASSETS</u>		<u>\$ 5,045,773.33</u>	<u>\$ 5,378,267.36</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	3,640,000.00	3,840,000.00
Improvement Authorizations:			
Funded	C-5	435,001.02	291,875.51
Unfunded	C-5	235,793.37	500,738.54
Due to Current Fund	A		1,174.37
Capital Improvement Fund	C-6	152,976.67	162,476.67
Reserve for Green Acres Account		0.01	0.01
Fund Balance	C-1	12,002.26	12,002.26
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 5,045,773.33</u>	<u>\$ 5,378,267.36</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, 2016	C	\$	12,002.26
Balance December 31, 2017	C	\$	<u>12,002.26</u>

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

BOROUGH OF CHESTER
COUNTY OF MORRIS
2017
SEWER UTILITY FUND

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

		December 31,	
	Ref.	2017	2016
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	D-4	\$ 788,393.14	\$ 548,906.37
Due from Current Fund	A	7,000.00	6,165.00
Due from Sewer Utility Capital Fund	D	16,604.28	717.07
Due from Solid Waste Utility Operating Fund	E		12,950.27
		<u>811,997.42</u>	<u>568,738.71</u>
Receivables with Full Reserve:			
Consumer Accounts Receivable:			
Sewer Rents	D-6	91,775.63	157,664.88
Significant User Fees	D-6	11,118.18	39,622.86
		<u>102,893.81</u>	<u>197,287.74</u>
Deferred Charges:			
Emergency Authorization			<u>15,000.00</u>
Total Operating Fund		<u>914,891.23</u>	<u>781,026.45</u>
Capital Fund:			
Cash and Cash Equivalents	D-4	154,003.11	152,930.22
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>3,065,239.26</u>	<u>3,064,166.37</u>
<u>TOTAL ASSETS</u>		<u>\$ 3,980,130.49</u>	<u>\$ 3,845,192.82</u>

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

		December 31,	
	Ref.	2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Encumbered	D-3	\$ 6,297.88	\$ 16,108.81
Unencumbered	D-3;D-9	97,868.49	86,498.87
		104,166.37	102,607.68
Accounts Payable - Vendors		90,000.00	63,700.00
Sewer Rent Overpayments		426.65	
Due to Other Trust Funds	B	1,526.78	
Due to Solid Waste Utility Fund	D	297.50	
		196,417.30	166,307.68
Reserve for Receivables	D	102,893.81	197,287.74
Fund Balance	D-1	615,580.12	417,431.03
Total Operating Fund		914,891.23	781,026.45
Capital Fund:			
Improvement Authorizations:			
Funded	D-10	86,723.94	86,723.94
Due to Sewer Utility Operating Fund	D	16,604.28	717.07
Capital Improvement Fund	D-11	47,027.21	64,827.21
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	
Fund Balance	D-1A	662.00	662.00
Total Capital Fund		3,065,239.26	3,064,166.37
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 3,980,130.49</u>	<u>\$ 3,845,192.82</u>

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.	2017	2016
<u>Revenue and Other Income Realized</u>		
Surplus Anticipated	\$ 53,820.00	\$ 131,089.95
Sewer User Fees	409,325.74	349,885.24
Significant User Fees	123,774.77	79,874.26
Miscellaneous Revenue Not Anticipated	51,574.63	11,849.28
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	85,173.05	9,816.29
Total Income	723,668.19	582,515.02
<u>Expenditures</u>		
Budget Expenditures:		
Operating	452,820.00	407,420.00
Capital Improvements		50,000.00
Debt Service		93,066.41
Deferred Charges and Statutory Expenditures	16,000.00	5,169.95
Cancellation of Prior Year Reconciling Item	2,879.10	
Total Expenditures	471,699.10	555,656.36
Excess in Revenue	251,969.09	26,858.66
Adjustment to Excess in Revenue Before Fund Balance:		
Expenditures included above which are by Statute		
Deferred Charges to Budget of Succeeding Year:		
Emergency Authorization		15,000.00
Statutory Excess to Fund Balance	251,969.09	41,858.66
<u>Fund Balance</u>		
Balance January 1	417,431.03	\$ 506,662.32
	669,400.12	548,520.98
Decreased by:		
Utilized as Anticipated Revenue	53,820.00	131,089.95
Balance December 31	D \$ 615,580.12	\$ 417,431.03

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, 2016	D	<u>\$ 662.00</u>
Balance December 31, 2017	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, 2017

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 53,820.00	\$ 53,820.00	
Sewer User Fees	345,000.00	409,325.74	\$ 64,325.74
Significant User Fees	70,000.00	123,774.77	53,774.77
	<u>468,820.00</u>	<u>586,920.51</u>	<u>118,100.51</u>
Miscellaneous Revenue Not Anticipated		51,574.63	51,574.63
	<u>\$ 468,820.00</u>	<u>\$ 638,495.14</u>	<u>\$ 169,675.14</u>

Analysis of Sewer User Fees:

Cash Received	\$ 402,359.38
Sewer Fees Collected in Current Fund	6,966.36
	<u>\$ 409,325.74</u>

Analysis of Miscellaneous Revenue Not Anticipated:

Treasurer:	
Other Miscellaneous	\$ 1,035.69
Interest on Investments	5,516.44
Interest on Penalties and Rents	<u>43,915.97</u>
	\$ 50,468.10

Due from Current Fund:

Interest on Penalties and Rents	33.64
---------------------------------	-------

Due from Sewer Utility Capital Fund:

Interest on Investments	<u>1,072.89</u>
	<u>\$ 51,574.63</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, 2017

	<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	\$ 10,000.00	\$ 11,500.00	\$ 11,294.89	\$ 205.11	
Other Expenses (N.J.S.A 40A:4-48 + \$15,000.00)	392,820.00	441,320.00	343,792.55	97,527.45	
Capital Improvements:					
Capital Outlay	50,000.00				
Deferred Charges:					
Deficit in Operations	15,000.00	15,000.00	15,000.00		
Statutory Expenditures:					
Contribution to Social Security System (O.A.S.I.)	1,000.00	1,000.00	864.07	135.93	
	<u>\$ 468,820.00</u>	<u>\$ 468,820.00</u>	<u>\$ 370,951.51</u>	<u>\$ 97,868.49</u>	<u>\$ -0-</u>

Ref.

D

Analysis of Budget after Modification/Paid or Charged

Cash Disbursed	\$ 325,712.52
Encumbered	6,297.88
Accounts Payable	26,300.00
Deferred Charge - Emergency Authorization	15,000.00
Due to Other Trust Funds	1,526.78
	<u>374,837.18</u>
Less:	
Appropriation Refund	<u>3,885.67</u>
	<u>\$ 370,951.51</u>

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

BOROUGH OF CHESTER
COUNTY OF MORRIS
2017
SOLID WASTE UTILITY FUND

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

		December 31,	
	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	E-4	\$ 42,735.38	\$ 53,139.34
Due from Current Fund	A		1,262.03
Due from Sewer Utility Operating Fund	D	297.50	
		<u>43,032.88</u>	<u>54,401.37</u>
Receivable with Full Reserve:			
Consumer Accounts Receivable	E-5	13,381.61	9,159.23
Deferred Charges:			
Deficit in Operations		<u>818.45</u>	
<u>TOTAL ASSETS</u>		<u>\$ 57,232.94</u>	<u>\$ 63,560.60</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Encumbered		\$ 8,031.71	\$ 3,644.08
Unencumbered	E-3;E-6	7,121.22	9,111.89
		<u>15,152.93</u>	<u>12,755.97</u>
Overpayments		603.36	600.09
Due to Sewer Utility Operating Fund	D		12,950.27
		<u>15,756.29</u>	<u>26,306.33</u>
Reserve for Receivables	E	13,381.61	9,159.23
Fund Balance	E-1	28,095.04	28,095.04
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 57,232.94</u>	<u>\$ 63,560.60</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,	
Ref.	2017	2016
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized		\$ 14,275.00
Rents	\$ 135,574.62	145,858.34
Miscellaneous Revenue Not Anticipated	4,178.94	5,158.64
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	4,462.55	2,461.09
Total Income	144,216.11	167,753.07
<u>Expenditures</u>		
Budget Expenditures:		
Operating	143,750.00	143,000.00
Statutory Expenditures	650.00	400.00
Cancellation of Prior Year Reconciling Item	634.56	
Total Expenditures	145,034.56	143,400.00
Excess/(Deficit) in Revenue	(818.45)	24,353.07
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		24,353.07
<u>Fund Balance</u>		
Balance January 1	28,095.04	18,016.97
	28,095.04	42,370.04
Decreased by:		
Utilized as Anticipated Revenue		14,275.00
Balance December 31	E \$ 28,095.04	\$ 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, 2017

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Rents	\$ 144,400.00	\$ 135,574.62	\$ 8,825.38 *
	144,400.00	135,574.62	8,825.38 *
Miscellaneous Revenue Not Anticipated		4,178.94	4,178.94
	<u>\$ 144,400.00</u>	<u>\$ 139,753.56</u>	<u>\$ 4,646.44 *</u>

Analysis of Rents:

Cash Received	\$ 134,680.53
Overpayments	600.09
Due from Sewer Utility Operating Fund	294.00
	<u>\$ 135,574.62</u>

Analysis of Miscellaneous Revenue Not Anticipated:

Treasurer:	
Interest and Penalties on Rents	\$ 890.64
Bulky Waste Fees	2,777.00
Interest on Investments	507.80
	<u>\$ 4,175.44</u>
Due from Sewer Operatting Fund:	
Interest and Penalties on Rents	3.50
	<u>\$ 4,178.94</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, 2017

	<u>Appropriations</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operating:				
Salaries and Wages	\$ 7,100.00	\$ 7,100.00	\$ 6,255.65	\$ 844.35
Other Expenses	136,850.00	136,650.00	130,544.54	6,105.46
Statutory Expenditures:				
Contribution to:				
Social Security System (O.A.S.I.)	450.00	650.00	478.59	171.41
	<u>\$ 144,400.00</u>	<u>\$ 144,400.00</u>	<u>\$ 137,278.78</u>	<u>\$ 7,121.22</u>
	<u>Ref.</u>	<u>Ref.</u>		E
<u>Analysis of Paid or Charged:</u>				
Cash Disbursed			\$ 129,247.07	
Encumbrances		E	<u>8,031.71</u>	
			<u>\$ 137,278.78</u>	

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

BOROUGH OF CHESTER
COUNTY OF MORRIS
2017
SWIMMING POOL UTILITY FUND

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

		December 31,	
	Ref.	2017	2016
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	F-4	\$ 259,868.29	\$ 296,920.55
Change Fund		100.00	100.00
Due from Swimming Pool Utility Capital Fund	F		20.46
Due from Current Fund	A	2,500.00	
Total Operating Fund		262,468.29	297,041.01
Capital Fund:			
Cash and Cash Equivalents	F-4	231,395.66	233,111.12
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		3,047,473.47	3,049,188.93
<u>TOTAL ASSETS</u>		<u>\$ 3,309,941.76</u>	<u>\$ 3,346,229.94</u>

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

		December 31,	
	Ref.	2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Encumbered	F-3;F-9	\$ 3,200.00	\$ 682.42
Unencumbered	F-3;F-9	51,657.51	70,770.71
		<u>54,857.51</u>	<u>71,453.13</u>
Accrued Interest on Bonds		1,183.61	2,367.21
		<u>56,041.12</u>	<u>73,820.34</u>
Fund Balance	F-1	<u>206,427.17</u>	<u>223,220.67</u>
Total Operating Fund		<u>262,468.29</u>	<u>297,041.01</u>
Capital Fund:			
Serial Bonds Payable	F-14	95,000.00	190,000.00
Improvement Authorizations:			
Funded	F-10	8,936.47	10,631.47
Due to Swimming Pool Utility Operating Fund	F		20.46
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	<u>2,556,077.81</u>	<u>2,461,077.81</u>
Total Capital Fund		<u>3,047,473.47</u>	<u>3,049,188.93</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 3,309,941.76</u>	<u>\$ 3,346,229.94</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.	2017	2016
<u>Revenue and Other Income Realized</u>		
Fund Balance Anticipated	\$ 94,900.00	\$ 150,000.00
Swimming Pool Fees	360,675.00	372,869.00
Initiation Fee	47,525.00	59,075.00
Miscellaneous Revenue Not Anticipated	68,690.73	81,343.94
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	62,207.17	62,416.98
Total Income	633,997.90	725,704.92
<u>Expenditures</u>		
Budget Expenditures:		
Operating	411,800.00	382,000.00
Capital Improvements		100,000.00
Debt Service	98,091.40	95,852.46
Statutory Expenditures	16,000.00	15,000.00
Total Expenditures	525,891.40	592,852.46
Excess in Revenue	108,106.50	132,852.46
<u>Fund Balance</u>		
Balance January 1	223,220.67	270,368.21
	331,327.17	403,220.67
Decreased by:		
Utilized as Anticipated Revenue	94,900.00	150,000.00
Utilized as Anticipated Revenue - Current Fund	30,000.00	30,000.00
Balance December 31	F \$ 206,427.17	\$ 223,220.67

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, 2017

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 94,900.00	\$ 94,900.00	
Swimming Pool Fees	372,000.00	360,675.00	\$ 11,325.00 *
Initiation Fee	59,000.00	47,525.00	11,475.00 *
	<u>525,900.00</u>	<u>503,100.00</u>	<u>22,800.00 *</u>
Miscellaneous Revenue Not Anticipated		<u>68,690.73</u>	<u>68,690.73</u>
	<u>\$ 525,900.00</u>	<u>\$ 571,790.73</u>	<u>\$ 45,890.73</u>

Analysis of Miscellaneous Revenue Not Anticipated:

Treasurer:

Swim Team/Lessons	\$ 26,507.50
Party Fees	6,326.00
Guest Fees	23,949.00
Concession Stand Fee	2,000.00
Chester Township Camp	2,250.00
Other Miscellaneous	33.36
Interest on Investments	5,124.87
	<u>66,190.73</u>

Due from Current Fund:

Concession Stand Fee	<u>2,500.00</u>
	<u>\$ 68,690.73</u>

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, 2017

	Appropriations		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	\$ 240,600.00	\$ 240,600.00	\$ 208,640.27	\$ 31,959.73	
Other Expenses	171,200.00	171,200.00	151,541.20	19,658.80	
Debt Service:					
Payment of Bond Principal	95,000.00	95,000.00	95,000.00		
Interest on Bonds	3,100.00	3,100.00	3,091.40		\$ 8.60
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	16,000.00	16,000.00	15,961.02	38.98	
	<u>\$ 525,900.00</u>	<u>\$ 525,900.00</u>	<u>\$ 474,233.89</u>	<u>\$ 51,657.51</u>	<u>\$ 8.60</u>
<u>Analysis of Paid or Charged</u>				F	
Cash Disbursed			\$ 467,942.49		
Encumbered			3,200.00		
Accrued Interest on Bonds			<u>3,091.40</u>		
			<u>\$ 474,233.89</u>		

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

BOROUGH OF CHESTER
COUNTY OF MORRIS
2017
GENERAL FIXED ASSETS ACCOUNT GROUP

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

	December 31,	
	2017	2016*
<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	1,013,424.00	977,224.00
<u>TOTAL ASSETS</u>	<u>\$ 20,533,145.00</u>	<u>\$ 20,496,945.00</u>
 <u>RESERVES</u>		
Investment in General Fixed Assets	\$ 20,533,145.00	\$ 20,496,945.00
<u>TOTAL RESERVES</u>	<u>\$ 20,533,145.00</u>	<u>\$ 20,496,945.00</u>

* - Restated

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

1

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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, 2017
(Continued)

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

B. Description of Funds (Cont'd)

Assessment Trust Fund - Resources and expenditures for payment of Assessment Trust Fund debt.

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, 2017
 (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 awarded; 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 pension liability and related deferred inflows and outflows would be recorded.

The cash basis of accounting is followed in the Trust 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, 2017
(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, 2017
(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,		
	2017	2016	2015
<u>Issued</u>			
General - Bonds and Notes	\$ 4,210,000.00	\$ 4,410,000.00	\$ 4,035,000.00
Sewer Utility - Bonds, Loans and Notes			90,870.79
Swimming Pool Utility - Bonds and Notes	95,000.00	190,000.00	280,000.00
Total Issued	4,305,000.00	4,600,000.00	4,405,870.79
Net Bonds, Notes and Loans Issued and Authorized but not Issued	\$ 4,305,000.00	\$ 4,600,000.00	\$ 4,405,870.79

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 1.073%.

	Gross Debt	Deductions	Net Debt
School Debt	\$ 3,314,329.31	\$ 3,314,329.31	
General Debt	4,210,000.00		\$ 4,210,000.00
Swimming Pool Utility Debt	95,000.00	95,000.00	
	<u>\$ 7,619,329.31</u>	<u>\$ 3,409,329.31</u>	<u>\$ 4,210,000.00</u>

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

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

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

Net Debt \$4,210,000.00 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$392,489,180.67 = 1.073%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 13,737,121.32
Net Debt	<u>4,210,000.00</u>
Remaining Borrowing Power	<u><u>\$ 9,527,121.32</u></u>

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

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 638,495.14
Deductions:	
Operating and Maintenance Costs	<u>468,820.00</u>
Excess in Revenue	<u><u>\$ 169,675.14</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	\$ 571,790.73
Deductions:	
Operating and Maintenance Costs	\$ 427,800.00
Debt Service	<u>98,091.40</u>
	<u>525,891.40</u>
Excess in Revenue	<u><u>\$ 45,899.33</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, 2017
 (Continued)

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

<u>Summary of Municipal Debt Issued and Outstanding - Prior Year</u>				
Fund	Balance 12/31/15	Additions	Retirements	Balance 12/31/16
Serial Bonds:				
General Capital	\$ 4,035,000.00		\$ 195,000.00	\$ 3,840,000.00
Swimming Pool Utility Capital	280,000.00		90,000.00	190,000.00
Bond Anticipation Notes:				
General Capital		\$ 570,000.00		570,000.00
Loans Payable:				
Sewer Utility Capital:				
Wastewater Treatment	90,870.79		90,870.79	
	<u>\$ 4,405,870.79</u>	<u>\$ 570,000.00</u>	<u>\$ 375,870.79</u>	<u>\$ 4,600,000.00</u>

<u>Summary of Municipal Debt Issued and Outstanding - Current Year</u>				
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>

The Borough's debt issued and outstanding on December 31, 2017, is described as follows:

<u>General Capital Serial Bonds</u>			
<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
General Improvement Bonds	02/01/32	3.00-3.25%	<u>\$ 3,640,000.00</u>
<u>Swimming Pool Utility Capital Serial Bonds</u>			
<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
Pool Utility Bonds	02/01/18	3.00%	<u>\$ 95,000.00</u>
<u>General Capital Bond Anticipation Notes</u>			
<u>Purpose</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
Improvements to Various Roads	10/19/18	1.20%	<u>\$ 570,000.00</u>
Total Debt Issued and Outstanding			<u>\$ 4,305,000.00</u>

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(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	Swimming Pool Capital		General Capital		Total
	Principal	Interest	Principal	Interest	
2018	\$ 95,000.00	\$ 1,425.00	\$ 205,000.00	\$ 108,256.26	\$ 409,681.26
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
2023-2027			1,195,000.00	309,831.30	1,504,831.30
2028-2032			1,385,000.00	113,603.15	1,498,603.15
	<u>\$ 95,000.00</u>	<u>\$ 1,425.00</u>	<u>\$ 3,640,000.00</u>	<u>\$ 901,640.75</u>	<u>\$ 4,638,065.75</u>

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$1,744,938 at June 30, 2017. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$2,569,416 at June 30, 2017. See Note 6 for further information on the PERS and PFRS.

Note 3: Fund Balances Appropriated

The amount of fund balances at December 31, 2017 which are appropriated in the adopted budget for the year ending December 31, 2018 are as follows:

Current Fund	\$ 385,000.00
Sewer Utility Operating Fund	40,300.00
Solid Waste Utility Operating Fund	8,500.00
Swimming Pool Utility Operating Fund	69,500.00

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, 2017
(Continued)

Note 5: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2017, the following deferred charge is shown on the Solid Waste Utility Fund balance sheet:

	Balance Dec. 31, 2017	To be Raised in 2018 Budget	Balance to Succeeding Year's Budgets
Solid Waste Utility Operating Fund:			
Deficit in Operations	\$ 818.45	\$ 818.45	\$ -0-

The appropriation in the 2018 budget is not less than that required by statute.

Note 6: Pension Plans

Borough employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee's Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); 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.nj.gov/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:

Tier	Definition
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, 2017
(Continued)

Note 6: 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 will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$94,647.11 for 2017.

The employee contribution rate was 7.20% effective July 1, 2016 and increased to 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are 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, 2017, the Borough's liability was \$1,744,938 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the Borough's proportion was 0.00749%, which was a decrease of 0.003% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Borough recognized actual pension expense in the amount of \$94,647.11.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

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

Actuarial Assumptions

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

Inflation 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 plan actuary's modified MP-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 and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) 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, 2017 are summarized in the table on the following page:

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: 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>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed 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 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: 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, 2017 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, 2017		
	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
Borough's proportionate share of the Net Pension Liability	\$ 2,164,714	\$ 1,744,938	\$ 1,395,213

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.nj.gov/treasury/pensions/financial-reports.shtml.

Benefits Provided

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

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

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

The following represents the membership tiers for PFRS:

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

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

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A 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 PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual amounts over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

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

Special Funding Situation (Cont'd)

must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. The June 30, 2017 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense for the fiscal year ended June 30, 2017 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2017. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Borough contributions to PFRS amounted to \$162,311.01 for the year ended December 31, 2017. During the fiscal year ended June 30, 2017, the State of New Jersey contributed \$14,391.00 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$35,204.00.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Pension Liabilities and Pension Expense

At June 30, 2017, the Borough's liability for its proportionate share of the net pension liability was \$2,569,416. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the Borough's proportion was 0.0166%, which was a decrease of 0.003% from its proportion measured as of June 30, 2016.

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$287,796.00 as of June 30, 2017. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The State's proportionate share of the net pension liability associated with the Borough 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, 2017, the State's proportion was 0.0166%, which was a decrease of 0.003% from its proportion measured as of June 30, 2017 which is the same proportion as the Borough's.

Borough's Proportionate Share of the Net Pension Liability	\$ 2,569,416.00
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>287,796.00</u>
Total Net Pension Liability	<u>\$ 2,857,212.00</u>

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (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>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2057, 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, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

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

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the Borough) to Changes in the Discount Rate

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Borough) as of June 30, 2017 calculated using the discount rate as disclosed above, as well as what the collective 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, 2017		
	At 1% Decrease (5.14%)	At Current Discount Rate (6.14%)	At 1% Increase (7.14%)
Borough's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Borough	\$ 3,764,613	\$ 2,857,212	\$ 2,111,680

Plan Fiduciary Net Position - PFRS

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

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.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6: Pension Plans (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

For DCRP, the Borough recognized pension expense of \$4,160.89 and \$3,730.39 for the years ended December 31, 2017 and 2016, respectively. Employee contributions to DCRP amounted to \$7,105.61 and \$1,933.91 for the year ended December 31, 2017 and 2016, respectively.

Note 7: 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, 2017 would approximate \$101,171.79. 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 \$23,031.26 on the Trust Funds balance sheet at December 31, 2017.

Note 8: 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 14th 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.

Comparative Schedule of Tax Rate Information

	2017	2016	2015
<u>Tax Rate</u>	\$ 2.587	\$ 2.611	\$ 2.659
<u>Apportionment of Tax Rate</u>			
Municipal (includes Open Space)	0.931	0.842	0.917
County	0.262	0.334	0.268
Local School	0.929	0.951	0.982
Regional High School	0.465	0.484	0.492
<u>Assessed Valuations</u>			
2017	\$ 400,091,700.00		
2016		\$ 396,148,900.00	
2015			\$ 378,882,600.00

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 8: Selected Tax Information (Cont'd)

Comparison of Tax Levies and Collections Currently (Cont'd)

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.

Year	Tax Levy	Currently	
		Cash Collections	Percentage of Collection
2017	\$ 10,352,202.50	\$ 10,219,902.05	98.72%
2016	10,356,330.29	10,199,378.13	98.48%
2015	10,078,602.83	9,794,661.03	97.18%

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 9: Cash and Cash Equivalents

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.

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.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 9: Cash and Cash Equivalents (Cont'd)

Deposits: (Cont'd)

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;
- (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;

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 9: Cash and Cash Equivalents (Cont'd)

Investments: (Cont'd)

- (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.

As of December 31, 2017, cash and cash equivalents of the Borough of Chester consisted of the following:

Fund	Cash on Hand	Checking Accounts	Total
Current Fund	\$ 100.00	\$ 2,686,007.71	\$ 2,686,107.71
Animal Control Fund		3,286.41	3,286.41
Other Trust Funds		1,496,055.62	1,496,055.62
General Capital Fund		740,865.83	740,865.83
Sewer Utility Operating Fund		788,393.14	788,393.14
Sewer Utility Capital Fund		154,003.11	154,003.11
Solid Waste Utility Fund		42,735.38	42,735.38
Swimming Pool Utility Operating Fund		259,868.29	259,868.29
Swimming Pool Utility Capital Fund		231,395.66	231,395.66
	<u>\$ 100.00</u>	<u>\$ 6,402,611.15</u>	<u>\$ 6,402,711.15</u>

During the period ended December 31, 2017, the Borough did not hold any investments. The carrying amount of the Borough's cash and cash equivalents at December 31, 2017, was \$6,402,711.15, and the bank balance was \$6,081,934.49.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 10: 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

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.

Summarized selected financial information of this Fund as of December 31, 2017 was not available at the time of this audit. Summarized selected financial information of this Fund as of December 31, 2016 is as follows:

	<u>Morris County Municipal Joint Insurance Fund</u>
Total Assets	<u>\$ 27,753,863</u>
Net Position	<u>\$ 12,178,035</u>
Total Revenue	<u>\$ 19,261,910</u>
Total Expenses	<u>\$ 15,715,706</u>
Change in Net Position	<u>\$ 3,546,204</u>
Member Dividends	<u>\$ -0-</u>

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

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 10: Risk Management (Cont'd)

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

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>
2017	\$ 4,000.00	\$ 103.91	\$ 1,494.60	\$ 139.50	\$ 18,247.67
2016		40.24		13,313.15	12,788.66
2015		73.90		3,598.60	26,061.57

Note 11: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2017:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 6.16	\$ 233,337.85
Federal and State Grant Fund	25,629.04	
Animal Control Fund		6.16
Other Trust Funds	199,735.59	3,215.00
General Capital Fund	3,215.00	
Sewer Utility Operating Fund	23,604.28	1,824.28
Sewer Utility Capital Fund		16,604.28
Solid Waste Utility Operating Fund	297.50	
Swimming Pool Utility Operating Fund	2,500.00	
	<u>\$ 254,987.57</u>	<u>\$ 254,987.57</u>

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 11: 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 represents current year interest earnings due to the Current Fund. The interfund between the Swimming Pool Utility Operating and the Current Fund is for concession stand fees collected by Current Fund. The interfund between the Solid Waste Utility Operating Fund and the Sewer Utility Operating Fund is for Solid Waste receipts that were deposited in the Sewer Utility Operating Fund. The interfund between the Sewer Utility Operating Fund and the Sewer Utility Capital Fund is mainly expenditures made by the Sewer Utility Operating Fund for the Sewer Utility Capital Fund. The interfund between the Sewer Utility Operating Fund and the Other Trust Funds is for expenditures paid by the Other Trust Funds on behalf of the Sewer Utility Operating Fund. The interfund between the Sewer Utility Operating Fund and the Current Fund is for Sewer receipts that were deposited in the Current Fund. The interfund between the General Capital Fund and the Other Trust Funds is from the prior year for a disbursement made by General Capital for the Other Trust Funds. The interfund between the Current Fund and the Other Trust Funds is mainly due to tax sale premiums due to the Other Trust Funds not settled in the current year as well as amounts due to Reserve for Storm Recovery and Reserve for Accumulated Leave Compensation from the Current Fund.

Note 12: 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 13: Post Retirement Medical Benefits

In addition to the pension benefits described in Note 6, 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.

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

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 13: Post Retirement Medical Benefits (Cont'd)

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP.

Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to:

State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

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

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Borough on a monthly basis.

The Borough's portion of post-retirement benefits is funded on a pay-as-you-go basis from the Current Fund operating budget. For the years ended December 31, 2017 and 2016, the Borough had 15 employees who met post-retirement eligibility requirements for health care benefits and recognized expenses of \$364,758.36 and \$320,662.27, respectively, for health benefits.

Note 14: 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 15: 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 2017 was \$.01. As of December 31, 2017, the balance in the Open Space Trust Fund was \$359,073.74.

Note 16: 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.

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 16: Tax Abatements (Cont'd)

As of December 31, 2017, 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 \$27,439.92 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 2017 without the abatement would have been \$69,693.44 of which \$25,081.02 would have been for the local municipal tax, minimum library tax and municipal open space tax.

Note 17: Fixed Assets

The following is a summarization of the activity of the Borough's fixed assets for the year ended December 31, 2017:

	(Restated) Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Land	\$ 13,131,760.00			\$ 13,131,760.00
Buildings	6,387,961.00			6,387,961.00
Equipment and Vehicles	977,224.00	\$ 36,200.00		1,013,424.00
	<u>\$ 20,496,945.00</u>	<u>\$ 36,200.00</u>	<u>\$ -0-</u>	<u>\$ 20,533,145.00</u>

BOROUGH OF CHESTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 18: Prior Period Adjustment

The Borough made a prior year adjustment to the General Fixed Assets Account Group to adjust the values for fixed assets to be in agreement with the new appraisal report as of December 31, 2016.

	Balance 12/31/2016	Retroactive Adjustments	Balance 12/31/2016 Restated
ASSETS			
Land	\$ 10,970,344.00	\$ 2,161,416.00	\$ 13,131,760.00
Building	2,973,068.12	341,489.88	6,387,961.00
Machinery and Equipment	2,613,736.83	(1,636,512.83)	977,224.00
TOTAL ASSETS	16,557,148.95	3,939,796.05	20,496,945.00
RESERVES			
Reserve for Fixed Assets	16,557,148.95	3,939,796.05	20,496,945.00
TOTAL RESERVES	16,557,148.95	3,939,796.05	20,496,945.00

SUPPLEMENTARY DATA

BOROUGH OF CHESTER
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2017

Name	Title	Amount of Bond	Name of Corporate Surety
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 (From 6/5/2017)	(A)	
Denean Probasco	Borough Clerk	(A)	
Helene Turner	Chief Financial Officer/Treasurer	\$1,000,000	Municipal Excess Liability JIF
John Marcione	Tax Assessor	(A)	
Antoinette Theesfeld	Tax Collector/Utility Collector	(B)	
Brian Levine	Magistrate	(A)	
Sharon Alpaugh	Court Administrator (To 5/15/2017)	(A)	
Lisa Conover	Court Administrator (From 5/15/2017)	(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
2017
CURRENT FUND

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2016	A	\$ 1,728,859.56
Increased by Receipts:		
Tax Collector	\$ 11,156,895.08	
Revenue Accounts Receivable	629,568.85	
Due to/from State of New Jersey:		
Department of Community Affairs Training Fees	2,792.00	
Veterans and Senior Citizens' Deductions	10,750.00	
Marriage License Fees	300.00	
Miscellaneous Revenue Not Anticipated	50,242.59	
Appropriation Refunds	42,330.43	
Appropriation Reserve Refunds	322.80	
Due from Chester Library	8,978.46	
Due from Payroll Account	11,942.43	
Due to Federal and State Grant Fund:		
Grants Receivable	3,713.93	
Appropriated Grant Fund Reserves Refund	547.40	
Unappropriated Reserves	7,198.01	
Due to/from Other Trust Funds:		
Reserve for Developer's Escrow	256.29	
Reserve for Parking Offense Adjudication Act	30.00	
Partial Settlement of Prior Year Interfund	10,968.80	
Due to Swimming Pool Utility Operating Fund:		
Concession Stand Fees	2,500.00	
Due from Assessment Trust Fund:		
Settlement of Prior Year Interfund	33.03	
Due to Sewer Utility Operating Fund:		
Sewer User Fees	6,966.36	
Interest on Penalties and Rents	33.64	
Due from General Capital Fund:		
Settlement of Prior Year Interfund	1,174.37	
Due from Animal Control Fund:		
Settlement of Prior Year Interfund	1,731.49	
	<hr/>	<hr/>
		11,949,275.96
		13,678,135.52

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF CASH - TREASURER

Ref.

Decreased by Disbursements:

2017 Appropriation Expenditures	\$ 3,865,632.10
2016 Appropriation Reserves	118,572.98
Accounts Payable	75.00
Tax Overpayments	4,312.53
Local School Taxes	3,714,473.00
Regional School Taxes	1,859,922.00
County Taxes	1,042,546.07
Due to State of New Jersey:	
Department of Community Affairs Training Fees	2,556.00
Marriage License Fees	300.00
Refund of Prior Year Revenue	81.65
Due from Federal and State Grant Fund -	
Appropriated Reserves	19,790.31
Due to/from Other Trust Funds:	
Reserve for Tax Sale Premiums	231,700.00
Reserve for Open Space	40,009.17
Reserve for Recreation	968.86
Partial Settlement of Prior Year Interfund	83,761.11
Due to Sewer Utility Operating Fund:	
Settlement of Prior Year Interfund	6,165.00
Due to Solid Waste Utility Operating Fund:	
Settlement of Prior Year Interfund	1,262.03

\$ 10,992,127.81

Balance December 31, 2017

A

\$ 2,686,007.71

BOROUGH OF CHESTER
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2017

Increased by Receipts:

Taxes Receivable	\$ 10,376,387.73
Prepaid Taxes	688,678.60
Interest & Costs on Taxes	81,449.72
Tax Overpayments	<u>10,379.03</u>

\$ 11,156,895.08

Increased by Disbursements:

Paid to Treasurer

\$ 11,156,895.08

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

Year	Balance Dec. 31, 2016	2017 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Balance Dec. 31, 2017
			2016	2017			
2014	\$ 50,020.00			\$ 50,020.00			
2015	46,604.75			46,604.75			
2016	146,873.37			146,873.37			
	243,498.12			243,498.12			
2017		\$ 10,352,202.50	\$ 76,262.44	10,132,889.61	\$ 10,750.00	\$ 9,061.54	\$ 123,238.91
	\$ 243,498.12	\$ 10,352,202.50	\$ 76,262.44	\$ 10,376,387.73	\$ 10,750.00	\$ 9,061.54	\$ 123,238.91
Ref.	A						A

Analysis of 2017 Property Tax Levy

Tax Yield:

General Purpose Tax
 Added and Omitted Taxes (54:4-63.1 et. seq.)

\$ 10,350,372.51
 1,829.99
 \$ 10,352,202.50

Tax Levy:

Local School District Taxes
 Regional School District Taxes
 County Taxes
 Due County for Added and Omitted Taxes
 Municipal Open Space Taxes
 Due Open Space for Added and Omitted Taxes

\$ 3,714,473.00
 1,859,922.00
 1,042,546.07
 40,009.17
 7.07

40,016.24
 6,656,957.31

Local Tax for Municipal Purposes Levied
 Minimum Library Tax
 Additional Taxes Levied

3,559,242.24
 132,993.76
 3,009.19
 3,695,245.19
 \$ 10,352,202.50

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2016	Accrued In 2017	Received In 2017	Balance Dec. 31, 2017
Alcoholic Beverage Licenses		\$ 12,650.00	\$ 12,650.00	
Other Licenses		8,422.00	8,422.00	
Municipal Court:				
Fines and Costs	\$ 4,872.32	44,578.35	45,018.37	\$ 4,432.30
Interest on Investments		19,012.89	19,012.89	
Transient Merchants Vending Licenses		4,020.00	4,020.00	
Board of Health Fees:				
Fees and Permits		23,570.00	23,570.00	
Fire Prevention Fees		8,965.00	8,965.00	
Energy Receipts Taxes		146,071.00	146,071.00	
Uniform Construction Code Fees		44,648.00	44,648.00	
Payments in Lieu of Taxes - Robert Cole Apartments		27,439.92	27,439.92	
Shared Service Agreement - Mendham Borough Municipal Court		76,237.96	76,237.96	
Swimming Pool Utility Operating Fund Surplus Anticipated		30,000.00	30,000.00	
Windy Acres Rental Pad Fee		9,240.00	9,240.00	
Antenna Rental		35,203.07	35,203.07	
Due from Payroll Account		61,785.00	61,785.00	
Rental - School Board		77,285.64	77,285.64	
	<u>\$ 4,872.32</u>	<u>\$ 629,128.83</u>	<u>\$ 629,568.85</u>	<u>\$ 4,432.30</u>

Ref.

A

A

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

	<u>Balance</u> <u>Dec. 31, 2016</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	\$ 448.74	\$ 448.74		\$ 448.74
Other Expenses	15,379.32	15,379.32	\$ 11,387.99	3,991.33
Mayor and Council:				
Salaries & Wages	163.00	163.00		163.00
Other Expenses	12,121.74	12,121.74	1,920.00	10,201.74
Municipal Clerk:				
Salaries & Wages	3,232.20	3,232.20		3,232.20
Other Expenses	4,055.56	4,055.56	2,212.43	1,843.13
Financial Administration:				
Salaries & Wages	1,888.20	1,888.20		1,888.20
Other Expenses	8,431.94	8,431.94	1,014.43	7,417.51
Annual Audit	16,950.00	16,950.00	16,850.00	100.00
Collection of Taxes:				
Other Expenses	5,719.40	5,719.40		5,719.40
Tax Assessment Administration:				
Salaries & Wages	490.09	490.09		490.09
Other Expenses	251.01	251.01		251.01
Legal Services and Costs:				
Other Expenses	1,692.05	1,692.05	745.97	946.08
Municipal Court:				
Salaries & Wages	109.92	109.92		109.92
Other Expenses	7,193.47	7,193.47		7,193.47
Public Defender:				
Other Expenses	3,000.00	3,000.00		3,000.00
Engineering Services and Costs:				
Other Expenses	25,384.00	25,384.00	1,997.00	23,387.00
Municipal Land Use Law:				
Planning Board:				
Salaries & Wages	18.94	18.94		18.94
Other Expenses	56,296.95	56,296.95	3,651.34	52,645.61
Zoning Officer:				
Salaries & Wages	192.59	192.59		192.59
Other Expenses	865.89	865.89	71.82	794.07
Environmental Commission:				
Other Expenses	700.00	700.00		700.00
Insurance:				
Other Insurance Premiums	3,433.62	3,433.62		3,433.62
Group Insurance for Employees	114,059.61	114,059.61		114,059.61
Health Benefit Waivers	5,000.00	5,000.00		5,000.00

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017
(Continued)

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
PUBLIC SAFETY:				
Police:				
Salaries & Wages	\$ 22,217.47	\$ 22,217.47		\$ 22,217.47
Other Expenses	9,296.28	9,296.28	\$ 1,203.47	8,092.81
911 Communication System	2,121.41	2,121.41		2,121.41
Emergency Management Services:				
Salaries & Wages	1,719.96	1,719.96		1,719.96
Other Expenses	4,000.00	4,000.00	3,961.30	38.70
Fire Protection Contract	3,788.00	3,788.00		3,788.00
Aid to Volunteer Ambulance Companies:				
Other Expenses	2,102.00	2,102.00		2,102.00
Fire Prevention Program:				
Other Expenses	725.26	725.26		725.26
Municipal Prosecutor:				
Other Expenses	2,750.00	2,750.00	2,100.00	650.00
PUBLIC WORKS:				
Road Repairs and Maintenance:				
Salaries & Wages	21,874.15	21,874.15	20,000.00	1,874.15
Other Expenses	30,890.44	30,890.44	30,102.63	787.81
Traffic Lighting:				
Other Expenses	6,000.00	6,000.00		6,000.00
Shade Tree Commission:				
Other Expenses	11,757.50	11,757.50	6,390.00	5,367.50
Public Buildings and Grounds:				
Other Expenses	2,478.91	2,478.91	2,022.06	456.85
Vehicle Maintenance:				
Other Expenses	4,680.97	4,680.97	2,813.75	1,867.22
Community Services Act - Condo Costs:				
Kelly Bill - Chester Town	205.52	205.52		205.52
HEALTH AND HUMAN SERVICES:				
Board of Health:				
Other Expenses	2,675.07	2,675.07	339.00	2,336.07
Senior Citizen Transportation	4,228.04	4,228.04	2,282.85	1,945.19
PARKS AND RECREATION:				
Recreation:				
Salaries & Wages	1,555.88	1,555.88		1,555.88
Other Expenses	5,013.02	5,013.02	186.68	4,826.34

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017
(Continued)

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
OTHER COMMON OPERATING FUNCTIONS:				
Accumulated Leave Compensation:				
Salaries & Wages	\$ 100.00	\$ 100.00	\$ 100.00	
Celebration of Public Events:				
Other Expenses	10,438.66	10,438.66		\$ 10,438.66
UNCLASSIFIED:				
Utilities	46,094.32	46,094.32	9,408.30	36,686.02
Fire Hydrant	6,776.90	6,776.90	3,202.10	3,574.80
UNIFORM CONSTRUCTION CODE:				
Construction Official:				
Salaries & Wages	163.10	163.10		163.10
Other Expenses	466.15	466.15		466.15
Electrical Inspector:				
Other Expenses	2,800.20	2,800.20	1,738.40	1,061.80
STATUTORY EXPENDITURES:				
Contribution to:				
Social Security System (O.A.S.I.)	14,024.85	14,024.85		14,024.85
Defined Contribution Retirement Program	57.65	57.65		57.65
Unemployment Insurance	2,000.00	2,000.00	2,000.00	
OPERATIONS EXCLUDED FROM "CAPS":				
Aid to Library Proportionate Share				
(N.J.S.A. 40:54-35)	8,978.46	8,978.46		8,978.46
Length of Service Awards Program	18,000.00	18,000.00	18,000.00	
Shared Service Agreement:				
Borough of Mendham - Contractual Agreement	2,109.92	2,109.92		2,109.92
	<u>\$ 539,168.33</u>	<u>\$ 539,168.33</u>	<u>\$ 145,701.52</u>	<u>\$ 393,466.81</u>

Analysis of Balance December 31, 2016:

	<u>Ref.</u>
Encumbered	A \$ 52,765.01
Unencumbered	A <u>486,403.32</u>
	<u>\$ 539,168.33</u>

Cash Disbursements	\$ 118,572.98
Accounts Payable	2,451.34
Due to Other Trust Funds - Reserve for Storm Recovery	5,000.00
Due to Other Trust Funds - Reserve for Accumulated Leave Compensation	20,000.00
Less: Appropriation Refund	<u>(322.80)</u>
	<u>\$ 145,701.52</u>

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2017

Increased by:

Levy - Calendar Year 2017

\$ 3,714,473.00

Decreased by:

Payments to Local School District

\$ 3,714,473.00

BOROUGH OF CHESTER
CURRENT FUND
SCHEDULE OF REGIONAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2017

Increased by:

Levy - Calendar Year 2017

\$ 1,859,922.00

Decreased by:

Payments to Regional School District

\$ 1,859,922.00

BOROUGH OF CHESTER
FEDERAL AND STATE GRANT FUND
SCHEDULE OF GRANTS RECEIVABLE

Grant	Balance Dec 31, 2016	2017 Revenue Realized	Collected in Current Fund	Transferred from Unappropriated Reserves	Balance Dec 31, 2017
Clean Communities Program		\$ 4,764.80		\$ 4,764.80	
Body Armor Replacement Fund		1,141.59		1,141.59	
Alcohol Education and Rehabilitation		241.73		241.73	
Recreational Trails Program	\$ 24,000.00				\$ 24,000.00
Community Forestry Management Plan		3,000.00			3,000.00
Highlands Water Protection and Planning Grant		114,000.00	\$ 3,713.93		110,286.07
	<u>\$ 24,000.00</u>	<u>\$ 123,148.12</u>	<u>\$ 3,713.93</u>	<u>\$ 6,148.12</u>	<u>\$ 137,286.07</u>
	A				A

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

<u>Grant</u>	<u>Balance Dec 31, 2016</u>	<u>Collected in Current Fund</u>	<u>Transferred to 2017 Budget</u>	<u>Balance Dec 31, 2017</u>
Recycling Tonnage Grant		\$ 7,198.01		\$ 7,198.01
Clean Communities	\$ 4,764.80		\$ 4,764.80	
Alcohol Education and Rehabilitation	241.73		241.73	
Body Armor Replacement Fund	1,141.59		1,141.59	
	<u>\$ 6,148.12</u>	<u>\$ 7,198.01</u>	<u>\$ 6,148.12</u>	<u>\$ 7,198.01</u>
<u>Ref.</u>	A			A

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

	Balance Dec. 31, 2016	Transferred From 2017 Budget Appropriations	Expended in Current Fund	Refunded	Balance Dec. 31, 2017
Recycling Tonnage Grant	\$ 17,155.72		\$ 1,300.78	\$ 547.40	\$ 16,402.34
Drunk Driving Enforcement Fund	2,830.82		2,820.00		10.82
Clean Communities Program	4,166.81	\$ 4,764.80			8,931.61
Body Armor Replacement Grant	3,113.33	1,141.59	961.70		3,293.22
Gakstatter Bicycle Grant	133.23		133.23		
Highlands Water Protection and Planning Grant	1,213.00	114,000.00			115,213.00
Alcohol Education and Rehabilitation	294.67	241.73			536.40
Recreational Trails Grant	22,904.31		14,574.60		8,329.71
Community Forestry Management Plan		3,000.00			3,000.00
	<u>\$ 51,811.89</u>	<u>\$ 123,148.12</u>	<u>\$ 19,790.31</u>	<u>\$ 547.40</u>	<u>\$ 155,717.10</u>

Ref.

A

A

BOROUGH OF CHESTER
COUNTY OF MORRIS
2017
TRUST FUNDS

BOROUGH OF CHESTER
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	Animal Control Fund	Other Trust Funds	Assessment Trust Fund
<u>Ref.</u>			
Balance December 31, 2016	\$ 6,176.29	\$ 1,401,933.67	\$ 33.43
Increased by Receipts:			
Borough Dog License Fees	\$ 2,125.20		
Penalties on Dog License Fees	184.00		
State Dog License Fees	214.80		
Due to Current Fund:			
Interest Earned	6.16		
Partial Settlement of Prior Year Interfund			
Developers Escrow		\$ 192.69	
Open Space Trust:		83,761.11	
Open Space Tax Levy		109.55	
Interest Earned		40,009.17	
Planning and Zoning:		2,082.20	
Development Fees			
Interest Earned		83,240.14	
Unemployment Compensation Insurance:		1,080.92	
Employer Contribution		4,000.00	
Employee Contribution		1,494.60	
Interest Earned		103.91	
Recreation:			
Interest Earned		677.60	
Receipts		50,901.68	
Larry Masey		15.08	
Forfeited Assets		93.08	
Housing Trust		7,040.31	
Accumulated Leave Compensation		10.48	
Flexible Spending Account		0.37	
Storm Recovery		5,110.36	
Public Defender		1,948.25	
	2,530.16	281,871.50	
	<u>8,706.45</u>	<u>1,683,805.17</u>	<u>33.43</u>

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BOROUGH OF CHESTER
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	Animal Control Fund	Other Trust Funds	Assessment Trust Fund
<u>Ref.</u>			
Decreased by Disbursements:			
Due to State of New Jersey Board of Health	\$ 287.40		
Administrative Expenses (R.S. 4:19-15.11)	3,401.15		
Due to Current Fund:			
Settlement of Prior Year Interfund	1,731.49		\$ 33.03
Partial Settlement of Prior Year Interfund		\$ 10,968.80	
Closeout of Fund Balance			0.40
Due from Sewer Utility Operating Fund:			
2017 Budget Expenditures			
Developer's Escrow		1,526.78	
Open Space Trust		50,848.54	
Planning and Zoning Development Fees		15,070.96	
Unemployment Compensation Insurance		8,800.56	
Recreation Reserve		139.50	
Public Defender		38,375.59	
Forfeited Assets		2,000.00	
Housing Trust		19,890.10	
Accumulated Leave Compensation		6,915.75	
	\$ 5,420.04	\$ 187,749.55	\$ 33.43
Balance December 31, 2017	\$ 3,286.41	\$ 1,496,055.62	\$ -0-

BOROUGH OF CHESTER
ASSESSMENT TRUST FUND
ANALYSIS OF CASH
YEAR ENDED DECEMBER 31, 2017

	Balance Dec. 31, 2016	Disbursements
Due to Current Fund	\$ 33.03	\$ 33.03
Fund Balance	<u>0.40</u>	<u>0.40</u>
Total Cash Balance	<u><u>\$ 33.43</u></u>	<u><u>33.43</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2016	B	\$ 4,374.60
Increased by:		
Dog License Fees Collected	\$ 2,125.20	
Late Fees	<u>184.00</u>	
		<u>2,309.20</u>
		6,683.80
Decreased by:		
Expenditures Under R.S. 4:19-15.11:		
Expenditures Paid by Animal Control Fund		<u>3,401.15</u>
Balance December 31, 2017	B	<u><u>\$ 3,282.65</u></u>

<u>License Fees Collected</u>	
<u>Year</u>	<u>Amount</u>
2015	\$ 2,083.80
2016	<u>1,918.20</u>
Maximum Allowable Reserve	<u><u>\$ 4,002.00</u></u>

BOROUGH OF CHESTER
ASSESSMENT TRUST FUND
SCHEDULE OF ASSESSMENTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2017

<u>Assessment Description</u>	<u>Date of Confirmation</u>	<u>Balance Dec. 31, 2016</u>	<u>Cancelled</u>
Extension of Sanitary Sewer System	4/12/1993	<u>\$ 11,126.56</u>	<u>\$ 11,126.56</u>
	<u>Ref.</u>	B	

BOROUGH OF CHESTER
ASSESSMENT TRUST FUND
SCHEDULE OF RESERVE FOR ASSESSMENTS
YEAR ENDED DECEMBER 31, 2017

<u>Assessment Description</u>	<u>Balance Dec. 31, 2016</u>	<u>Cancelled</u>
Extension of Sanitary Sewer System	<u>\$ 11,126.56</u>	<u>\$ 11,126.56</u>

Ref. B

BOROUGH OF CHESTER
COUNTY OF MORRIS
2017
GENERAL CAPITAL FUND

BOROUGH OF CHESTER
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

Balance December 31, 2016	<u>Ref.</u> C	\$ 832,533.97
Increased by:		
Bond Anticipation Notes	\$ 570,000.00	
Due from Payroll Account	40,825.89	
Budget Appropriation - Capital Improvement Fund	<u>181,000.00</u>	
		<u>791,825.89</u>
		1,624,359.86
Decreased by:		
Improvement Authorization Expenditures	312,319.66	
Bond Anticipation Notes	570,000.00	
Interfund Returned	<u>1,174.37</u>	
		<u>883,494.03</u>
Balance December 31, 2017	C	<u><u>\$ 740,865.83</u></u>

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

Ord. Number	Improvement Description	Balance Dec. 31, 2016	Balance Dec. 31, 2017	Analysis of Balance December 31, 2017
				Financed by Bond Anticipation Notes
16-04	Improvements of Various Roads	<u>\$570,000.00</u>	<u>\$ 570,000.00</u>	<u>\$ 570,000.00</u>
	<u>Ref.</u>	C	C	

BOROUGH OF CHESTER
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord No.	Improvement Description	Ordinance		Balance		2017		Balance	
				Dec. 31, 2016		Authorization		Dec. 31, 2017	
		Date	Amount	Funded	Unfunded	Capital Improvement Fund	Paid or Charged	Funded	Unfunded
12-04	Improvements to Municipal Complex	04/17/12	\$ 534,000.00	\$ 7,507.66			\$ 7,507.66		
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	10,053.36			9,919.93	133.43	
15-11	Improvement of Fairmount Avenue Sidewalks and Improvement of Budd Avenue and Grove Street	09/15/15	570,000.00	181,016.86			17,092.83	163,924.03	
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	15,955.85			2,273.80	13,682.05	
16-04	Improvements of Various Roads	09/06/16	600,000.00	\$ 500,738.54			264,945.17		\$ 235,793.37
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			\$ 190,500.00	10,580.27	179,919.73	
				\$ 291,875.51	\$ 500,738.54	\$ 190,500.00	\$ 312,319.66	\$ 435,001.02	\$ 235,793.37
			Ref.	C				C	C

BOROUGH OF CHESTER
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2016	C	\$ 162,476.67
Increased by:		
2017 Budget Appropriation		<u>181,000.00</u>
		343,476.67
Decreased by:		
Appropriated to Finance:		
Improvement Authorizations		<u>190,500.00</u>
Balance December 31, 2017	C	<u><u>\$ 152,976.67</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 Dec. 31, 2016	Issued	Matured	Balance Dec. 31, 2017
		Date of Issue	Amount	Issue	Maturity					
16-04	Improvements to Various Roads	10/21/16	\$ 570,000.00	10/21/16	10/20/17	1.15%	\$ 570,000.00		\$ 570,000.00	
				10/19/17	10/19/18	1.20%		\$ 570,000.00		\$ 570,000.00
							\$ 570,000.00	\$ 570,000.00	\$ 570,000.00	\$ 570,000.00
						<u>Ref.</u>	C			C
							Renewed	\$ 570,000.00	\$ 570,000.00	

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, 2016	Matured	Balance Dec. 31, 2017
			Date	Outstanding Dec. 31, 2017 Amount				
General Improvement Bonds	6/06/2012	\$ 4,600,000.00	02/01/18	\$ 205,000.00	3.000%			
			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%			
						\$ 3,840,000.00	\$ 200,000.00	\$ 3,640,000.00
						<u>\$ 3,840,000.00</u>	<u>\$ 200,000.00</u>	<u>\$ 3,640,000.00</u>

Ref.

C

C

BOROUGH OF CHESTER
COUNTY OF MORRIS
2017
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, 2016	D	\$ 548,906.37	\$ 152,930.22
Increased by Receipts:			
Consumer Accounts Receivable		\$ 526,134.15	
Sewer Rent Overpayments		426.65	
Due to Solid Waste Utility Operating Fund:			
Settlement of Prior Year Interfund		12,950.27	
Rents		297.50	
Due from Current Fund:			
Settlement of Prior Year Interfund		6,165.00	
Miscellaneous Revenue not Anticipated		50,468.10	
Appropriation Refund		3,885.67	
Due to Sewer Utility Operating Fund:			
Interest on Investments		\$ 1,072.89	1,072.89
		600,327.34	1,072.89
		1,149,233.71	154,003.11
Decreased by Disbursements:			
2017 Budget Appropriations		325,712.52	
2016 Appropriation Reserves		17,434.63	
Due from Sewer Utility Capital Fund:			
Reserve for Preliminary Expenses - Hydrogeological Study		14,814.32	
Cancellation of Prior Year Reconciling Item		2,879.10	
		360,840.57	
Balance December 31, 2017	D	\$ 788,393.14	\$ 154,003.11

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

	Balance Dec. 31, 2016	Receipts Miscellaneous	Transfers		Balance Dec. 31, 2017
			From	To	
Capital Improvement Fund	\$ 64,827.21		\$ 17,800.00		\$ 47,027.21
Due to Sewer Utility Operating Fund	717.07	\$ 1,072.89		\$ 14,814.32	16,604.28
Reserve for Preliminary Expenses - Hydrogeological Study			14,814.32	17,800.00	
Fund Balance	662.00				662.00

Improvement Authorizations:

<u>Ord</u> <u>Number</u>	<u>Improvement Description</u>	
95-15;	Construction of Disposal Beds and	
96-17	Upgrade of Treatment Plant	68,680.94
00-08;	Installation of Sanitary Sewer and	
01-20;	of a Pump Station and Force Main	
04-19		18,043.00
		<u>\$ 152,930.22</u>
		<u>\$ 1,072.89</u>
		<u>\$ 32,614.32</u>
		<u>\$ 151,017.43</u>

Ref.

D

D

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

	<u>Ref.</u>	
Balance December 31, 2016	D	\$ 197,287.74
Increased by:		
Sewer Rents Levied		440,529.12
		<u>637,816.86</u>
Decreased by:		
Collections	\$ 526,134.15	
Due from Current Fund	6,966.36	
Cancellation	<u>1,822.54</u>	
		<u>534,923.05</u>
Balance December 31, 2017		<u><u>\$ 102,893.81</u></u>
<u>Analysis of Balance</u>		
Sewer Rents Receivable	D	\$ 91,775.63
Significant User Fees Receivable	D	<u>11,118.18</u>
		<u><u>\$ 102,893.81</u></u>

BOROUGH OF CHESTER
SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

	<u>Ref.</u>	
Balance December 31, 2016	D	\$ 815,370.18
Balance December 31, 2017	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, 2016</u>	<u>Dec. 31, 2017</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 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

	<u>Balance</u> <u>Dec. 31, 2016</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	\$ 5,624.25	\$ 5,624.25		\$ 5,624.25
Other Expenses	96,350.67	96,350.67	\$ 17,434.63	78,916.04
Statutory Expenditures:				
Contribution to:				
Social Security System	632.76	632.76		632.76
	<u>\$102,607.68</u>	<u>\$102,607.68</u>	<u>\$ 17,434.63</u>	<u>\$ 85,173.05</u>

Analysis of Balance December 31, 2016

	<u>Ref.</u>	
Encumbered	D	\$ 16,108.81
Unencumbered	D	<u>86,498.87</u>
		<u>\$102,607.68</u>

BOROUGH OF CHESTER
SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Improvement Description	Ordinance		Balance Dec. 31, 2016	Balance Dec. 31, 2017
	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, 2016	D	\$ 64,827.21
Decreased by:		
Appropriated to Finance:		
Reserve for Preliminary Expenses - Hydrogeological Study		<u>17,800.00</u>
Balance December 31, 2017	D	<u><u>\$ 47,027.21</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2016	D	\$ 815,370.18
Balance December 31, 2017	D	<u><u>\$ 815,370.18</u></u>

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

Ord. No.	Improvement Description	Ord. Date	Balance Dec. 31, 2016	Balance Dec. 31, 2017
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
2017
SOLID WASTE UTILITY FUND

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

	<u>Ref.</u>	<u>Operating</u>
Balance December 31, 2016	E	\$ 53,139.34
Increased by Receipts:		
Consumer Accounts Receivable		\$ 134,680.53
Interest on Investments		507.80
Interest and Penalties on Rents		890.64
Overpayments		603.36
Bulky Waste Fees		2,777.00
Due from Current Fund - Settlement of Prior Year Interfund		<u>1,262.03</u>
		<u>140,721.36</u>
		193,860.70
Decreased by Disbursements:		
2017 Budget Appropriations		129,247.07
2016 Appropriation Reserves		8,293.42
Due to Sewer Utility Operating Fund:		
Settlement of Prior Year Interfund		12,950.27
Fund Balance - Cancellation of Prior Year Bank Reconciling Item		<u>634.56</u>
		<u>151,125.32</u>
Balance December 31, 2017	E	<u><u>\$ 42,735.38</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2016	E	\$ 9,159.23
Increased by:		
Solid Waste Rents Levied		139,797.00
		<u>148,956.23</u>
Decreased by Collections:		
Cash Received		\$ 134,680.53
Due from Sewer Utility Operating Fund		294.00
Overpayments Applied		<u>600.09</u>
		<u>135,574.62</u>
Balance December 31, 2017	E	<u><u>\$ 13,381.61</u></u>

BOROUGH OF CHESTER
SOLID WASTE UTILITY OPERATING FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

	<u>Balance</u> <u>Dec. 31, 2016</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	\$ 128.50	\$ 128.50		\$ 128.50
Other Expenses	12,607.82	12,607.82	\$8,293.42	4,314.40
Statutory Expenditures:				
Social Security System	19.65	19.65		19.65
	<u>\$12,755.97</u>	<u>\$12,755.97</u>	<u>\$8,293.42</u>	<u>\$4,462.55</u>

Ref.

Analysis of Balance at December 31, 2016

Encumbered	E	\$ 3,644.08
Unencumbered	E	<u>9,111.89</u>
		<u>\$12,755.97</u>

BOROUGH OF CHESTER
COUNTY OF MORRIS
2017
SWIMMING POOL UTILITY FUND

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

	Ref.	Operating	Capital
Balance December 31, 2016	F	\$ 296,920.55	\$ 233,111.12
Increased by Receipts:			
Pool Fees		\$ 360,675.00	
Initiation Fee		47,525.00	
Due from Swimming Pool Utility Capital Fund:			
Prior Year Interfund Settlement		20.46	
Miscellaneous Revenue Not Anticipated		66,190.73	
		<u>474,411.19</u>	
		771,331.74	<u>233,111.12</u>
Decreased by Disbursements:			
2017 Budget Appropriations		467,942.49	
2016 Appropriation Reserves		9,245.96	
Improvement Authorizations			\$ 1,695.00
Surplus Anticipated in Current Fund		30,000.00	
Accrued Interest on Bonds		4,275.00	
Due to Swimming Pool Utility Operating Fund:			
Prior Year Interfund Settlement			<u>20.46</u>
		<u>511,463.45</u>	<u>1,715.46</u>
Balance December 31, 2017	F	<u>\$ 259,868.29</u>	<u>\$ 231,395.66</u>

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

		Balance Dec. 31, 2016	Disbursements		Balance Dec. 31, 2017
			Improvement Authorizations	Miscellaneous	
Capital Improvement Fund					
Due from Swimming Pool Utility Operating Fund		\$ 222,459.19			\$ 222,459.19
		20.46		\$ 20.46	
Improvement Authorizations:					
Ord Number	Improvement Description				
11-20	Swimming Pool Improvements	5,231.47			5,231.47
15-08	Acquisition of Capital Equipment	5,400.00	\$ 1,695.00		3,705.00
		\$ 233,111.12	\$ 1,695.00	\$ 20.46	\$ 231,395.66

BOROUGH OF CHESTER
SWIMMING POOL UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

	<u>Ref.</u>	
Balance December 31, 2016	F	<u>\$ 2,651,077.81</u>
Balance December 31, 2017	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, 2016	Dec. 31, 2017
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 2016 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2017

		<u>Balance</u> <u>Dec. 31, 2016</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		\$ 30,330.66	\$ 30,330.66		\$ 30,330.66
Other Expenses		40,555.69	40,555.69	\$ 9,245.96	31,309.73
Statutory Expenditures:					
Contribution to:					
Social Security System		566.78	566.78		566.78
		<u>\$ 71,453.13</u>	<u>\$ 71,453.13</u>	<u>\$ 9,245.96</u>	<u>\$ 62,207.17</u>
<u>Analysis of Balance December 31, 2016</u>	<u>Ref.</u>				
Encumbered	F	\$ 682.42			
Unencumbered	F	<u>70,770.71</u>			
		<u>\$ 71,453.13</u>			

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

Improvement Description	Number	Ordinance		Balance Dec. 31, 2016 Funded	Paid or Charged	Balance Dec. 31, 2017 Funded
		Date	Amount			
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	5,400.00	\$ 1,695.00	3,705.00
				<u>\$ 10,631.47</u>	<u>\$ 1,695.00</u>	<u>\$ 8,936.47</u>
				Ref.	F	F

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

	<u>Ref.</u>	
Balance December 31, 2016	F	\$ 222,459.19
Balance December 31, 2017	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, 2016	F	\$ 2,461,077.81
Increased by:		
Paid by Budget Appropriation - Serial Bonds		<u>95,000.00</u>
Balance December 31, 2017	F	<u><u>\$ 2,556,077.81</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, 2016</u>	<u>Balance Dec. 31, 2017</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

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2017

BOROUGH OF CHESTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017

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 Homeland Security (Passed through the Department of Law and Public Safety)	Severe Winter Storm & Snow Storm	97.036	100-066-1200- B80-068460	01/22/16	12/31/17	\$ 17,256.14	\$ 17,256.14	* \$ 17,256.14	*			
				Total U.S. Department of Homeland Security								
						17,256.14	17,256.14					
U.S. Department of Transportation: (Passed through New Jersey Department of Law and Public Safety)	Municipal Aid: Recreation Trails Program	20.219	N/A	01/01/16	12/31/18	24,000.00		\$ 14,574.60	15,670.29			
				Total Department of Transportation								
							14,574.60	15,670.29				
Total Federal Awards							\$ 17,256.14	\$ 31,830.74	\$ 32,926.43	\$ -0-		

* - Expended in a Prior Year

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, 2017

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	Recycling Tonnage Grant	765-042-4900- 001-6020	01/01/13 01/01/17	12/31/18 12/31/18	\$ 3,861.36 7,198.01	\$ 7,198.01	\$ 753.38	\$ 845.12
	Total Recycling Tonnage Grant					7,198.01	753.38	845.12
Total Department of Environmental Protection						7,198.01	753.38	845.12
Department of Law and Public Safety	Body Armor Grant	718-066-1020- 001-YCJS-6120	01/01/12 01/01/13	12/31/16 12/31/18	1,413.32 1,141.59		764.97 196.73	1,413.32 196.73
	Total Body Armor Grant						961.70	1,610.05
	Drunk Driving Enforcement Fund	100-078-6400- 260-YYYY	01/01/13 01/01/15	12/31/17 12/31/18	7,347.29 2,590.19		240.63 2,579.37	7,347.29 2,579.37
	Total Drunk Driving Enforcement Fund						2,820.00	9,926.66
Total Department of Law and Public Safety							3,781.70	11,536.71
New Jersey Highlands Council	Regional Master Plan Compliance	100-082-2078- 033-290220	01/01/17	12/31/18	114,000.00	3,713.93		
	Total New Jersey Highlands Council					3,713.93		
Total State Awards						\$ 7,198.01	\$ 4,535.08	\$ 12,381.83

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, 2017

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, 2017. 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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Mt. Arlington, NJ 07856
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Lawrence Business Center
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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, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 5, 2018. 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2017-01 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

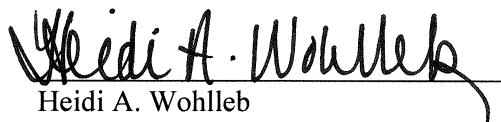
The Borough's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 5, 2018

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, 2017

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 2017 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 2017-01

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, the preparation of the general ledger including recording cash receipts and disbursements for the various funds are performed by one person with limited oversight review.

BOROUGH OF CHESTER
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017

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 2017-01 (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.

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, 2017

The prior year audit finding 2016-01 pertaining to the segregation of duties was not resolved due to budgetary constraints and is included in the current year report as Finding 2017-01. The prior year audit finding 2016-02 regarding the maintenance of an encumbrance accounting system was resolved in the current year.

BOROUGH OF CHESTER

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

BOROUGH OF CHESTER
COMMENTS AND RECOMMENDATIONS

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)

10

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 and Assessments

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

On January 5, 2017, 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, 2017.

<u>RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017</u>				
	Balance Dec. 31, 2016	Receipts	Disbursements	Balance Dec. 31, 2017
Municipal Treasurer:				
Fines & Costs	\$ 4,872.32	\$ 44,538.35	\$ 44,978.37	\$ 4,432.30
P.O.A.A. FTA		32.00	30.00	2.00
Conditional Discharge		675.00	675.00	
Public Defender	400.00	1,475.00	1,875.00	
SPCA		500.00	500.00	
Weights and Measures	5,550.00	39,350.00	39,650.00	5,250.00
Restitution		200.00		200.00
County:				
Fines	2,134.50	20,440.13	21,044.63	1,530.00
State:				
Fines and Costs	2,449.18	30,818.52	31,633.00	1,634.70
Bail	1,380.50	6,504.28	7,624.34	260.44
	<u>\$ 16,786.50</u>	<u>\$ 144,533.28</u>	<u>\$ 148,010.34</u>	<u>\$ 13,309.44</u>

Borough Minutes

Although the ordinances and resolutions were available for audit review, as of the date of this report, certain Borough Council meeting minutes for May - July and September 2016 have not been prepared, though progress has been made.

It is recommended that the May - July and September 2016 Borough Council minutes be prepared.

Management's Response

Every effort will be made to prepare the minutes for May - July and September 2016 as soon as possible. Due to turnover in this position in 2016, the preparation of the minutes for these months has been delayed.

Tax and Utility Collector's Records

During our review of the tax and utility collector's records we noted that:

- 1) Sewer significant user fee billings were issued in a more timely manner in 2017, and the Borough has taken steps to issue these billings in as timely a manner as possible in 2018; thus, no formal recommendation is deemed to be warranted.

BOROUGH OF CHESTER
COMMENTS AND RECOMMENDATIONS
(Continued)

Tax and Utility Collector's Records (Cont'd)

During our review of the tax and utility collector's records we noted that: (Cont'd)

- 2) Tax and Utility monthly collection reports were not prepared.

It is recommended that tax and utility monthly collection reports are prepared.

Management's Response

Tax and utility monthly collection reports will be prepared.

Solid Waste Utility

During our review of the Solid Waste Utility Operating Fund we noted that there was a deficit in operations in the amount of \$818.45 and that solid waste delinquent notices were not sent on a regular basis.

It is recommended that every effort be made to ensure that the Solid Waste Utility Operating Fund does not incur an operating deficit and that delinquent notices are sent on a regular basis.

Management's Response

Every effort will be made to ensure that the Solid Waste Utility Operating Fund does not incur an operating deficit and that delinquent notices are sent on a regular basis.

Outside Departments

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

- 1) Monthly reports were not prepared for all of the various outside departments and reconciled to the Treasurer's records on a monthly basis.
- 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 the Department of Public Works' petty cash, it was noted that access to the cashbox was not limited to the petty cash custodian and our count of the petty cash box revealed that the cash in the box and the petty cash receipts were in excess of the authorized fund.
- 4) 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 for all the various outside departments are prepared and reconciled to the Treasurer's records on a monthly basis.
- 2) Building permits are prenumbered and issued in sequential order.

BOROUGH OF CHESTER
COMMENTS AND RECOMMENDATIONS
(Continued)

Outside Departments (Cont'd)

It is recommended that: (Cont'd)

- 3) Access to the Department of Public Works' petty cash box is limited to the petty cash custodian and that the funds in the petty cash box be reconciled to the authorized amount on a monthly basis.
- 4) 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. Access to the Department of Public Works' petty cash box will be limited to the petty cash custodian and the funds in the petty cash box will be reconciled to the authorized amount at least monthly. 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) Though improvement was made, formal policies and procedures over collections onsite at the pool are not in place.
- 3) Receipts for swimming lessons and other events were not deposited within 48 hours as per state statute.

It is recommended that:

- 1) Formal written records are maintained by Pool personnel for collections onsite at the Pool.
- 2) A review of internal controls over collections onsite at the pool is completed. Based on that review, formal policies and procedures over collections onsite at the pool be developed and implemented.
- 3) Receipts for swimming lessons and other events be deposited within 48 hours of receipt.

Management's Response

The Borough will ensure that formal written records are maintained by Pool personnel for collections onsite at the Pool. Also, the Borough will perform a review of internal controls over collections onsite at the pool and based on the results of that review, formal policies and procedures over collections onsite at the Pool will be developed and implemented. Every effort will be made to ensure that all pool collections are deposited within 48 hours.

BOROUGH OF CHESTER
COMMENTS AND RECOMMENDATIONS
(Continued)

Finance Department's Records

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

- 1) As there was a significant decrease in the amount of year end interfund balances over the prior year no formal recommendation is judged to be warranted. However, the Borough should continue to limit interfund activity, clear all interfunds in a timely manner and ensure that there are minimal interfunds at year end.
- 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.

It is recommended that a complete analysis of the balance for the Planning and Zoning Development Fees be prepared which is reconciled with the cash balance.

Management's Response

A complete analysis of the balance for the Planning and Zoning Development Fees will be prepared.

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.

Governmental Accounting Standards Board Statements

The next Governmental Accounting Standards Board ("GASB") statement which will have a significant impact on the Borough will be GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, will be effective for the year ending December 31, 2018. This standard replaces GASB No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. It is similar to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in that successful implementation of this standard will require the provision of certain key financial and non-financial information from the State of New Jersey.

Status of Prior Year Recommendations

The prior year recommendations regarding the lack of an adequate segregation of duties, select Borough Council minutes, an analysis of planning and zoning development fee balances, monthly tax and utility and outside department reports, building permits, access to the Department of Public Works' petty cash box and the reconciliation of the related funds, records not being maintained by Pool personnel for collections onsite at the Pool and a review of internal controls over collections onsite at the pool not being completed were not resolved during the current year and are included as current year recommendations.

The prior year recommendations regarding Local Public Contract Law, an encumbrance accounting system, an independent appraisal of fixed assets, collection of older court tickets, bulky waste deposits, utility billing adjustment approval, an analysis of developers escrow balances, interfund transactions and balances, the Payroll Account bank reconciliations, receipt of goods signatures on vouchers, and cash receipts for the Other Trust and Animal Control Funds being recorded in the general ledger were resolved during the year ended December 31, 2017.

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. The May – July and September 2016 Borough Council minutes be prepared.
3. Tax and utility monthly collection reports are prepared.
4. Every effort be made to ensure that the Solid Waste Utility Fund does not incur an operating deficit and delinquent notices are sent on a regular basis.
5. Outside Departments:
 - a. Monthly reports for all the various outside departments are prepared and reconciled to the Treasurer's records.
 - b. Building permits are prenumbered and issued in sequential order.
 - c. Access to the Department of Public Works' petty cash box is limited to the petty cash custodian and that the funds in the petty cash box are reconciled to the authorized amount on a monthly basis.
 - d. A summarized monthly cashbook is prepared for the Planning/Zoning and Land Use Department.
6. Swimming Pool Operations
 - a. Formal written records are maintained by Pool personnel for collections onsite at the Pool.
 - b. A review of internal controls over collections onsite at the pool is. Completed. Based on that review, formal policies and procedures over collections onsite at the Pool be developed and implemented.
 - c. Receipts for swimming lessons and other events be deposited within 48 hours of receipt.
7. A complete analysis of the balance for the Planning and Zoning Development Fees be prepared which is reconciled with the cash balance.

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