



**BOROUGH OF BOUND BROOK
COUNTY OF SOMERSET
NEW JERSEY**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY DATA
AND INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

**WITH
REPORT OF INDEPENDENT AUDITORS**

HODULIK & MORRISON, P.A.

A division of  **PKF
O'CONNOR
DAVIES**
ACCOUNTANTS AND ADVISORS

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

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**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**



**PART I
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS**

HODULIK & MORRISON, P.A.

A division of



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Bound Brook
County of Somerset, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets – regulatory basis of the various funds and governmental fixed assets of the Borough of Bound Brook, County of Somerset, New Jersey, as of and for the years ended December 31, 2018 and 2017 and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Borough of Bound Brook's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 2, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, United States of America, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These prescribed principles 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. Accordingly, the accompanying financial statements – regulatory basis are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. The effect on the financial statements between these regulatory accounting practices 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 positions of the Borough of Bound Brook, County of Somerset, New Jersey, as of December 31, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and governmental fixed assets of the Borough of Bound Brook, County of Somerset, New Jersey as of December 31, 2018 and 2017 and the results of operations and changes in fund balance – regulatory basis for the years then ended and the related statements of revenues – regulatory basis and statements of expenditures – regulatory basis of the various funds for the year ended December 31, 2018, on the basis of accounting described in Note 2.

Emphasis of Matter

As discussed in the notes to the financial statements, during the fiscal year ending December 31, 2018, the Borough of Bound Brook implemented the provisions of Statement Number 75 of the Governmental Accounting Standards Board (GASB 75). GASB 75 changed the measurement criteria and reporting provisions relating to the Borough’s proportionate share (if any), of the annual expense and net liability of the post-retirement employee benefits other than pensions (OPEB) of plans in which its employees are enrolled. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information Required by the Division of Local Government Services in Accordance with the Regulatory Basis of Accounting

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise of the Borough of Bound Brook, County of Somerset, New Jersey. The information included in Part II – Supplementary Schedules and Part III - Supplementary Data, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Bound Brook, County of Somerset, New Jersey. The information included in Part II – the accompanying Supplemental Schedules and Part III – Supplementary Data 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.

The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements – regulatory basis taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 29, 2019 on our consideration of the Borough of Bound Brook’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Accounting Standards* and should be considered in assessing the results of our audit.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
A division of PKF O’Connor Davies
Certified Public Accountants
Registered Municipal Accountants



Andrew G. Hodulik
Registered Municipal Accountant
No. 406

Highland Park, New Jersey
August 29, 2019

HODULIK & MORRISON, P.A.

A division of



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 AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Bound Brook
County of Somerset, New Jersey

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis Borough of Bound Brook, County of Somerset, New Jersey as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements and have issued our report thereon dated August 29, 2019. Our report was modified due to the departure from accounting principles generally accepted in the United States of America, as disclosed in Note 2, which are embodied in the Other Comprehensive Basis of Accounting Utilized for financial statements presentations and was unmodified based upon that Other Comprehensive Basis of Accounting.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Bound Brook'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Bound Brook's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Bound Brook's internal control.

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Bound Brook's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Borough of Bound Brook in the General Comments section of the Report of Audit.

We also noted other matters involving compliance and internal control over financial reporting that we have reported to management of the Borough of Bound Brook in the General Comments section of the Report of Audit.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HODULIK & MORRISON, P.A.
A division of PKF O'Connor Davies
Certified Public Accountants
Registered Municipal Accountants

Highland Park, New Jersey
August 29, 2019

FINANCIAL STATEMENTS

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2018 AND DECEMBER 31, 2017**

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2018</u>	<u>BALANCE DEC. 31, 2017</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2018</u>	<u>BALANCE DEC. 31, 2017</u>
Current Fund:				Current Fund:			
Cash and Investments - Treasurer	A-4	\$ 4,215,983.50	\$ 4,148,369.36	Liabilities:			
Cash - Change Funds	A-5	400.00	400.00	Appropriation Reserves	A-3, A-15	\$ 720,358.14	\$ 297,009.29
Due from State of N.J.				Interfunds Payable	A-12	665,783.65	1,926,210.77
Senior Citizens Deductions	A-6	<u>3,619.77</u>	<u>2,573.26</u>	Reserve for Encumbrances	A-14	115,152.69	133,316.98
		<u>4,220,003.27</u>	<u>4,151,342.62</u>	Special District Taxes Payable	A-16	11,265.71	10,608.68
Receivables With Offsetting Reserves:				Tax Overpayments	A-17	1,690.57	19,334.98
Delinquent Property Taxes Receivable	A-7	498,691.54	608,896.29	Prepaid Taxes	A-18	140,904.56	635,009.60
Tax Title Liens	A-8	150,327.64	27,511.60	Prepaid Refuse Disposal Fees	A-19	32,537.67	35,272.69
Sewer Rent Fees Receivable	A-10	136,086.97	159,595.24	Prepaid-Sewer Rents	A-20	2,116.67	5,992.75
Refuse Disposal Fees Receivable	A-11	54,169.29	58,435.47	Various Reserves	A-21	<u>649,344.19</u>	<u>218,904.48</u>
Revenue Accounts Receivable	A-9	19,446.36	26,352.63			2,339,153.85	3,281,660.22
Interfunds Receivable	A-12	<u>70,101.78</u>	<u>186.74</u>				
		<u>928,823.58</u>	<u>880,977.97</u>	Reserve for Receivables	Reserve	928,823.58	880,977.97
Deferred Charges:				Fund Balance	A-1	<u>1,895,849.42</u>	<u>889,682.40</u>
Emergency Authorization	A-13	<u>15,000.00</u>	<u>20,000.00</u>	Total Current Fund		\$ 5,163,826.85	\$ 5,052,320.59
		<u>15,000.00</u>	<u>20,000.00</u>				
Total Current Fund		\$ <u>5,163,826.85</u>	\$ <u>5,052,320.59</u>	State and Federal Grant Fund:			
State and Federal Grant Fund:				Reserve for Encumbrances	A-23		13,381.86
Grants Receivable	A-22	\$ 697,553.85	\$ 673,079.57	Reserve for Grants Appropriated	A-23	850,030.24	821,170.21
Due Current Fund	A-25	<u>175,030.74</u>	<u>173,417.01</u>	Grants-Unappropriated	A-24	<u>22,554.35</u>	<u>11,944.51</u>
Total State and Federal Grant Fund		\$ <u>872,584.59</u>	\$ <u>846,496.58</u>	Total State and Federal Grant Fund		\$ 872,584.59	\$ 846,496.58
Grand Total		\$ <u>6,036,411.44</u>	\$ <u>5,898,817.17</u>	Grand Total		\$ <u>6,036,411.44</u>	\$ <u>5,898,817.17</u>

Note: See Notes to Financial Statements.

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2018</u>	<u>YEAR 2017</u>
Fund Balance Utilized	A-1, A-2	\$ 838,476.43	\$ 800,000.00
Miscellaneous Revenues Anticipated	A-2	6,403,088.49	5,368,982.31
Receipts from Delinquent Taxes	A-2	607,338.47	498,813.51
Receipts from Current Taxes	A-2	24,669,476.32	24,411,148.42
Non-Budget Revenue	A-2	632,506.06	183,474.89
Other Credits to Income:			
Interfunds Returned			43,215.73
Unexpended Balance of Approp. Reserves	A-15	72,738.22	106,781.79
Overpayments-Sewer Rents			1,027.10
Overpayments-Refuse Disposal Fees			150.30
		<hr/>	<hr/>
Total Revenues		33,223,623.99	31,413,594.05
<u>EXPENDITURES AND OTHER CHARGES</u>			
Budget and Emergency Appropriations:			
Within "CAPS":			
Operations	A-3	9,627,010.43	9,133,993.00
Deferred Charges and Statutory Expenditures	A-3	1,197,515.00	1,070,439.00
Excluded from "CAPS":			
Other Operations	A-3	1,161,576.09	1,163,401.57
Capital Improvements	A-3	100,000.00	100,000.00
Municipal Debt Service	A-3	1,545,681.01	1,630,691.78
Deferred Charges	A-3	237,000.00	136,755.00
Transferred to Board of Education	A-3	146,089.00	144,986.00
County Taxes	A-16	3,102,359.37	2,946,724.33
Local District School Tax	A-16	14,071,018.00	14,183,103.00
Special District Taxes	A-16	120,816.60	118,011.46
Interfunds Advanced	A-12	69,915.04	
		<hr/>	<hr/>
Total Expenditures		31,378,980.54	30,628,105.14
Excess in Revenue		1,844,643.45	785,488.91
Balance - January 1	A	889,682.40	904,193.49
		<hr/>	<hr/>
		2,734,325.85	1,689,682.40
Decreased by:			
Utilization as Anticipated Revenue	A-1	838,476.43	800,000.00
		<hr/>	<hr/>
Balance - December 31	A	\$ 1,895,849.42	\$ 889,682.40
		<hr/> <hr/>	<hr/> <hr/>

Note: See Notes to Financial Statements.

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

Exhibit A-2
Page 1 of 2

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	ANTICIPATED 2018 BUDGET	APPROP. N.J.S.A. 40A:4-87	TOTAL 2018 BUDGET	REALIZED	EXCESS OR (DEFICIT)
Fund Balance Anticipated	\$ 838,476.43	\$	\$ 838,476.43	\$ 838,476.43	\$ -
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	40,000.00		40,000.00	40,188.00	188.00
Other	27,000.00		27,000.00	32,365.00	5,365.00
Fees and Permits					
Other	176,900.00		176,900.00	203,057.80	26,157.80
Fines and Costs:					
Municipal Court	350,000.00		350,000.00	304,817.41	(45,182.59)
Interest and Costs on Taxes	162,000.00		162,000.00	184,874.69	22,874.69
Parking Meter - Municipal	50,000.00		50,000.00	55,531.52	5,531.52
Interest on Investments and Deposits	15,000.00		15,000.00	81,444.30	66,444.30
Parking Lot Fees	130,000.00		130,000.00	148,367.41	18,367.41
Cable TV Franchise Fee	122,000.00		122,000.00	124,197.69	2,197.69
Refuse Disposal Fees	470,000.00		470,000.00	521,219.11	51,219.11
Sewer Charges	1,507,000.00		1,507,000.00	1,601,493.97	94,493.97
Consolidated Municipal Property Tax Relief Act	141,882.00		141,882.00	141,882.00	-
Energy Receipts Tax	976,828.00		976,828.00	976,828.00	-
Uniform Construction Code Fees	92,000.00		92,000.00	368,154.40	276,154.40
Bulletproof Vest Partnership Grant		2,499.98	2,499.98	2,499.98	-
Clean Communities Program		16,114.23	16,114.23	16,114.23	-
Community Garden		2,500.00	2,500.00	2,500.00	-
Detective Tarentino Grant		3,517.08	3,517.08	3,517.08	-
Leary Firefighter Foundation Grant		17,049.30	17,049.30	17,049.30	-
NJ Community Forestry Management Plan		18,895.50	18,895.50	18,895.50	-
Somerset County Municipal Youth Services		11,000.00	11,000.00	11,000.00	-
Administrative Fees-Off Duty Police	70,000.00		70,000.00	113,602.74	43,602.74
Uniform Fire Safety Act - LEA Rebates	13,000.00		13,000.00	16,914.62	3,914.62
Inspection Fees	275,000.00		275,000.00	243,225.50	(31,774.50)
Sale of Municipal Assets	175,000.00		175,000.00	175,000.00	-
Refuse Stickers	15,000.00		15,000.00	16,891.00	1,891.00
Train Station Rent	24,000.00		24,000.00	26,400.00	2,400.00
Receipts from Delinquent Refuse	35,000.00		35,000.00	58,356.45	23,356.45
PILOT Payment (Queensgate)	200,000.00		200,000.00	254,509.54	54,509.54
Sewer Connection Fees	430,000.00		430,000.00	602,191.25	172,191.25
Meridia Payment	35,000.00		35,000.00	40,000.00	5,000.00
Meridia Agreement	3,500.00		3,500.00	-	(3,500.00)
Total Miscellaneous Revenues	<u>5,536,110.00</u>	<u>71,576.09</u>	<u>5,607,686.09</u>	<u>6,403,088.49</u>	<u>795,402.40</u>
Receipts from Delinquent Taxes	<u>500,000.00</u>		<u>500,000.00</u>	<u>607,338.47</u>	<u>107,338.47</u>
Subtotal General Revenues	<u>6,874,586.43</u>	<u>71,576.09</u>	<u>6,946,162.52</u>	<u>7,848,903.39</u>	<u>902,740.87</u>
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes	<u>7,921,076.00</u>		<u>7,921,076.00</u>	<u>8,171,282.35</u>	<u>250,206.35</u>
Budget Totals	\$ <u>14,795,662.43</u>	\$ <u>71,576.09</u>	\$ <u>14,867,238.52</u>	\$ <u>16,020,185.74</u>	\$ <u>1,152,947.22</u>
Non-Budget Revenues				<u>632,506.06</u>	
Total	\$ <u><u>14,795,662.43</u></u>	\$ <u><u>71,576.09</u></u>	\$ <u><u>14,867,238.52</u></u>	\$ <u><u>16,652,691.80</u></u>	

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>ANALYSIS OF REALIZED REVENUES</u>	<u>REF.</u>		
<u>Allocation of Current Tax Collections:</u>			
2018 Collections	A-7	\$ 23,971,121.02	
Prepaid Taxes Applied	A-7, A-18	635,009.60	
Tax Overpayments Applied	A-7, A-17	9,723.16	
State Share of Sr. Citizen's and Veteran's Deductions Allowed	A-6, A-7	<u>53,622.54</u>	
	A-1		\$ 24,669,476.32
<u>Allocated to:</u>			
Local District School Tax and County Taxes	A-16		<u>17,294,193.97</u>
			7,375,282.35
Add: Reserve for Uncollected Taxes	A-3		<u>796,000.00</u>
Amount for Support of Municipal Budget	A-2		<u>\$ 8,171,282.35</u>
<u>Delinquent Tax Revenue:</u>			
Delinquent Tax Collections	A-7	<u>607,338.47</u>	
	A-2		<u>\$ 607,338.47</u>
<u>Refuse Disposal Fees</u>			
Refuse Disposal Fees	A-2	\$ 521,219.11	
Receipts from Delinquent Refuse Fees	A-2	<u>58,356.45</u>	
	A-11		<u>\$ 579,575.56</u>

Note: See Notes to Financial Statements

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
Administrative & Executive						
Salaries and Wages	\$ 140,000.00	\$ 152,000.00	\$ 150,994.77	\$	1,005.23	\$
Other Expenses	95,500.00	90,500.00	73,900.63	5,249.15		11,350.22
Codification	8,500.00	8,500.00	7,496.64			1,003.36
Municipal Clerk						
Salaries and Wages	182,300.00	182,300.00	181,403.62		896.38	
Other Expenses	14,000.00	14,000.00	12,683.49	314.14		1,002.37
Elections						
Salaries and Wages	500.00	500.00	-		500.00	
Other Expenses	2,600.00	2,600.00	2,567.66			32.34
Financial Administration						
Salaries and Wages	153,000.00	175,000.00	156,846.88			18,153.12
Other Expenses	24,850.00	79,850.00	56,328.02	571.00		22,950.98
Assessment of Taxes						
Salaries and Wages	35,700.00	40,700.00	39,999.92		700.08	
Other Expenses	15,000.00	14,500.00	2,040.73	519.60		11,939.67
Collection of Taxes						
Salaries and Wages	129,293.00	74,293.00	68,073.28			6,219.72
Other Expenses	27,675.00	33,075.00	31,672.15			1,402.85
Audit Services						
Other Expenses	52,000.00	52,000.00	-			52,000.00
Legal Services and Costs						
Other Expenses	300,000.00	285,000.00	217,272.22	16,679.73		51,048.05
Engineering Services and Costs						
Other Expenses	125,000.00	119,000.00	72,991.87	190.00		45,818.13
Public Buildings and Grounds						
Salaries and Wages	23,100.00	23,100.00	21,929.71			1,170.29
Other Expenses	65,000.00	78,000.00	69,033.96	1,650.00		7,316.04
Inspection Department						
Salaries and Wages	140,000.00	143,000.00	142,518.73		481.27	
Other Expenses	6,400.00	6,400.00	5,923.74	75.00		401.26
Planning Board						
Salaries and Wages	12,300.00	12,300.00	9,519.99			2,780.01
Other Expenses	15,000.00	17,500.00	6,993.37	5,976.44		4,530.19
Shade Tree Commission						
Other Expenses	14,700.00	14,700.00	14,265.00			435.00
Economic Development Program						
Other Expenses	7,500.00	7,500.00	7,366.58			133.42

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018 BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>EXPENDED</u>			<u>UNEXPENDED BALANCE CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
<u>PUBLIC SAFETY:</u>						
Fire						
Other Expenses	98,000.00	98,000.00	77,875.80	6,893.49	13,230.71	
Fire Safety Bureau						
Salaries and Wages	38,700.00	43,200.00	40,982.21		2,217.79	
Other Expenses	4,450.00	4,450.00	1,221.00		3,229.00	
Police						
Salaries and Wages	3,139,700.00	3,129,700.00	2,922,845.48		206,854.52	
Other Expenses	151,000.00	151,000.00	104,397.14	32,022.31	14,580.55	
Municipal Court						
Salaries and Wages	194,500.00	177,500.00	159,847.03		17,652.97	
Other Expenses	23,000.00	23,000.00	20,407.98	963.00	1,629.02	
Public Defender						
Other Expenses	5,000.00	15,000.00	15,000.00		-	
Insurance						
Health Benefit Waiver - S&W	11,700.00	13,700.00	13,187.55		512.45	
Other Insurance	470,000.00	485,000.00	483,457.80		1,542.20	
Health Benefits	1,560,000.00	1,445,000.00	1,378,989.93		66,010.07	
Parking Meter Maintenance						
Salaries and Wages	12,600.00	12,600.00	10,607.74		1,992.26	
Other Expenses	6,500.00	6,500.00	1,968.34		4,531.66	
First Aid Organization						
Other Expenses	30,000.00	30,000.00	30,000.00		-	
Emergency Management Services						
Other Expenses	3,500.00	4,000.00	3,212.83	101.14	686.03	
<u>STREETS AND ROADS:</u>						
Road Repairs and Maintenance						
Salaries and Wages	541,700.00	620,700.00	606,947.17		13,752.83	
Other Expenses	90,000.00	90,000.00	73,413.24	8,220.45	8,366.31	
Garbage and Trash						
Other Expenses	425,000.00	450,000.00	443,338.26		6,661.74	
Recycling Contingency Fund						
Other Expenses	98,600.00	112,600.00	109,634.97		2,965.03	
<u>HEALTH AND WELFARE:</u>						
Board of Health						
Other Expenses	93,000.00	100,000.00	74,735.49	24,904.50	360.01	
Dog Regulation						
Other Expenses	37,000.00	22,000.00	15,000.00		7,000.00	
Peosha Act - Board of Health						
Other Expenses	500.00	500.00	-		500.00	

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
RECREATION AND EDUCATION:						
Parks and Playgrounds						
Other Expenses	66,000.00	66,000.00	61,074.73		4,925.27	
Board of Recreation Commissioners						
Salaries and Wages	91,300.00	91,300.00	82,084.20		9,215.80	
Other Expenses	30,000.00	30,000.00	24,298.75	2,267.80	3,433.45	
Senior Citizens						
Other Expenses	3,000.00	3,000.00	3,000.00		-	
Celebration of Public Events, Anniversaries, or Holiday						
Other Expenses	1,000.00	1,592.43	1,575.53		16.90	
UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17):						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	190,000.00	135,000.00	109,176.33		25,823.67	
Other Expenses	8,750.00	8,750.00	4,142.24		4,607.76	
OPERATIONS WITHIN "CAPS"						
UNCLASSIFIED:						
Utilities:						
Gasoline	65,000.00	65,100.00	58,441.77	6,621.50	36.73	
Telephones	65,000.00	65,000.00	60,017.79	358.44	4,623.77	
Street Lighting	165,000.00	165,000.00	154,109.01		10,890.99	
Fire Hydrant Services	108,000.00	108,000.00	95,318.58		12,681.42	
Heating/Electric	190,000.00	193,000.00	178,270.96		14,729.04	
Water	31,000.00	33,500.00	33,227.35		272.65	
Total Operations Within "CAPS"	9,638,418.00	9,626,010.43	8,803,630.16	113,577.69	708,802.58	-
Contingent	1,000.00	1,000.00	-		1,000.00	
Total Operations Including Contingent Within "CAPS"	9,639,418.00	9,627,010.43	8,803,630.16	113,577.69	709,802.58	-
DETAIL:						
Salaries and Wages	5,036,393.00	5,026,893.00	4,716,964.61	-	309,928.39	-
Other Expenses (Including Contingent)	4,603,025.00	4,600,117.43	4,086,665.55	113,577.69	399,874.19	-

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
Deferred Charges and Statutory Expenditures- Municipal Within "CAPS":						
<u>STATUTORY EXPENDITURES:</u>						
Contribution to:						
Public Employee's Retirement System	209,599.00	210,999.00	210,966.82		32.18	
Social Security System (O.A.S.I.)	210,000.00	210,000.00	206,377.44		3,622.56	
Police and Firemen's Retirement System of NJ	740,516.00	740,516.00	740,516.00		-	
State Unemployment Insurance	36,000.00	36,000.00	35,239.08		760.92	
Total Def. Charges and Statutory Expend. Municipal Within "CAPS"	1,196,115.00	1,197,515.00	1,193,099.34	-	4,415.66	-
Total General Appropriations for Municipal Purposes Within "CAPS"	10,835,533.00	10,824,525.43	9,996,729.50	113,577.69	714,218.24	-
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
Length of Service Award Program- (LOSAP)	30,000.00	30,000.00	26,600.00		3,400.00	
Sewerage Authority (40. 14A-8)						
Share of Costs	1,050,000.00	1,060,000.00	1,055,685.10	1,575.00	2,739.90	
Total Operations Excluded from "CAPS"	1,080,000.00	1,161,576.09	1,153,861.19	1,575.00	6,139.90	-
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u>						
Bulletproof Vest Partnership Grant		2,499.98	2,499.98		-	
Clean Communities Program		16,114.23	16,114.23		-	
Community Garden		2,500.00	2,500.00		-	
Detective Tarentino Grant		3,517.08	3,517.08		-	
Leary Firefighter Foundation Grant		17,049.30	17,049.30		-	
NJ Community Forestry Management Plan		18,895.50	18,895.50		-	
Somerset County Municipal Youth Services		11,000.00	11,000.00		-	
Total Operations Excluded from "CAPS"	1,080,000.00	1,161,576.09	1,153,861.19	1,575.00	6,139.90	-
<u>DETAIL:</u>						
Salaries and Wages						
Other Expenses	1,080,000.00	1,161,576.09	1,153,861.19	1,575.00	6,139.90	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"						
Capital Improvement Fund	100,000.00	100,000.00	100,000.00		-	
Total Capital Improvements Excl. from "CAPS"	100,000.00	100,000.00	100,000.00	-	-	-

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018 BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>EXPENDED</u>			<u>UNEXPENDED BALANCE CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
<u>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</u>						
Payment of Bond Principal	975,000.00	975,000.00	975,000.00		-	-
Interest on Bonds	481,455.00	481,455.00	481,455.00		-	-
Interest on Notes	46,100.00	46,100.00	46,051.20		-	48.80
Somerset County Improvement Authority:						
Capital Lease Program - After 7/1/07:						
Principal	80,350.24	80,350.24	31,025.85		-	49,324.39
Interest	8,149.76	8,149.76	1,158.58		-	6,991.18
NJ Environmental Infrastructure Trust						
Principal	9,498.00	10,239.00	10,239.00		-	-
Interest	752.00	752.00	751.38		-	0.62
Total Municipal Debt Service - Excl. from "CAPS"	1,601,305.00	1,602,046.00	1,545,681.01	-	-	56,364.99
<u>DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"</u>						
Emergency Authorization	5,000.00	5,000.00	5,000.00		-	-
Deferred Unfunded	231,733.43	232,000.00	232,000.00		-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	236,733.43	237,000.00	237,000.00	-	-	-
Transferred to Board of Education for Use of Local Schools (N.J.S.A. 40:48-17.1 & 17.3)	146,091.00	146,091.00	146,089.00		-	2.00
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	3,164,129.43	3,246,713.09	3,182,631.20	1,575.00	6,139.90	56,366.99
Subtotal General Appropriations	13,999,662.43	14,071,238.52	13,179,360.70	115,152.69	720,358.14	56,366.99
Balance Carried Forward	13,999,662.43	14,071,238.52	13,179,360.70	115,152.69	720,358.14	56,366.99
Reserve for Uncollected Taxes	796,000.00	796,000.00	796,000.00		-	-
Total General Appropriations	\$ 14,795,662.43	\$ 14,867,238.52	\$ 13,975,360.70	\$ 115,152.69	\$ 720,358.14	\$ 56,366.99
Ref.			A-1	A,A-1	A,A-1	
Adopted Budget	A-2	\$ 14,795,662.43				
Approp. by N.J.S.A. 40A:4-87	A-2	71,576.09				
		<u>\$ 14,867,238.52</u>				
Disbursed	A-4		\$ 13,102,784.61			
Reserve for Uncollected Taxes	A-2		796,000.00			
Deferred Charges	A-13		5,000.00			
Reserve for State & Federal Grants - Appropriated Due to Grant Fund	A-12		71,576.09			
			<u>\$ 13,975,360.70</u>			

Note: See Notes to Financial Statements.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2018 AND DECEMBER 31, 2017

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Assessment Trust Fund:				Assessment Trust Fund:			
Cash and Investments - Treasurer	B-2, B-5	\$ 15,639.55	\$ 15,798.20	Due Current Fund	B-5	\$ 28.09	\$ 186.74
Assessments Receivable	B-3	<u>3,641.64</u>	<u>3,641.64</u>	Overpayments	B-5	2,254.06	2,254.06
				Reserve for Assessments	B-4	445.74	445.74
				Fund Balance	B-1	<u>16,553.30</u>	<u>16,553.30</u>
Total Assessment Trust Fund		<u>19,281.19</u>	<u>19,439.84</u>	Total Assessment Trust Fund		<u>19,281.19</u>	<u>19,439.84</u>
Animal Control Fund:				Animal Control Fund:			
Cash and Investments - Treasurer	B-5	13,803.22	3,416.88	Accounts Payable	B-5	275.00	275.00
Due Current Fund	B-5	818.07	26,398.16	Due General Capital Fund	B-5		7,000.00
Due Trust Fund	B-5		<u>659.64</u>	Reserve for Animal Control Expenditures	B-5	<u>14,346.29</u>	<u>23,199.68</u>
Total Animal Control Fund		<u>14,621.29</u>	<u>30,474.68</u>	Total Animal Control Fund		<u>14,621.29</u>	<u>30,474.68</u>
Other Funds:				Other Funds:			
Cash and Investments - Treasurer	B-5	2,071,508.22	937,272.26	Reserve for:			
Accounts Receivable - Due from Developer	B-5		200,000.00	Miscellaneous Trust	B-5	1,899,982.56	2,214,830.86
Due Current Fund	B-5		<u>1,181,407.77</u>	Accounts Payable	B-5	879.65	2,617.21
				Due Current Fund	B-5	70,073.69	
				Due Animal Control Fund	B-5		659.64
				Due General Capital Fund	B-5	<u>100,572.32</u>	<u>100,572.32</u>
Total Trust-Other Funds		<u>2,071,508.22</u>	<u>2,318,680.03</u>	Total Other Funds		<u>2,071,508.22</u>	<u>2,318,680.03</u>
Grand Total		\$ <u>2,105,410.70</u>	\$ <u>2,368,594.55</u>			\$ <u>2,105,410.70</u>	\$ <u>2,368,594.55</u>

Note: See Notes to Financial Statements.

Exhibit - B-1

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

**ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>REF.</u>		
Balance - December 31, 2017	B	\$	16,553.30
Balance - December 31, 2018	B	\$	<u>16,553.30</u>

Note: See Notes to Financial Statements.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2018 AND DECEMBER 31, 2017

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Cash and Investments - Treasurer	C- 2	\$ 895,571.74	\$ 27,490.40
Grants Receivable	C- 4	937,165.00	383,291.25
Developer Contribution Receivable	C- 5	200,000.00	200,000.00
Interfund Loans Receivable	C-15	590,507.16	652,560.15
Deferred Charges to Future Taxation:			
Funded	C- 7	14,391,065.24	15,012,805.35
Unfunded	C- 8	7,679,150.57	6,262,825.43
		<hr/>	<hr/>
Total		<u>\$ 24,693,459.71</u>	<u>\$ 22,538,972.58</u>
<u>LIABILITIES, RESERVES</u>			
<u>AND FUND BALANCE</u>			
General Serial Bonds Payable	C- 9	\$ 13,902,000.00	\$ 14,877,000.00
NJ Environmental Infrastructure Loan Payble	C-10	62,987.03	73,179.66
Bond Anticipation Notes	C-11	4,684,050.00	3,070,000.00
SCIA Loans Payble	C-14	426,078.21	62,625.69
Reserve for Encumbrances	C-12	375,564.73	795,233.35
Improvement Authorizations:			
Funded	C-12	729,138.93	829,698.63
Unfunded	C-12	3,269,950.57	2,343,620.51
Capital Improvement Fund	C-13	177,999.74	146,574.74
Reserve for Payment of Debt Service	C- 6	10,125.00	10,125.00
Reserve for Grove Street - NJ American Water	C-16	2,659.95	2,659.95
Reserve for NJ American Water	C-16	172,127.50	
Reserve for Grants Receivable	C-17	643,435.00	
Fund Balance	C- 1	237,343.05	328,255.05
		<hr/>	<hr/>
Total		<u>\$ 24,693,459.71</u>	<u>\$ 22,538,972.58</u>
Authorized But Not Issued	C-18	<u>\$ 2,995,100.57</u>	<u>\$ 3,192,825.43</u>

Note: See Notes to Financial Statements.

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**

**GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE- REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>REF.</u>	
Balance - December 31, 2017	C	\$ 328,255.05
Increased by:		
Premium on Bonds and BAN's	C-2	<u>29,088.00</u>
		357,343.05
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-12	<u>120,000.00</u>
Balance - December 31, 2018	C	<u><u>\$ 237,343.05</u></u>

Note: See Notes to Financial Statements.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS
BALANCE SHEET - REGULATORY BASIS

DECEMBER 31, 2018

	<u>BALANCE</u> <u>DEC 31, 2018</u>
General Fixed Assets:	
Land	\$ 10,765,500.00
Buildings	2,383,400.00
Machinery and Equipment	<u>5,224,359.00</u>
Total Governmental Fixed Assets	<u>\$ 18,373,259.00</u>
Investment in Governmental Fixed Assets	<u>\$ 18,373,259.00</u>

Note: See Notes to Financial Statements

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 1: FORM OF GOVERNMENT

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Description of Funds

The accounting policies of the Borough of Bound Brook conform to the accounting principles applicable to municipalities, which have been prescribed by the Division of Local Government Services, Department of Community Affairs, and State of New Jersey (the "Division"). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Bound Brook 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, except as otherwise noted.

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created. The Borough's Assessment Trust Fund, Animal Control Trust Fund and Trust-Other Fund are accounted for within the Trust Fund pursuant to statutory and regulatory requirements. In addition, pursuant to the provisions of N.J.S.A. 40A: 4-39, the Borough has requested and received regulatory approval to account for the financial transactions of a variety of restricted revenues, escrow funds and donations within its Trust-Other Fund. Expenditures for these dedicated funds.

General Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

B. Description of Funds (Cont'd.)

Governmental Fixed Assets - the Governmental Fixed Assets System is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available or any other reasonable basis, provided such basis is adequately disclosed in the financial statements. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on governmental fixed assets.

The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles (GAAP) for state and local governments. GAAP provides for the issuance of entity-wide financial statements along with the presentation of separate fund financial statements that are organized into three broad fund categories. The regulatory basis of accounting utilized by the Borough does not require the presentation of entity-wide financial statements. Furthermore, the prescribed form of the fund financial statements does not conform to the organization of funds as prescribed by GAAP. The resultant presentation of financial position and results of operations in the form of basic financial statements is not intended to, and does not present the basic financial statements required by GAAP.

C. Basis of Accounting

Basis of Accounting and Measurement Focus – The basis of accounting as prescribed by the Division of Local Government Services for its operating funds is generally a modified cash basis for revenue recognition and a modified accrual basis for expenditures. The operating funds utilize a “current financial resources” measurement focus. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects, which in some cases could be material, from generally accepted accounting principles in the United States of America (GAAP) applicable to local government units. The most significant is the GAAP basis reporting of entity-wide, full-accrual financial statements, which are not presented in the basic financial statements prescribed by the Division. The other more significant differences are as follows:

Revenues - Revenues are recorded as received in cash except for statutory reimbursements and grant funds, which are due from other governmental units. State and Federal grants, entitlements and shared revenues received for operating purposes are realized as revenues when anticipated in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves within the Current Fund Other amounts that are due to the Borough, which are susceptible to accrual are recorded as receivables with offsetting reserves. These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable, with the exception of water and sewer charges, which should be recognized in the period they are earned and become measurable.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Borough's "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. An appropriation reserve refers to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, 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 and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP. Expenditures for compensated absences, i.e. accumulations of earned but unused vacations, sick leave and other paid time off, are recorded in the accounting period in which the payments are made. GAAP requires that expenditures be recorded in the governmental (Current) fund in an amount that would normally be liquidated with available financial resources, and that expenditures be recorded in an enterprise (Utility) fund on a full accrual basis.

For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of over-expenditures and emergency appropriations. Over-expenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Over-expenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund balance sheet. GAAP does not permit the deferral of over-expenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

The Local Budget Law (N.J.S.A. 40A:4-1 et seq.) requires that certain operating transfers between funds, such as transfers from the Current Fund to a trust fund to finance an actual or anticipated deficit, and transfers from the Current Fund to the Trust Funds or General Capital Fund to fund reserves for future expenditures are required to be included in the Borough's annual budgets as budget appropriations. Expenditures are recorded upon the adoption of the budget for any legally required transfers, and upon the determination of availability of funds for any discretionary transfers. Similarly, transfers of fund balances from other funds to the Current Fund to finance operating costs are required to be included in the Borough's annual budgets as anticipated revenues. Revenues are realized upon receipt or as a reduction to amounts (net) otherwise due to the originating fund. Under GAAP, operating transfers are not recognized as expenditures.

Property Acquired for Taxes - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the general fixed asset account group at the lower of cost or fair market value.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

Sale of Municipal Assets - Cash proceeds from the sale of Borough owned property are reserved until utilized as an item of anticipated revenue in a subsequent year budget. Year-end balances of such proceeds are reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period that the terms of sales contracts become legally enforceable.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the accounting period the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve, or require a reduction to fund balance, upon the advancement of interfund loans by governmental funds.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. Although the expenditure method of accounting for purchases of supplies is in accordance with GAAP, the cost of inventory on hand at the close of the year should be reported on the balance sheet with an offsetting reserve for conformity with GAAP.

Governmental Fixed Assets - Property and equipment purchased by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized. GAAP would require the capitalization and depreciation of governmental fixed assets in the entity-wide financial statements only.

N.J.A.C. 5:30-5.6 established a mandate for fixed accounting by municipalities, effective December 31, 1985. The Borough performed a physical inventory and assessment of fixed assets for the year ended December 31, 2018

Grants Programs - Federal and State Grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's Budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Length of Service Awards Program (LOSAP) - Financial reporting standards established by the DLGS exclude the financial information relating to a LOSAP program from the scope of the statutory audit. Accordingly, financial information relating to the Borough's LOSAP program, a deferred income program created pursuant to Section 457 of the Internal Revenue Code for the benefit of the members of the Borough's volunteer first responder organizations, is not reported as part of the Borough's basic financial statements. As the LOSAP Plan's assets remain the property of the Borough until withdrawn by participants, GAAP requires that the Plan's financial information be included in the Borough's basic financial statements.

Disclosures About Pension Liabilities - The Borough has included information relating to its allocated shares of the net pension liabilities of the state sponsored, cost-sharing, multiple employer defined benefit pension plans in which it participates in Note 9 and the accompanying required supplementary information. As the Borough does not present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the net pension liability of the defined benefit plans in which its employees are enrolled. GAAP requires the recognition of the net pension liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

Disclosures About OPEB Liabilities – With the implementation of GASB 75 for disclosure purposes, the Borough has included information for OPEB (Postemployment Benefits Other Than Pensions) liabilities relating to healthcare benefits provided to its retirees within the Notes to the Financial Statements and the accompanying required supplementary information, if applicable. As the Borough does not present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the OPEB liability of the defined benefit healthcare plans in which its retirees are enrolled. GAAP requires the recognition of the OPEB liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

Disclosures About Fair Value of Financial Instruments - The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents and Short-term Investments - The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term Debt - The Borough's long-term debt is stated at face value. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Borough's long-term debt is provided in Note 3 to the financial statements.

Recent Accounting Standards

GASB issued Statement No. 84, "Fiduciary Activities" in January 2017. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB issued Statement No. 85, "Omnibus 2017" in March 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB issued Statement No. 86, "Certain Debt Extinguishment Issues" in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

GASB issued Statement No. 87, "Leases" in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB issued Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements" in April 2018. This Statement's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement is effective for reporting periods beginning after June 15, 2018, with earlier application encouraged.

GASB issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period" in June 2018. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

GASB issued Statement No. 90 "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61" in August 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting (Cont'd.)

The Borough does not prepare its financial statements in accordance with Generally Accepted Accounting Principles. The adoption of these new standards will not adversely affect the reporting of the Borough's financial condition.

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

Comparative Data - Comparative data for the prior year has been presented in order to provide an understanding of changes on the Borough's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain reclassifications have been made to the fiscal year 2017 financial statements to conform with classifications used in fiscal year 2018.

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

A. Summary of Municipal Debt for Capital Projects

	<u>YEAR 2018</u>	<u>YEAR 2017</u>
<u>Issued:</u>		
<u>General:</u>		
Serial Bonds	\$ 13,902,000.00	\$ 14,877,000.00
Bond Anticipation Notes	4,684,050.00	3,070,000.00
Environmental Infrastructure		
Trust & Fund Loans	62,987.03	73,179.66
SCIA Loans - Capital Leases	<u>426,078.21</u>	<u>62,625.69</u>
Total Debt Issued	<u>19,075,115.24</u>	<u>18,020,179.66</u>
<u>Authorized but not Issued:</u>		
<u>General:</u>		
Bonds & Notes	<u>2,995,100.57</u>	<u>3,192,825.43</u>
Total Authorized but not Issued	<u>2,995,100.57</u>	<u>3,192,825.43</u>
Net Bonds & Notes Issued and Authorized but not Issued	<u>\$ 22,070,215.81</u>	<u>\$ 21,213,005.09</u>

Summarized below are the Borough's individual bond issues which were outstanding at December 31, 2018 and 2017:

	<u>YEAR 2018</u>	<u>YEAR 2017</u>
<u>General Improvement Debt</u>		
\$9,672,000 General Improvement Bonds, date of issuance February 15, 2008	\$ -	\$ 625,000.00
\$9,747,000 General Improvement Bonds, date of issuance April 21, 2016	9,072,000.00	9,422,000.00
\$4,830,000 General Improve, Refunding Bonds, date of issuance September 15, 2016	4,830,000.00	4,830,000.00
Environmental Infrastructure Trust Loan 2.0% Interest, Final Maturity 2024	17,978.34	20,669.55
Environmental Infrastructure Fund Loan 0.0% Interest, Final Maturity 2024	45,008.69	52,510.11
Bond Anticipation Notes, Due April 20, 2018 1.500% Rate of Interest	-	3,070,000.00
Bond Anticipation Notes, Due May 19, 2019 2.750% Rate of Interest	2,838,000.00	-
Bond Anticipation Notes, Due August 9, 2019 3.000% Rate of Interest	<u>1,846,050.00</u>	<u>-</u>
Total General Improvement	<u>\$ 18,649,037.03</u>	<u>\$ 18,020,179.66</u>

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. 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 presenting the Annual Debt Statement and indicates a statutory net debt of:

<u>2018</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Det	\$ 24,950,000.00	\$ 24,950,000.00	\$ -
General Debt	<u>22,070,215.81</u>	<u>10,125.00</u>	<u>22,060,090.81</u>
	<u>\$ 47,020,215.81</u>	<u>\$ 24,960,125.00</u>	<u>\$ 22,060,090.81</u>

Net Debt of \$ 22,060,090.81 Divided by Equalized Valuation Basis per N.J.S.A.
40A:2-2 as amended \$782,067,153.33 = 2.821%

<u>2017</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Det	\$ 26,015,000.00	\$ 26,015,000.00	\$ -
General Debt	<u>21,213,005.09</u>	<u>11,974.02</u>	<u>21,201,031.07</u>
	<u>\$ 47,228,005.09</u>	<u>\$ 26,026,974.02</u>	<u>\$ 21,201,031.07</u>

Net Debt of \$ 21,201,031.07 Divided by Equalized Valuation Basis per N.J.S.A.
40A:2-2 as amended \$760,056,030.33 = 2.789%

The Borough's borrowing Power Under 40A: 2-6 as amended, at December 31, was as follows:

	<u>2018</u>	<u>2017</u>
3 1/2% of Equalized Valuation Basis	\$ 27,372,350.37	\$ 26,601,961.06
Municipal Debt	<u>22,060,090.81</u>	<u>21,201,031.07</u>
Remaining Borrowing Power	<u>\$ 5,312,259.56</u>	<u>\$ 5,400,929.99</u>

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

C. Schedule of Annual Debt Service for Principal and Interest
for Debt Issued and Outstanding at December 31, 2018

Calendar Year	General		General Total
	Principal	Interest	
2019	\$ 970,000.00	\$ 444,305.00	\$ 1,414,305.00
2020	1,010,000.00	404,705.00	1,414,705.00
2021	1,062,000.00	363,265.00	1,425,265.00
2022	1,085,000.00	320,325.00	1,405,325.00
2023	1,110,000.00	276,425.00	1,386,425.00
2024	1,135,000.00	231,525.00	1,366,525.00
2025	1,155,000.00	191,225.00	1,346,225.00
2026	1,175,000.00	155,875.00	1,330,875.00
2027	650,000.00	131,218.75	781,218.75
2028	650,000.00	117,000.00	767,000.00
2029	650,000.00	101,968.75	751,968.75
2030	650,000.00	86,125.00	736,125.00
2031	650,000.00	68,250.00	718,250.00
2032	650,000.00	48,750.00	698,750.00
2033	650,000.00	29,250.00	679,250.00
2034	650,000.00	9,750.00	659,750.00
Total	<u>\$ 13,902,000.00</u>	<u>\$ 2,979,962.50</u>	<u>\$ 16,881,962.50</u>

Year	SCIA Loans		Environmental Infrastructure Trust		Grand Total
	Principal	Interest	Principal	Interest	
2019	\$ 122,970.97	\$ 14,328.44	\$ 10,266.91	\$ 609.06	\$ 1,562,480.38
2020	94,557.03	10,557.95	10,349.04	526.92	1,530,695.94
2021	97,854.00	7,260.98	10,439.03	436.94	1,541,255.95
2022	54,402.29	3,849.02	10,535.68	340.28	1,474,452.27
2023	56,293.92	1,957.39	10,641.27	234.70	1,455,552.28
2024			10,755.10	121.04	1,377,401.14
2025					1,346,225.00
2026					1,330,875.00
2027					781,218.75
2028					767,000.00
2029					751,968.75
2030					736,125.00
2031					718,250.00
2032					698,750.00
2033					679,250.00
2034					659,750.00
Total	<u>\$ 426,078.21</u>	<u>\$ 37,953.78</u>	<u>\$ 62,987.03</u>	<u>\$ 2,268.94</u>	<u>\$ 17,411,250.46</u>

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

D. Bond Anticipation Notes

The Borough had outstanding Bond Anticipation Notes at December 31, 2018 as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount of Notes</u>	<u>Interest Rate</u>
04/20/18	04/19/19	\$ 2,838,000.00	2.75%
08/09/18	08/09/19	1,846,050.00	3.00%
		<u>\$ 4,684,050.00</u>	

E. Capital Leases

The Borough has acquired vehicles and equipment through a leasing program sponsored by the Somerset County Improvement Authority. Significant terms and payment schedule relating to the leases are as follows:

	<u>Date</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
<u>2016 Lease Program:</u>				
Date:	10/1/2016			
Amount:	\$193,200.00			
Interest Rate:	1.850%			
	10/1/2019	\$ 32,184.43	\$ 31,599.84	\$ 584.59
		<u>\$ 32,184.43</u>	<u>\$ 31,599.84</u>	<u>\$ 584.59</u>
<u>2017 Lease Program:</u>				
Date:	11/30/2018			
Amount:	\$263,178.37			
Interest Rate:	3.477%			
	11/30/2019	\$ 58,251.31	\$ 49,100.33	\$ 9,150.98
	11/30/2020	58,251.31	50,807.60	7,443.71
	11/30/2021	58,251.31	52,574.23	5,677.08
	11/30/2022	58,251.31	54,402.29	3,849.02
	11/30/2023	58,251.31	56,293.92	1,957.39
		<u>\$ 291,256.55</u>	<u>\$ 263,178.37</u>	<u>\$ 28,078.18</u>
<u>2018 Lease Program:</u>				
Date:	11/30/2018			
Amount:	\$131,300.00			
Interest Rate:	3.498%			
	11/30/2019	\$ 46,863.67	\$ 42,270.80	\$ 4,592.87
	11/30/2020	46,863.67	43,749.43	3,114.24
	11/30/2021	46,863.67	45,279.77	1,583.90
		<u>\$ 140,591.01</u>	<u>\$ 131,300.00</u>	<u>\$ 9,291.01</u>
Total		<u>\$ 464,031.99</u>	<u>\$ 426,078.21</u>	<u>\$ 37,953.78</u>

NOTES TO FINANCIAL STATEMENTS

Note 4: GOVERNMENTAL FIXED ASSETS

At December 31, 2018, the Borough's governmental fixed assets consisted of as follows:

	<u>Dec. 31, 2018</u>
Land & Land Improvements	\$ 10,765,500.00
Buildings	2,383,400.00
Machinery and Equipment	<u>5,224,359.00</u>
	<u>\$ 18,373,259.00</u>

Note 5: DEFERRED COMPENSATION TRUST FUND

The Borough of Bound Brook Deferred Compensation Plan was established pursuant to Section 457 of the Internal Revenue Code and the provisions of N.J.S.A. 43:15B-1. The Plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more the types of investments permitted under the governing regulations. The Borough is the administrator of the plan and the Borough has contracted with Equitable Life and VALIC to manage the plan assets.

Note 6: FUND BALANCES APPROPRIATED

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

	Fund Balance <u>December 31, 2018</u>	Utilized in <u>Succeeding Year's Budget</u>
Current Fund	\$ 1,895,849.42	\$ 764,516.00

	Fund Balance <u>December 31, 2017</u>	Utilized in <u>Succeeding Year's Budget</u>
Current Fund	\$ 889,682.40	\$ 838,476.43

NOTES TO FINANCIAL STATEMENTS

Note 7: DEFERRED CHARGES TO BE RAISED IN FUTURE BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2018 and 2017, the following deferred charges are shown on the balance sheets of the various funds:

	<u>Balance</u> <u>December 31, 2018</u>		<u>Raised in</u> <u>2019 Budget</u>		<u>Balance to</u> <u>Succeeding Years</u>
Current Fund:					
Emergency Appropriation	\$ 20,000.00	\$	5,000.00	\$	15,000.00

	<u>Balance</u> <u>December 31, 2017</u>		<u>Raised in</u> <u>2018 Budget</u>		<u>Balance to</u> <u>Succeeding Years</u>
Current Fund:					
Emergency Appropriation	\$ 25,000.00	\$	5,000.00	\$	20,000.00

Note 8: DEPOSITS AND INVESTMENTS

State statutes set forth deposit requirements and investments that may be purchased by local units and the Borough deposits and invests its funds pursuant to its policies and an adopted cash management plan.

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 insures deposits, or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits to protect deposits from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five (5) percent of the average daily balance of collected public funds; or if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent, to secure the deposits of governmental units.

NOTES TO FINANCIAL STATEMENTS

Note 8: DEPOSITS AND INVESTMENTS (CONT'D.)

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. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

Based upon GASB criteria, the Borough considers cash and cash equivalents to include change funds, demand deposits, money market accounts and short term investments, including cash management money market funds, and, depending upon the length of the investment maturity, any direct and general obligation of the United States of America or agency or certificates of deposit issue any bank or national banking association if qualified to serve as a depository for public funds under the provisions of the Governmental Unit Depository Protection Act.

At December 31, 2018 and 2017, the Borough's cash, cash equivalents and investments are summarized along with an analysis of the depository insurance balances, as follows:

	<u>2018</u>	<u>2017</u>
Cash (Demand Accounts)	\$ 7,248,501.57	\$ 5,094,761.01
Change Funds (On-Hand)	400.00	400.00
N.J. Cash Management Fund	40,556.95	39,825.24
	<hr/>	<hr/>
	\$ 7,289,458.52	\$ 5,134,986.25
	<hr/>	<hr/>

The Borough has adopted the disclosure provisions of Governmental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly the Borough has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Risk of its cash and investments, as follows:

- (a) Custodial Credit Risk – The Borough's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the Borough will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Borough's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Borough and are held by either: the counterparty or the counterparty's trust department or agent but not in the Borough's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Borough will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Based upon the insured balances provided by FDIC and NJGUDPA coverages, none of the Borough's \$5,554,095.59 bank balance is considered exposed to custodial credit risk. The Borough's investments during the year and at year-end consisted of amount held in the New Jersey Cash Management Fund.

NOTES TO FINANCIAL STATEMENTS

Note 8: DEPOSITS AND INVESTMENTS (Cont'd.)

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

<u>Depository Account</u>	2018 <u>Bank Balance</u>	2017 <u>Bank Balance</u>
Insured - FDIC	\$ 250,000.00	\$ 250,000.00
Insured - NJGUDPA (N.J.S.A. 17:941)	6,998,501.57	5,264,270.35
Total	<u>\$ 7,248,501.57</u>	<u>\$ 5,514,270.35</u>

The Borough does not have a deposit policy for custodial credit risk. Based upon existing deposit and investment strategies, the Borough’s exposure is mitigated to credit risk, concentration of credit risk, interest rate and foreign currency risk and associated credit risk.

Investments

New Jersey statutes establish the following securities as eligible for the investment of Borough funds:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
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 such obligation bear a fixed rate of interest not dependent on any index or other external factor;

Note 8: DEPOSITS AND INVESTMENTS (Cont'd.)

4. Bonds or other obligations of the Township or bonds or other obligations of school districts of which the Township is a part and within which the school district is located;
5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, 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);
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is more than 30 days; and
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

Note 9: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

New Jersey statutes require that taxable valuation of real property be prepared by the Borough Tax Assessor as of October 1 in each year and filed with the County Board of Taxation by January 10 of the following year. Upon the filing of certified adopted budgets by the Borough, Local School District, County and Fire Districts, the tax rate is struck by the board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector on or before May 13th.

Tax bills are prepared and mailed by the Collector of Taxes of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The New Jersey Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers.

NOTES TO FINANCIAL STATEMENTS

Note 9: ASSESSMENT AND COLLECTION OF PROPERTY TAXES (CONT'D.)

Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amount delinquent, and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% shall be charged against the delinquency. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

NOTE 10: PENSION PLANS

Description of Plans - The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at www.state.nj.us/treasury/pensions, or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

A. Public Employees' Retirement System (PERS)

The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Inactive plan members or beneficiaries currently receiving benefits	174,904	170,124
Inactive plan members entitled to but not yet receiving benefits	589	650
Active plan members	<u>254,780</u>	<u>254,685</u>
	<u>430,273</u>	<u>425,459</u>
Contributing Employers	1,708	1,705

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D)

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

Significant Legislation - Chapter 19, P.L. 2009, effective March 17, 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 an employer 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 PERS, 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 the assets.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

Payrolls and Covered Wages:

For the year ended December 31, 2018, total Borough payroll was \$5,234,281.85 and for the years ended December 31, 2018 and 2017, the Borough's total PERS covered payroll was \$1,450,023, and \$1,396,420, respectively. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the Borough to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Borough contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. Borough payments to PERS for the years ending December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Normal Cost	\$ 23,355	\$ 23,206
Amortization of Accrued Liability	145,435	118,099
	<hr/>	<hr/>
Total Pensions	168,790	141,305
NCGI Premiums	8,649	7,052
	<hr/>	<hr/>
Total Regular Billing	177,439	148,357
LTD Expense	1,922	837
Additional Billings:		
Ch 19, P.L. 2009	10,026	9,900
ERI #1	11,889	11,602
ERI #2	8,323	8,080
	<hr/>	<hr/>
Total PERS Payment	\$ 209,599	\$ 178,776

NOTE 10: PENSION PLANS (CONT'D)

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

When applicable, Ch. 19, P.L. 2009 billings reflect the recoupment of the 50% deferral of normal and accrued liability costs due on April 1, 2009. The law set a fifteen-year repayment schedule for the deferred amount, with additional annual adjustments to reflect the return on investment of actuarial net assets of the plan on deferred principal balances.

When applicable, ERI #1 billings reflect the recoupment of the additional costs of pensions and health benefits, plus interest, resulting from an entities participation in the 1991 early retirement program. The repayment term is 27 years, commencing with bills due on April 1, 1995. The Borough did not participate in the ERI #1 program.

When applicable, ERI #2 billings reflect the recoupment of the additional costs of pensions and health benefits, plus interest, resulting from an entities participation in the 1993 early retirement program. A variety of repayment terms were offered as part of this retirement incentive program. The Borough did not participate in the ERI #2 program.

The Borough recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

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

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008.
3	Members who were eligible 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.

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more 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.

NOTE 10: PENSION PLANS (CONT'D)

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

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

The following presents the PERS reported liability for its Non-State Employer Member Group; the Borough's proportionate share of the net pension liability for the Non-State Employer Group that is attributable to the Borough and its allocation percentage for the reported periods June 30, 2018 and 2017, respectively.

	<u>2018</u>	<u>2017</u>
PERS Non-State Employer Member Group Liability	\$ 19,689,501,539	\$ 23,278,401,588
Borough Proportionate Share of the		
PERS Non-State Employer Member Group Liability	3,783,057	4,458,686
Borough Proportionate Share Percentage	0.019214%	0.019154%

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

Inflation	2.25%
Salary Increases: Through 2026	1.64-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.00%

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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

NOTE 10: PENSION PLANS (CONT'D)

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

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk migration	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 estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate – The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018.

This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D)

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

Sensitivity of Net Pension Liability – the following presents the collective net pension liability of PERS participating employers as of June 30, 2018, calculated using the discount rates 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 rate higher than the current rate:

	At 1% decrease (4.66%)	At current discount rate (5.66%)	At 1% increase (6.66%)
State	\$ 27,413,044,035	\$ 23,704,298,093	\$ 20,597,322,253
Local	<u>24,757,279,564</u>	<u>19,689,501,539</u>	<u>15,437,959,879</u>
 PERS Plan Total	 <u>\$ 52,170,323,599</u>	 <u>\$ 43,393,799,632</u>	 <u>\$ 36,035,282,132</u>
 Borough's proportionate share of the net pension liability (Local)	 <u>\$ 4,756,758</u>	 <u>\$ 3,783,057</u>	 <u>\$ 2,966,184</u>

Components of Net Pension Liability – The components of the collective net pension liability for PERS, including the State of New Jersey, at June 30, 2018, are as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 30,434,600,657	\$ 42,431,573,511	\$ 72,866,174,168
Plan Fiduciary Net Position	<u>6,730,302,564</u>	<u>22,742,071,972</u>	<u>29,472,374,536</u>
 Net PERS Pension Liability	 <u>\$ 23,704,298,093</u>	 <u>\$ 19,689,501,539</u>	 <u>\$ 43,393,799,632</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D)

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

At December 31, the Borough's deferred outflows of resources and deferred inflows of resources related to the PERS pension plan, are as follows:

	<u>2018</u> Deferred Outflows of Resources	<u>2018</u> Deferred Inflows of Resources	<u>2017</u> Deferred Outflows of Resources	<u>2017</u> Deferred Inflows of Resources
Difference between expected and actual experience	\$ 72,143	\$ 19,507	\$ 104,987	\$ -
Changes of assumptions	623,385	1,209,621	898,272	894,978
Net difference between projected and actual earnings on pension plan investments		19,507	30,361	
Changes in proportion and differences between agency contributions and proportionate share of contributions	<u>572,862</u>	<u>255,967</u>	<u>745,779</u>	<u>410,031</u>
	<u>\$ 1,268,390</u>	<u>\$ 1,504,602</u>	<u>\$ 1,779,399</u>	<u>\$ 1,305,009</u>

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2019	\$ 42,453
2020	39,358
2021	(83,114)
2022	(162,112)
2023	<u>(72,797)</u>
Total	<u>\$ (236,212)</u>

Additional Information:

Collective balances at June 30, 2018 - PERS Local Group

Collective deferred outflows of resources	\$ 4,684,852,302
Collective deferred inflows of resources	7,646,736,226
Collective net pension liability - Local group	19,689,501,539
Borough's Proportion	0.019214%

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D)

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

The Police and Firemen's Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PFRS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time county and municipal police or firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Inactive plan members or beneficiaries currently receiving benefits	43,755	43,011
Inactive plan members entitled to but not yet receiving benefits	39	47
Active plan members	<u>41,517</u>	<u>40,789</u>
	<u>85,311</u>	<u>83,847</u>
 Contributing Employers	 586	 586

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PFRS.

Significant Legislation - Chapter 19, P.L. 2009, effective March 17, 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 an employer 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 PFRS, 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 the assets.

Payrolls and Covered Wages:

For the years ended December 31, 2018 and 2017, the Borough's total PFRS covered payroll was \$2,494,361, and \$2,398,975, respectively. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the Borough to active employees covered by the Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D)

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

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was 10% in State fiscal year 2018. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Borough contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. Borough payments to PFRS for the years ending December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Normal Cost	\$ 209,679	\$ 201,849
Amortization of Accrued Liability	436,497	365,390
	<hr/>	<hr/>
Total Pensions	646,176	567,239
NCGI Premiums	27,209	25,780
	<hr/>	<hr/>
Total Regular Billing	673,385	593,019
Additional Billings:		
Ch 19, P.L. 2009	34,161	33,819
ERI #1	32,970	32,575
	<hr/>	<hr/>
Total PFRS Payment	<u>\$ 740,516</u>	<u>\$ 659,413</u>

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

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.

NOTE 10: PENSION PLANS (CONT'D)

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

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.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The regulatory basis of accounting which is basis for the preparation of the Borough's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Borough does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

The following presents the PFRS reported liability for its Non-State Employer Member Group; the Borough's proportionate share of the net pension liability for the Non-State Employer Group that is attributable to the Borough and its allocation percentage for the reported periods June 30, 2018 and 2017, respectively.

	<u>2018</u>	<u>2017</u>
PFRS Non-State Employer Member Group Liability	\$ 13,531,648,591	\$ 15,438,066,691
Borough Proportionate Share of the		
PFRS Non-State Employer Member Group Liability	9,519,959	11,746,379
Borough Proportionate Share Percentage	0.070353%	0.076087%

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

Inflation	2.25%
Salary Increases: Through 2026	2.10-8.98% Based on age
Thereafter	3.10-9.98% Based on age
Investment rate of return	7.00%

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D)

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

Preretirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scales thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2018 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk migration	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 estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D)

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

Discount Rate – The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% 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 June 30, 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of Net Pension Liability – the following presents the collective net pension liability of PFRS participating employers as of June 30, 2018, calculated using the discount rates 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 rate higher than the current rate:

	At 1% decrease (<u>5.51%</u>)	At current discount rate (<u>6.51%</u>)	At 1% increase (<u>7.51%</u>)
State	\$ 5,090,302,750	\$ 4,329,304,276	\$ 3,702,605,881
Local	<u>20,570,435,198</u>	<u>15,369,699,278</u>	<u>11,080,039,474</u>
 PFRS Plan Total	 <u>\$ 25,660,737,948</u>	 <u>\$ 19,699,003,554</u>	 <u>\$ 14,782,645,355</u>
 Borough's proportionate share of the net pension liability (Local)	 <u>\$ 14,471,976</u>	 <u>\$ 10,813,088</u>	 <u>\$ 7,795,172</u>

*The above table and calculation also includes the Special Funding Situation (Local - PFRS) allocated to the State of N.J. as a non-employer and is included for the "Local Group" total in the amount of:

State of N.J. Local Group Special Funding - non-employer \$ 1,838,050,687

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D)

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

Components of Net Pension Liability – The components of the collective net pension liability for PFRS, including the State of New Jersey, at June 30, 2018, are as follows:

		<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$	5,837,506,505	\$ 40,960,053,149	\$ 46,797,559,654
Plan Fiduciary Net Position		<u>1,508,202,229</u>	<u>25,590,353,871</u>	<u>27,098,556,100</u>
Net PERS Pension Liability	\$	<u>4,329,304,276</u>	<u>\$ 15,369,699,278</u>	<u>\$ 19,699,003,554</u>

At December 31, the Borough's deferred outflows of resources and deferred inflows of resources related to the PFRS pension plan, are as follows:

	<u>2018</u>		<u>2018</u>		<u>2017</u>		<u>2017</u>
	Deferred		Deferred		Deferred		Deferred
	Outflows of		Inflows of		Outflows of		Inflows of
	<u>Resources</u>		<u>Resources</u>		<u>Resources</u>		<u>Resources</u>
Difference between expected and actual experience	\$ 96,853	\$	39,396	\$	76,204	\$	68,941
Changes of assumptions	817,160		2,439,801		1,448,459		1,923,713
Net difference between projected and actual earnings on pension plan investments			52,083		224,148		
Changes in proportion and differences between agency contributions and proportionate share of contributions	<u>473,318</u>		<u>1,138,925</u>		<u>672,385</u>		<u>545,391</u>
	<u>\$ 1,387,331</u>	\$	<u>3,670,205</u>	\$	<u>2,421,196</u>	\$	<u>2,538,045</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D)

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

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2019	\$ 3,279
2020	(461,749)
2021	(957,520)
2022	(603,546)
2023	(263,343)
Total	<u>\$ (2,282,879)</u>

Collective balances at June 30, 2018 - PFRS Local Group

Collective deferred outflows of resources	\$ 1,988,215,695
Collective deferred inflows of resources	4,286,994,294
Collective net pension liability - Local group	15,369,699,278

Borough's Proportion 0.070353%

Special Funding Situation:

The Borough is responsible for the actuarially determined annual contributions to the PFRS, except where legislation was passed that legally obligates the State if certain circumstances occur. A special funding situation exists for the Local employers of the PFRS. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers based upon the provisions of several legislative actions. The provisions of GASB Statement No. 68 define this/these relationship(s) as a "special funding situation," and the State of New Jersey is defined as a "non-employer contributing entity."

Unaudited data provided by the PFRS indicates that the total Non-employer contributions made to the PFRS by the State for the year ended June 30, 2018 was \$108,857,000. The portion of that contribution allocated to the Borough was \$76,584, or 0.0703532835%. The June 30, 2018 State special funding situation pension expense of \$217,714,180 was actuarially determined and represents the required contribution due from the State for the year. The special funding situation net pension liability under the special funding situation was reported at \$1,838,050,687 at June 30, 2018 and represents the accumulated difference between the actuarially determined annual contributions required and the actual State contributions through the valuation date. The Borough's allocated shares of the special funding situation pension expense for the year ended June 30, 2018 and its share of the special funding situation NPL at that date were \$153,169 and \$1,293,129, respectively.

NOTE 10: PENSION PLANS (CONT'D)

C. Defined Contribution Retirement System (DCRP):

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

Plan Membership and Contributing Employers- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2016, the membership in the DCRP, based on the information within the Division's database, was 46,557.

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

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

There was no active Borough members in the DCRP plan for the year ended December 31, 2018.

D. Cumulative PERS and PFRS Employer Allocations

State of New Jersey Pension Systems' Schedules of Employer Allocations:

	<u>Employer Contribution</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total Pension Expense</u>
PERS	\$ 191,113	\$ 3,783,057	\$ 1,268,390	\$ 1,504,602	\$ 243,429
PFRS	<u>764,391</u>	<u>9,519,959</u>	<u>1,387,331</u>	<u>3,670,205</u>	<u>780,572</u>
Total	<u>\$ 955,504</u>	<u>\$ 13,303,016</u>	<u>\$ 2,655,721</u>	<u>\$ 5,174,807</u>	<u>\$ 1,024,001</u>

Note 11: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS – HEALTH CARE BENEFITS

Plan Description: 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.

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 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. In order to receive health benefits, retirees must have been enrolled in the pension system for 25 years. All active full time employees are covered by the SHBP.

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

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

Cost sharing requirements for retirees are as follows:

1. Any eligible employee who was retired as of June 28, 2011 (the effective date of Ch. 78, P.L. 2011) is not required to contribute to the cost of benefits.
2. Active employees who had accrued 25 years of service at June 28, 2011 will not be required to contribute to the costs of benefits upon retirement.
3. Active employees who had accrued 20 years of service at June 28, 2011 will be required to contribute 1.5% of their retirement benefit towards the cost of post-retirement health benefits.
4. Active employees who had not accrued 20 years of service at June 28, 2011 will, upon retirement continue to pay the applicable percentage of health care costs as set forth in the law. However, retiree contributions will be based upon the retirement benefit rather than the final active salary.

Plan Description and Benefits Provided:

P.L. 1987, c.384 and P.L. 1990, c.6. required the Public Employees Retirement System (PERS) to fund post-retirement medical benefits for those members who retire after accumulating a minimum of 25 years of credited service or on a disability retirement. Pursuant to P.L. 2007, c.103, separate funds outside the pension plans were established for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees.

Coverage is provided at no cost to members of the PERS that had retired on a disability retirement or retired after accumulating 25 years of creditable service prior to June 28, 2011 and to those who had a minimum of 20 years of creditable service on June 28, 2011 and who subsequently retire after accumulating 25 years of credited service or on a disability retirement.

NOTES TO FINANCIAL STATEMENTS

Note 11: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENISONS – HEALTH CARE BENEFITS (CONT'D)

Employees who had less than 20 years of creditable service on June 28, 2011 and subsequently retire after accumulating a minimum of 25 years of creditable service are required by Chapter 78, P.L. 2011 to contribute a percentage of the cost of their health care coverage in retirement. The percentage of the premium that will be the responsibility of the retiree is determined based upon the retiree's annual retirement benefit and level of coverage. Chapter 78 retirees opting for single will make contributions that escalate from 4.5% for annual retirement allowance under \$20,000 to 35.0% for annual retirement allowances exceeding \$110,000 per annum. Chapter 78 retirees opting for family coverage will range from 3.43% for annual retirement allowances under \$25,000 per annum to 35.0% for annual retirement allowances exceeding \$110,000 per annum.

Nonspecial Funding Situation:

The State of New Jersey's Total OPEB Liability for nonspecial funding situation at June 30, 2018 and 2017, respectively, was as follows:

<i>Nonspecial Funding Situation:</i>	<u>2018</u>	<u>2017</u>
Net OPEB Liability - Nonspecial Funding Situation	\$ 9,452,773,649	\$ 11,720,375,604

Components of Net OPEB Liability – The components of the collective net OPEB liability of the participating employers in the Plan, are as follows:

Total N.J. State Non-employer Net OPEB Liability:

	<u>2018</u>	<u>2017</u>
Total OPEB Liability	\$ 15,981,103,227	\$ 20,629,044,656
Plan Fiduciary Net Position	314,485,086	213,255,917
Net OPEB Liability	<u>\$ 15,666,618,141</u>	<u>\$ 20,415,788,739</u>

Plan fiduciary net position as a percentage of the total OPEB liability	<u>1.97%</u>	<u>1.03%</u>
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Borough Allocation:

Net OPEB Plan Liability allocated to the Borough	<u>\$ 12,253,332</u>	<u>\$ 15,178,118</u>
Allocation Percentage	<u>0.078213%</u>	<u>0.074345%</u>
Borough Participants (active and inactive/retired)	81	78

NOTES TO FINANCIAL STATEMENTS

Note 11: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENISONS – HEALTH CARE BENEFITS (CONT'D)

Actuarial Assumptions and Other Inputs:

The total OPEB liability as of June 30, 2018 and 2017 was determined by an actuarial valuation as of June 30, 2017 and 2016, which was rolled forward to June 30, 2018 and 2017. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in.

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

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

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

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

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Healthcare Trend Assumptions:

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

Discount Rate:

The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

NOTES TO FINANCIAL STATEMENTS

Note 11: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENISONS – HEALTH CARE BENEFITS (CONT'D)

Sensitivity of the State's Net OPEB Liability to Changes in the Discount Rate:

The following presents the collective net OPEB liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease <u>2.87%</u>	Current Rate <u>3.87%</u>	1% Increase <u>4.87%</u>
Net OPEB liability	\$ 18,381,085,096	\$ 15,666,618,141	\$ 13,498,373,388
Borough Share	\$ 14,376,398	\$ 12,253,332	\$ 10,557,483

Sensitivity of the State's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the total OPEB liability of the Borough, as well as what the Borough's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% <u>Decrease</u>	Trend Rate	1% <u>Increase</u>
Net OPEB liability	\$ 13,068,471,450	\$ 15,666,618,141	\$ 19,029,006,023
Borough Share	\$ 10,221,244	\$ 12,253,332	\$ 14,883,156

At June 30, 2018, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Collective Deferred Outflows of Resources and Deferred Inflows of Resources –

The following illustrates the Deferred Inflows and Outflows as of December 31, 2018 under GASB 75 after any reduction due to the fiscal year 2018 amortizations:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 2,487,863
Net difference between projected and actual investment earnings on OPEB plan investments	6,475	
Change in proportion	769,431	1,274,699
Change in assumption		3,108,218
	<u>\$ 775,906</u>	<u>\$ 6,870,780</u>

NOTES TO FINANCIAL STATEMENTS

Note 11: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENISONS – HEALTH CARE BENEFITS (CONT'D)

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – (Cont'd.)

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

	<u>Total</u>
Year ended December 31:	
2019	\$ (922,129)
2020	(922,129)
2021	(922,129)
2022	(922,780)
2023	(923,911)
Thereafter	<u>(1,481,796)</u>
	<u>\$ (6,094,874)</u>

Changes in the Total and Net Plan OPEB Liability:

	<u>2018</u>	<u>2017</u>
Total OPEB Liability - Beginning (Based on 6/30 Measurement Date)	\$ 20,629,044,656	\$ 21,867,849,603
Changes for the year:		
Service cost	896,235,148	1,064,525,862
Interest cost	764,082,232	648,423,508
Difference between expected and actual experience	(3,626,384,047)	
Changes in assumptions	(2,314,240,675)	(2,587,850,974)
Contributions: Member	53,987,166	53,585,505
Gross benefit payments	<u>(421,621,253)</u>	<u>(417,488,848)</u>
Net changes	<u>(4,647,941,429)</u>	<u>(1,238,804,947)</u>
Total OPEB Liability - Ending (Based on 6/30 Measurement Date)	<u>\$ 15,981,103,227</u>	<u>\$ 20,629,044,656</u>

NOTES TO FINANCIAL STATEMENTS

Note 11: POST EMPLOYMENT BENEFIT PLANS OTHER THAN PENISONS – HEALTH CARE BENEFITS (CONT'D)

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – (Cont'd.)

Plan Fiduciary Net Position		
Contributions: Employer	\$ 421,194,662	\$ 381,813,324
Contributions: Non-Employer contributing entities	53,548,285	53,064,311
Contributions: Member	53,987,166	53,585,505
Net investment income	2,320,422	791,049
Gross benefit payments	(421,621,253)	(417,488,848)
Administrative expenses	(8,200,113)	(8,894,576)
Other	-	-
Net Change in Plan Fiduciary Net Position	\$ 101,229,169	\$ 62,870,765
Plan Fiduciary Net Position (Beginning)	\$ 213,255,917	150,385,152
Plan Fiduciary Net Position (Ending)	\$ 314,485,086	\$ 213,255,917
Net OPEB Liability (Ending)	\$ 15,666,618,141	\$ 20,415,788,739
Plan Fiduciary Net Position as % of OPEB Liability	2.0%	1.0%
Covered Employee Payroll	\$ 4,646,915,753	\$ 4,336,016,376
Net OPEB Liability as a Percentage of Payroll	337%	471%

Special Funding Situation

Net OPEB Liability Special and Nonspecial funding components:

The Net OPEB Liability at June 30, 2018 and 2017 can be further broken down into its special funding and non-special funding components as follows:

	<u>2018</u>	<u>2017</u>
Special Funding Situation	\$ 6,213,844,492	\$ 8,695,413,135
Non-special Funding Situation	9,452,773,649	11,720,375,604
Total Net OPEB Liability	<u>\$ 15,666,618,141</u>	<u>\$ 20,415,788,739</u>

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No 75 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, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation.

The Borough does not participate in the special funding situation and as a result there is no amount allocable of the net OPEB liability for the special funding situation to the Borough.

Note 12: COMPENSATED ABSENCES

Under existing collective bargaining agreements and personnel policies of the Borough, employees are allowed to accumulate unused compensatory, vacation and sick pay over the life of their working careers, which may be taken as time off, additional annual pay, or as termination payments upon retirement, at agreed upon rates. At December 31, 2018 and 2017, the estimated value of accumulated and unused compensated absences, was \$994,082.35 and \$464,621.76, respectively.

Under accounting principles and practices prescribed by the Division of local Government Services, Department of Community Affairs, State of New Jersey, the accumulated cost of such unpaid compensation is not required to be recorded and/or reported in the Borough's financial statements. Any required payments are recorded as expenditures in the year of projected disbursement and accordingly, no liability has been accrued as at December 31, 2018.

Note 13: LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

The Borough has instituted a Length of Service Award Program (LOSAP) pursuant to section 457(e) of the Internal Revenue Code and P.L. 1997, C. 388 as amended by P.L. 2001, C. 272 of the Statutes of New Jersey. The program provides for fixed annual contributions to a deferred income account for volunteer firefighters and first aid and rescue squad members who meet specified service criteria. In accordance with State of New Jersey regulations, the LOSAP Program is subject to an annual review in accordance with AICPA standards for attestation engagements (accountant's review report) and is unaudited. LOSAP review reports are available in the office of the Borough Clerk during scheduled working hours.

Note 14: RISK MANAGEMENT

The Borough, together with other governmental units, is a member of the Middlesex County Municipal Joint Insurance Fund (the Fund). The Fund, which is organized and operated pursuant to the regulatory authority of the Departments of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles. The Fund's governing board based upon actuarial and budgetary requirements calculates payments to the Fund. Each participant in the Fund is jointly and severably obligated for any deficiency in the amount available to pay all claims. Lines of coverage provided by the Fund include property; boiler and machinery; equipment floater; auto physical; blanket bond; auto liability; general liability; law enforcement liability; public official liability and worker compensation and employer liability. Information relating to coverage levels, deductibles, budgets and audited financial statements may be obtained by contacting the fund at:

MCMJIF
1 Jocama Blvd., Suite 2B
Old Bridge, NJ 08857

NOTES TO FINANCIAL STATEMENTS

Note 15: LONG TERM TAX EXEMPTIONS

The Borough provides for long-term tax exemptions, as authorized and permitted by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. The exemptions provided by the Borough are predominately for affordable housing projects. Taxes abated include municipal, local school and county taxes. The Borough is required to remit five percent (5.00%) to the County for any payments received in lieu of taxes (PILOT payments). The Borough PILOT billings in 2018 were \$704,981.79 and taxes in 2018 that otherwise would have been due on these long-term tax exemptions amounted to \$1,857,945.60, based upon the assessed valuations of the long-term tax exemptions properties.

Note 16: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets as of December 31, 2018:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund	\$ 70,101.78	\$ 665,783.65
Grant Fund	175,030.74	
Assessment Trust Fund		28.09
Animal Control	818.07	
Trust - Other		170,646.01
General Capital Fund	590,507.16	
Totals	<u>\$ 836,457.75</u>	<u>\$ 836,457.75</u>

Note 17: COMMITMENTS AND CONTINGENCIES

Federal and State Assistance Programs

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2018, the Borough does not believe that any material liabilities will result from such audits.

Contractual Commitments

As of December 31, 2018, the Borough had commitments outstanding, based upon open contracts and purchase orders that totaled \$375,564.73 within its General Capital Fund.

Contingencies-Pending Litigation

As at the date of this report, Management indicates that the Borough was not involved in any pending or threatened litigation nor any unasserted claims or assessments requiring disclosure in the financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 18: SUBSEQUENT EVENTS

The following capital ordinances were adopted subsequent to December 31, 2018:

<u>Ord. No.</u>	<u>Date of Adoption</u>	<u>Description</u>	<u>Total Authorized</u>	<u>Bonds and Notes Authorized</u>
2019-06	2/26/2019	Purchase of Fire Gear	\$ 35,000.00	\$ -
2019-16	3/26/2019	Providing for Various Capital Improvements	1,400,000.00	1,330,000.00
2019-27	6/11/2019	Providing for Purchase of Wrestling Mats	8,520.00	-
2019-32	7/9/2019	Acquisition of Equipment	94,500.00	-
2019-33	7/23/2019	Providing for Various Capital Improvements	390,000.00	228,000.00
2019-35	7/23/2019	Portion of Two Hybrid Ford Explorers	8,000.00	-

The following Bond Anticipation Notes were issued subsequent to December 31, 2018:

<u>Issue Date</u>	<u>Maturity Date</u>		<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>
4/18/2019	4/17/2020	Bond Anticipation Notes	\$2,620,527.00	2.500%	1.700%
8/8/2019	8/7/2020	Bond Anticipation Notes	3,404,050.00	2.000%	1.490%

**BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY**



**PART II
SUPPLEMENTARY SCHEDULES**

Current Fund

CURRENT FUND
SCHEDULE OF CASH TRANSACTIONS

	<u>Ref.</u>		
Cash Balance - December 31, 2017	A		\$ 4,148,369.36
Increased by Cash Receipts			
Petty Cash Returned	A-5	\$ 200.00	
Due NJ Sr Citizens and Veterans Deductions	A-6	52,576.03	
Taxes Receivable	A-7	24,578,459.49	
Revenue Accounts Receivable	A-9	4,782,948.93	
Sewer Rents Receivable	A-10	1,595,501.22	
Refuse Disposal Fees	A-11	544,302.87	
Grant Funds Received	A-12	57,711.65	
Interfunds	A-12	982,525.50	
Tax Overpayments	A-17	1,690.57	
Prepaid 2019 Property Taxes	A-18	140,904.56	
Prepaid Refuse Disposal Fees	A-19	32,537.67	
Prepaid-Sewer Rents	A-20	2,116.67	
Other Reserves	A-21	<u>430,439.71</u>	
Total Cash Receipts			<u>33,201,914.87</u> <u>37,350,284.23</u>
Decreased by Disbursements			
Budget Appropriations	A-3	13,102,784.61	
Petty Cash Advanced	A-5	200.00	
Grant Fund Expenditures	A-12	56,097.92	
Interfunds	A-12	2,314,481.39	
Appropriation Reserves	A-15	357,588.05	
Non-Municipal Taxes Payable	A-16	17,293,536.94	
Tax Overpayment Refunds	A-17	<u>9,611.82</u>	
Total Cash Disbursements			<u>33,134,300.73</u>
Cash Balance - December 31, 2018	A		\$ <u><u>4,215,983.50</u></u>

CURRENT FUND
SCHEDULE OF PETTY CASH AND CHANGE FUNDS

	<u>BALANCE</u> <u>DECEMBER 31</u> <u>2017</u>	<u>ADVANCED</u>	<u>RETURNED</u>	<u>BALANCE</u> <u>DECEMBER 31</u> <u>2018</u>
Change Funds:				
Tax Collector	\$ 150.00	\$	\$	\$ 150.00
Municipal Court	200.00			200.00
Borough Clerk	50.00			50.00
Petty Cash Funds	<u> </u>	<u>200.00</u>	<u>200.00</u>	<u> </u>
	<u>\$ 400.00</u>	<u>\$ 200.00</u>	<u>\$ 200.00</u>	<u>\$ 400.00</u>
Ref.	A	A-4	A-4	A

SCHEDULE OF DUE FROM STATE OF NEW JERSEY -
FOR ALLOWABLE DEDUCTIONS PER CHAPTER 129, P.L. 1976
CURRENT FUND

	<u>REF.</u>		
Balance - December 31, 2017	A	\$	2,573.26
Increased by:			
Allowable Deductions per			
Tax Billings	A-6	\$	53,500.00
2018 Sr. Citizens and Vet.			
Ded. Allowed by Collector	A-6	<u>672.40</u>	
			<u>54,172.40</u>
			56,745.66
Decreased by:			
Collected	A-4	52,576.03	
2018 Sr. Citizens and Vet.			
Ded. Disallowed by Collector	A-6	<u>549.86</u>	
			<u>53,125.89</u>
Balance - December 31, 2018	A	\$	<u>3,619.77</u>
Analysis of Sr. Citizens & Veterans			
<u>Deductions Allowed - 2018 Taxes</u>			
Per Tax Billings	A-6	\$	53,500.00
Allowed (Disallowed) by Tax Collector (Net)	A-6	<u>122.54</u>	
	A-7	<u>\$</u>	<u>53,622.54</u>

**SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY
CURRENT FUND**

YEAR	BALANCE	2018 LEVY	COLLECTIONS BY CASH		STATE SHARE	REMITTED	TRANSFER	OVERPAYMENT	BALANCE
	DEC. 31, 2017		2017	2018	OF SR. CIT & VET. DEDUCTIONS	OR CANCELLED	TO TTL	APPLIED	DEC. 31, 2018
2016	\$ 4.48	\$	\$	\$	\$	\$	\$	\$	\$ 4.48
2017	608,891.81			607,338.47					1,553.34
	608,896.29	-	-	607,338.47	-	-	-	-	1,557.82
2018		25,233,249.93	635,009.60	23,971,121.02	53,622.54	52,722.52	13,917.37	9,723.16	497,133.72
	<u>\$ 608,896.29</u>	<u>\$ 25,233,249.93</u>	<u>\$ 635,009.60</u>	<u>\$ 24,578,459.49</u>	<u>\$ 53,622.54</u>	<u>\$ 52,722.52</u>	<u>\$ 13,917.37</u>	<u>\$ 9,723.16</u>	<u>\$ 498,691.54</u>
Ref.	A	Reserve	A-2, A-18	A-2, A-4	A-2, A-6	Reserve	A-8	A-2, A-17	A

Analysis of 2018 Property Tax Levy:

Ref.

Tax Yield:

General Purpose	\$ 25,098,279.53
Added Taxes	14,153.80
Special District Taxes	120,816.60
	<u>\$ 25,233,249.93</u>

Tax Levy:

Local School Tax (Abstract)	A-16	\$ 14,071,018.00	
Special District Tax	A-16	120,816.60	
County Tax (Abstract)	A-16	2,495,060.23	
County Library Tax (Abstract)	A-16	369,942.47	
County Open Space Tax (Abstract)	A-16	235,949.64	
Added County Tax	A-16	1,750.31	
			17,294,537.25
Local Tax for Mun. Purposes (Abstract)	A-2	7,921,076.00	
Add: Additional Tax Levied		17,636.68	
			<u>7,938,712.68</u>
			<u>\$ 25,233,249.93</u>

SCHEDULE OF TAX TITLE LIENS
CURRENT FUND

	<u>REF.</u>		
Balance - December 31, 2017	A		\$ 27,511.60
Increased by:			
Transfer from Taxes Receivable	A - 7	\$ 13,917.37	
Added Tax Title Liens	Reserve	<u>108,898.67</u>	
			<u>122,816.04</u>
Balance - December 31, 2018	A		\$ <u>150,327.64</u>

**SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
CURRENT FUND**

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2017</u>	<u>2018 ACCRUED</u>	<u>2018 COLLECTED</u>	<u>BALANCE DECEMBER 31, 2018</u>
Alcoholic Beverage Licenses	A-2	\$	\$40,188.00	\$40,188.00	\$
Other Licenses	A-2		32,365.00	32,365.00	
Fees and Permits:					
Other	A-2		203,057.80	203,057.80	
Interest and Costs on Taxes	A-2		184,874.69	184,874.69	
Parking Meter - Municipal	A-2		55,531.52	55,531.52	
Interest on Investments and Deposits	A-2		81,444.30	81,444.30	
Parking Lot Fees	A-2		148,367.41	148,367.41	
Cable TV Franchise Fee	A-2		124,197.69	124,197.69	
Uniform Construction Code Fees	A-2		368,154.40	368,154.40	
Administrative Fees-Off Duty Police	A-2		113,602.74	113,602.74	
Uniform Fire Safety Act - LEA Rebates	A-2		16,914.62	16,914.62	
Inspection Fees	A-2		243,225.50	243,225.50	
Train Station Rent	A-2		26,400.00	26,400.00	
PILOT Payment (Queensgate)	A-2		254,509.54	254,509.54	
Sewer Connection Fees	A-2		602,191.25	602,191.25	
Meridia Payment	A-2		40,000.00	40,000.00	
Refuse Stickers	A-2		16,891.00	16,891.00	
Sale of Municipal Assets	A-2		175,000.00	175,000.00	
Energy Receipts Tax	A-2		976,828.00	976,828.00	
Consolidated Municipal Property Tax Relief Act	A-2		141,882.00	141,882.00	
Municipal Court - Fines & Costs	A-2	26,352.63	297,911.14	304,817.41	19,446.36
		<u>26,352.63</u>	<u>4,143,536.60</u>	<u>4,150,442.87</u>	<u>19,446.36</u>
Miscellaneous Revenue Not Anticipated:					
Alarm Registration			210.00	210.00	
County Library Board			110.09	110.09	
Fire NLH Inspections			6,135.00	6,135.00	
Housing Inspections			5,525.00	5,525.00	
Meridia PILOT Revenue			356,688.94	356,688.94	
Queens Gate PILOT Revenue			221,934.90	221,934.90	
Parking Lot Fees			2,986.00	2,986.00	
Property Maintenance			1,062.50	1,062.50	
Rent from South Bound Brook Court			5,694.10	5,694.10	
Sr. Cit. & Vet. Admin. Fee			1,066.52	1,066.52	
Miscellaneous			31,093.01	31,093.01	
	A-2		<u>632,506.06</u>	<u>632,506.06</u>	
		<u>\$26,352.63</u>	<u>\$4,776,042.66</u>	<u>\$4,782,948.93</u>	<u>\$19,446.36</u>
<u>Ref.</u>		<u>A</u>	<u>Reserve</u>	<u>A-4</u>	<u>A</u>

SCHEDULE OF SEWER RENTS RECEIVABLE
CURRENT FUND

	<u>REF.</u>		
Balance - December 31, 2017	A	\$	159,595.24
Increased by:			
Sewer Rent Billings	Reserve		<u>1,577,985.70</u>
			1,737,580.94
Decreased by:			
Collected	A-2, A-4	\$	1,595,501.22
Prepaid Rents Applied	A-2, A-20		<u>5,992.75</u>
			<u>1,601,493.97</u>
Balance - December 31, 2018	A	\$	<u><u>136,086.97</u></u>

Exhibit - A-11

SCHEDULE OF REFUSE DISPOSAL FEES RECEIVABLE
CURRENT FUND

	<u>REF.</u>		
Balance - December 31, 2017	A	\$	58,435.47
Increased by:			
Refuse Disposal Fee Billings and Sticker Sales	Reserve		<u>575,309.38</u>
			633,744.85
Decreased by:			
Collected	A-2, A-4	\$	544,302.87
Prepaid Fees Applied	A-2, A-19		<u>35,272.69</u>
			<u>579,575.56</u>
Balance - December 31, 2018	A	\$	<u><u>54,169.29</u></u>

**CURRENT FUND
SCHEDULE OF INTERFUNDS**

	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2017</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2018</u>
Interfunds Loans Due From or (To):				
Assessment Trust Fund	\$ 186.74	\$ 257.10	\$ 415.75	\$ 28.09
Animal Control Trust Fund	(26,398.16)	26,447.41	867.32	(818.07)
Trust Other Fund	(1,181,407.77)	1,263,500.75	12,019.29	70,073.69
Grant Fund	(173,417.01)	129,287.74	127,674.01	(175,030.74)
General Capital Fund	<u>(544,987.83)</u>	<u>969,223.14</u>	<u>1,024,276.13</u>	<u>(489,934.84)</u>
Total	\$ <u>(1,926,024.03)</u>	\$ <u>2,388,716.14</u>	\$ <u>1,165,252.50</u>	\$ <u>(595,681.87)</u>
	<u>Ref.</u> A			A
Receivables	\$ 186.74			\$ 70,101.78
Payables	<u>(1,926,210.77)</u>			<u>(665,783.65)</u>
Total	\$ <u>(1,926,024.03)</u>			\$ <u>(595,681.87)</u>
Grant Revenues Realized	A-2	\$	\$ 71,576.09	
Grant Appropriations Charged	A-3		71,576.09	
Grants Deposited to Current Fund	A-4		57,711.65	
Grant Expenditures Paid by Current	A-4		56,097.92	
Cash Received	A-4		982,525.50	
Cash Disbursed	A-4	<u>2,259,428.40</u>	<u>55,052.99</u>	
Total		\$ <u>2,388,716.14</u>	\$ <u>1,165,252.50</u>	

SCHEDULE OF DEFERRED CHARGES

	<u>Ref.</u>	<u>BALANCE DECEMBER 31, 2017</u>	<u>RAISED IN 2018 BUDGET</u>	<u>BALANCE DECEMBER 31, 2018</u>
Emergency Authorization	A-3	\$ 20,000.00	\$ 5,000.00	\$ 15,000.00
		<u>\$ 20,000.00</u>	<u>\$ 5,000.00</u>	<u>\$ 15,000.00</u>
	<u>Ref.</u>	A	A-3	A

SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>REF.</u>	
Balance - December 31, 2017	A	\$ 133,316.98
Increased by:		
2018 Budget Encumbrances	A-3	<u>115,152.69</u>
		248,469.67
Decreased by:		
Tranferred to 2017 Appropriation Reserves	A-15	<u>133,316.98</u>
Balance - December 31, 2018	A	<u>\$ 115,152.69</u>

SCHEDULE OF 2017 APPROPRIATION RESERVES

	<u>BALANCE-DEC. 31, 2017</u>		<u>AMOUNT AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>BALANCE LAPSED</u>
	<u>APPROP. RESERVES</u>	<u>RESERVE FOR ENCUMBRANCES</u>			
<u>OPERATIONS WITHIN "CAPS"</u>					
<u>GENERAL GOVERNMENT</u>					
Administrative and Executive:					
Salaries and Wages	\$ 402.88	\$	\$ 402.88	\$	\$ 402.88
Other Expenses	2,377.86	5,582.06	7,959.92	7,811.86	148.06
Codification	60.00	2,100.00	2,160.00	2,100.00	60.00
Municipal Clerk:					
Salaries and Wages	657.36		657.36		657.36
Other Expenses	74.20	372.98	1,447.18	1,075.37	371.81
Elections:					
Other Expenses	411.54		411.54		411.54
Financial Administration:					
Salaries and Wages	86,582.45		86,582.45	86,250.00	332.45
Other Expenses	873.20	107.18	980.38	353.26	627.12
Assessment of Taxes:					
Other Expenses	2,221.13	15,650.00	18,871.13	18,405.23	465.90
Collection of Taxes:					
Other Expenses	911.86	751.51	1,663.37	1,663.37	
Legal Services and Costs:					
Other Expenses	18,874.96	10,398.16	29,273.12	23,943.65	5,329.47
Engineering Services and Costs:					
Other Expenses	1,493.45	14,993.17	22,686.62	22,609.21	77.41
Public Buildings and Grounds:					
Salaries and Wages	705.58		705.58		705.58
Other Expenses	1,591.63	4,568.02	9,159.65	4,184.12	4,975.53
Inspection Department:					
Salaries and Wages	532.19		532.19		532.19
Other Expenses	8.91		8.91		8.91
Planning Board:					
Salaries and Wages	474.23		474.23		474.23
Other Expenses	3,130.55		3,130.55	125.69	3,004.86
Shade Tree Commission:					
Other Expenses	120.00	6,020.00	6,640.00	6,312.50	327.50
Economic Development Program:					
Other Expenses	2,175.35	227.50	2,402.85	227.50	2,175.35
<u>PUBLIC SAFETY</u>					
Municipal Court:					
Salaries and Wages	768.00		768.00		768.00
Other Expenses	326.70	863.35	1,190.05	1,189.81	0.24
Public Defender					
Other Expenses	5,000.00		5,000.00	5,000.00	
Fire:					
Other Expenses	5,569.60	23,567.61	33,137.21	29,464.05	3,673.16
Fire Safety Bureau:					
Salaries and Wages	475.22		475.22		475.22
Other Expenses	2,090.00		2,090.00		2,090.00
Police:					
Salaries and Wages	12,813.78		233.78		233.78
Other Expenses	2,601.80	32,176.24	29,723.04	25,525.89	4,197.15
Insurance:					
Health Benefits Waiver - S&W	98.48		98.48		98.48
Other Insurance	5,000.60		5,000.60	5,000.00	0.60
Health Benefits	39,490.52		45.52	45.00	0.52
Parking Meter Maintenance:					
Salaries and Wages	1,675.65		1,675.65		1,675.65
Other Expenses	1,174.35	807.11	1,981.46	832.15	1,149.31
Emergency Management Services:					
Other Expenses	1,054.00		1,054.00	160.68	893.32

SCHEDULE OF 2017 APPROPRIATION RESERVES

	<u>BALANCE-DEC. 31, 2017</u>		<u>AMOUNT AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>BALANCE LAPSED</u>
	<u>APPROP. RESERVES</u>	<u>RESERVE FOR ENCUMBRANCES</u>			
<u>STREET AND ROADS</u>					
Road Repairs and Maintenance:					
Salaries and Wages	868.62		868.62		868.62
Other Expenses	5,910.03	9,948.29	15,858.32	12,146.96	3,711.36
Garbage and Trash Removal:					
Other Expenses	569.31	0.01	1,069.32	798.00	271.32
Recycling Contingency Fund:					
Other Expenses	2,511.34	840.50	8,431.84	8,427.50	4.34
<u>HEALTH AND WELFARE</u>					
Board of Health:					
Other Expenses	62.81		62.81		62.81
PEOSHA Act - Bd of Health	500.00		500.00		500.00
<u>RECREATION AND EDUCATION</u>					
Parks and Playgrounds:					
Other Expenses	6,094.22	1,992.97	8,087.19	1,940.52	6,146.67
Board of Recreation Commissioners (R.S. 40:12-1):					
Salaries and Wages:	2,710.18		2,710.18		2,710.18
Other Expenses	3,725.82	1,183.00	4,908.82	1,183.00	3,725.82
Celebration of Public Event, Anniv. Or Holid. (40:58-5.4):					
Other Expenses	433.77	150.00	583.77		583.77
Construction Official:					
Salaries and Wages:	1,048.69		1,048.69		1,048.69
Other Expenses	4,090.57	622.24	4,712.81	811.32	3,901.49
Unclassified:					
Gasoline	1,017.22		5,117.22	5,094.46	22.76
Telephone and Telegraph	47.62	0.08	47.70		47.70
Street Lighting	23,174.28		4,174.28		4,174.28
Fire Hydrant Service	13,237.50		13,237.50	13,237.50	
Electric/Heating	7,051.91		29,551.91	29,341.44	210.47
Water	14,046.27		2,646.27	1,151.99	1,494.28
Contingent	500.00		500.00		500.00
Contribution To:					
Social Security System (O.A.S.I.)	825.64		825.64		825.64
State Unemployment Insurance	74.52		1,174.52	1,173.58	0.94
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Length of Service Award Program - (LOSAP)	5,397.89		5,397.89		5,397.89
Sewerage Authority (40:14A-8):					
Share of Costs	1,293.05	395.00	40,188.05	40,002.44	185.61
Total	\$ 297,009.29	\$ 133,316.98	\$ 430,326.27	\$ 357,588.05	\$ 72,738.22
<u>Ref</u>	A	A		A-4	A-1

**CURRENT FUND
SCHEDULE OF TAXES PAYABLE**

	BALANCE DECEMBER <u>31, 2017</u>	TAXES LEVIED	TAXES PAID	BALANCE DECEMBER <u>31, 2018</u>
County - General	\$ -	\$ 2,495,060.23	\$ 2,495,060.23	\$ -
County - Open Space	-	235,949.64	235,949.64	-
County - Library	-	369,942.47	369,942.47	-
County - Added & Omitted	-	1,407.03		1,407.03
Local School District Taxes	-	14,071,018.00	14,071,018.00	-
Special District Taxes	<u>10,608.68</u>	<u>120,816.60</u>	<u>121,566.60</u>	<u>9,858.68</u>
Total	\$ <u>10,608.68</u>	\$ <u>17,294,193.97</u>	\$ <u>17,293,536.94</u>	\$ <u>11,265.71</u>
<u>Ref.</u>	A	A-1, A-7	A-4	A

**SCHEDULE OF TAX OVERPAYMENTS
CURRENT FUND**

	<u>REF.</u>			
Balance - December 31, 2017	A		\$	19,334.98
Increased by:				
Tax Overpayments Received	A-4			<u>1,690.57</u>
				21,025.55
Decreased by:				
Refunded	A-4	\$		9,611.82
Applied to 2018 Taxes	A-7			<u>9,723.16</u>
				<u>19,334.98</u>
Balance - December 31, 2018	A		\$	<u><u>1,690.57</u></u>

**SCHEDULE OF PREPAID TAXES
CURRENT FUND**

	<u>REF.</u>			
Balance - December 31, 2017	A		\$	635,009.60
Increased by:				
Prepaid 2019 Taxes Received	A-4			<u>140,904.56</u>
				775,914.16
Decreased by:				
Applied to 2018 Taxes	A-7			<u>635,009.60</u>
Balance - December 31, 2018	A		\$	<u><u>140,904.56</u></u>

SCHEDULE OF PREPAID REFUSE DISPOSAL FEES
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2017	A	\$ 35,272.69
Increased by:		
Prepayments Received in 2018	A-4	<u>32,537.67</u>
		67,810.36
Decreased by:		
Prepayments Applied in 2018	A-11	<u>35,272.69</u>
Balance - December 31, 2018	A	<u><u>\$ 32,537.67</u></u>

SCHEDULE OF PREPAID SEWER RENTS
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2017	A	\$ 5,992.75
Increased by:		
Prepayments Received in 2018	A-4	<u>2,116.67</u>
		8,109.42
Decreased by:		
Prepayments Applied in 2018	A-10	<u>5,992.75</u>
Balance - December 31, 2018	A	<u><u>\$ 2,116.67</u></u>

CURRENT FUND
SCHEDULE OF OTHER RESERVES

	BALANCE DECEMBER <u>31, 2017</u>	<u>INCREASES</u>	BALANCE DECEMBER <u>31, 2018</u>
Reserve for:			
Deferred Revenue:			
PILOT Extension	\$ 200,000.00	\$	\$ 200,000.00
Proceeds from Asset Sales	7,788.00	430,439.71	438,227.71
Tax Map Preparation	1,806.00		1,806.00
Library	1,424.00		1,424.00
Master Plan	<u>7,886.48</u>		<u>7,886.48</u>
Total	<u>\$ 218,904.48</u>	<u>\$ 430,439.71</u>	<u>\$ 649,344.19</u>
<u>Ref.</u>	A	A-4	A

**SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLE
GRANT FUND**

<u>GRANTS</u>	BALANCE DEC. 31, 2017	2018 BUDGET REVENUE REALIZED	COLLECTED 2018	BALANCE DEC. 31, 2018
Business Stimulus Fund	\$ 6,489.48	\$	\$	\$ 6,489.48
Transportation Enhancement Grant-Main St	27,290.00			27,290.00
Transportation Enhancement Grant-West Maple St.	50,000.00			50,000.00
Transportation Grant-Train Station	250,000.00			250,000.00
Transportation Grant-Train Station	250,000.00			250,000.00
EDIP-West Main St.	4,030.14			4,030.14
EDIP-Downtown Improvements	29,046.00			29,046.00
Bulletproof Vest Partnership Grant		2,499.98		2,499.98
Clean Communities Program	-	16,114.23	16,114.23	-
Community Garden		2,500.00		2,500.00
Detective Tarentino Grant		3,517.08	3,517.08	-
Drunk Driving Enforcement Act	13,602.56			13,602.56
Firefighters/EMS Grant	977.00			977.00
Leary Firefighter Foundation Grant		17,049.30		17,049.30
NJ Forest Service Community Forestry Program	30,000.00	18,895.50	27,470.50	21,425.00
Recycling Tonnage Grant	7,819.49			7,819.49
Safe Passage Grant	1,824.90			1,824.90
Somerset County Youth Services Grant	-	11,000.00		11,000.00
Sustainable NJ	2,000.00			2,000.00
	<u>\$ 673,079.57</u>	<u>\$ 71,576.09</u>	<u>\$ 47,101.81</u>	<u>\$ 697,553.85</u>
<u>Ref.</u>	A	A-2,A-23	A-25	A

**SCHEDULE OF STATE AND FEDERAL GRANTS APPROPRIATED
GRANT FUND**

	BALANCE DEC. 31 <u>2017</u>	TRANSF. FROM 2018 <u>BUDGET</u>	RESERVE FOR ENCUMB. <u>2017</u>	PAID OR <u>CHARGED</u>	BALANCE DEC. 31 <u>2018</u>
Drunk Driving Enforcement Fund	\$ 54,772.01	\$	\$	\$	\$ 54,772.01
Alcohol Education and Rehabilitation	6,493.72			1,500.00	4,993.72
Body Armor Fund	6,211.18		159.30		6,370.48
Bulletproof Vest Partnership Grant		2,499.98			2,499.98
Business Stimulus Fund-2010	2,023.00				2,023.00
Business Stimulus Fund-2011	4,505.00				4,505.00
CERT Trailer Uplift Grant	700.00				700.00
Clean Communities Program	(1,971.00)	16,114.23		14,143.23	-
Community Garden		2,500.00		2,509.89	(9.89)
Detective Tarentino Grant		3,517.08			3,517.08
Domestic Violence	4,422.64				4,422.64
Downtown Improvements-Somerset Cty. EDIP	61,792.85				61,792.85
Drive Sober or Get Pulled Over	1,700.00				1,700.00
EDIP-West Main Street	13,225.69				13,225.69
Emergency Mgmt Grant	3,194.62				3,194.62
Firefighters/EMS Grant	977.00				977.00
Leary Firefighter Foundation Grant		17,049.30		17,049.30	-
NJ Forest Service Community Forestry Program	30,000.00	18,895.50		18,895.50	30,000.00
Public Works Grant-Match	79,611.10		13,222.56		92,833.66
Recycling Tonnage Grant	18,091.19				18,091.19
Safe Corridors Program	12,125.31				12,125.31
Somerst Cty Youth Athletic Grant	15,245.90				15,245.90
Somerst Cty Youth Services Grant	6,000.00	11,000.00			17,000.00
Sustainable NJ	2,000.00			2,000.00	-
Transportation Enhancement-Train Station	250,000.00				250,000.00
Transportation Enhancement-Train Station	250,000.00				250,000.00
U.S. Dept. of Justice - COPS Technology Grant	50.00				50.00
	\$ <u>821,170.21</u>	\$ <u>71,576.09</u>	\$ <u>13,381.86</u>	\$ <u>56,097.92</u>	\$ <u>850,030.24</u>

Ref.

A

A-3,A-22

A

A-25

A

**SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS
UNAPPROPRIATED**

	BALANCE DEC. 31 <u>2017</u>	GRANTS RECEIVED <u>2018</u>	BALANCE DEC 31 <u>2018</u>
Alcohol Educ & Rehab	\$ 3,214.51	\$ 6,224.76	\$ 9,439.27
Body Armor Grant	2,730.00		2,730.00
Body Armor Replacement Fund		3,545.08	3,545.08
Safe Passage Grant		840.00	840.00
Somerset County Youth Athletic Grant	5,000.00		5,000.00
Somerset County Youth Services Grant	<u>1,000.00</u>		<u>1,000.00</u>
 Total	 <u>\$ 11,944.51</u>	 <u>\$ 10,609.84</u>	 <u>\$ 22,554.35</u>
	A	A-25	A

**SCHEDULE OF INTERFUND LOANS RECEIVABLE
GRANT FUND**

	<u>REF.</u>		
Balance - December 31, 2017	A		\$ 173,417.01
Increased by:			
Grant Receipts Deposited to Current Fund:			
Grants Receivable	A-22	\$ 47,101.81	
Unappropriated Grants	A-24	<u>10,609.84</u>	
			<u>57,711.65</u>
			231,128.66
Decreased by:			
Grant Expenditures Paid by Current Fund	A-23		<u>56,097.92</u>
Balance - December 31, 2018	A		<u><u>175,030.74</u></u>

Trust Fund

ANALYSIS OF ASSESSMENT TRUST CASH AND INVESTMENTS

	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>RECEIPTS</u> <u>ASSESSMENTS</u> <u>AND LIENS</u>	<u>DISBURSEMENTS</u> <u>MISCELLANEOUS</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>
Fund Balance	\$ 16,553.30	\$	\$	\$ 16,553.30
Assessments Receivable	(3,641.64)			(3,641.64)
Overpayments	2,254.06			2,254.06
Due Current Fund	186.74	257.10	415.75	28.09
Reserve for Assessments	445.74			445.74
Total	\$ <u>15,798.20</u>	\$ <u>257.10</u>	\$ <u>415.75</u>	\$ <u>15,639.55</u>
<u>Ref.</u>	B, B-5	B-5	B-5	B, B-5

() Denotes Deficit or Deduction

SCHEDULE OF ASSESSMENTS RECEIVABLE
ASSESSMENT TRUST FUND

<u>ORD NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>CONFIRMATION DATE</u>	<u>DUE DATES</u>	<u>BALANCE DECEMBER 31, 2017 & 2018</u>	<u>BALANCE PLEDGED GENERAL CAPITAL FUND</u>	<u>BALANCE PLEDGED TO RESERVE</u>
98-21	Curbs, Sidewalks & Driveways-Fairview Ave	09/12/00	11/13/00-09	\$ 445.74	\$ -	\$ 445.74
99-19	Reconstruction of Winsor Street	02/13/01	04/13/01-10	2,551.02	2,551.02	
01-21	Reconstruction of Cherry Street	04/08/03	06/01/03-12	644.88	644.88	-
Total				<u>\$ 3,641.64</u>	<u>\$ 3,195.90</u>	<u>\$ 445.74</u>

Ref. B

SCHEDULE OF RESERVE FOR ASSESSMENTS AND LIENS
ASSESSMENT TRUST FUND

ORD. NO.	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>
	<u>Assessments:</u>		
98-21	Curbs, Sidewalks & Driveways-Fairview Ave.	\$ 445.74	\$ 445.74
		\$ 445.74	\$ 445.74
	Total	\$ 445.74	\$ 445.74
	<u>Ref.</u>	B	B

TRUST FUNDS
SCHEDULE OF CASH AND RESERVE ACTIVITY

	Balance <u>12/31/2017</u>Cash.....		Adjustments	Balance <u>12/31/2018</u>
		Receipts	Disbursements		
Assessment Trust:					
Assessments Receivable	\$ (3,641.64)				\$ (3,641.64)
Overpayments	2,254.06				2,254.06
Due to Current Fund	186.74	257.10	415.75		28.09
Reserve for Assessments Receivable	445.74				445.74
Fund Balance	16,553.30				16,553.30
Total	15,798.20	257.10	415.75	-	15,639.55
Animal Control:					
Accounts Payable	275.00				275.00
Interfund Loan - Current Fund	(26,398.16)	26,447.41	867.32		(818.07)
Interfund Loan - Trust Fund	(659.64)	659.64			-
Interfund Loan - General Capital Fund	7,000.00		7,000.00		-
Due NJ - State License Fees	-	549.60	549.60		-
Animal Control Reserves	23,199.68	21,534.26	30,387.65		14,346.29
Total	3,416.88	49,190.91	38,804.57	-	13,803.22
Other Trust Funds:					
Due (from)/to Current Fund	(1,181,407.77)	1,263,500.75	12,019.29		70,073.69
Due from Developer	(200,000.00)	200,000.00			-
Accounts Payable	2,617.21		2,617.21		-
Due (from)/to Animal Control	659.64		659.64		-
Due (from)/to General Capital	100,572.32				100,572.32
Miscellaneous Reserves:					
Advanced Surety Bond	3,850.00				3,850.00
American Legion Trust	70.63				70.63
Billion Trust	41,007.02		41,000.00		7.02
Bound Brook Land Development	2,716.11		1,778.35	87.50	1,025.26
Credit Card Fees		1,800.13	141.80		1,658.33
Developer's Deposits	190,000.00		12,276.20		177,723.80
Fire Prevention Penalties (Dedicated)	250.00				250.00
Fire Department Penalties (Dedicated)	6,050.00	24,320.00	1,386.95		28,983.05
Flood Donation	20,425.48				20,425.48
Flood Relief	4,100.12				4,100.12
Housing Rehabilitation	778,290.19	610.40	26,709.50		752,191.09
Housing/Property Maintenance Penalties	13,657.13	26,947.34	23,974.69	(333.63)	16,296.15
Marjorie Schindelar Property	500.00	4,500.00	4,060.00		940.00
MERCCREM-BB Hotel	(3,189.90)	15,404.90	12,442.50	227.50	-
Meridia Downtown Hospitality					-
Meridia II 1-11 E Main	71.22	1,031.28	1,155.00	52.50	-
Newsletter	627.63				627.63
OEM Donation	5,794.24				5,794.24
Outside Lien Redemptions	22,354.58	504,566.40	526,920.98		-
Park Improvements - CDBG		7,469.38	7,469.38		-
Payroll Deductions Payable	33,102.48	13,797.49			46,899.97
Pfizer Review	7,794.50				7,794.50
POAA	8,689.24	774.00			9,463.24
Police Body Armor Fund	2,145.00		1,888.00		257.00
Police Donations	15,561.62	23,642.00	27,191.92		12,011.70
Police Forfeiture	6,640.98	9,469.65			16,110.63
Police Outside Employment	14,920.25	397,011.58	410,887.19		1,044.64
Public Assistance	2,653.63				2,653.63

**TRUST FUNDS
SCHEDULE OF CASH AND RESERVE ACTIVITY**

	<u>Balance</u> <u>12/31/2017</u>	<u>.....Cash.....</u>			<u>Balance</u> <u>12/31/2018</u>
		<u>Receipts</u>	<u>Disbursements</u>	<u>Adjustments</u>	
Public Defender	(4,746.00)	25,100.00	15,450.00	350.00	5,254.00
Queensgate Storage Meridia	(3,194.35)	7,289.35	4,392.50	297.50	0.00
Recreation Commission	175,704.40	294,999.42	175,508.45	78,041.06	373,236.43
Reserve for Encumbrances - General Trust	122,934.00		12,544.76	(109,509.59)	879.65
Reserve for Escrow Deposits	11,830.00				11,830.00
Reserve for Redevelopment - Media Property					-
Reserve for Unemployment	134.47				134.47
Reynolds Asset Mgmt		87.50	1,627.50	1,540.00	-
Riverfest Donations	2,540.72	11.00			2,551.72
RV Sewer Rehab Review	801.45				801.45
Shade Tree Commission	1,207.50		1,565.00	1,565.00	1,207.50
Street Opening Permits	29,893.00	2,000.00			31,893.00
Tax Lien Premiums	692,600.00	85,400.00	466,900.00		311,100.00
Tower Lease Agreement		3,945.40	3,550.80		394.60
Train Station	20,000.00				20,000.00
UCC Inspections-Chase	1,356.25				1,356.25
UCC-Queensgate	2,448.67				2,448.67
Van Horne Plaza	(22,300.00)	50,000.00	27,736.24	16,400.00	16,363.76
Due St. of NJ:					
DCA State Training Fees	4,813.60	21,353.00	15,356.00		10,810.60
Marriage/Civil Union Licenses	725.00	2,725.00	3,028.00		422.00
Total	937,272.26	2,987,755.97	1,842,237.85	(11,282.16)	2,071,508.22
Total	\$ 956,487.34	\$ 3,037,203.98	\$ 1,881,458.17	\$ (11,282.16)	\$2,100,950.99
<u>Ref.</u>	B				B

General Capital Fund

**SCHEDULE OF GENERAL CAPITAL FUND CASH
AND INVESTMENTS - TREASURER**

	<u>REF.</u>	
Balance - December 31, 2017	C	\$ 27,490.40
Increased by Receipts:		
Premium on Bonds & Bond Anticipation Notes	C-1	\$ 29,088.00
Grants Receivable	C-4	89,561.25
Deferred Charges to Future Taxation - Unfunded	C-8	232,000.00
Bond Anticipation Notes Issued	C-11	4,684,050.00
Capital Improvement Fund Appropriation	C-13	100,000.00
Interfund Loans	C-15	1,031,276.13
Reserve for Grove Street Improvement	C-16	<u>172,127.50</u>
		<u>6,338,102.88</u>
		6,365,593.28
Decreased by Disbursements:		
Bond Anticipation Notes Redeemed	C-11	3,070,000.00
Improvement Authorizations	C-12	1,430,798.40
Interfund Loans	C-15	<u>969,223.14</u>
		<u>5,470,021.54</u>
Balance - December 31, 2018	C,C-3	<u>\$ 895,571.74</u>

GENERAL CAPITAL FUND
ANALYSIS OF CASH AND INVESTMENTS

	BALANCE DECEMBER 31, 2018	BALANCE DECEMBER 31, 2017
	<u> </u>	<u> </u>
Fund Balance	\$ 237,343.05	\$ 328,255.05
Due Current Fund	(489,934.84)	(544,987.83)
Due Payroll Fund	(100,572.32)	(100,572.32)
Due Animal Control Fund		(7,000.00)
State & Federal Grants Receivable	(339,541.25)	(383,291.25)
Reserve for Encumbrances	375,564.73	795,233.35
Capital Improvement Fund	177,999.74	146,574.74
Reserve for Payment of Debt Service	10,125.00	10,125.00
Reserve for NJ American Water	174,787.45	2,659.95
Due from Developer Contributions	(200,000.00)	(200,000.00)
Improvement Authorizations:		
02-07 Various Public Improvements	2,000.00	2,000.00
07-13 Improvements to Highland Place	(36,576.51)	(36,576.51)
08-18 Various Public Improvements	(0.96)	(0.96)
09-02 Various Public Improvements	(0.34)	(0.34)
09-05 Improvements to Livingston Street	(25,941.14)	(25,941.14)
09-06 Improvement of Watchung Rd./Demolition of Public Works Building	3.00	3.00
10-12 Improvements to Church Street	(10,000.00)	(10,000.00)
10-23 Rehabilitation of Sanitary Sewers	(0.98)	6,166.85
11-03 Road Improvements 2010 Program	(0.84)	(0.84)
11-08 Purch. Of Prop. Union Ave.	399,848.58	399,848.58
11-16 2011 Road Program	(0.79)	(0.79)
12-13 Various Public Improvements	61,082.64	61,082.64
12-14 Various Improvements - Hurricane Irene	(73,332.00)	(73,332.00)
12-19 Various Road Improvements	18,495.83	18,495.83
13-09 Repair of Church Street Culvert	(1,145.24)	(1,145.24)
13-15 Various Road Improvements	322,006.63	322,006.63
14-10 Repair of Recreation Bldg & Acquis. Of Equip.	2,968.65	2,968.65
14-11 Various Public Improvements	(13,284.93)	(70,692.39)
15-08 Various Improvements to Train Station	174,659.39	178,719.88
15-09 Acquis. Of Property	2,919.20	2,919.20
16-02 Road Reconstruction - Thompson Ave	(37,650.61)	(43,706.01)
16-03 Sewer Repair & Rehab	(15,300.00)	(15,300.00)
17-09 Various Equipment	20,048.00	157,494.00
17-16 Renovations of the Ball Field at Rock Machine Park	(6,400.14)	(6,400.14)
17-17 Various Capital Improvements		(888,115.19)
18-07 Improvements to Codrington Park	47,604.72	
18-09 Reconstruction of East Second Street	170,684.38	
18-20 Purchase of Tax Sale Certificate	16,010.64	
18-27 Various Capital Improvements	31,103.00	
	<u> </u>	<u> </u>
Total	\$ 895,571.74	\$ 27,490.40

REF

C, C-2

C, C-2

SCHEDULE OF GRANTS RECEIVABLE

Ord. No.	Capital Project/Program	BALANCE		DECREASES	BALANCE
		DECEMBER 31, 2017	INCREASES		DECEMBER 31, 2018
	East Main Street Streetscape Project	\$ 265,950.00	\$	\$	\$ 265,950.00
	Improvements to Church Street	56,310.55			56,310.55
11-16	Various Road Improvements	14,824.95			14,824.95
16-02	Road Reconstruction - Thompson Ave	43,750.00		43,750.00	-
16-03	Sewer Repair & Rehab (CDBG)	2,455.75			2,455.75
18-07	CDBG		63,295.00	45,811.25	17,483.75
18-07	US Soccer Foundation, Inc		4,140.00		4,140.00
18-07	Recreation Commission		65,000.00		65,000.00
18-09	CDBG		80,000.00		80,000.00
18-27	CDBG		100,000.00		100,000.00
18-27	NJ DOT		331,000.00		331,000.00
	Total	\$ 383,291.25	\$ 643,435.00	\$ 89,561.25	\$ 937,165.00
	Ref.	C	C-17	C-2	C

SCHEDULE OF DEVELOPER CONTRIBUTIONS RECEIVABLE

Ord. No.	Capital Project/Program	BALANCE	BALANCE
		DECEMBER 31, 2017	DECEMBER 31, 2018
15-08	Various Improvements to Train Station	\$ 200,000.00	\$ 200,000.00
	Total	\$ 200,000.00	\$ 200,000.00
	Ref.	C	C

**SCHEDULE OF RESERVE FOR
PAYMENT OF DEBT SERVICE**

	<u>REF.</u>	
Balance - December 31, 2017	C	\$ 10,125.00
Balance - December 31, 2018	C	<u>\$ 10,125.00</u>

SCHEDULE OF DEFERRED CHARGES - FUNDED

	<u>Ref.</u>	<u>TOTAL</u>	<u>SERIAL BONDS</u>	<u>SCIA LOANS</u>	<u>NJEIT LOANS</u>
Balance - December 31, 2017	C	\$ 15,012,805.35	\$ 14,877,000.00	\$ 62,625.69	\$ 73,179.66
Increased by:					
Bonds/Loans Issued	C-14	<u>394,478.37</u>	<u> </u>	<u>394,478.37</u>	<u> </u>
		15,407,283.72	14,877,000.00	457,104.06	73,179.66
Decreased by:					
Serial Bonds & Loans Paid From Budget Appropriation	C-9,C-10,C-14	<u>1,016,218.48</u>	<u>975,000.00</u>	<u>31,025.85</u>	<u>10,192.63</u>
Balance - December 31, 2018	C	<u>\$ 14,391,065.24</u>	<u>\$ 13,902,000.00</u>	<u>\$ 426,078.21</u>	<u>\$ 62,987.03</u>

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

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2017	2018 AUTHORI- ZATIONS	BUDGET APPROP.	IMPROV. AUTHOR. CANCELLED	BALANCE DEC. 31, 2018	ANALYSIS OF BALANCE DEC. 31, 2018		UNEXPEND. BAL. OF IMPROV. AUTHOR.
							BOND ANTIC. NOTES	EXPENDED	
<u>General Improvements</u>									
06-10	Acquisition of Lighting -								
07-13	Improvements to Highland Place	\$ 36,576.51		\$	\$	\$ 36,576.51	\$	\$ 36,576.51	\$
08-18	Various Public Improvements	0.96				0.96		0.96	
09-02	Various Public Improvements	0.34				0.34		0.34	
09-05	Improvements to Livingston Street	34,441.14				34,441.14		25,941.14	8,500.00
10-12	Improvements to Church Street	10,000.00				10,000.00		10,000.00	
10-23	Rehabilitation of Sanitary Sewers	0.98				0.98		0.98	
11-03	Road Improvements 2010 Program	0.84				0.84		0.84	
11-16	2011 Road Program	0.79				0.79		0.79	
12-14	Various Improvements - Hurricane Irene	73,332.00				73,332.00		73,332.00	
12-19	Various Road Improvements	77,379.87				77,379.87			77,379.87
12-20	Repair of Church Street Culvert	22,500.00		22,500.00		-			
13-09	Repair of Church Street Culvert	213,750.00		86,644.00		127,106.00	48,829.00	1,145.24	77,131.76
13-15	Various Road Improvements	1,634,127.00		86,644.00		1,547,483.00	1,032,483.00		515,000.00
14-11	Various Public Improvements	1,808,000.00		36,212.00		1,771,788.00	1,396,688.00	13,284.93	361,815.07
15-08	Various Improvements to Train Station	450,000.00				450,000.00			450,000.00
15-09	Acquis. Of Property	66,665.00				66,665.00			66,665.00
16-02	Road Reconstruction - Thompson Ave	389,000.00				389,000.00	210,000.00	37,650.61	141,349.39
16-03	Sewer Repair & Rehab	165,300.00				165,300.00	150,000.00	15,300.00	
17-16	Renovations of the Ball Field at Rock Machine Park	123,500.00			117,099.86	6,400.14		6,400.14	
17-17	Various Capital Improvements	1,158,250.00				1,158,250.00	1,158,250.00	-	
18-07	Improvements to Codrington Park		307,800.00			307,800.00	307,800.00	-	
18-09	Reconstruction of East Second Street		380,000.00			380,000.00	380,000.00	-	
18-27	Various Capital Improvements		1,077,625.00			1,077,625.00		-	1,077,625.00
Total		\$ 6,262,825.43	\$ 1,765,425.00	\$ 232,000.00	\$ 117,099.86	\$ 7,679,150.57	\$ 4,684,050.00	\$ 219,634.48	\$ 2,775,466.09
	<u>Ref.</u>	C	C-12	C-2	C-12	C			
Unexpended Balances of Unfunded Improv. Authors.									\$ 3,269,950.57
Less: Unexpended Proceeds of Bond Anticipation Notes									
						<u>Ord. No.</u>			
						13-15			322,006.63
						18-07			1,793.47
						18-09			170,684.38
									<u>494,484.48</u>
									\$ 2,775,466.09

SCHEDULE OF GENERAL SERIAL BONDS

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS</u>		<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2017</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2018</u>
			<u>DATE</u>	<u>AMOUNT</u>				
General Improvement	02/15/08	\$ 9,672,000.00				\$ 625,000.00	\$ 625,000.00	\$ -
General Improvement	04/21/16	9,747,000.00						
			02/01/19	\$ 380,000.00	4.000%			
			02/01/20	420,000.00	4.000%			
			02/01/21	447,000.00	4.000%			
			02/01/22	475,000.00	4.000%			
			02/01/23	500,000.00	4.000%			
			02/01/24	525,000.00	4.000%			
			02/01/25	550,000.00	2.000%			
			02/01/26	575,000.00	2.000%			
			02/01/27	650,000.00	2.125%			
			02/01/28	650,000.00	2.250%			
			02/01/29	650,000.00	2.375%			
			02/01/30	650,000.00	2.500%			
			2/1/31-34	650,000.00	3.000%	9,422,000.00	350,000.00	9,072,000.00
General Improvement Refunding	09/15/16	4,830,000.00	2/15/19-20	590,000.00	4.000%			
			02/15/21	615,000.00	4.000%			
			2/15/22-24	610,000.00	4.000%			
			02/15/25	605,000.00	4.000%			
			02/15/26	600,000.00	4.000%			
						<u>4,830,000.00</u>		<u>4,830,000.00</u>
						<u>\$ 14,877,000.00</u>	<u>\$ 975,000.00</u>	<u>\$ 13,902,000.00</u>
					<u>Ref.</u>	C	C-7	C

SCHEDULE OF ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE

	<u>REF.</u>	
Balance - December 31, 2017	C	\$ 73,179.66
Decreased by:		
Paid by Budget Appropriation	C-7	<u>10,192.63</u>
Balance - December 31, 2018	C	<u>\$ 62,987.03</u>

Maturity Schedule-Loans Outstanding December 31, 2018:

<u>Dates</u>	<u>Trust Loan Principal</u>	<u>Interest</u>	<u>Trust Loan Total</u>	<u>Fund Loan Principal</u>	<u>Total Principal Payments</u>	<u>Total Debt Service Payments</u>	<u>NJEIT Fee</u>
2/1/2019	\$ -	\$ 304.53	\$ 304.53	\$ 2,500.47	\$ 2,500.47	\$ 2,805.00	\$ 57.21
8/1/2019	2,765.49	304.53	3,070.02	5,000.95	7,766.44	8,070.97	57.21
2/1/2020		263.46	263.46	2,500.47	2,500.47	2,763.93	57.21
8/1/2020	2,847.62	263.46	3,111.08	5,000.95	7,848.57	8,112.03	57.21
2/1/2021		218.47	218.47	2,500.47	2,500.47	2,718.94	57.21
8/1/2021	2,937.61	218.47	3,156.08	5,000.95	7,938.56	8,157.03	57.21
2/1/2022		170.14	170.14	2,500.47	2,500.47	2,670.61	57.21
8/1/2022	3,034.26	170.14	3,204.40	5,000.95	8,035.21	8,205.35	57.21
2/1/2023		117.35	117.35	2,500.47	2,500.47	2,617.82	57.21
8/1/2023	3,139.85	117.35	3,257.20	5,000.95	8,140.80	8,258.15	57.21
2/1/2024		60.52	60.52	2,500.47	2,500.47	2,560.99	57.21
8/1/2024	3,253.51	60.52	3,314.03	5,001.12	8,254.63	8,315.15	57.21
	<u>\$ 17,978.34</u>	<u>\$ 2,268.94</u>	<u>\$ 20,247.28</u>	<u>\$ 45,008.69</u>	<u>\$ 62,987.03</u>	<u>\$ 65,255.97</u>	<u>\$ 686.52</u>

SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

<u>ORD. NUMBER</u>	<u>PURPOSE</u>	<u>ORIGINAL ISSUE</u>		<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE</u>			<u>BALANCE DEC. 31, 2018</u>	
		<u>DATE</u>	<u>AMOUNT</u>				<u>DEC. 31, 2017</u>	<u>INCREASED</u>	<u>DECREASED</u>		
12-20	Repair of Church Street Culvert	04/21/17	\$ 22,500.00	04/21/17	04/20/18	1.50%	\$ 22,500.00	\$ -	\$ 22,500.00	\$ -	
13-09	Repair of Church Street Culvert	04/21/17	135,473.00	04/20/18	04/19/19	2.75%	135,473.00	48,829.00	135,473.00	48,829.00	
13-15	Various Road Improvements	12/19/13	1,195,000.00	04/20/18	04/19/19	2.75%	1,119,127.00	1,032,483.00	1,119,127.00	1,032,483.00	
14-11	Various Public Improvements	12/18/15	1,300,000.00	04/20/18	04/19/19	2.75%	1,432,900.00	1,396,688.00	1,432,900.00	1,396,688.00	
16-02	Road Reconstruction - Thompson Ave	04/21/17	210,000.00	04/20/18	04/19/19	2.75%	210,000.00	210,000.00	210,000.00	210,000.00	
16-03	Sewer Repair & Rehab	04/21/17	150,000.00	04/20/18	04/19/19	2.75%	150,000.00	150,000.00	150,000.00	150,000.00	
17-17	Various Capital Improvements	08/09/18	1,158,250.00	08/09/18	08/09/19	3.00%		1,158,250.00		1,158,250.00	
18-07	Improvements to Codrington Park	08/09/18	307,800.00	08/09/18	08/09/19	3.00%		307,800.00		307,800.00	
18-09	Reconstruction of East Second Street	08/09/18	380,000.00	08/09/18	08/09/19	3.00%		380,000.00		380,000.00	
Total							<u>\$ 3,070,000.00</u>	<u>\$ 4,684,050.00</u>	<u>\$ 3,070,000.00</u>	<u>\$ 4,684,050.00</u>	
							<u>Ref</u>	C	C-2	C-2	C

**SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
GENERAL CAPITAL FUND**

ORD. NO.	IMPROVEMENT DESCRIPTION	ORIGINAL AMOUNT AUTHORIZED	BALANCE DECEMBER 31, 2017		2018 AUTHOR.	RESERVE FOR ENCUMB.		PAID OR CHARGED	CANCELED	BALANCE DECEMBER 31, 2018	
			FUNDED	UNFUNDED		2017	2018			FUNDED	UNFUNDED
<u>General Improvements:</u>											
02-07	Various Public Improvements	\$ 2,510,000.00	\$ 2,000.00	\$	\$	\$	\$	\$	\$	\$ 2,000.00	\$
09-05	Improvements to Livingston Street	324,000.00		8,500.00							8,500.00
09-06	Improvement of Watchung Rd /Demolition of Public Works Building	485,000.00	3.00							3.00	
10-23	Rehabilitation of Sanitary Sewers	348,200.00	6,166.85	0.98				6,167.83		-	
11-08	Purch. Of Prop. Union Ave.	450,000.00	399,848.58							399,848.58	
12-13	Various Public Improvements	1,000,000.00	61,082.64							61,082.64	
12-19	Various Road Improvements	1,480,425.00	18,495.83	77,379.87						18,495.83	77,379.87
13-09	Repair of Church Street Culvert	225,000.00		77,131.76							77,131.76
13-15	Various Road Improvements	2,000,000.00		837,006.63							837,006.63
14-10	Repair of Recreation Bldg & Acquis. Of Equip.	163,000.00	2,968.65							2,968.65	
14-11	Various Public Improvements	2,225,000.00		304,407.61		58,887.46		1,480.00			361,815.07
15-08	Various Improvements to Train Station	650,000.00	178,719.88	450,000.00			4,060.49			174,659.39	450,000.00
15-09	Acquis. Of Property	70,000.00	2,919.20	66,665.00						2,919.20	66,665.00
16-02	Road Reconstruction - Thompson Ave	564,000.00		135,293.99		21,441.11		15,385.71			141,349.39
16-03	Sewer Repair & Rehab - Talmage Ave thru Imperial Parking Lot	250,000.00				21,472.37		21,472.37			-
17-09	Various Equipment	199,000.00	157,494.00			30,000.00	137,446.00	30,000.00		20,048.00	
17-16	Renovations of the Ball Field at Rock Machine Park	130,000.00		117,099.86					117,099.86		-
17-17	Various Capital Improvements	1,562,000.00		270,134.81		663,432.41	206,092.09	727,475.13			-
18-07	Improvements to Codrington Park	324,000.00			324,000.00			322,206.53			1,793.47
18-09	Reconstruction of East Second Street	400,000.00			400,000.00		27,966.15	201,349.47			170,684.38
18-20	Purchase of Tax Sale Certificate	120,000.00			120,000.00			103,989.36		16,010.64	
18-27	Various Capital Improvements	1,110,000.00			1,110,000.00			1,272.00		31,103.00	1,077,625.00
Total			\$ 829,698.63	\$ 2,343,620.51	\$ 1,954,000.00	\$ 795,233.35	\$ 375,564.73	\$ 1,430,798.40	117,099.86	\$ 729,138.93	\$ 3,269,950.57
	<u>Ref.</u>		C	C		C	C	C-2	C-8	C	C
Def. Chgs. to Future Taxation - Unfunded	C-8				\$ 1,765,425.00						
Reserve for Capital Improvement Fund	C-13				68,575.00						
Capital Fund Balance	C-1				120,000.00						
					<u>\$ 1,954,000.00</u>						

Exhibit - C-13

**SCHEDULE OF RESERVE FOR
CAPITAL IMPROVEMENT FUND**

	<u>REF.</u>	
Balance - December 31, 2017	C	\$ 146,574.74
Increased by:		
Budget Appropriation	C - 2	<u>100,000.00</u>
		246,574.74
Decreased by:		
Funding for Improvement Authorizations	C-12	<u>68,575.00</u>
Balance - December 31, 2018	C	<u><u>\$ 177,999.74</u></u>

SCHEDULE OF SCIA LOANS PAYABLE

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS</u>		<u>INTEREST RATE</u>	<u>BALANCE DEC. 31, 2017</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>BALANCE DEC. 31, 2018</u>
			<u>OUTSTANDING - DEC. 31, 2018</u>	<u>DATE</u>					
SCIA Loan	04/21/16	\$ 93,087.99	10/01/19	\$ 31,599.84	1.850%	\$ 62,625.69	\$	\$ 31,025.85	\$ 31,599.84
SCIA Loan	11/30/18	263,178.37	11/30/19	49,100.33	3.477%		263,178.37		
			11/30/20	50,807.60	3.477%				
			11/30/21	52,574.23	3.477%				
			11/30/22	54,402.29	3.477%				
			11/30/23	56,293.92	3.477%				
SCIA Loan	11/30/18	131,300.00	11/30/19	42,270.80	3.498%		131,300.00		
			11/30/20	43,749.43	3.498%				
			11/30/21	45,279.77	3.498%				
						<u>\$ 62,625.69</u>	<u>\$ 394,478.37</u>	<u>\$ 31,025.85</u>	<u>\$ 426,078.21</u>
<u>Ref.</u>						C	C-7	C-7	C

**GENERAL CAPITAL FUND
SCHEDULE OF INTERFUNDS**

	<u>BALANCE DECEMBER 31 2017</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE DECEMBER 31 2018</u>
Interfund Loans Due From or (To):				
Animal Control Fund	\$ 7,000.00	\$	\$ 7,000.00	\$ -
Current Fund - Payroll Account	100,572.32			100,572.32
Current Fund	<u>544,987.83</u>	<u>969,223.14</u>	<u>1,024,276.13</u>	<u>489,934.84</u>
Total	<u>\$ 652,560.15</u>	<u>\$ 969,223.14</u>	<u>\$ 1,031,276.13</u>	<u>\$ 590,507.16</u>
Ref.	C	C-2	C-2	C

SCHEDULE OF VARIOUS RESERVES

	<u>Balance Dec. 31, 2017</u>	<u>Cash Receipts</u>	<u>Balance Dec. 31, 2018</u>
Reserve for:			
Grove Street - NJ American Water	\$ 2,659.95	\$ -	\$ 2,659.95
NJ American Water		<u>172,127.50</u>	<u>172,127.50</u>
	<u>\$ 2,659.95</u>	<u>\$ 172,127.50</u>	<u>\$ 174,787.45</u>
<u>Ref.</u>	C	C-2	C

GENERAL CAPITAL FUND
SCHEDULE OF RESERVES FOR GRANTS RECEIVABLE

	<u>December 31, 2017</u>	<u>Grants Awarded</u>	<u>December 31, 2018</u>
Reserve for:			
Ordinance			
18-07 CDBG	\$ -	\$ 63,295.00	\$ 63,295.00
18-07 US Soccer Foundation, Inc		4,140.00	4,140.00
18-07 Recreation Commission		65,000.00	65,000.00
18-09 CDBG		80,000.00	80,000.00
18-27 CDBG		100,000.00	100,000.00
18-27 NJ DOT		<u>331,000.00</u>	<u>331,000.00</u>
Total	<u>\$ -</u>	<u>\$ 643,435.00</u>	<u>\$ 643,435.00</u>
<u>Ref.</u>	C	C-4	C

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>ORD. NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DECEMBER 31, 2017</u>	<u>2018 AUTHORIZATIONS</u>	<u>BOND ANTICIPATION NOTES REDEEMED</u>	<u>BOND ANTICIPATION NOTES ISSUED</u>	<u>PAID BY CURRENT BUDGET</u>	<u>CANCELLED</u>	<u>BALANCE DECEMBER 31, 2018</u>
07-13	Improvements to Highland Place	\$ 36,576.51	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,576.51
08-18	Various Public Improvements	0.96						0.96
09-02	Various Public Improvements	0.34						0.34
09-05	Improvements to Livingston Street	34,441.14						34,441.14
10-12	Improvements to Church Street	10,000.00						10,000.00
10-23	Rehabilitation of Sanitary Sewers	0.98						0.98
11-03	Road Improvements 2010 Program	0.84						0.84
11-16	2011 Road Program	0.79						0.79
12-14	Various Improvements - Hurricane Irene	73,332.00						73,332.00
12-19	Various Road Improvements	77,379.87						77,379.87
12-20	Repair of Church Street Culvert			22,500.00		22,500.00		-
13-09	Repair of Church Street Culvert	78,277.00		135,473.00	48,829.00	86,644.00		78,277.00
13-15	Various Road Improvements	515,000.00		1,119,127.00	1,032,483.00	86,644.00		515,000.00
14-11	Various Public Improvements	375,100.00		1,432,900.00	1,396,688.00	36,212.00		375,100.00
15-08	Various Improvements to Train Station	450,000.00						450,000.00
15-09	Acquis. Of Property	66,665.00						66,665.00
16-02	Road Reconstruction - Thompson Ave	179,000.00		210,000.00	210,000.00			179,000.00
16-03	Sewer Repair & Rehab	15,300.00		150,000.00	150,000.00			15,300.00
17-16	Renovations of the Ball Field at Rock Machine Park	123,500.00					117,099.86	6,400.14
17-17	Various Capital Improvements	1,158,250.00			1,158,250.00			-
18-07	Improvements to Codrington Park		307,800.00		307,800.00			-
18-09	Reconstruction of East Second Street		380,000.00		380,000.00			-
18-27	Various Capital Improvements		1,077,625.00					1,077,625.00
	Total	\$ 3,192,825.43	\$ 1,765,425.00	\$ 3,070,000.00	\$ 4,684,050.00	\$ 232,000.00	\$ 117,099.86	\$ 2,995,100.57

Footnote C

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY



PART III
SUPPLEMENTARY DATA

BOROUGH OF BOUND BROOK
SOMERSERT COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2018

<u>ASSETS</u>	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	GOVERNMENTAL FIXED ASSETS	MEMORANDUM ONLY TOTALS*	
					BALANCE DEC. 31, 2018	BALANCE DEC. 31, 2017
Cash and Investments	\$ 4,216,383.50	\$ 2,100,950.99	\$ 895,571.74	\$	\$ 7,212,906.23	\$ 5,132,747.10
Accounts Receivable:						
State & Federal Grants Receivable	697,553.85		937,165.00		1,634,718.85	1,056,370.82
Due from State of New Jersey	3,619.77				3,619.77	2,573.26
Taxes, Assessments, Liens, Sewer & Refuse Charges	839,275.44	3,641.64			842,917.08	858,080.24
Interfund Loans	245,132.52	818.07	590,507.16		836,457.75	2,034,629.47
Other Accounts Receivable	19,446.36		200,000.00		219,446.36	426,352.63
Governmental Fixed Assets				18,373,259.00	18,373,259.00	
Deferred Charges to Revenue of Succeeding Years	15,000.00				15,000.00	20,000.00
Deferred Charges to Future Taxation: General Capital Fund			22,070,215.81		22,070,215.81	21,275,630.78
	<u>\$ 6,036,411.44</u>	<u>\$ 2,105,410.70</u>	<u>\$ 24,693,459.71</u>	<u>\$ 18,373,259.00</u>	<u>\$ 51,208,540.85</u>	<u>\$ 30,806,384.30</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	GOVERNMENTAL FIXED ASSETS	MEMORANDUM ONLY TOTALS	
					BALANCE DEC. 31, 2018	BALANCE DEC. 31, 2017
Bonds, Notes and Loans Payable	\$	\$	\$ 19,075,115.24	\$	\$ 19,075,115.24	\$ 18,082,805.35
Prepaid Taxes, Assessments, Utility Charges and Licenses	175,558.90				175,558.90	676,275.04
Tax, Assessment, Lien, License and Utility Charge Overpayments	1,690.57				1,690.57	19,334.98
Appropriation Reserves	720,358.14				720,358.14	297,009.29
Reserve for Encumbrances/ Accounts Payable	115,152.69	1,154.65	375,564.73		491,872.07	944,824.40
Other Liabilities		2,254.06			2,254.06	2,254.06
Special District Tax Payable	11,265.71				11,265.71	10,608.68
Amts. Pledged to Specific Purposes	1,521,928.78	1,914,328.85	1,006,347.19		4,442,604.82	3,449,409.43
Improvement Authorizations			3,999,089.50		3,999,089.50	3,173,319.14
Interfund Loans	665,783.65	170,674.10			836,457.75	2,034,629.47
Investments in Govtmt. Fixed Assets				18,373,259.00	18,373,259.00	
Reserve for Certain Assets Acquired or Receivables & Inventories	928,823.58	445.74			929,269.32	881,423.71
Fund Balance	1,895,849.42	16,553.30	237,343.05		2,149,745.77	1,234,490.75
	<u>\$ 6,036,411.44</u>	<u>\$ 2,105,410.70</u>	<u>\$ 24,693,459.71</u>	<u>\$ 18,373,259.00</u>	<u>\$ 51,208,540.85</u>	<u>\$ 30,806,384.30</u>

*Governmental Fixed Assets not reported in Year 2017.

COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - CURRENT FUND

Revenue and Other <u>Income Realized</u>	Year 2018		Year 2017	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fund Balance Utilized	\$ 838,476.43	2.52	\$ 800,000.00	2.55
Miscellaneous - From Other Than Local Property Tax Levies	7,108,332.77	21.40	5,703,632.12	18.16
Collection of Delinquent Taxes and Tax Title Liens	607,338.47	1.83	498,813.51	1.59
Collection of Current Tax Levy	24,669,476.32	74.25	24,411,148.42	77.71
Total Income	33,223,623.99	100.00	31,413,594.05	100.00
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	14,014,871.53	44.66	13,380,266.35	43.69
County Taxes	3,102,359.37	9.89	2,946,724.33	9.62
Local School Taxes	14,071,018.00	44.84	14,183,103.00	46.31
Other Charges	190,731.64	0.61	118,011.46	0.39
Total Expenditures	31,378,980.54	100.00	30,628,105.14	100.00
Excess (Deficit) in Revenue	1,844,643.45		785,488.91	
Statutory Excess to Surplus	1,844,643.45		785,488.91	
Fund Balance January 1	889,682.40		904,193.49	
	2,734,325.85		1,689,682.40	
Less:				
Utilization as Anticipated Revenue	838,476.43		800,000.00	
Fund Balance December 31	\$ 1,895,849.42		\$ 889,682.40	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate:</u>	<u>\$3.334</u>	<u>\$3.411</u>	<u>\$3.386</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	<u>1.052</u>	<u>1.064</u>	<u>1.067</u>
County	<u>0.413</u>	<u>0.404</u>	<u>0.405</u>
Local School	<u>1.869</u>	<u>1.943</u>	<u>1.914</u>
<u>Assessed Valuation:</u>			
2018	<u>\$752,797,828.00</u>		
2017		<u>\$730,022,587.00</u>	
2016			<u>\$729,433,434.00</u>

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>CURRENTLY</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	\$ 25,233,249.93	\$ 24,669,476.32	97.77%
2017	25,061,840.91	24,411,148.42	97.40%
2016	24,845,467.58	24,329,631.66	97.92%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>Dec. 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2018	\$ 150,327.64	\$ 498,691.54	\$ 649,019.18	2.57%
2017	27,511.60	608,896.29	636,407.89	2.54%
2016	36,562.71	489,453.09	526,015.80	2.12%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

No Properties have been acquired, reported or recorded in CY 2018 or as at December 31, 2017 by foreclosure or deed.

COMPARISON OF SEWER BILLINGS AND COLLECTIONS (Component of Current Fund)

<u>Year</u>		<u>Billings</u>		<u>Collections</u>
2018	\$	1,577,985.70	\$	1,601,493.97
2017		1,536,298.01		1,507,568.86
2016		1,374,598.01		1,374,642.41

COMPARISON OF REFUSE BILLINGS AND COLLECTIONS (Component of Current Fund)

<u>Year</u>		<u>Billings</u>		<u>Collections</u>
2018	\$	575,309.38	\$	579,575.56
2017		502,215.00		497,990.22
2016		434,700.00		417,780.23

COMPARATIVE SCHEDULE OF FUND BALANCE

	<u>Year</u>	<u>Balance</u>	<u>Utilized in</u>
		<u>December 31</u>	<u>Budget of</u>
			<u>Succeeding Year</u>
Current Fund	2018	\$ 1,895,849.42	\$ 764,516.00
	2017	889,682.40	838,476.43
	2016	904,193.49	800,000.00
	2015	574,586.18	321,179.00
	2014	212,006.15	-

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office at December 31, 2018:

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF BOND</u>
Robert Fazen	Mayor	
Abel Gomez	President of Council	
Robert Dixon	Councilperson	
Elizabeth Jannuzzi	Councilperson	
Anthony Pranzatelli	Councilperson	
Vinnie Petti	Councilperson	
Glen Rossi	Councilperson	
Hector Herrera	Administrator/Acting Chief Financial Officer	
Cindy Griffith	Tax Collector	\$1,000,000.00 (A)
Donna Marie Godleski	Borough Clerk	
Michael Imbriaco	Tax Assessor	
Vito Bet	Chief of Police	
Michael Fedun, Esq.	Borough Magistrate	\$1,000,000.00 (A)
Valarie Vasquez	Court Administrator	\$1,000,000.00 (A)
Judy Verrone, Esq.	Borough Attorney	

(A) Blanket Bond \$1,000,000.00 Middlesex County Municipal Joint Insurance Fund.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY



PART IV
GENERAL COMMENTS AND RECOMMENDATIONS

**BOROUGH OF BOUND BROOK
COUNTY OF SOMERSET, NEW JERSEY
YEAR ENDED DECEMBER 31, 2018**

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Borough of Bound Brook, County of Somerset, New Jersey, for the year ended December 31, 2018, has been completed. The General Comments are herewith set forth:

Scope of Audit

The audit covered the financial transactions of the Finance Department and the other various offices and departments collecting fees within the Borough of Bound Brook, County of Somerset, New Jersey.

The audit did not and could not determine the character of services rendered for which payment had been made or for which reserves had been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the Governing Body. Cash on hand was counted and cash and investment balances were reconciled with independent certifications obtained directly from the depositories. Revenues and receipts were established and verified as to source and amount insofar as the records permitted.

INTERNAL CONTROL MATTERS

In planning and performing our audit of the financial statements of Borough of Bound Brook, County of Somerset, New Jersey as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

GENERAL COMMENTS

INTERNAL CONTROL MATTERS (Cont'd.)

With respect to the reporting of internal control matters, standards require that only a significant deficiency and/or a material weakness need be reported in writing to management and those charged with governance.

The control deficiencies reported below are not considered to be significant deficiencies nor material weaknesses. In addition, these control deficiencies are not required to be reported in writing, however, control deficiencies are presented to management and those charged with governance in this report as a means to present those matters identified in review of the Borough's internal controls and as a means to inform management and those charged with governance as to the auditing standards requirements with respect to internal controls.

Control Deficiencies:

2018-1 Segregation of Duties - Outside Offices & Departments

Conditions exist whereby the same person may collect, record (if a record is maintained) and deposit cash receipts in the following offices - Clerk, Police, Construction Code, Fire Prevention/Housing Inspection, Recreation, and Municipal Court.

This condition is the result of multiple tasks performed by the same individual within the respective offices.

2018-2 Segregation of Duties -- Finance & Tax Office

Conditions exist whereby the same person may collect, record and deposit cash receipts in the following: Finance and Tax Office, respectively.

This condition is the result of multiple tasks performed by the same individual within the respective offices.

The reporting of these deficiencies does not affect our report dated August 29, 2019 on the financial statements of the Borough of Bound Brook. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

Other Matters

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

N.J.S.A. 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3, of this act, shall be made or awarded only after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500.00 except by contract or agreement."

On September 28, 2015, the Local Public Contracts Law was amended, effective on July 1, 2015. The amendment addresses the bid threshold (Section 7, N.J.S.A. 40A:11-3), thereby increasing the amount from \$36,000.00 to \$40,000.00 under which a contract may be awarded without public advertising for those municipalities that have appointed a Qualified Purchasing Agent.

GENERAL COMMENTS

Other Matters (Cont'd.)

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

A test of the Borough's purchasing procedures indicates bids were requested by public advertising for the following items as disclosed in the official minutes:

Road Improvements, Park Improvements, Pool Filter Replacement, Sewer Replacement, Waste Disposal Services, Refurbishment of Fire Truck, Lawn, Police Vehicles

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.

The examination of expenditures disclosed no exceptions, indicating the success of corrective actions taken during the current audit period in response to comments noted in prior reports.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5. No evidence of the inclusion of not-to-exceed amounts was noted, however, contract documents on file did include the cost data required by the CFO to certify availability of funds.

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

Our tests revealed the use of confirming orders during the period ended December 31, 2018. A confirming order is indicative of a failure to follow the state mandated encumbrance accounting process wherein a requisition is submitted and reviewed and approved by administrative and finance officials prior to the granting of authority to order goods and services. Encumbrance accounting is a key component of the controls to assure compliance with the Public Contracts and Budget laws. The importance of adherence to encumbrance accounting should be communicated to departmental officials and additional training be provided in the event of the continuing use of confirming orders.

We recommend the Borough review the use of confirming orders for compliance with the requirements for budgetary accounting.

Any interpretations as to possible violation of N.J.S.A. 40A:11-4 and N.J.A.C. 5:30-14 would be in the province of the municipal solicitor.

Compliance with P.L. 2005, c.271

The threshold for Pay-to-Play is set at \$17,500, with no escalator provision. "Pay-to-Play" laws cover all contracts (not just professional services as some believe). Any contract (or aggregation of purchases of similar goods or services) that does not meet "fair and open" standards requires the Borough to obtain the necessary c. 271 documents. The provisions of c. 271 became effective on January 1, 2006.

A non-compliance would result with the issuance of purchase orders exceeding \$17,500 during the fiscal period without a "fair and open" process, and without obtaining the requisite disclosures. It is important to note that the laws and regulations implementing "Pay-to-Play" focus on vendors rather than categories of goods and services. While this change may appear subtle, it greatly expands the monitoring required to assure continuing compliance.

GENERAL COMMENTS

Other Matters (Cont'd.)

Compliance with P.L. 2005, c.271 (Cont'd)

The Borough was unable to provide evidence of compliance with the "Pay-to-Play" statutes for eleven (11) vendors for the items tested.

We recommend that all required documentation be maintained for compliance with the "Pay-to-Play" statutes.

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body, on January 2, 2018, adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED by the Mayor and Committee of the Borough of Bound Brook, that in accordance with the provisions of N.J.S.A. 54:4-67, the Tax Collector of the Borough of Bound Brook be, and he is hereby authorized and directed to charge interest on delinquent taxes or assessments at the rate of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00 provided, however, that no interest be charged if payment of any installment is made within ten days after the time within the same became payable.

Delinquent Taxes and Tax Title Liens

The last tax sale was held in 2018 and complete.

The following comparison is made of the number of tax title liens receivable for the last three years:

<u>Year</u>	<u>Number of Liens</u>
2018	2
2017	2
2016	2

Interfund Balances

Interfund balances appear on the various balance sheets of the Borough's financial statements at December 31, 2018.

These interfunds, in some cases, resulted from 2018 operations. In other instances, the balances resulted from transfers based upon cash flow requirements. However, some interfund balances remained unchanged from the prior period. As the existence of these interfund balances did not result in a material distortion of income, and they are not indicative of an inability of any fund to meet its annual cash flow requirements from its own respective cash receipts, no recommendation is made as part of this report. Interfund balances should be reviewed periodically and cleared by cash transfer whenever feasible.

GENERAL COMMENTS

Other Matters (Cont'd.)

Investments

The Treasurer has the idle funds of the Borough invested in interest-bearing accounts for the year under review. Earnings from the investments and deposits are shown in the various funds of the Borough as of December 31, 2018.

The Borough did not adopt a formal cash management plan policy in compliance with N.J.S.A. 40A:5-14 of the Local Fiscal Affairs Law, which requires that "each local unit shall adopt a cash management plan and shall deposit its funds pursuant to that plan". However, all depositories and accounts were approved, and no investments in certificates of deposit or repurchase agreements were made during the year.

Cash and investments held by the Borough were confirmed as of December 31, 2018.

Payment of Claims

Claims were examined on a test basis for the year under review. Supporting documentation was on file as part of voucher packages for items tested.

We noted that the Borough Council approves bill lists by motion, and that the dollar value of the bill lists approved and a listing of the bills approved is included in the official minutes.

Municipal Court

The financial records maintained by the Municipal Court during the period were reviewed. The examination of the general account indicated that deposits were recorded and spread by receipt category and cash was reconciled monthly. The examination of the bail account's financial and supporting records maintained by the Municipal Court indicated that the analysis of outstanding bail was reconciled to the book balance.

The processing of traffic and criminal cases entered on the State's on-line computer system indicated no exceptions with respect to items tested.

Condition of Records - Other Officials Collecting Fees

Our reviews of the records maintained for other officials collecting fees, which were designed to determine that minimum levels of internal control and accountability were met, and that cash receipts were deposited or turned over to the Borough's Treasurer's accounts within a 48-hour period as required by N.J.S.A. 40A:5-15, revealed the following:

We noted that all Outside Offices & Departments do not maintain a standardized formal cash receipt journal, do not issue duplicate receipts for all cash collections, and do not prepare and submit formalized monthly reports to the Finance Department. In addition, it is essential that the reports are reviewed and reconciled the records maintained in the Finance Department. The recording of cash receipts by date of deposit does not allow for the review of the 48-hour deposit requirement.

We recommend the Borough institute standardized formal control policies and procedures for all Outside Offices & Departments that collect Borough funds.

GENERAL COMMENTS

Other Matters (Cont'd.)

Surety Bonds

The "List of Officials", included as part of the Supplementary Data section of this report, discloses the status of surety bond coverage's in effect at December 31, 2018, disclosed compliance with requirements, as promulgated by the Local Finance Board, State of New Jersey, for the Municipal Court and the Tax/Utility Collector.

In addition to mandatory minimums, the provisions of N.J.A.C 5:30-8.3 and 8.4, also include higher suggested coverage levels that local units are encouraged to utilize in order to provide a higher level of security of public funds. The Borough's coverages comply with the suggested coverages.

Condition of the Records – Office of Tax Collector

The records maintained by the Tax Collector were reviewed, and were found to be in generally good condition. We noted the following:

Our review of sewer billings and collections indicated that two facilities are billed manually and this billing data is not recorded on the computerized subsidiary accounting and reporting system. This further complicates the monthly reconciliation process to the general ledger control account that we have recommended for initiation. Manual billing should either be entered into the subsidiary records or a separate control account should be established in the general ledger. During the latter part of 2018, the Borough improved matters over the sewer billings and collections.

Condition of the Records – Finance Office

The records maintained by the Finance Department during the period were reviewed. Our audit identified the following matters:

A review of the status of grant accounts indicated that there are several grants receivable and grant appropriation balances being reported for which there has been no receipt or disbursement activity for several years. In instances where receivable balances equal unspent appropriation balances, cancellation of the grant programs will have no impact on Borough finances. However, there are several receivable balances for which some unreimbursed expenditures have been recorded. These items should be reviewed and followed up with collection efforts wherever possible. Should collection efforts fail, the Borough will be required to absorb the unreimbursed expenditures through its tax supported budgets.

A review of the status of amounts reported in the General Capital Fund as grants receivable indicated that balances have been carried for several years for the East Main Street Streetscape Project (\$265,950.00) and Improvements to Church Street (\$56,310.55). A review of prior audit documents suggests that all expenditures for this project were completed prior to 2011 and no moneys have been collected for at least five years. The Church Street project appears to have been completed in 2012. These projects should be reviewed with the engineers that managed them to determine if all reimbursement vouchers have been filed. Should these amounts prove uncollectible, the balances should be cancelled, with additional debt authorized or budget appropriations made to fund the cancelled grants.

It is recommended that general capital grant balances be reviewed for collectability and appropriate actions taken based upon those reviews.

GENERAL COMMENTS

Other Matters (Cont'd.)

Administration and Accounting of State & Federal Grants

During 2018, the Borough operated programs, which were funded in whole or in part by state or federal grant awards. As part of the acceptance of these funds, the Borough is required to make assurances to the grantor agency that it will comply, in its general operations as well as in the operation of grant funded programs, with various laws and regulations. In addition, the individual grant contracts impose specific compliance requirements for the operations of each program. Based upon the myriad compliance and reporting requirements for grant awards, it is essential that grant coordinators review financial reports with the CFO before filing to assure that reported expenditures of grant funds match the official financial records of the Borough.

We suggest the Borough review its system of internal controls and various policies and procedures as they apply to the compliance requirements for State and Federal grants.

The Borough reports, and the records made available to us indicate, that no single audit requirement was in effect for CY 2018.

Internal Control Documentation

Statement on Auditing Standards 115 sets forth requirements upon the auditee that includes the documentation of its internal controls. We suggest the Borough consider initiation of this process and also consider utilizing the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In addition, we suggest the documentation should also include the internal controls that exist over grant compliance. If possible, this documentation should be supplemented by a record of Borough positions and job descriptions, along with descriptions of the tasks that each position is expected to perform and a procedures manual identifying the steps to be taken in performing each task. While these initiatives are not required, the development of operating manuals, job descriptions, and formalized risk assessment policies and procedures would greatly enhance the overall control environment of the Borough.

Cybersecurity

As part of its overall risk management, the Borough reviews security measures in place relating to its Information Technology (IT), including the use of specialized assessments. With the ever increasing challenges relating to cybersecurity, each organization determines what particular assessment or combination of assessments best fits its information security strategy. We suggest management continue to assess risks related to cybersecurity along with the utilization of specialized assessments, which would also include a periodic reporting mechanism to those charged with governance.

Compliance with N.J.A.C 5:30:

The Local Finance Board, State of New Jersey, adopted the following requirements, previously identified as “technical accounting directives”, as codified in the New Jersey Administration Code as follows:

N.J.A.C. 5:30 - 5.2 – Encumbrance Systems: This directive requires the development and implementation of accounting systems, which can reflect the commitment of funds at the point of commitment. As previously noted, the Borough is generally in compliance with this directive, with some exception noted.

GENERAL COMMENTS

Other Matters (Cont'd.)

Compliance with N.J.A.C 5:30: (Cont'd.)

N.J.A.C. 5:30 - 5.6 – Accounting for Governmental Fixed Assets: This directive requires the development and implementation of accounting systems which assign values to covered assets and can track additions, retirements and transfers of inventoried assets. The Borough has not maintained a Fixed Assets Accounting and Reporting System during the current year audit cycle, as noted and reported. Subsequent to the balance sheet date, the Borough has contracted with an outside vendor to perform a detailed inventory of its fixed assets. As a result of these actions by the Borough in 2019, no recommendation is made with respect to the Borough's compliance with the fixed assets reporting regulation.

N.J.A.C. 5:30 - 5.7 – General Ledger Accounting System: This directive requires the establishment and maintenance of a general ledger for, at least, the Current Fund. The Borough is in compliance with this directive. The Borough is generally in compliance with this directive.

Compliance with Local Finance Notices

Local Finance Notice (LFN) No. 92-15 requires that the Borough prepare and file a corrective action plan in accordance with federal and state requirements. A written corrective action plan for the report year 2017 was presented and accepted by the governing body during 2018.

RECOMMENDATIONS

We recommend the following:

We recommend the Borough review the use of confirming orders for compliance with respect to the requirements for budgetary accounting.

That all required documentation be maintained for compliance with the "Pay-to-Play" statutes.

We recommend the Borough institute standardized formal control policies and procedures for all Outside Offices & Departments that collect Borough funds.

That general capital grant balances be reviewed for collectability and appropriate actions taken based upon those reviews.

* * * * *

ACKNOWLEDGMENT

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

Should any questions arise as to our comments or recommendations or should you desire assistance in implementing our recommendations, please do not hesitate to contact us.

Very truly yours,

HODULIK & MORRISON, P.A.



Andrew G. Hodulik, CPA, RMA
No. 406