

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

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY DATA
AND INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2017 and 2016**

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
HIGHLAND PARK, N.J.

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**

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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, 2017 and 2016, the related statements of operation and changes in fund balance- regulatory basis for the year then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Borough 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. 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 of the differences 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 conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Bound Brook, County of Somerset, New Jersey as of December 31, 2017 and 2016, the changes in its financial position, and, where applicable, its cash flows for the years then ended. The financial statements – regulatory basis referred to in the first paragraph do not include the Statement of Governmental Fixed Assets, which should be included to conform with the basis of accounting described in Note 2. The amount that should be recorded for Governmental Fixed Assets is not known.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the effect on the financial statements of the omission of the Statement of Governmental Fixed Assets, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds of the Borough of Bound Brook, County of Somerset, New Jersey as of December 31, 2017 and 2016 and the results of operations and changes in fund balance – regulatory basis of such funds for the year then ended and the revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2017 on the basis of accounting described in Note 2.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that pension plan information, including the Notes thereto, (Required Supplementary Information – Part II), as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements of the Borough of Bound Brook, County of Somerset, New Jersey. The information included in Part III – Supplementary Schedules and Part V - Supplementary Data, as listed in the table of contents, are presented for the purpose 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 III – Supplementary Schedules is the responsibility of management and was derived from and related 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.

The schedules and information contained in Part V - Supplementary Data have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Regulations

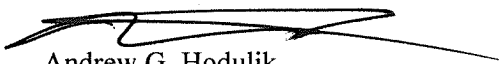
The financial statements referred to in the first paragraph include the assets, liabilities and net position of the Borough's Length of Service Award Program (LOSAP). Pursuant to N.J. State regulation, LOSAP is subject to an independent accountant's review only and we are not engaged to audit the LOSAP financial statements as part of our audit of the Borough's financial statements. Accordingly, the financial statements of the Borough's LOSAP are unaudited and we do not express an opinion on the accompanying LOSAP financial statements

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated November 29, 2018 on our consideration of the Borough of Bound Brook's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, in considering the Borough of Bound Brook's internal control over financial reporting and compliance.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Registered Municipal Accountants


Andrew G. Hodulik
Registered Municipal Accountant
No. 406

Highland Park, New Jersey
November 29, 2018

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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and 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 of the Borough of Bound Brook, County of Somerset, New Jersey as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough of Bound Brook's financial statements and have issued our report thereon dated November 29, 2018. Our report was modified due to the departure from accounting principles generally accepted in the United States of America, as disclosed in Note 2, that are embodied in the Other Comprehensive Basis of Accounting utilized for financial statement presentations and was also modified based upon that Other Comprehensive Basis of Accounting due to lack of reporting 2017 activity for governmental fixed assets.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over the financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, identified as items 2017-1 and described in the accompanying general comments section of this report, that we consider to be significant deficiencies.

Compliance and Other Matters

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

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.
Certified Public Accountants
Registered Municipal Accountants

Highland Park, New Jersey
November 29, 2018

FINANCIAL STATEMENTS

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

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2017 AND DECEMBER 31, 2016**

ASSETS	REF.	BALANCE DEC. 31, 2017	BALANCE DEC. 31, 2016	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2017	BALANCE DEC. 31, 2016
Current Fund:							
Cash and Investments - Treasurer	A-4	\$ 4,148,369.36	\$ 2,025,481.33	Current Fund:			
Cash - Change Funds	A-5	400.00	400.00	Liabilities:			
Due from State of N.J.				Appropriation Reserves	A-3, A-15	\$ 297,009.29	\$ 337,858.99
Senior Citizens Deductions	A-6	<u>2,573.26</u>	<u>1,090.73</u>	Interfunds Payable	A-12	1,926,210.77	198,873.87
				Reserve for Encumbrances	A-14	133,316.98	112,421.24
				Special District Taxes Payable	A-16	10,608.68	10,214.97
				Tax Overpayments	A-17	19,334.98	23,973.47
				Prepaid Taxes	A-18	635,009.60	91,318.70
Receivables With Offsetting Reserves:				Overpayments-Sewer Rents	A-19		1,027.10
Delinquent Property Taxes Receivable	A-7	608,896.29	489,453.09	Overpayments-Refuse Disposal Fees	A-20		150.30
Tax Title Liens	A-8	27,511.60	36,562.71	Prepaid Refuse Disposal Fees	A-21	35,272.69	50,831.67
Sewer Rent Fees Receivable	A-10	159,595.24	130,866.09	Prepaid-Sewer Rents	A-22	5,992.75	3,627.78
Refuse Disposal Fees Receivable	A-11	58,435.47	71,280.76	Various Reserves	A-23	<u>218,904.48</u>	<u>317,480.48</u>
Revenue Accounts Receivable	A-9	26,352.63	24,905.35				
Interfunds Receivable	A-12	<u>186.74</u>	<u>43,402.47</u>			<u>3,281,660.22</u>	<u>1,147,778.57</u>
Deferred Charges:				Reserve for Receivables	Reserve	880,977.97	796,470.47
Emergency Authorization	A-13	<u>20,000.00</u>	<u>25,000.00</u>	Fund Balance	A-1	<u>889,682.40</u>	<u>904,193.49</u>
				Total Current Fund		<u>\$ 5,052,320.59</u>	<u>\$ 2,848,442.53</u>
Total Current Fund		<u>\$ 5,052,320.59</u>	<u>\$ 2,848,442.53</u>	State and Federal Grant Fund:			
State and Federal Grant Fund:				Reserve for Encumbrances	A-25	13,381.86	6,994.80
Grants Receivable	A-24	\$ 673,079.57	\$ 616,855.62	Reserve for Grants Appropriated	A-25	821,170.21	801,024.64
Due Current Fund	A-27	<u>173,417.01</u>	<u>198,793.82</u>	Grants-Unappropriated	A-26	<u>11,944.51</u>	<u>7,630.00</u>
				Total State and Federal Grant Fund		<u>\$ 846,496.58</u>	<u>\$ 815,649.44</u>
Total State and Federal Grant Fund		<u>\$ 846,496.58</u>	<u>\$ 815,649.44</u>	Grand Total		<u>\$ 5,898,817.17</u>	<u>\$ 3,664,091.97</u>
Grand Total		<u>\$ 5,898,817.17</u>	<u>\$ 3,664,091.97</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, 2017 AND 2016

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>REF.</u>	<u>YEAR 2017</u>	<u>YEAR 2016</u>
Fund Balance Utilized	A-1, A-2	\$ 800,000.00	\$ 321,179.00
Miscellaneous Revenues Anticipated	A-2	5,368,982.31	5,063,230.55
Receipts from Delinquent Taxes	A-2	498,813.51	525,297.30
Receipts from Current Taxes	A-2	24,411,148.42	24,329,631.66
Non-Budget Revenue	A-2	183,474.89	56,007.62
Other Credits to Income:			
Interfunds Returned	A-12	43,215.73	
Unexpended Balance of Approp. Reserves	A-15	106,781.79	103,958.44
Overpayments-Sewer Rents	A-19	1,027.10	
Overpayments-Refuse Disposal Fees	A-20	150.30	
		<u>31,413,594.05</u>	<u>30,399,304.57</u>
<u>EXPENDITURES AND OTHER CHARGES</u>			
Budget and Emergency Appropriations:			
Within "CAPS":			
Operations	A-3	9,133,993.00	8,876,820.00
Deferred Charges and Statutory Expenditures	A-3	1,070,439.00	1,069,811.60
Excluded from "CAPS":			
Other Operations	A-3	1,163,401.57	1,179,920.13
Capital Improvements	A-3	100,000.00	25,000.00
Municipal Debt Service	A-3	1,630,691.78	1,274,781.09
Deferred Charges	A-3	136,755.00	107,120.99
Transferred to Board of Education	A-3	144,986.00	172,877.00
County Taxes	A-16	2,946,724.33	2,948,554.48
Local District School Tax	A-16	14,183,103.00	13,961,192.00
Special District Taxes	A-16	118,011.46	106,948.35
Interfunds Advanced			43,217.21
Refund of Prior Year Revenue			7,275.41
		<u>30,628,105.14</u>	<u>29,773,518.26</u>
Excess in Revenue		785,488.91	625,786.31
Adjustments to Income before Surplus:			
Expenditures Included above Which are by Statute			
Deferred Charges to Budget of Succeeding Year			25,000.00
		<u>785,488.91</u>	<u>650,786.31</u>
Statutory Excess to Surplus		785,488.91	650,786.31
Balance - January 1	A	904,193.49	574,586.18
		1,689,682.40	1,225,372.49
Decreased by:			
Utilization as Anticipated Revenue	A-1	800,000.00	321,179.00
Balance - December 31	A	\$ <u>889,682.40</u>	\$ <u>904,193.49</u>

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, 2017**

	ANTICIPATED 2017 BUDGET	APPROP. N.J.S.A. 40A:4-87	TOTAL 2017 BUDGET	REALIZED	EXCESS OR (DEFICIT)
Fund Balance Anticipated	\$ 800,000.00	\$	\$ 800,000.00	\$ 800,000.00	\$ -
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	40,000.00		40,000.00	40,938.00	938.00
Other	40,000.00		40,000.00	27,830.00	(12,170.00)
Fees and Permits					
Other	107,000.00		107,000.00	190,300.72	83,300.72
Fines and Costs:					
Municipal Court	350,000.00		350,000.00	350,146.20	146.20
Interest and Costs on Taxes	165,000.00		165,000.00	163,492.09	(1,507.91)
Parking Meter - Municipal	50,000.00		50,000.00	50,768.80	768.80
Interest on Investments and Deposits	9,500.00		9,500.00	23,322.62	13,822.62
Parking Lot Fees	150,000.00		150,000.00	131,615.30	(18,384.70)
Cable TV Franchise Fee	122,231.00		122,231.00	122,304.03	73.03
Refuse Disposal Fees	435,000.00		435,000.00	442,990.22	7,990.22
Sewer Charges	1,336,000.00		1,336,000.00	1,306,568.86	(29,431.14)
Consolidated Municipal Property Tax Relief Act	184,047.00		184,047.00	184,047.00	-
Energy Receipts Tax	934,663.00		934,663.00	934,663.00	-
Uniform Construction Code Fees	125,000.00		125,000.00	92,293.00	(32,707.00)
Alcohol Education and Rehabilitation Fund		3,281.34	3,281.34	3,281.34	-
Body Armor Replacement Fund		2,428.28	2,428.28	2,428.28	-
Clean Communities Program		16,838.00	16,838.00	16,838.00	-
Drive Sober or Get Pulled Over	1,550.00		1,550.00	1,550.00	-
Drunk Driving Enforcement Fund		13,602.56	13,602.56	13,602.56	-
Firefighters/EMS Grant		977.00	977.00	977.00	-
NJ Forest Service Community Forestry Program	30,000.00		30,000.00	30,000.00	-
Recycling Tonnage Program	7,819.49		7,819.49	7,819.49	-
SAFE Passage	1,904.90		1,904.90	1,904.90	-
Somerset County Youth Services	6,000.00		6,000.00	6,000.00	-
Sustainable NJ		2,000.00	2,000.00	2,000.00	-
Administrative Fees-Off Duty Police	25,000.00		25,000.00	119,757.17	94,757.17
Uniform Fire Safety Act - LEA Rebates	12,000.00		12,000.00	13,895.13	1,895.13
Inspection Fees	55,000.00		55,000.00	300,955.00	245,955.00
Rent from South Bound Brook Court	5,000.00		5,000.00	-	(5,000.00)
Train Station Rent	25,140.00		25,140.00	24,200.00	(940.00)
PILOT Payment (Queensgate)	246,000.00		246,000.00	210,193.60	(35,806.40)
Refuse Disposal Fees - Additional	55,000.00		55,000.00	55,000.00	-
Sewer Connection Fees	200,000.00		200,000.00	156,300.00	(43,700.00)
Meridia Payment	35,000.00		35,000.00	40,000.00	5,000.00
Sewer - Increase of Fees	201,000.00		201,000.00	201,000.00	-
Meridia Agreement	100,000.00		100,000.00	100,000.00	-
Total Miscellaneous Revenues	<u>5,054,855.39</u>	<u>39,127.18</u>	<u>5,093,982.57</u>	<u>5,368,982.31</u>	<u>274,999.74</u>
Receipts from Delinquent Taxes	<u>498,000.00</u>		<u>498,000.00</u>	<u>498,813.51</u>	<u>813.51</u>
Subtotal General Revenues	<u>6,352,855.39</u>	<u>39,127.18</u>	<u>6,391,982.57</u>	<u>6,667,795.82</u>	<u>275,813.25</u>
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes	<u>7,771,545.00</u>		<u>7,771,545.00</u>	<u>7,943,309.63</u>	<u>171,764.63</u>
Budget Totals	\$ <u>14,124,400.39</u>	\$ <u>39,127.18</u>	\$ <u>14,163,527.57</u>	\$ <u>14,611,105.45</u>	\$ <u>447,577.88</u>
Non-Budget Revenues				<u>183,474.89</u>	
Total	\$ <u><u>14,124,400.39</u></u>	\$ <u><u>39,127.18</u></u>	\$ <u><u>14,163,527.57</u></u>	\$ <u><u>14,794,580.34</u></u>	

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>ANALYSIS OF REALIZED REVENUES</u>	<u>REF.</u>		
<u>Allocation of Current Tax Collections:</u>			
2017 Collections	A-7	\$ 24,261,454.72	
Prepaid Taxes Applied	A-7, A-18	91,318.70	
Tax Overpayments Applied	A-7, A-17		
State Share of Sr. Citizen's and Veteran's Deductions Allowed	A-6, A-7	<u>58,375.00</u>	
	A-1		\$ 24,411,148.42
Allocated to:			
Local District School Tax and County Taxes	A-16		<u>17,247,838.79</u>
			7,163,309.63
Add: Reserve for Uncollected Taxes	A-3		<u>780,000.00</u>
Amount for Support of Municipal Budget	A-2		<u>\$ 7,943,309.63</u>
<u>Delinquent Tax Revenue:</u>			
Delinquent Tax Collections	A-7	489,762.40	
Tax Title Lien Collections	A-8	<u>9,051.11</u>	
	A-2		<u>498,813.51</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, 2017**

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		RESERVED	UNEXPENDED BALANCE CANCELLED
				ENCUMBERED			
\$	145,700.00	\$ 129,153.00	\$ 128,750.12	\$ 5,582.06	\$	402.88	\$
Administrative & Executive	81,000.00	65,500.00	57,540.08	2,100.00		2,377.86	
Salaries and Wages	7,500.00	8,500.00	6,340.00			60.00	
Other Expenses							
Codification	170,700.00	178,700.00	178,042.64			657.36	
Municipal Clerk	13,050.00	13,050.00	12,602.82		372.98	74.20	
Salaries and Wages	500.00	500.00	500.00			-	
Other Expenses	2,600.00	2,600.00	2,188.46			411.54	
Financial Administration	123,300.00	204,300.00	117,717.55			86,582.45	
Salaries and Wages	37,590.00	29,590.00	28,609.62	107.18		873.20	
Other Expenses	35,000.00	35,000.00	35,000.00			-	
Assessment of Taxes	20,550.00	26,650.00	8,778.87		15,650.00	2,221.13	
Salaries and Wages	123,300.00	107,300.00	107,300.00			-	
Other Expenses	30,700.00	14,700.00	13,036.63		751.51	911.86	
Collection of Taxes	34,000.00	41,000.00	41,000.00			-	
Salaries and Wages	250,000.00	307,000.00	277,726.88		10,398.16	18,874.96	
Other Expenses	110,000.00	187,000.00	170,513.38		14,993.17	1,493.45	
Engineering Services and Costs	22,600.00	22,600.00	21,894.42			705.58	
Other Expenses	56,103.00	61,103.00	54,943.35		4,568.02	1,591.63	
Public Buildings and Grounds	79,000.00	79,000.00	78,467.81			532.19	
Salaries and Wages	3,500.00	4,010.00	4,001.09			8.91	
Other Expenses	16,000.00	12,000.00	11,525.77			474.23	
Planning Board	65,000.00	4,650.00	1,519.45			3,130.55	
Salaries and Wages	13,500.00	13,500.00	7,360.00		6,020.00	120.00	
Other Expenses	12,500.00	7,500.00	5,097.15		227.50	2,175.35	
Shade Tree Commission							
Other Expenses							
Economic Development Program							
Other Expenses							

**OPERATIONS WITHIN "CAPS"
GENERAL GOVERNMENT**

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		RESERVED	UNEXPENDED BALANCE CANCELLED
				ENCUMBERED			
PUBLIC SAFETY:							
Fire							
Other Expenses	103,650.00	105,650.00	76,512.79	23,567.61		5,569.60	
Fire Safety Bureau							
Salaries and Wages	43,900.00	37,900.00	37,424.78			475.22	
Other Expenses	4,000.00	4,000.00	1,910.00			2,090.00	
Police							
Salaries and Wages	3,050,407.00	2,882,834.00	2,870,020.22			12,813.78	
Other Expenses	147,308.00	142,308.00	107,529.96	32,176.24		2,601.80	
Municipal Court							
Salaries and Wages	191,000.00	191,000.00	190,232.00			768.00	
Other Expenses	22,500.00	22,500.00	21,309.95	863.35		326.70	
Public Defender							
Other Expenses	5,000.00	5,000.00	-			5,000.00	
Insurance							
Health Benefit Waiver - S&W	9,200.00	11,400.00	11,301.52			98.48	
Other Insurance	463,322.00	469,795.00	464,794.40			5,000.60	
Health Benefits	1,500,000.00	1,500,000.00	1,520,509.48			39,490.52	
Parking Meter Maintenance							
Salaries and Wages	25,300.00	12,300.00	10,624.35			1,675.65	
Other Expenses	6,000.00	6,000.00	4,018.54	807.11		1,174.35	
First Aid Organization							
Other Expenses	30,000.00	30,000.00	30,000.00			-	
Emergency Management Services							
Other Expenses	3,500.00	3,500.00	2,446.00			1,054.00	
STREETS AND ROADS:							
Road Repairs and Maintenance							
Salaries and Wages	498,000.00	531,000.00	530,131.38			868.62	
Other Expenses	83,500.00	68,500.00	52,641.68	9,948.29		5,910.03	
Garbage and Trash							
Other Expenses	419,500.00	419,500.00	418,930.68	0.01		569.31	
Recycling Contingency Fund							
Other Expenses	98,600.00	98,600.00	95,248.16	840.50		2,511.34	
HEALTH AND WELFARE:							
Board of Health							
Other Expenses	93,000.00	110,600.00	110,537.19			62.81	
Dog Regulation							
Other Expenses	37,000.00	37,000.00	37,000.00			-	
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, 2017**

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		RESERVED	UNEXPENDED BALANCE CANCELLED
				ENCUMBERED			
RECREATION AND EDUCATION:							
Parks and Playgrounds							
Other Expenses	66,000.00	56,000.00	47,912.81	1,992.97		6,094.22	
Board of Recreation Commissioners							
Salaries and Wages	93,500.00	89,500.00	86,789.82			2,710.18	
Other Expenses	29,700.00	21,700.00	16,791.18	1,183.00		3,725.82	
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	1,000.00	416.23	150.00		433.77	
UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5.23-4.17):							
State Uniform Construction Code							
Construction Official	120,000.00	94,000.00	92,951.31			1,048.69	
Salaries and Wages	10,000.00	6,800.00	2,087.19	622.24		4,090.57	
OPERATIONS WITHIN "CAPS" UNCLASSIFIED:							
Utilities:							
Gasoline	45,000.00	45,000.00	43,982.78			1,017.22	
Telephones	66,000.00	63,200.00	63,152.30		0.08	47.62	
Street Lighting	161,500.00	156,500.00	133,325.72			23,174.28	
Fire Hydrant Services	108,000.00	103,000.00	89,762.50			13,237.50	
Heating/Electric	155,000.00	162,000.00	154,948.09			7,051.91	
Water	37,000.00	27,000.00	12,953.73			14,046.27	
Total Operations Within "CAPS"	9,184,580.00	9,133,493.00	8,711,652.83	132,921.98		288,918.19	-
Contingent	500.00	500.00	-			500.00	
Total Operations Including Contingent Within "CAPS"	9,185,080.00	9,133,993.00	8,711,652.83	132,921.98		289,418.19	-
DETAIL:							
Salaries and Wages	4,747,407.00	4,618,487.00	4,508,673.69	-		109,813.31	-
Other Expenses (Including Contingent)	4,437,673.00	4,515,506.00	4,202,979.14	132,921.98		179,604.88	-

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017 BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELLED</u>
				<u>ENCUMBERED</u>	<u>RESERVED</u>	
Deferred Charges and Statutory Expenditures- Municipal Within "CAPS":						
<u>STATUTORY EXPENDITURES:</u>						
Contribution to:						
Social Security System (O.A.S.I.)	187,000.00	197,000.00	196,174.36		825.64	
Public Employee's Retirement System	171,939.00	178,776.00	178,776.00		-	
Police and Firemen's Retirement System of NJ	659,413.00	659,413.00	659,413.00		-	
State Unemployment Insurance	22,500.00	35,250.00	35,175.48		74.52	
Total Def. Charges and Statutory Expend. Municipal Within "CAPS"	1,040,852.00	1,070,439.00	1,069,538.84		900.16	
Total General Appropriations for Municipal Purposes Within "CAPS"	10,225,932.00	10,204,432.00	9,781,191.67	132,921.98	290,318.35	
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
Length of Service Award Program- (LOSAP)	30,000.00	30,000.00	24,602.11		5,397.89	
Sewerage Authority (40: 14A-8)	1,025,500.00	1,047,000.00	1,045,311.95	395.00	1,293.05	
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u>						
Clean Communities Program		16,838.00	16,838.00		-	
Alcohol Education and Rehabilitation Fund		3,281.34	3,281.34		-	
Body Armor Replacement Fund		2,428.28	2,428.28		-	
Somerset County Youth Services	6,000.00	6,000.00	6,000.00		-	
Recycling Tonnage Program	7,819.49	7,819.49	7,819.49		-	
Firefighter/EMS Grant		977.00	977.00		-	
Drunk Driving Enforcement Fund		13,602.56	13,602.56		-	
Drive Sober or Get Pulled Over	1,550.00	1,550.00	1,550.00		-	
Shade Tree Grant	30,000.00	30,000.00	30,000.00		-	
Sustainable NJ Grant		2,000.00	2,000.00		-	
Safe Corridors	1,904.90	1,904.90	1,904.90		-	
Total Operations Excluded from "CAPS"	1,102,774.39	1,163,401.57	1,156,315.63	395.00	6,690.94	
<u>DETAIL:</u>						
Salaries and Wages						
Other Expenses	1,102,774.39	1,163,401.57	1,156,315.63	395.00	6,690.94	
<u>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</u>						
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, 2017**

	2017 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		RESERVED	UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED		
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"							
Payment of Bond Principal	925,000.00	925,000.00	925,000.00	-	-	-	-
Payment of Bond Anticipation Notes and Capital Notes	-	-	-	-	-	-	-
Interest on Bonds	581,468.00	581,468.00	578,217.52	-	-	-	3,250.48
Interest on Notes	48,383.00	48,383.00	48,382.53	-	-	-	0.47
Somerset County Improvement Authority: Capital Lease Program - After 7/1/07:							
Principal	65,727.00	65,727.00	65,727.00	-	-	-	-
Interest	2,375.00	2,375.00	2,374.34	-	-	-	0.66
NJ Environmental Infrastructure Trust							
Principal	10,248.00	10,248.00	10,248.00	-	-	-	-
Interest	752.00	752.00	742.39	-	-	-	9.61
Total Municipal Debt Service - Excl. from "CAPS"	1,633,953.00	1,633,953.00	1,630,691.78	-	-	-	3,261.22

DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"

Emergency Authorization	5,000.00	5,000.00	5,000.00	-	-	-	-
Deferred Unfunded #06-10 Filter for Lighting-Tea Street Ballfields	131,755.00	131,755.00	131,755.00	-	-	-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	136,755.00	136,755.00	136,755.00	-	-	-	-
Transferred to Board of Education for Use of Local Schools (N.J.S.A. 40:48-17.1 & 17.3)	144,986.00	144,986.00	144,986.00	-	-	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	3,118,468.39	3,179,093.57	3,168,748.41	395.00	6,690.94	3,261.22	
Subtotal General Appropriations	13,344,400.39	13,383,527.57	12,949,940.08	133,316.98	297,009.29	3,261.22	
Balance Carried Forward	13,344,400.39	13,383,527.57	12,949,940.08	133,316.98	297,009.29	3,261.22	
Reserve for Uncollected Taxes	780,000.00	780,000.00	780,000.00	-	-	-	-
Total General Appropriations	\$ 14,124,400.39	\$ 14,163,527.57	\$ 13,729,940.08	\$ 133,316.98	\$ 297,009.29	\$ 3,261.22	

Ref

A-2	\$	14,124,400.39	A-1	\$	13,729,940.08
A-2		39,127.18	A,A-1		297,009.29
	\$	14,163,527.57			

Disbursed	A-4	\$	12,858,538.51
Reserve for Uncollected Taxes	A-2		780,000.00
Deferred Charges	A-13		5,000.00
Reserve for State & Federal Grants - Appropriated Due to Grant Fund	A-12		86,401.57
		\$	13,729,940.08

Note: See Notes to Financial Statements.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

TRUST FUND

COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2017 AND DECEMBER 31, 2016

ASSETS	REF.	BALANCE DEC. 31, 2017	BALANCE DEC. 31, 2016	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2017	BALANCE DEC. 31, 2016
Assessment Trust Fund:							
Cash and Investments - Treasurer	B-2, B-5	\$ 15,798.20	\$ 15,785.79	Assessment Trust Fund:	B-5	\$ 186.74	\$ 174.33
Assessments Receivable	B-3	3,641.64	3,641.64	Due Current Fund	B-5	2,254.06	2,254.06
				Overpayments	B-4	445.74	445.74
				Reserve for Assessments	B-1	16,553.30	16,553.30
				Fund Balance			
Total Assessment Trust Fund		19,439.84	19,427.43	Total Assessment Trust Fund		19,439.84	19,427.43
Animal Control Fund:				Animal Control Fund:			
Cash and Investments - Treasurer	B-5	3,416.88	10,893.29	Accounts Payable	B-5	275.00	
Due Current Fund	B-5	26,398.16		Due General Capital Fund	B-5	7,000.00	2.16
Due Trust Fund	B-5	659.64		Reserve for Animal Control Expenditures	B-5	23,199.68	10,891.13
Total Animal Control Fund		30,474.68	10,893.29	Total Animal Control Fund		30,474.68	10,893.29
Other Funds:				Other Funds:			
Cash and Investments - Treasurer	B-5	937,272.26	2,161,876.53	Reserve for:			
Due from Developer	B-5	200,000.00		Miscellaneous Trust	B-5	2,214,830.86	2,116,033.34
Due Current Fund	B-5	1,181,407.77		Accounts Payable	B-5	2,617.21	2,617.21
				Due Current Fund	B-5	659.64	43,225.98
				Due Animal Control Fund	B-5		
				Due General Capital Fund	B-5	100,572.32	
Total Trust-Other Funds		2,318,680.03	2,161,876.53	Total Other Funds		2,318,680.03	2,161,876.53
Length of Service Awards Program Fund (Unaudited):				Length of Service Awards Program Fund (Unaudited):			
Amounts Held By Trustee	B	566,278.29	474,238.87	Reserve for LOSAP Funds	B	566,278.29	474,238.87
Grand Total		\$ 2,934,872.84	\$ 2,666,436.12			\$ 2,934,872.84	\$ 2,666,436.12

Note: See Notes to Financial Statements.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>REF.</u>	
Balance - December 31, 2016	B	\$ 16,553.30
Balance - December 31, 2017	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, 2017 AND DECEMBER 31, 2016

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>
Cash and Investments - Treasurer	C- 2	\$ 27,490.40	\$ 433,838.67
Grants Receivable	C- 4	383,291.25	588,085.50
Developer Contribution Receivable	C- 5	200,000.00	200,000.00
Interfund Loans Receivable	C-15	652,560.15	80.05
Deferred Charges to Future Taxation:			
Funded	C- 7	15,012,805.35	15,885,304.35
Unfunded	C- 8	<u>6,262,825.43</u>	<u>5,112,830.43</u>
Total		<u>\$ 22,538,972.58</u>	<u>\$ 22,220,139.00</u>
 <u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>			
General Serial Bonds Payable	C- 9	\$ 14,877,000.00	\$ 15,802,000.00
NJ Environmental Infrastructure Loan Payble	C-10	73,179.66	83,304.35
Bond Anticipation Notes	C-11	3,070,000.00	2,419,127.00
SCIA Loans Payble	C-14	62,625.69	
Reserve for Encumbrances	C-12	795,233.35	58,887.46
Improvement Authorizations:			
Funded	C-12	829,698.63	884,857.09
Unfunded	C-12	2,343,620.51	2,377,883.31
Capital Improvement Fund	C-13	146,574.74	66,824.74
Reserve for Payment of Debt Service	C- 6	10,125.00	
Reserve for Grove Street - NJ American Water	C-16	2,659.95	
Fund Balance	C- 1	<u>328,255.05</u>	<u>527,255.05</u>
Total		<u>\$ 22,538,972.58</u>	<u>\$ 22,220,139.00</u>
Authorized But Not Issued	C-17	<u>\$ 3,192,825.43</u>	<u>\$ 2,693,703.43</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, 2017**

	<u>REF.</u>	
Balance - December 31, 2016	C	\$ 527,255.05
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-12	<u>199,000.00</u>
Balance - December 31, 2017	C	<u>\$ 328,255.05</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, 2017 AND 2016

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 Length of Service Awards Program (LOSAP) 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 of these dedicated funds are limited to amounts collected.

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.

Public Assistance Trust Fund – receipts and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes, unless responsibility has been transferred to Somerset County.

NOTES TO FINANCIAL STATEMENTS

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.

New Jersey statutes require municipalities to provide annual funding to Free Public Libraries through the Current Fund Budget. Amounts paid on behalf of the Free Public Library or transferred to the custody of the Library's management are recorded as budgetary expenditures of the Borough, notwithstanding the fact that the Library is recognized as a separate entity for financial reporting purposes. Under GAAP, the Library would be recognized, as a "component unit" of the Borough, and discrete reporting of the Library's financial position and operating results would be incorporated in the Borough's financial statements.

NOTES TO FINANCIAL STATEMENTS

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

C. Basis of Accounting (Cont'd.)

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.

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, 2015. Assets acquired through December 31, 2015 were valued based on actual costs, where available, and other methods, including current replacement values and estimated historical costs. However, the general fixed assets were not kept up to date for the year ended December 31, 2017 and 2016, respectively resulting in a qualification of opinion. Note 4 to the financial statements sets forth the status of the Borough's general fixed assets as of December 31, 2015. Subsequent to the balance sheet date, the Borough has contracted with an outside vendor to perform a complete inventory of its fixed assets.

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.

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 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. 80, "Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14" in January 2016. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements" in March 2016. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The requirements of this Statement are effective for periods beginning after December 15, 2016.

GASB issued Statement No. 82, "Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73" in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.

GASB issued Statement No. 83, "Certain Asset Retirement Obligations" in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

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]).

NOTES TO FINANCIAL STATEMENTS

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

C. Basis of Accounting (Cont'd.)

Recent Accounting Standards

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.

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.

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 2016 financial statements to conform with classifications used in fiscal year 2017.

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>2017</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 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 \$21,201,031.07 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended
 \$ 760,056,030.33 = 2.79%

<u>2016</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 27,025,000.00	\$ 27,025,000.00	\$
General Debt	<u>20,998,134.78</u>	<u>11,974.02</u>	<u>20,986,160.76</u>
	<u>\$ 48,023,134.78</u>	<u>\$ 27,036,974.02</u>	<u>\$ 20,986,160.76</u>

Net Debt \$20,986,160.76 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended
 \$ 733,867,951.33 = 2.86%

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

	<u>2017</u>	<u>2016</u>
3 1/2% of Equalized Valuation Basis	\$ 26,601,961.06	\$ 25,685,378.30
Municipal Net Debt	<u>21,201,031.07</u>	<u>20,986,160.76</u>
Remaining Borrowing Power	<u>\$ 5,400,929.99</u>	<u>\$ 4,699,217.54</u>

NOTES TO FINANCIAL STATEMENTS

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

C. Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding at December 31, 2017

Calendar Year	General		Total
	Principal	Interest	
2018	\$ 975,000.00	\$ 481,455.00	\$ 1,456,455.00
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	<u>1,085,000.00</u>	<u>320,325.00</u>	<u>1,405,325.00</u>
Subtotal	<u>5,102,000.00</u>	<u>2,014,055.00</u>	<u>7,116,055.00</u>
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	<u>650,000.00</u>	<u>131,218.75</u>	<u>781,218.75</u>
Subtotal	<u>5,225,000.00</u>	<u>986,268.75</u>	<u>6,211,268.75</u>
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	<u>650,000.00</u>	<u>48,750.00</u>	<u>698,750.00</u>
Subtotal	<u>3,250,000.00</u>	<u>422,093.75</u>	<u>3,672,093.75</u>
2033	650,000.00	29,250.00	679,250.00
2034	<u>650,000.00</u>	<u>9,750.00</u>	<u>659,750.00</u>
Subtotal	<u>1,300,000.00</u>	<u>39,000.00</u>	<u>1,339,000.00</u>
Total	\$ <u>14,877,000.00</u>	\$ <u>3,461,417.50</u>	\$ <u>18,338,417.50</u>

D. Bond Anticipation Notes

The Borough had outstanding Bond Anticipation Notes at December 31, 2017 as follows:

Issue Date	Maturity Date	Amount of Notes	Interest Rate
04/21/17	04/20/18	\$ 3,070,000.00	1.50%

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

G. Refinancing

On September 15, 2016, the Borough issued general improvement refunding bonds. The Bonds were issued by the Borough to provide funds to (i) advance refund all of the \$5,147,000 outstanding principal amount of the Borough's General Improvement Bonds, Series 2008, originally issued in the principal amount of \$9,672,000, dated February 28, 2008, which amount matures on February 15 in each of the years 2019 through 2026, inclusive (the "Refunded Bonds"), and (ii) provide for the costs associated with the authorization, sale and issuance of the Bonds.

The 2016 Refunding Bonds bear interest from their date of delivery, which interest shall be payable semi-annually on the first day of February and August, commencing February 15, 2017, in each of the years and at the interest rates of 4.00%, while yields, which reflect premiums or discounts, ranged from 0.86% to 1.91%. Net Present value savings amounted to \$379,992.32 or 7.383% of the Refunded Bonds. The Net Interest Cost (NIC) on the Refunding Bonds was 1.76%. The proceeds of the sale of \$5,406,337.03 includes a net premium of \$576,337.03 after deductions for underwriting fees and other costs associated with the issuance of the Refunding Bonds, for a net proceed amount, excluding additional proceeds of \$576,337.03, of \$5,406,337.03, which was used to payoff outstanding bonds.

The outstanding debt service with respect to the Township's Refunding Callable 2016 Bonds Issued and Outstanding at December 31, 2017 is as follows:

Calendar Year	General	
	Principal	Interest
2018		\$ 193,200.00
2019	\$ 590,000.00	181,400.00
2020	590,000.00	157,800.00
2021	615,000.00	133,700.00
2022	610,000.00	109,200.00
2023	610,000.00	84,800.00
2024	610,000.00	60,400.00
2025	605,000.00	36,100.00
2026	600,000.00	12,000.00
Total	\$ 4,830,000.00	\$ 968,600.00

Note 4: GOVERNMENTAL FIXED ASSETS - UNAUDITED

At December 31, 2017 the Borough's governmental fixed assets were unaudited. The activity for 2017 has not been updated. At December 31, 2015, the Borough's governmental fixed assets consisted of:

	2015
Land & Land Improvements	\$ 6,425,300.00
Buildings and Building Improvements	4,535,600.00
Furniture and Fixtures	208,113.00
Equipment	1,133,907.65
Vehicles and Equipment	3,007,787.85
	<u>\$ 15,310,708.50</u>

NOTES TO FINANCIAL STATEMENTS

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, 2017 and 2016 which were appropriated and included as anticipated revenue in their respective funds for the fiscal years ending December 31, 2017 and 2016 were as follows:

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

<u>Fund</u>	Fund Balance December 31, 2016	Utilized in Succeeding Budget
Current Fund	\$907,821.27	\$800,000.00

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, 2017 and 2016, the following deferred charges are shown on the balance sheets of the various funds:

	Balance December 31, 2017	Raised in 2018 Budget	Balance to Succeeding Years
Current Fund:			
Emergency Appropriation	\$20,000.00	\$5,000.00	\$15,000.00

	Balance December 31, 2016	Raised in 2017 Budget	Balance to Succeeding Years
Current Fund:			
Emergency Appropriation	\$25,000.00	\$5,000.00	\$20,000.00

NOTES TO FINANCIAL STATEMENTS

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.

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.

As of December 31, 2017, cash and cash equivalents and investments of the Borough on deposit and on-hand consisted of the following:

	<u>2017</u>
Demand Accounts	\$5,514,270.35
Change Funds (On Hand)	400.00
NJCMF	<u>39,825.24</u>
Total	<u>\$5,554,495.59</u>

Based upon GASB criteria, the Borough considers change funds; cash in banks, investments in certificates of deposit and State of New Jersey Cash Management Fund as cash and cash equivalents. At December 31, 2017, the carrying amount of the Borough's deposits was \$5,132,347.10, and the bank balance was \$5,554,095.59. Of the bank balance, \$250,000.00 was covered by federal depository insurance, \$5,264,270.35 was covered under the provisions of NJGUDPA and \$39,825.24 was held in cash management funds. In addition, \$566,278.29 was held by the Plan Administrator for the LOSAP Program (Unaudited).

NOTES TO FINANCIAL STATEMENTS

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

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.
- (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.

As of December 31, the Borough was subject to Custodial Credit Risk in the following amounts:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured—FDIC	\$250,000.00
Insured—NJGUDPA (N.J.S.A. 17:941)	5,264,270.35
Held by Trustee (LOSAP - unaudited)	566,278.29
Total	<u>\$6,080,548.64</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.

NOTES TO FINANCIAL STATEMENTS

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

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;
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. The Borough had \$39,825.24 invested in the New Jersey Cash Management Fund as at December 31, 2017.

NOTES TO FINANCIAL STATEMENTS

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. 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 30-year 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D.)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

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, 2017:

Inactive plan members or beneficiaries currently receiving benefits	170,124
Inactive plan members entitled to but not yet receiving benefits	650
Active plan members	<u>254,685</u>
 Total	 <u>425,459</u>

Contributing Employers – 1,705

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 assets.

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

For the year ended December 31, 2017 the Borough's total payroll for all employees was \$4,777,782. Total PERS covered payroll was \$1,396,420. Due to payroll system limitations, 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 Chapter 78, P.L. 2011, 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 7.20% for State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. 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's cash basis contributions to the Plan for the years ended December 31, 2016 and 2017 were \$151,648 and \$178,776, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D.)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D.)

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, 2016 and 2017 consisted of the following:

	<u>2016</u>	<u>2017</u>
Normal Cost	\$ 20,781	\$ 23,206
Amortization of Accrued Liability	<u>95,728</u>	<u>118,099</u>
Total Pension	116,509	141,305
NCGI Premiums	<u>6,238</u>	<u>7,052</u>
Total Regular Billing	122,747	148,357
LTD Expense		837
Additional Billings:		
Ch. 19, P.L. 2009	9,792	9,900
ERI #1	11,264	11,602
ERI #2	<u>7,845</u>	<u>8,080</u>
Total PERS Payment	<u>\$151,648</u>	<u>\$178,776</u>

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.

ERI #1 billings reflect the recoupment of the additional costs of pensions and health benefits, plus interest, resulting from the Borough's participation in the 1991 early retirement program. The repayment term is 27 years, commencing with bills due on April 1, 1995.

ERI #2 billings reflect the recoupment of the additional costs of pensions and health benefits, plus interest, resulting from the Borough's participation in the 1993 early retirement program. A variety of repayment terms were offered as part of this retirement incentive 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

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D.)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D.)

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

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.

At June 30, 2017, the PERS reported a net pension liability of \$23,278,401,588 for its Non-State Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Borough was \$4,458,686 or 0.019154%. At June 30, 2016, the PERS reported a net pension liability of \$29,617,131,759 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's the net pension liability for the Non-State Employer Member Group that is attributable to the Borough was \$4,945,947 or 0.016700%.

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

Inflation rate	2.25%
Salary Increases: Through 2026	1.65-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee 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 plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

NOTE 10: PENSION PLANS (CONT'D.)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D.)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real 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 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D.)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D.)

Sensitivity of Net Pension Liability – The following presents the net pension liability of PERS participating employers as of June 30, 2017, 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 (4.00%)	At current discount rate (5.00%)	At 1% increase (6.00%)
State	\$29,818,581,732	\$25,645,622,797	\$22,179,578,513
Local	<u>28,878,437,027</u>	<u>23,278,401,588</u>	<u>18,612,878,069</u>
PERS Plan Total	<u>\$58,697,018,759</u>	<u>\$48,924,024,385</u>	<u>\$40,792,456,582</u>
Borough's proportionate share of the net pension liability	<u>\$5,531,302</u>	<u>\$4,458,686</u>	<u>\$3,565,063</u>

Components of Net Pension Liability – The components of net pension liability for PERS, including the State of New Jersey, at June 30, 2017 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$32,535,896,852	\$44,852,367,051	\$77,388,263,903
Plan Fiduciary Net Position	<u>6,890,274,055</u>	<u>21,573,965,463</u>	<u>28,464,239,518</u>
Net Pension Liability	<u>\$25,645,622,797</u>	<u>\$23,278,401,588</u>	<u>\$48,924,024,385</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>
2018	\$121,585
2019	171,508
2020	168,413
2021	45,942
2022	<u>(33,057)</u>
Total	<u>\$474,390</u>

Changes in Proportion - The previous amounts include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) in the allocated amortization above over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2017, 2016, 2015, and 2014 amounts, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D.):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM

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, 2017:

Inactive plan members or beneficiaries currently receiving benefits	43,011
Inactive plan members entitled to but not yet receiving benefits	47
Active plan members	<u>40,789</u>
 Total	 <u>83,847</u>

Contributing Employers – 586

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

For the year ended December 31, 2017 the Borough's total payroll for all employees was \$4,777,782. Total PFRS covered payroll was \$2,398,975. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the Borough to active employees covered by the Plan.

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 assets.

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 contributions rate was 10.0% in State fiscal year 2017. 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's cash basis contributions to the Plan for the years ended December 31, 2016 and 2017 were \$705,631 and \$659,413, respectively. 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 made in the years ending December 31, 2016 and 2017 consisted of the following:

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D.):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

	<u>2016</u>	<u>2017</u>
Normal Cost	\$214,738	\$ 201,849
Amortization of Accrued Liability	<u>397,221</u>	<u>365,390</u>
Total Pension	611,959	567,239
NCGI Premiums	<u>28,553</u>	<u>25,780</u>
Total Regular Billing	640,512	593,019
Additional Billings:		
Ch. 19, P.L. 2009	33,493	33,819
ERI #1	<u>31,626</u>	<u>32,575</u>
Total PFRS Payment	<u>\$705,631</u>	<u>\$659,413</u>

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except 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 on or after June 28, 2011

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

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 fiscal period in which such payments will become due and payable.

At June 30, 2017, the PFRS reported a net pension liability of \$15,438,066,691 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$11,746,379, or 0.076087%. At June 30, 2016, the PFRS reported a net pension liability of \$19,102,557,969 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$13,893,801, or 0.072733%.

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D.):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

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

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

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and three years using the plan actuary's modified 2014 projection scales and further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then three years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

The long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D.):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real 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 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D.):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

Sensitivity of Net Pension Liability – The following presents the collective net pension liability of the participating employers as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease (5.14%)	At current discount rate (6.14%)*	At 1% increase (7.14%)
State	\$ 5,202,348,756	\$ 4,395,743,141	\$ 3,734,560,750
Local	<u>22,619,279,081</u>	<u>17,167,260,198</u>	<u>12,687,806,745</u>
PFRS Plan Total	<u>\$27,821,627,837</u>	<u>\$21,563,003,339</u>	<u>\$16,422,367,495</u>
Borough's proportionate share of the net pension liability	<u>\$17,210,357</u>	<u>\$11,746,379</u>	<u>\$9,653,786</u>

*- Local Share includes \$1,729,193,507 of Special Funding Situation allocated to the State of NJ as a non-employer.

Components of Net Pension Liability – The components of the net pension liability for PFRS, including the State of New Jersey, at June 30, 2017 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 5,939,531,281	\$41,471,190,457	\$47,410,721,738
Plan Fiduciary Net Position	<u>1,543,788,140</u>	<u>24,303,930,259</u>	<u>25,847,718,399</u>
Net Pension Liability	<u>\$ 4,395,743,141</u>	<u>\$17,167,260,198</u>	<u>\$21,563,003,339</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>
2018	\$186,472
2019	432,333
2020	(32,696)
2021	(528,466)
2022	<u>(174,492)</u>
Total	<u>\$(116,849)</u>

Changes in Proportion - The previous amounts include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) in the allocated amortization above over the average of the expected remaining service lives of all plan members, which is 5.59, 5.58, 5.53, and 6.17 years for the 2017, 2016, 2015 and 2014 amounts, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLANS (CONT'D.):

C: DEFINED CONTRIBUTION RETIREMENT PLAN

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

Plan Membership and Contributing Employers- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established “maximum compensation” limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. 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 nonforfeitable. A participant’s interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

For the year ended December 31, 2017 the Borough had no employees eligible for enrollment in the DCRP.

D. Cumulative PERS and PFRS Deferred Outflows of Resources and Deferred Inflows of Resources

	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total Pension Expense</u>
PERS	\$ 4,458,686	\$1,779,399	\$1,305,009	\$351,547
PFRS	<u>11,746,379</u>	<u>2,421,196</u>	<u>2,538,045</u>	<u>1,112,040</u>
Total	<u>\$16,205,065</u>	<u>\$4,200,595</u>	<u>\$3,843,054</u>	<u>\$1,463,587</u>

Note 11: POST EMPLOYMENT HEALTH BENEFITS

Plan Description: The Borough of Bound Brook 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.

NOTES TO FINANCIAL STATEMENTS

Note 11: POST EMPLOYMENT HEALTH BENEFITS (CONT'D.)

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The Borough of Bound Brook provides postretirement health benefits to retirees of the PBA, SOA and AFSCME only. 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 be contributed based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

All employees of the Borough are entitled to post employment health benefits, excluding dental coverage, at existing pre-retirement levels, upon retirement with twenty-five years of service as an employee of the Borough, pursuant to the provisions of C.78, P.L. 2011. The Borough's share of premiums to pay for the health premiums of participating retirees in the SHBP are billed to the Borough of Bound Brook on a monthly basis. Employees with less than 20 years of creditable service as of June 28, 2011 are, upon qualified retirement, required to contribute to the costs of post employment health insurance. Contributions are calculated on a sliding scale and are based upon the amount of the retirement allowance provided by the pension system. No contribution is required for retirees and active employees with 20 or more years of creditable service as of June 28, 2011.

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, 2017 and 2016, the estimated value of accumulated and unused compensated absences, was \$464,621.76 and \$708,305.21, 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, 2017.

NOTES TO FINANCIAL STATEMENTS

Note 13: LEASES

The Borough has acquired vehicles and equipment through a leasing program sponsored by the Somerset County Improvement Authority and financed by TD Equipment Finance, Inc. Significant terms and minimum payments relating to the leases are as follows:

2016 Lease Program:

Lease Payment Schedule:

Date:	October 1, 2016	<u>Date</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
Amount:	\$93,087.99				
Interest Rate:	1.85%	10/1/18	\$ 32,184.43	\$ 31,025.85	\$ 1,158.58
		10/1/19	<u>32,184.43</u>	<u>31,599.84</u>	<u>584.59</u>
		Totals	<u>\$ 64,368.86</u>	<u>\$ 62,625.69</u>	<u>\$ 1,743.17</u>

Note 14: LENGTH OF SERVICE AWARD PROGRAM (LOSAP) - UNAUDITED

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, LOSAP is subject to an accountant's review report and is unaudited. The unaudited LOSAP balances are included within the Trust Fund.

Note 15: 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

Note 16: 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 2016 were \$251,746.75 and taxes in 2016 that otherwise would have been due on these long-term tax exemptions amounted to \$1,096,820.22, based upon the assessed valuations of the long-term tax exemptions properties.

NOTES TO FINANCIAL STATEMENTS

Note 17: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets as of December 31, 2017:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 186.74	\$ 1,926,210.77
S & F Grant Fund	173,417.01	
Assessment Trust Fund		186.74
Animal Control Fund	27,057.80	7,000.00
Other Trust Fund	1,181,407.77	101,231.96
General Capital Fund	652,560.15	
Total	<u>\$ 2,034,629.47</u>	<u>\$ 2,034,629.47</u>

Note 18: 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, 2017, the Borough does not believe that any material liabilities will result from such audits.

Contractual Commitments

As of December 31, 2017, the Borough of Bound Brook was a party to various construction contracts and commitments that totaled \$795,233. Various Capital Improvements with total commitments of \$663,432; Various Public Improvements with total commitments of \$58,888; Various Equipment with total commitments of \$30,000; Sewer Repair and Rehab with total commitments of \$21,472 and Road Construction Projects with total commitments of \$21,441.

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 19: SUBSEQUENT EVENTS

The following bond ordinances were authorized subsequent to the balance sheet date:

The Borough issued Bond Anticipation Notes dated April 20, 2018 with a maturity date of April 19, 2019. The BAN's were issued for \$2,838,000 with an interest rate of 2.75%.

The Borough issued Bond Anticipation Notes dated August 9, 2018 with a maturity date of August 9, 2019. The BAN's were issued for \$1,846,050 with an interest rate of 3.00%.

The Borough appropriated \$324,000 therefore authorized the issuance of \$307,800 Bond and/or Notes dated April 10, 2018, for Improvements to Codrington Park.

The Borough appropriated \$400,000 therefore authorized the issuance of \$380,000 Bond and/or Notes dated April 24, 2018, for Reconstruction of East Second Street.

The Borough appropriated \$1,110,000 therefore authorized the issuance of \$1,077,625 Bond and/or Notes dated September 25, 2018, for Various Capital Improvements.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY



PART II
REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF BOUND BROOK
 SCHEDULE OF THE DISTRICT'S SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Borough's Proportion of the Net Pension Liability	0.018984%	0.017897%	0.014277%	0.016700%	0.019154%
Borough's Proportionate Share of the Net Pension Liability	\$3,628,155	\$3,350,892	\$3,204,981	\$4,945,947	\$4,458,686
Borough's Covered-Employee Payroll	\$1,197,161	\$1,217,865	\$1,258,125	\$1,379,485	\$1,396,420
Borough's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	303.06%	275.14%	254.74%	358.54%	319.29%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	48.72%	52.08%	47.93%	40.14%	48.10%

* Amounts presented for each fiscal year were determined as of June 30.

BOROUGH OF BOUND BROOK
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 170,562	\$ 175,828	\$ 151,648	\$ 178,776
Contribution in Relation to Contractually Required Contribution	<u>\$ (170,562)</u>	<u>\$ (175,828)</u>	<u>\$ (151,648)</u>	<u>\$ (178,776)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Borough's Proportionate Share of the Payroll	\$ 1,217,865	\$ 1,258,125	\$1,379,485	\$1,396,420
Contributions as a percentage of Covered Employee Payroll	14.01%	13.98%	10.99%	12.80%

* Amounts presented for each fiscal year were determined as of June 30.

Note: Due to limitations within the system, payroll for Covered Employees as reported reflects "Pensionable Salaries" only. Specifically not included are overtime pay and special duty pay funded by third parties.

BOROUGH OF BOUND BROOK
 SCHEDULE OF THE DISTRICT'S SHARE OF THE NET PENSION LIABILITY
POLICE AND FIREMENS RETIREMENT SYSTEM (Non-State, Non Special Funding Employer Group)

Last 10 Fiscal Years*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Proportion of the Non-State Employer Group Net Pension Liability attributable to the District	0.074075%	0.076614%	0.078798%	0.072733%	0.076087%
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State Employer Group	\$9,847,608	\$9,637,291	\$13,125,037	\$13,893,801	\$11,746,379
District's Covered-Employee Payroll	\$2,172,315	\$2,256,044	\$2,325,819	\$2,446,141	\$2,398,975
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State Employer Group as a percentage of the District's Covered-Employee Payroll	453.32%	427.18%	564.32%	567.99%	489.64%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (See Note Below)	55.71%	62.41%	56.31%	52.01%	58.60%

* Amounts presented for each fiscal year were determined as of June 30.

Note: Due to limitations within the system, payroll for Covered Employees as reported reflects "Pensionable Salaries" only. Specifically not included are overtime pay and special duty pay funded by third parties.

BOROUGH OF BOUND BROOK
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
POLICE AND FIREMENS RETIREMENT SYSTEM (Non-State, Non Special Funding Employer Group)

Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 602,987	\$ 652,545	\$ 705,631	\$ 659,413
Contribution in Relation to Contractually Required Contribution	<u>\$ (602,987)</u>	<u>\$ (652,545)</u>	<u>\$ (705,631)</u>	<u>\$ (659,413)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Borough's Proportionate Share of the Payroll	\$ 2,256,044	\$ 2,325,819	\$2,446,141	\$2,398,975
Contributions as a percentage of Covered Employee Payroll	26.73%	28.06%	28.85%	27.49%

* Amounts presented for each fiscal year were determined as of June 30.

Note: Due to limitations within the system, payroll for Covered Employees as reported reflects "Pensionable Salaries" only. Specifically not included are overtime pay and special duty pay funded by third parties.

Note: Contractually required contributions include mandated annual payments resulting from the Borough's participation in authorized ERI and pension deferral programs. See Note 9.

BOROUGH OF BOUND BROOK
COUNTY OF SOMERSET, NEW JERSEY

NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
DECEMBER 31, 2017

NOTE 1. CHANGES IN ASSUMPTIONS

The following information is as abstracted from the State of New Jersey, Division of Pension and Benefits, Financial Statements and Supplementary Schedules report as of June 30, 2017, dated March 29, 2018. This information pertains to the RSI schedules of changes in net pension liability contained in that report.

PERS

Changes in benefit terms - None

Changes in assumptions - For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

PFRS

Changes in benefit terms - In 2017, Chapter 26, P.L. 2016 increased the accidental death benefit payable to children if there is no surviving spouse to 70% of final compensation.

Changes in assumptions - For 2017, the discount rate changed to 6.14% and the long-term rate of returned changed to 7.00%. For 2016, the discount rate changed to 5.55%, the long-term expected rate of return changed to 7.65% from 7.90%, and the mortality improvement scale incorporated the plan actuary's modified 2014 projection scale. Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age) through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 5.79% and demographic assumptions were revised in accordance with the results of the July 1, 2010 - June 30, 2013 experience study. For 2014, the discount rate was 6.32%.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY

PART III

SUPPLEMENTARY SCHEDULES

Current Fund

CURRENT FUND
SCHEDULE OF CASH TRANSACTIONS

	<u>Ref.</u>		
Cash Balance - December 31, 2016	A		\$ 2,025,481.33
Increased by Cash Receipts			
Petty Cash Returned	A-5	200.00	
Due NJ Sr Citizens and Veterans Deductions	A-6	56,892.47	
Taxes Receivable	A-7	24,751,217.12	
Tax Title Liens	A-8	9,051.11	
Revenue Accounts Receivable	A-9	3,204,196.55	
Sewer Rents Receivable	A-10	1,507,568.86	
Refuse Disposal Fees	A-11	473,076.67	
Grant Funds Received	A-12	34,492.13	
Interfunds	A-12	2,188,037.33	
Tax Overpayments	A-17	12,978.00	
Prepaid 2018 Property Taxes	A-18	635,009.60	
Prepaid Refuse Disposal Fees	A-21	9,354.57	
Prepaid-Sewer Rents	A-22	2,364.97	
Other Reserves	A-23	<u>1,424.00</u>	
Total Cash Receipts			<u>32,885,863.38</u> 34,911,344.71
Decreased by Disbursements			
Refunds Prior Year Revenues	A- 1		
Budget Appropriations	A- 3	12,858,538.51	
Petty Cash Advanced	A- 5	200.00	
Grant Fund Expenditures	A-12	59,868.94	
Interfunds	A-12	235,807.89	
Appropriation Reserves	A- 15	343,498.44	
Non-Municipal Taxes Payable	A-16	17,247,445.08	
Tax Overpayment Refunds	A-17	<u>17,616.49</u>	
Total Cash Disbursements			<u>30,762,975.35</u>
Cash Balance - December 31, 2017	A		\$ <u><u>4,148,369.36</u></u>

**CURRENT FUND
SCHEDULE OF CHANGE PETTY CASH AND CHANGE FUNDS**

	<u>BALANCE DECEMBER 31 2016</u>	<u>ADVANCED</u>	<u>RETURNED</u>	<u>BALANCE DECEMBER 31 2017</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, 2016	A	\$ 1,090.73
Increased by:		
Allowable Deductions per Tax Billings	A-6	<u>58,750.00</u>
		59,840.73
Decreased by:		
Collected	A-4	56,892.47
2017 Sr. Citizens and Vet. Ded. Disallowed by Collector	A-6	<u>375.00</u>
		<u>57,267.47</u>
Balance - December 31, 2017	A	\$ <u>2,573.26</u>
<u>Analysis of Sr. Citizens & Veterans Deductions Allowed - 2017 Taxes</u>		
Per Tax Billings	A-6	58,750.00
Allowed (Disallowed) by Tax Collector (Net)	A-6	<u>(375.00)</u>
	A-7	\$ <u>58,375.00</u>

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

YEAR	BALANCE DEC. 31, 2016	2017 LEVY	Added Taxes	COLLECTIONS BY CASH 2017	STATE SHARE OF SR. CIT & VET. DEDUCTIONS	REMITTED OR CANCELLED	BALANCE DEC. 31, 2017
2016	\$ 489,453.09	\$ -	313.79	\$ 489,762.40	\$ -	\$ -	4.48
	489,453.09	-	313.79	489,762.40	-	-	4.48
2017	25,061,841.37	91,318.70	24,261,454.72	58,375.00	41,801.14	608,891.81	
	<u>\$ 489,453.09</u>	<u>\$ 25,061,841.37</u>	<u>\$ 313.79</u>	<u>\$ 24,751,217.12</u>	<u>\$ 58,375.00</u>	<u>\$ 41,801.14</u>	<u>\$ 608,896.29</u>

Ref.	A	Reserve	A-2, A-18	A-2, A-4	A-2, A-6	Reserve	A
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Analysis of 2017 Property Tax Levy:

Tax Yield:

General Purpose	\$ 24,901,071.78
Added Taxes	42,758.13
Special District Taxes	<u>118,011.46</u>
	<u>\$ 25,061,841.37</u>

Tax Levy:

Local School Tax (Abstract)	A-16	\$ 14,183,103.00
Special District Tax	A-16	118,011.46
County Tax (Abstract)	A-16	2,369,292.73
County Library Tax (Abstract)	A-16	347,895.77
County Open Space Tax (Abstract)	A-16	224,460.71
Added County Tax	A-16	<u>5,075.12</u>

Local Tax for Mun. Purposes (Abstract)
Add: Additional Tax Levied

17,247,838.79
<u>7,771,545.00</u>
<u>42,457.58</u>
<u>7,814,002.58</u>

\$ 25,061,841.37

**SCHEDULE OF TAX TITLE LIENS
CURRENT FUND**

	<u>REF.</u>	
Balance - December 31, 2016	A	\$ 36,562.71
Decreased by:		
Collections	A - 4	<u>9,051.11</u>
Balance - December 31, 2017	A	\$ <u><u>27,511.60</u></u>

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
CURRENT FUND

	REF.	BALANCE DECEMBER 31, 2016	2017 ACCRUED	2017 COLLECTED	BALANCE DECEMBER 31, 2017
Alcoholic Beverage Licenses	A-2	\$	\$40,938.00	\$40,938.00	\$
Other Licenses	A-2		27,830.00	27,830.00	
Fees and Permits:					
Clerk	A-2		26,315.72	26,315.72	
Rental Inspection Fees	A-2		8,250.00	8,250.00	
Planning Fees	A-2		2,500.00	2,500.00	
Zoning Fees	A-2		5,220.00	5,220.00	
Resale Fees	A-2		10,015.00	10,015.00	
Vacant Property Registration	A-2		138,000.00	138,000.00	
Interest and Costs on Taxes	A-2		163,492.09	163,492.09	
Parking Meter - Municipal	A-2		50,768.80	50,768.80	
Interest on Investments and Deposits	A-2		23,322.62	23,322.62	
Parking Lot Fees	A-2		131,615.30	131,615.30	
Cable TV Franchise Fee	A-2		122,304.03	122,304.03	
Uniform Construction Code Fees	A-2		92,293.00	92,293.00	
Administrative Fees-Off Duty Police	A-2		119,757.17	119,757.17	
Uniform Fire Safety Act - LEA Rebates	A-2		13,895.13	13,895.13	
Inspection Fees	A-2		300,955.00	300,955.00	
Train Station Rent	A-2		24,200.00	24,200.00	
PILOT Payment (Queensgate)	A-2		210,193.60	210,193.60	
Meridia Payment	A-2		40,000.00	40,000.00	
Energy Receipts Tax	A-2		934,663.00	934,663.00	
Consolidated Municipal Property Tax Relief Act	A-2		184,047.00	184,047.00	
Municipal Court - Fines & Costs	A-2	<u>24,905.35</u>	<u>351,593.48</u>	<u>350,146.20</u>	<u>26,352.63</u>
		<u>24,905.35</u>	<u>3,022,168.94</u>	<u>3,020,721.66</u>	<u>26,352.63</u>
Miscellaneous Revenue Not Anticipated:					
Alarm Registration			270.00	270.00	
County Library Board			20,897.00	20,897.00	
FEMA Reimbursement			7,665.66	7,665.66	
Fire Prevention Bureau			6,205.00	6,205.00	
Housing Inspections			2,314.00	2,314.00	
Parking Lot Fees			8,500.25	8,500.25	
Property Maintenance			11,816.37	11,816.37	
Refuse Stickers			18,252.50	18,252.50	
Sr. Cit. & Vet. Admin. Fee			1,137.85	1,137.85	
Miscellaneous			<u>106,416.26</u>	<u>106,416.26</u>	
	A-2		<u>183,474.89</u>	<u>183,474.89</u>	
		<u>\$24,905.35</u>	<u>\$3,205,643.83</u>	<u>\$3,204,196.55</u>	<u>\$26,352.63</u>
Ref.		A	Reserve	A-4	A

SCHEDULE OF SEWER RENTS RECEIVABLE
CURRENT FUND

	<u>REF.</u>		
Balance - December 31, 2016	A	\$	130,866.09
Increased by:			
Sewer Rent Billings	Reserve		<u>1,536,298.01</u>
			1,667,164.10
Decreased by:			
Collected	A-2, A-4		<u>1,507,568.86</u>
Balance - December 31, 2017	A	\$	<u><u>159,595.24</u></u>

SCHEDULE OF REFUSE DISPOSAL FEES RECEIVABLE
CURRENT FUND

	<u>REF.</u>		
Balance - December 31, 2016	A	\$	71,280.76
Increased by:			
Refuse Disposal Fee Billings and Sticker Sales	Reserve		<u>502,215.00</u>
			573,495.76
Decreased by:			
Collected	A-2, A-4	473,076.67	
Prepaid Fees Applied	A-2, A-21	24,913.55	
Remitted & Cancelled	Reserve	<u>17,070.07</u>	
			<u>515,060.29</u>
Balance - December 31, 2017	A	\$	<u><u>58,435.47</u></u>

**CURRENT FUND
SCHEDULE OF INTERFUNDS**

	BALANCE DECEMBER 31, 2016	INCREASES	DECREASES	BALANCE DECEMBER 31, 2017
Interfunds Loans Due From or (To):				
Assessment Trust Fund	\$ 174.33	\$ 95.92	\$ 83.51	\$ 186.74
Animal Control Trust Fund	2.16		26,400.32	(26,398.16)
Trust Other Fund	43,225.98		1,224,633.75	(1,181,407.77)
Grant Fund	(198,793.82)	120,893.70	146,270.51	(173,417.01)
General Capital Fund	<u>(80.05)</u>	<u>936,919.75</u>	<u>392,011.97</u>	<u>(544,987.83)</u>
Total	\$ <u>(155,471.40)</u>	\$ <u>1,057,909.37</u>	\$ <u>1,789,400.06</u>	\$ <u>(1,926,024.03)</u>
	<u>Ref.</u>	A		A
Receivables	\$ 43,402.47			\$ 186.74
Payables	<u>(198,873.87)</u>			<u>(1,926,210.77)</u>
Total	\$ <u>(155,471.40)</u>			\$ <u>(1,926,024.03)</u>
Grant Revenues Realized	A-2	\$	\$ 86,401.57	
Grant Appropriations Charged	A-3		86,401.57	
Grants Deposited to Current Fund	A-4		34,492.13	
Grant Expenditures Paid by Current	A-4		59,868.94	
Cash Received	A-4	936,919.75	1,251,117.58	
Cash Disbursed	A-4	95.92	235,711.97	
Revenue	A-2		<u>156,300.00</u>	
Total		\$ <u>1,057,909.37</u>	\$ <u>1,789,400.06</u>	

SCHEDULE OF DEFERRED CHARGES

	<u>Ref.</u>	BALANCE DECEMBER 31, 2016	RAISED IN 2017 BUDGET	BALANCE DECEMBER 31, 2017
Emergency Authorization	A-3	\$ 25,000.00	\$ 5,000.00	\$ 20,000.00
		<u>\$ 25,000.00</u>	<u>\$ 5,000.00</u>	<u>\$ 20,000.00</u>
	<u>Ref.</u>	A	A-3	A

SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>REF.</u>	
Balance - December 31, 2016	A	\$ 112,421.24
Increased by:		
2017 Budget Encumbrances	A-3	<u>133,316.98</u>
		245,738.22
Decreased by:		
Tranferred to 2016 Appropriation Reserves	A-15	<u>112,421.24</u>
Balance - December 31, 2017	A	<u>\$ 133,316.98</u>

SCHEDULE OF 2016 APPROPRIATION RESERVES

	<u>BALANCE-DEC. 31, 2016</u>		<u>AMOUNT</u>	<u>PAID OR</u>	<u>BALANCE</u>
	<u>APPROP.</u>	<u>RESERVE FOR</u>	<u>AFTER</u>	<u>CHARGED</u>	<u>LAPSED</u>
	<u>RESERVES</u>	<u>ENCUMBRANCES</u>	<u>MODIFICATION</u>		
<u>OPERATIONS WITHIN "CAPS"</u>					
<u>GENERAL GOVERNMENT</u>					
Administrative and Executive:					
Salaries and Wages	\$ 2.42	\$	\$ 2.42	\$	2.42
Other Expenses	33.89	4,558.86	6,492.75	2,943.09	3,549.66
Municipal Clerk:					
Salaries and Wages	0.90		0.90		0.90
Other Expenses	27.08	1,800.00	2,316.08	2,315.31	0.77
Elections:					
Other Expenses	0.52		0.52		0.52
Financial Administration:					
Salaries and Wages	0.90		0.90		0.90
Other Expenses	2,585.10	2,000.00	2,310.10	2,309.87	0.23
Assessment of Taxes:					
Salaries and Wages	0.92		0.92		0.92
Other Expenses	54.11	493.81	547.92	494.17	53.75
Collection of Taxes:					
Salaries and Wages	19.81		19.81		19.81
Other Expenses	76.79	3,763.39	4,236.18	4,235.18	1.00
Legal Services and Costs:					
Other Expenses	33,086.92	5,249.20	37,036.12	20,176.60	16,859.52
Engineering Services and Costs:					
Other Expenses	11,428.75		12,728.75	12,707.25	21.50
Public Buildings and Grounds:					
Salaries and Wages	0.20		0.20		0.20
Other Expenses	1,950.57	6,173.39	8,123.96	3,464.89	4,659.07
Inspection Department:					
Salaries and Wages	0.69		0.69		0.69
Other Expenses	40.20	550.00	691.20	690.45	0.75
Planning Board:					
Salaries and Wages	39.89		39.89		39.89
Other Expenses	1,472.05	80.00	1,552.05	276.57	1,275.48
<u>GENERAL GOVERNMENT (Cont'd.)</u>					
Shade Tree Commission:					
Other Expenses	161.82	6,095.00	6,256.82	6,095.00	161.82
Economic Development Program:					
Other Expenses	612.38		612.38	306.00	306.38
<u>PUBLIC SAFETY</u>					
Municipal Court:					
Salaries and Wages	801.28		801.28	233.91	567.37
Other Expenses	169.58	1,130.00	1,753.58	1,752.71	0.87
Public Defender					
Other Expenses	50.00		50.00		50.00
Fire:					
Other Expenses	29.59	4,280.04	5,439.63	4,075.48	1,364.15
Fire Safety Bureau:					
Salaries and Wages	34.17		34.17		34.17
Other Expenses	915.00		915.00		915.00
Police:					
Salaries and Wages	149,263.27		149,263.27	103,238.66	46,024.61
Other Expenses	2,764.46	63,555.71	66,320.17	51,020.59	15,299.58
Insurance:					
Health Benefits Waiver - S&W	276.96		276.96		276.96
Other Insurance	0.10		0.10		0.10
Health Benefits	670.26		173.26	74.00	99.26
Parking Meter Maintenance:					
Salaries and Wages	104.82		104.82		104.82
Other Expenses	68.91		68.91		68.91
Emergency Management Services:					
Other Expenses	232.01		232.01	160.47	71.54

SCHEDULE OF 2016 APPROPRIATION RESERVES

Exhibit A-15
Page 2 of 2

	<u>BALANCE-DEC. 31, 2016</u>		<u>AMOUNT</u>		
	<u>APPROP.</u>	<u>RESERVE FOR</u>	<u>AFTER</u>	<u>PAID OR</u>	<u>BALANCE</u>
	<u>RESERVES</u>	<u>ENCUMBRANCES</u>	<u>MODIFICATION</u>	<u>CHARGED</u>	<u>LAPSED</u>
<u>STREET AND ROADS</u>					
Road Repairs and Maintenance:					
Salaries and Wages	2,810.68		2,837.68	2,837.16	0.52
Other Expenses	11,446.89	4,493.72	7,801.61	7,547.31	254.30
Garbage and Trash Removal:					
Other Expenses	1,456.05		1,456.05	1,065.00	391.05
Recycling Contingency Fund:					
Other Expenses	21,627.24	3,360.00	24,987.24	24,081.75	905.49
<u>HEALTH AND WELFARE</u>					
Board of Health:					
Other Expenses	26.75		26.75		26.75
PEOSHA Act - Bd of Health	500.00		500.00		500.00
<u>RECREATION AND EDUCATION</u>					
Parks and Playgrounds:					
Other Expenses	8.92	110.00	118.92		118.92
Board of Recreation Commissioners (R.S. 40:12-1):					
Salaries and Wages:	43.66		43.66		43.66
Other Expenses	2,352.11	602.00	2,954.11	602.00	2,352.11
Celebration of Public Event, Anniv. Or Holid. (40:58-5.4):					
Other Expenses	0.24		0.24		0.24
Construction Official:					
Salaries and Wages:	49.86		49.86		49.86
Other Expenses	152.79	91.32	244.11	108.66	135.45
Unclassified:					
Gasoline	12,403.02	4,021.59	16,424.61	8,481.72	7,942.89
Telephone and Telegraph	946.59		946.59	843.21	103.38
Street Lighting	9,600.95		14,983.95	14,983.70	0.25
Fire Hydrant Service	9,261.25		9,261.25	8,976.25	285.00
Electric/Heating	19,243.38		19,618.38	19,614.41	3.97
Water	551.07		1,207.07	1,206.09	0.98
Contingent	500.00		500.00		500.00
Contribution To:					
Social Security System (O.A.S.I.)	287.98		287.98		287.98
State Unemployment Insurance	1,223.25	13.21	1,236.46	191.21	1,045.25
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>					
Sewerage Authority (40:14A-8):					
Share of Costs	36,389.99		36,389.99	36,389.77	0.22
Total	\$ 337,858.99	\$ 112,421.24	\$ 450,280.23	\$ 343,498.44	\$ 106,781.79
<u>Ref.</u>	A	A		A-4	A-1

**CURRENT FUND
SCHEDULE OF TAXES PAYABLE**

	BALANCE DECEMBER <u>31, 2016</u>	TAXES LEVIED	TAXES PAID	BALANCE DECEMBER <u>31, 2017</u>
County - General	\$ -	\$ 2,369,292.73	\$ 2,369,292.73	\$ -
County - Open Space	-	224,460.71	224,460.71	-
County - Library	-	347,895.77	347,895.77	-
County - Added & Omitted	-	5,075.12	5,075.12	-
Local School District Taxes	-	14,183,103.00	14,183,103.00	-
Special District Taxes	<u>10,214.97</u>	<u>118,011.46</u>	<u>117,617.75</u>	<u>10,608.68</u>
Total	\$ <u>10,214.97</u>	\$ <u>17,247,838.79</u>	\$ <u>17,247,445.08</u>	\$ <u>10,608.68</u>
<u>Ref.</u>	A	A-1, A-7	A-4	A

SCHEDULE OF TAX OVERPAYMENTS
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2016	A	\$ 23,973.47
Increased by:		
Tax Overpayments Received	A-4	<u>12,978.00</u>
		36,951.47
Decreased by:		
Refunded	A-4	<u>17,616.49</u>
Balance - December 31, 2017	A	\$ <u><u>19,334.98</u></u>

SCHEDULE OF PREPAID TAXES
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2016	A	\$ 91,318.70
Increased by:		
Prepaid 2018 Taxes Received	A-4	<u>635,009.60</u>
		726,328.30
Decreased by:		
Applied to 2017 Taxes	A-7	<u>91,318.70</u>
Balance - December 31, 2017	A	\$ <u><u>635,009.60</u></u>

SCHEDULE OF SEWER RENTS OVERPAYMENTS
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2016	A	\$ 1,027.10
Decreased by:		
Remitted & Cancelled	A-1	\$ <u>1,027.10</u>

SCHEDULE OF REFUSE DISPOSAL FEE OVERPAYMENTS
CURRENT FUND

	<u>REF.</u>	
Balance - December 31, 2016	A	\$ 150.30
Decreased by:		
Remitted & Cancelled	A-1	\$ <u>150.30</u>

**SCHEDULE OF PREPAID REFUSE DISPOSAL FEES
CURRENT FUND**

	<u>REF.</u>	
Balance - December 31, 2016	A	\$ 50,831.67
Increased by:		
Prepayments Received in 2017	A-4	<u>9,354.57</u>
		60,186.24
Decreased by:		
Prepayments Applied in 2017	A-11	<u>24,913.55</u>
Balance - December 31, 2017	A	\$ <u><u>35,272.69</u></u>

**SCHEDULE OF PREPAID SEWER RENTS
CURRENT FUND**

	<u>REF.</u>	
Balance - December 31, 2016	A	\$ 3,627.78
Increased by:		
Prepayments Received in 2017	A-4	<u>2,364.97</u>
Balance - December 31, 2017	A	\$ <u><u>5,992.75</u></u>

**CURRENT FUND
SCHEDULE OF OTHER RESERVES**

	BALANCE DECEMBER <u>31, 2016</u>	<u>INCREASES</u>	<u>DECREASES</u>	BALANCE DECEMBER <u>31, 2017</u>
Reserve for:				
Deferred Revenue:				
PILOT Extension	\$ 200,000.00	\$	\$	\$ 200,000.00
Meridia PILOT Extension	100,000.00		100,000.00	-
Proceeds from Asset Sales	7,788.00			7,788.00
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><u>317,480.48</u></u>	\$ <u><u>1,424.00</u></u>	\$ <u><u>100,000.00</u></u>	\$ <u><u>218,904.48</u></u>
<u>Ref.</u>	A	A-4	A-2	A

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

Exhibit - A-24

	BALANCE DEC. 31, 2016	2017 BUDGET REVENUE REALIZED	COLLECTED 2017	TRANS. FROM STATE & FED. GRANTS UNAPPROP.	BALANCE DEC. 31, 2017
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
Alcohol Ed. & Rehab.		3,281.34	3,281.34		-
Body Armor Fund		2,428.28	2,428.28		-
Clean Communities Program		16,838.00	16,838.00		-
Drive Sober or Get Pulled Over		1,550.00		1,550.00	-
Drunk Driving Enforcement Act		13,602.56			13,602.56
Firefighters/EMS Grant		977.00			977.00
NJ Forest Service Community Forestry Program		30,000.00			30,000.00
Recycling Tonnage Grant		7,819.49			7,819.49
Safe Passage Grant		1,904.90		80.00	1,824.90
Somerset County Youth Services Grant		6,000.00		6,000.00	-
Sustainable NJ		2,000.00			2,000.00
	<u>\$ 616,855.62</u>	<u>\$ 86,401.57</u>	<u>\$ 22,547.62</u>	<u>\$ 7,630.00</u>	<u>\$ 673,079.57</u>

Ref.

A

A-2,A-25

A-27

A-26

A

SCHEDULE OF STATE AND FEDERAL GRANTS APPROPRIATED
GRANT FUND

	BALANCE DEC. 31 2016	TRANSF. FROM 2017 BUDGET	RESERVE FOR ENCUMB. 2016	PAID OR CHARGED	RESERVE FOR ENCUMB. 2017	BALANCE DEC. 31 2017
Drunk Driving Enforcement Fund	\$ 41,653.89	\$ 13,602.56	\$	\$ 484.44	\$	\$ 54,772.01
Alcohol Education and Rehabilitation	6,212.38	3,281.34		3,000.00		6,493.72
Body Armor Fund	3,782.90	2,428.28	5,734.80	5,575.50	159.30	6,211.18
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	-	16,838.00		18,809.00		(1,971.00)
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	150.00	1,550.00				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
NJ Forest Service Community Forestry Program		30,000.00				30,000.00
Public Works Grant-Match	123,573.66		1,260.00	32,000.00	13,222.56	79,611.10
Recycling Tonnage Grant	10,271.70	7,819.49				18,091.19
Safe Corridors Program	10,220.41	1,904.90				12,125.31
Somerset Cty Youth Athletic Grant	15,245.90					15,245.90
Somerset Cty Youth Services Grant	-	6,000.00				6,000.00
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>\$ 801,024.64</u>	<u>\$ 86,401.57</u>	<u>\$ 6,994.80</u>	<u>\$ 59,868.94</u>	<u>\$ 13,381.86</u>	<u>\$ 821,170.21</u>

Ref.

A A-3,A-24

A

A-27

A

A

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

	BALANCE DEC. 31 <u>2016</u>	GRANTS RECEIVED <u>2017</u>	APPROP. IN 2017 <u>BUDGET</u>	BALANCE DEC 31 <u>2017</u>
Body Armor Replacement Fund	\$	\$	\$	\$ -
Safe Passage Grant	80.00		80.00	-
Somerset County Youth Services Grant	1,000.00	1,000.00	1,000.00	1,000.00
Somerset County Youth Athletic Grant	5,000.00	5,000.00	5,000.00	5,000.00
Drive Sober or Get Pulled Over	1,550.00		1,550.00	-
Alcohol Educ & Rehab		3,214.51		3,214.51
Body Armor Grant		2,730.00		2,730.00
Total	\$ <u>7,630.00</u>	\$ <u>11,944.51</u>	\$ <u>7,630.00</u>	\$ <u>11,944.51</u>
	A	A-27	A-25	A

**SCHEDULE OF INTERFUND LOANS RECEIVABLE
GRANT FUND**

	<u>REF.</u>	
Balance - December 31, 2016	A	\$ 198,793.82
Increased by:		
Grant Receipts Deposited to Current Fund:		
Grants Receivable	A-24	22,547.62
Unappropriated Grants	A-26	<u>11,944.51</u>
		<u>34,492.13</u>
		233,285.95
Decreased by:		
Grant Expenditures Paid by Current Fund	A-25	<u>59,868.94</u>
Balance - December 31, 2017	A	<u><u>173,417.01</u></u>

Trust Fund

ANALYSIS OF ASSESSMENT TRUST CASH AND INVESTMENTS

	RECEIPTS		DISBURSEMENTS		BALANCE DEC. 31, 2017
	BALANCE DEC. 31, 2016	ASSESSMENTS AND LIENS	MISCELLANEOUS		
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	174.33	95.92	83.51		186.74
Reserve for Assessments	445.74				445.74
Total	\$ 15,785.79	\$ 95.92	\$ 83.51	\$	15,798.20

Ref. 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, 2016 & 2017</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	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				\$ 3,641.64	\$ 3,195.90	\$ 445.74

Ref. B

SCHEDULE OF RESERVE FOR ASSESSMENTS AND LIENS
ASSESSMENT TRUST FUND

ORD. <u>NO.</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>BALANCE</u> <u>DEC. 31, 2017</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 12/31/16	Cash		Adjustments	Balance 12/31/17
		Receipts	Disbursements		
Assessment Trust:					
Assessments Receivable	\$ (3,641.64)				\$ (3,641.64)
Overpayments	2,254.06				2,254.06
Due to Current Fund	174.33	95.92	83.51		186.74
Reserve for Assessments Receivable	445.74				445.74
Fund Balance	16,553.30				16,553.30
Total	15,785.79	95.92	83.51	-	15,798.20
Animal Control:					
Accounts Payable	-	275.00			275.00
Interfund Loan - Current Fund	2.16	10,599.68	37,000.00		(26,398.16)
Interfund Loan - Trust Fund			659.64		(659.64)
Interfund Loan - General Capital Fund		7,000.00			7,000.00
Due NJ - State License Fees	-	607.80	607.80		-
Animal Control Reserves	10,891.13	7,184.29	(5,124.26)		23,199.68
Total	10,893.29	25,666.77	33,143.18	-	3,416.88
Other Trust Funds:					
Due (from)/to Current Fund	43,225.98		1,224,633.75		(1,181,407.77)
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
Billian Trust	42,007.02		1,000.00		41,007.02
Bound Brook Land Development	2,267.61	5,000.00	4,527.50	(24.00)	2,716.11
Developer's Deposits	208,179.57		18,179.57		190,000.00
Fire Department Penalties (Dedicated)	2,650.00	3,650.00			6,300.00
Flood Donation	20,425.48				20,425.48
Flood Relief	4,100.12				4,100.12
Housing Rehabilitation	783,656.95	642.16	6,008.92		778,290.19
Housing/Property Maintenance Penalties	110,815.71	17,038.99	119,444.88	5,247.31	13,657.13
Marjorie Schindelar Property		500.00			500.00
MERCCREM-BB Hotel	3,857.00		6,819.40	(227.50)	(3,189.90)
Meridia Downtown Hospitality	(1,547.78)	1,547.78			-
Meridia II 1-11 E Main	1,068.17		982.95	(14.00)	71.22
Newsletter	627.63				627.63
OEM Donation	5,794.24				5,794.24
Outside Lien Redemptions	1,284.65	293,211.31	272,141.38		22,354.58
Payroll Deductions Payable	1,512.92	6,404,451.02	6,372,861.46		33,102.48
Pfizer Review	7,794.50				7,794.50
POAA	7,947.24	742.00			8,689.24
Police Body Armor Fund	2,145.00				2,145.00
Police Donations	29,979.36	2,000.00	16,417.74		15,561.62
Police Forfeiture	5,169.92	1,471.06			6,640.98
Police Outside Employment	8,240.81	486,708.16	480,028.72		14,920.25
Public Assistance	2,653.63				2,653.63
Public Defender	4,447.00	7,957.00	16,800.00	(350.00)	(4,746.00)
Queensgate Storage Meridia	2,108.80	2,500.00	7,505.65	(297.50)	(3,194.35)
Recreation Commission	201,591.31	151,269.00	81,677.11	(95,478.80)	175,704.40
Reserve for Encumbrances -					
General Trust	6,272.38		(6,272.38)	110,389.24	122,934.00
Reserve for Escrow Deposits	10,030.00	1,800.00			11,830.00
Reserve for Redevelopment -					
Media Property	(1,776.75)	1,810.85	34.10		0.00
Reserve for Unemployment	134.47				134.47
Reynolds Asset Mgmt	3,365.85	3,374.92	5,461.02	(1,279.75)	-
Riverfest Donations	2,540.72				2,540.72
RV Sewer Rehab Review	801.45				801.45
Shade Tree Commission	2,472.50	300.00		(1,565.00)	1,207.50
Street Opening Permits	9,554.00	20,339.00			29,893.00
Tax Lien Premiums	613,500.00	331,400.00	252,300.00		692,600.00
Train Station		20,000.00			20,000.00
UCC Inspections-Chase	1,356.25				1,356.25
UCC-Queensgate	3,312.98		864.31		2,448.67
Van Horne Plaza			5,900.00	(16,400.00)	(22,300.00)
Due St. of NJ:					
DCA State Training Fees	1,197.00	7,970.60	4,354.00		4,813.60
Marriage/Civil Union Licenses	575.00	3,175.00	3,025.00		725.00
Total	2,161,876.53	7,870,090.81	9,094,695.08	-	937,272.26
Total	\$ 2,188,555.61	\$ 7,895,853.50	\$ 9,127,921.77	\$ -	\$ 956,487.34

Ref.

B

B

General Capital Fund

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

	<u>REF.</u>	
Balance - December 31, 2016	C	\$ 433,838.67
Increased by Receipts:		
Grants Receivable	C-4	294,794.25
Deferred Charges to Future Taxation - Unfunded	C-8	131,755.00
Bond Anticipation Notes Issued	C-11	3,070,000.00
Capital Improvement Fund Appropriation	C-13	100,000.00
Interfund Loans	C-15	392,011.97
Reserve for Grove Street Improvement	C-16	<u>2,659.95</u>
		<u>3,991,221.17</u>
		4,425,059.84
Decreased by Disbursements:		
Bond Anticipation Notes Redeemed	C-11	2,419,127.00
Improvement Authorizations	C-12	1,244,075.37
Interfund Loans	C-15	<u>734,367.07</u>
		<u>4,397,569.44</u>
Balance - December 31, 2017	C,C-3	<u><u>\$ 27,490.40</u></u>

GENERAL CAPITAL FUND
ANALYSIS OF CASH AND INVESTMENTS

	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
Fund Balance	\$ 328,255.05	\$ 527,255.05
Due Current Fund	(544,987.83)	(80.05)
Due Payroll Fund	(100,572.32)	
Due Animal Control Fund	(7,000.00)	
State & Federal Grants Receivable	(383,291.25)	(588,085.50)
Reserve for Encumbrances	795,233.35	58,887.46
Capital Improvement Fund	146,574.74	66,824.74
Reserve for Payment of Debt Service	10,125.00	
Reserve for Grove Street - NJ American Water	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
06-10 Acquisition of Lighting - Tea Street Ballfield		(131,755.00)
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	6,166.85	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
12-20 Repair of Church Street Culvert		(22,500.00)
13-09 Repair of Church Street Culvert	(1,145.24)	(135,494.88)
13-15 Various Road Improvements	322,006.63	322,529.99
14-10 Repair of Recreation Bldg & Acquis. Of Equip.	2,968.65	2,968.65
14-11 Various Public Improvements	(70,692.39)	(202,747.65)
15-08 Various Improvements to Train Station	178,719.88	185,870.68
15-09 Acquis. Of Property	2,919.20	2,919.20
16-02 Road Reconstruction - Thompson Ave	(43,706.01)	137,247.39
16-03 Sewer Repair & Rehab	(15,300.00)	68,254.27
17-09 Various Equipment	157,494.00	
17-16 Renovations of the Ball Field at Rock Machine Park	(6,400.14)	
17-17 Various Capital Improvements	(888,115.19)	
Total	\$ 27,490.40	\$ 433,838.67

REF

C. C-2

C. C-2

SCHEDULE OF GRANTS RECEIVABLE

Ord. No.	Capital Project/Program	BALANCE			BALANCE
		DECEMBER 31, 2016	INCREASES	DECREASES	DECEMBER 31, 2017
	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	175,000.00		131,250.00	43,750.00
16-03	Sewer Repair & Rehab (CDBG)	76,000.00		73,544.25	2,455.75
17-17	Various Capital Improvements NJDOT		150,000.00	150,000.00	-
17-17	Various Capital Improvements NJDOT		150,000.00	150,000.00	-
17-17	Various Capital Improvements NJDOT		90,000.00	90,000.00	
	Total	\$ 588,085.50	\$ 390,000.00	\$ 594,794.25	\$ 383,291.25

Ref. C C-12 C

Cash Receipts	C-2	\$ 294,794.25
Due From Current Fund	C-15	300,000.00
		<u>\$ 594,794.25</u>

Exhibit - C-5

SCHEDULE OF DEVELOPER CONTRIBUTIONS RECEIVABLE

Ord. No.	Capital Project/Program	BALANCE	BALANCE
		DECEMBER 31, 2016	DECEMBER 31, 2017
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, 2016	C	\$ -
Increased by:		
Due from Current Fund	C-15	<u>10,125.00</u>
Balance - December 31, 2017	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>INFRASTRUCTURE LOANS</u>
Balance - December 31, 2016	C	\$ 15,885,304.35	\$ 15,802,000.00	\$ -	\$ 83,304.35
Increased by:					
Bonds/Loans Issued	C-14	<u>62,625.69</u>		<u>62,625.69</u>	
		15,947,930.04	15,802,000.00	62,625.69	83,304.35
Decreased by:					
Serial Bonds & Loans Paid From Budget Appropriation	C-9,C-10	<u>935,124.69</u>	<u>925,000.00</u>		<u>10,124.69</u>
Balance - December 31, 2017	C	<u>\$ 15,012,805.35</u>	<u>\$ 14,877,000.00</u>	<u>\$ 62,625.69</u>	<u>\$ 73,179.66</u>

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

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DEC. 31, 2016	2017 AUTHORIZATIONS	BUDGET APPROP.	BALANCE DEC. 31, 2017	BOND ANTIC. NOTES	ANALYSIS OF BALANCE DEC. 31, 2017		UNEXPEND.
							EXPENDED	BAL. OF IMPROV. AUTHOR.	
		\$ 131,755.00	\$ -	\$ 131,755.00	\$ -	\$ -	\$ -	\$ -	\$ -
06-10	Acquisition of Lighting - Tea Street Ballfield	36,576.51			36,576.51		36,576.51		
07-13	Improvements to Highland Place	0.96			0.96		0.96		
08-18	Various Public Improvements	0.34			0.34		0.34		
09-02	Various Public Improvements	34,441.14			34,441.14		25,941.14		8,500.00
09-05	Improvements to Livingston Street	10,000.00			10,000.00		10,000.00		
10-12	Improvements to Church Street	0.98			0.98				0.98
10-23	Rehabilitation of Sanitary Sewers	0.84			0.84		0.84		
11-03	Road Improvements 2010 Program	0.79			0.79		0.79		
11-16	2011 Road Program	73,332.00			73,332.00		73,332.00		
12-14	Various Improvements - Hurricane Irene	77,379.87			77,379.87				77,379.87
12-19	Various Road Improvements	22,500.00			22,500.00	22,500.00			
12-20	Repair of Church Street Culvert	213,750.00			213,750.00	135,473.00	1,145.24		77,131.76
13-09	Repair of Church Street Culvert	1,634,127.00			1,634,127.00	1,119,127.00			515,000.00
13-15	Various Road Improvements	1,808,000.00			1,808,000.00	1,432,900.00	70,692.39		304,407.61
14-11	Various Public Improvements	450,000.00			450,000.00				450,000.00
15-08	Various Improvements to Train Station	66,665.00			66,665.00				66,665.00
15-09	Acquis. Of Property	389,000.00			389,000.00	210,000.00	43,706.01		135,293.99
16-02	Road Reconstruction - Thompson Ave	165,300.00			165,300.00	150,000.00			
16-03	Sewer Repair & Rehab		123,500.00		123,500.00		6,400.14		117,099.86
17-16	Renovations of the Ball Field at Rock Machine Park		1,158,250.00		1,158,250.00		888,115.19		270,134.81
17-17	Various Capital Improvements								
	Total	\$ 5,112,830.43	\$ 1,281,750.00	\$ 131,755.00	\$ 6,262,825.43	\$ 3,070,000.00	\$ 1,171,211.55	\$ 2,021,613.88	

	Ref	C	C-12	C-2	C	
Unexpended Balances of Unfunded Improv. Authors.						\$ 2,343,620.51
Less: Unexpended Proceeds of Bond Anticipation Notes						<u>322,006.63</u>
						<u>\$ 2,021,613.88</u>

SCHEDULE OF GENERAL SERIAL BONDS

ISSUE	DATE OF ISSUE	ORIGINAL ISSUE	MATURITIES OF BONDS OUTSTANDING - DEC. 31, 2017	INTEREST RATE	BALANCE DEC. 31, 2016	BALANCE DEC. 31, 2017
General Improvement	02/15/08	\$ 9,672,000.00	\$ 625,000.00	4.000%	\$ 1,225,000.00	\$ 600,000.00
General Improvement	04/21/16	9,747,000.00	350,000.00	3.000%		
			380,000.00	4.000%		
			420,000.00	4.000%		
			447,000.00	4.000%		
			475,000.00	4.000%		
			500,000.00	4.000%		
			525,000.00	4.000%		
			550,000.00	2.000%		
			575,000.00	2.000%		
			650,000.00	2.125%		
General Improvement Refunding	09/15/16	4,830,000.00	590,000.00	4.000%	9,747,000.00	325,000.00
			615,000.00	4.000%		
			610,000.00	4.000%		
			605,000.00	4.000%		
			600,000.00	4.000%		
					<u>4,830,000.00</u>	<u>4,830,000.00</u>
					<u>\$ 15,802,000.00</u>	<u>\$ 925,000.00</u>
					<u>\$ 14,877,000.00</u>	

Ref.

C

C-7

C

SCHEDULE OF ENVIRONMENTAL INFRASTRUCTURE LOANS PAYABLE

	<u>REF.</u>	
Balance - December 31, 2016	C	\$ 83,304.35
Decreased by:		
Paid by Budget Appropriation	C-7	<u>10,124.69</u>
Balance - December 31, 2017	C	<u>\$ 73,179.66</u>

Maturity Schedule-Loans Outstanding December 31, 2017:

<u>Year</u>	<u>Trust</u> <u>Loan</u>	<u>Fund</u> <u>Loan</u>	<u>Total</u>
2018	\$ 2,691.21	\$ 7,501.42	\$ 10,192.63
2019	2,765.49	7,501.42	10,266.91
2020	2,847.62	7,501.42	10,349.04
2021	2,937.61	7,501.42	10,439.03
2022	3,034.26	7,501.42	10,535.68
2023	3,139.85	7,501.42	10,641.27
2024	<u>3,253.51</u>	<u>7,501.59</u>	<u>10,755.10</u>
	<u>\$ 20,669.55</u>	<u>\$ 52,510.11</u>	<u>\$ 73,179.66</u>

SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

ORD. NUMBER	PURPOSE	ORIGINAL ISSUE		DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE		INCREASED	DECREASED	BALANCE DEC. 31, 2017
		DATE	AMOUNT				DEC. 31, 2016	DEC. 31, 2017			
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	04/21/17	04/20/18	1.50%	-	135,473.00	-	-	135,473.00
13-15	Various Road Improvements	12/19/13	1,195,000.00	04/21/17	04/20/18	1.50%	1,119,127.00	1,119,127.00	1,119,127.00	1,119,127.00	1,119,127.00
14-11	Various Public Improvements	12/18/15	1,300,000.00	04/21/17	04/20/18	1.50%	1,300,000.00	1,432,900.00	1,300,000.00	1,300,000.00	1,432,900.00
16-02	Road Reconstruction - Thompson A	04/21/17	210,000.00	04/21/17	04/20/18	1.50%	-	210,000.00	-	-	210,000.00
16-03	Sewer Repair & Rehab	04/21/17	150,000.00	04/21/17	04/20/18	1.50%	-	150,000.00	-	-	150,000.00
Total											
							\$ 2,419,127.00	\$ 3,070,000.00	\$ 2,419,127.00	\$ 3,070,000.00	

Ref. C C-2 C-2 C

**SCHEDULE OF IMPROVEMENT AUTHORIZATIONS
GENERAL CAPITAL FUND**

ORD. NO.	IMPROVEMENT DESCRIPTION	ORIGINAL AMOUNT AUTHORIZED	BALANCE DECEMBER 31, 2016		2017 AUTHOR.	RESERVE FOR ENCUMB. 2016	PAID OR CHARGED	BALANCE DECEMBER 31, 2017	
			FUNDED	UNFUNDED				FUNDED	UNFUNDED
	<u>General Improvements:</u>								
02-07	Various Public Improvements	\$ 2,510,000.00	\$ 2,000.00	\$ 8,500.00		\$	\$	\$ 2,000.00	\$ 8,500.00
09-05	Improvements to Livingston Street	324,000.00							
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				6,166.85	0.98
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	78,255.12					77,131.76	
13-15	Various Road Improvements	2,000,000.00	837,529.99					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	305,252.35					844.74	304,407.61
15-08	Various Improvements to Train Station	650,000.00	185,870.68	450,000.00		58,887.46		178,719.88	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	137,247.39	389,000.00		21,441.11		369,512.29	135,293.99
16-03	Sewer Repair & Rehab - Talmage Ave thru Imperial Parking Lot	250,000.00	68,254.27	165,300.00					
17-09	Various Equipment	199,000.00			199,000.00				
17-16	Renovations of the Ball Field at Rock Machine Park	130,000.00		130,000.00				12,900.14	117,099.86
17-17	Various Capital Improvements	1,562,000.00		1,562,000.00		663,432.41		628,432.78	270,134.81
	Total		\$ 884,857.09	\$ 2,377,883.31	\$ 1,891,000.00	\$ 58,887.46	\$ 1,244,075.37	\$ 829,698.63	\$ 2,343,620.51

Ref.	C	C	C	C	C	C-2	C	C
State & Federal Grants								
Due from NJ American Water	C-4	\$	300,000.00					
Def. Chgs. to Future Taxation - Unfunded	C-4		90,000.00					
Reserve for Capital Improvement Fund	C-8		1,281,750.00					
Capital Fund Balance	C-13		20,250.00					
	C-1		199,000.00					
			\$ 1,891,000.00					

**SCHEDULE OF RESERVE FOR
CAPITAL IMPROVEMENT FUND**

	<u>REF.</u>	
Balance - December 31, 2016	C	\$ 66,824.74
Increased by:		
Budget Appropriation	C - 2	<u>100,000.00</u>
		166,824.74
Decreased by:		
Funding for Improvement Authorizations	C-12	<u>20,250.00</u>
Balance - December 31, 2017	C	<u><u>\$ 146,574.74</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, 2016</u>	<u>BALANCE DEC. 31, 2017</u>
			<u>OUTSTANDING - DEC. 31, 2017</u>	<u>AMOUNT</u>			
SCIA Loan	04/21/16	\$ 93,087.99	10/01/18	\$ 31,025.85	1.850%	\$	\$ 62,625.69
			10/01/19	31,599.84	1.850%	\$	\$ 62,625.69
						\$	\$ 62,625.69

Ref.

C

C-7

C

Exhibit C-15

GENERAL CAPITAL FUND
SCHEDULE OF INTERFUNDS

	BALANCE DECEMBER 31 2016	INCREASES	DECREASES	BALANCE DECEMBER 31 2017
Interfund Loans Due From or (To):				
Animal Control Fund	\$	7,000.00	\$	7,000.00
Payroll Fund		100,572.32		100,572.32
Current Fund	80.05	936,919.75	392,011.97	544,987.83
Total	\$ 80.05	\$ 1,044,492.07	\$ 392,011.97	\$ 652,560.15

C

C

Ref.

Cash Receipts	\$	-	\$	392,011.97
Cash Disbursements		734,367.07		-
Grants Receivable		300,000.00		-
Reserver for Payment of Debt Serv		10,125.00		-
	\$	1,044,492.07	\$	392,011.97

**SCHEDULE OF RESERVE FOR
GROVE STREET - NJ AMERICAN WATER**

	<u>REF.</u>	
Balance - December 31, 2016	C	\$ -
Increased by:		
Cash Receipts	C - 2	<u>2,659.95</u>
Balance - December 31, 2017	C	<u>\$ 2,659.95</u>

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

ORD. NO.	IMPROVEMENT DESCRIPTION	BALANCE DECEMBER 31, 2016	2017 AUTHORIZATIONS	BOND ANTICIPATION NOTES		PAID BY CURRENT BUDGET	BALANCE DECEMBER 31, 2017
				REDEEMED	ISSUED		
06-10	Acquisition of Lighting - Tea Street Ballfield	\$ 131,755.00	\$ -	\$ -	\$ -	\$ 131,755.00	\$ -
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	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	213,750.00			135,473.00		78,277.00
13-15	Various Road Improvements	515,000.00		1,119,127.00	1,119,127.00		515,000.00
14-11	Various Public Improvements	508,000.00		1,300,000.00	1,432,900.00		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	389,000.00			210,000.00		179,000.00
16-03	Sewer Repair & Rehab	165,300.00			150,000.00		15,300.00
17-16	Renovations of the Ball Field at Rock Machine Park		123,500.00				123,500.00
17-17	Various Capital Improvements		1,158,250.00				1,158,250.00
Total		\$ 2,693,703.43	\$ 1,281,750.00	\$ 2,419,127.00	\$ 3,070,000.00	\$ 131,755.00	\$ 3,192,825.43

Footnote C

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

PART IV

OTHER REPORTING REQUIRED BY REGULATIONS

Length of Service Award Program (LOSAP) (Unaudited)

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
1102 RARITAN AVENUE, P.O. BOX 1450
HIGHLAND PARK, NJ 08904
(732) 393-1000
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ANDREW G. HODULIK, CPA, RMA, PSA
ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:
AMERICAN INSTITUTE OF CPA'S
NEW JERSEY SOCIETY OF CPA'S
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying statement of assets, liabilities and net assets of the Borough of Bound Brook Length of Service Award Program (LOSAP) as of December 31, 2017, and the related statement of revenues, expenses and other changes in net assets for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the administration of the Borough. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The Borough's management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the basis of accounting described in the Note 1.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Registered Municipal Accountants
Public School Accountants

Highland Park, New Jersey
November 29, 2018

BOROUGH OF BOUND BROOK
 COUNTY OF SOMERSET, NEW JERSEY
 LENGTH OF SERVICE AWARD PROGRAM (LOSAP) - UNAUDITED
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS

AS AT DECEMBER 31, 2017

		2017
Assets		
Investments, at fair value	\$	566,278.29
Total Assets	\$	566,278.29
 Net Assets		
Restricted	\$	566,278.29
Total Net Assets	\$	566,278.29

See Accompanying Notes and Independent Accountant's Review Report.

BOROUGH OF BOUND BROOK
 COUNTY OF SOMERSET, NEW JERSEY
 LENGTH OF SERVICE AWARD PROGRAM (LOSAP) - UNAUDITED
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2017

		<u>2017</u>
Restricted Net Assets		
Contributions	\$	25,200.00
Earnings (Losses)		79,290.93
Withdrawals		(10,026.60)
Service Charges		<u>(2,424.91)</u>
Increase (Decrease) in Net Assets		92,039.42
Net Assets - Beginning of Year		<u>474,238.87</u>
Net Assets - End of Year	\$	<u><u>566,278.29</u></u>

See Accompanying Notes and Independent Accountant's Review Report.

BOROUGH OF BOUND BROOK
LENGTH OF SERVICE AWARD PROGRAM (LOSAP)

NOTES TO FINANCIAL STATEMENTS - UNAUDITED
YEAR ENDED DECEMBER 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Borough of Bound Brook Length of Service Award Program (LOSAP) is a qualified plan under Internal Revenue Code Section 457(e) and pursuant to P.L. 1997, c.388. The Borough established the LOSAP Program for the applicable Borough nonprofit organizations during CY 2001. LOSAP 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. LOSAP shall provide for annual contribution to each eligible member that meets the criteria as provided in the LOSAP Point System. The Borough of Bound Brook sponsors LOSAP through an annual award appropriated through the municipal budget.

B. Basis of Presentation

The accounting policies of the Borough of Bound Brook (the "Borough"), Length of Service Award Program (LOSAP) (the "Program") conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

C. Description of Program

The Program was created in accordance with the Internal Revenue Code Section 457. The Program is offered to all volunteer members that meet the criteria set by the Borough, and provides for fixed annual contributions for all eligible members. The deferred compensation is not available to volunteer members until termination, retirement, death, or unforeseeable emergency. Earnings of the Program and contributions by the Borough are subject to vesting provisions of the plan and are exempt from income taxes until distribution to the participating volunteers.

The Program is offered by the Borough to the participants through the Lincoln Financial Group, Plan Administrator.

All amounts of compensation deferred under the Program, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights, are (until paid or made available to the volunteer or other beneficiary) solely the property and rights of the Borough (without being restricted to the provisions of benefits under the Program), subject only to the claims of the Borough's general creditors. Participant's rights under the Program are equal to those of general creditors of the Borough in an amount equal to the fair market value of the deferred account for each participant.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Description of Program (Cont'd.)

In accordance with standards established by the Governmental Accounting standards Board, the Program balances are displayed in the Trust Fund of the Borough. The Program is exempt from federal taxation pursuant to Internal Revenue Code Section 457.

D. Amount of Contribution

The Borough will contribute to the plan for an active volunteer who thereafter annually attains the minimum point score as provided below shall receive an annual contribution in accordance with the plan regulations.

An active volunteer member will qualify for contribution to a LOSAP deferred account if they earn a cumulative total minimum of 100 points based on the point system below for each service year. For each service year during which a volunteer member is determined to be eligible to receive a LOSAP contribution, he/she will be credited with a year of service for purposes of vesting in accordance with this Plan. All members must be an active volunteer member in good standing throughout the year in order to be considered an eligible "qualified participant" in the Program and must be a qualified participant in the Program for five (5) years in order to be vested.

E. Qualifications

Each active volunteer member shall be credited with points for volunteer services provided to the applicable Borough nonprofit organization pursuant to the requirements stated in the organizing plan document.

BOROUGH OF BOUND BROOK
SOMERSET COUNTY, NEW JERSEY



PART V
SUPPLEMENTARY DATA

Other Supplementary Data

BOROUGH OF BOUND BROOK
SOMERSERT COUNTY, NEW JERSEY

COMBINED BALANCE SHEET - ALL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2017

ASSETS	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	MEMORANDUM ONLY TOTALS BALANCE DEC. 31, 2017	MEMORANDUM ONLY TOTALS BALANCE DEC. 31, 2016
Cash and Investments	\$ 4,148,769.36	\$ 956,487.34	\$ 27,490.40	\$ 5,132,747.10	\$ 4,648,275.61
Cash Held by Agents		566,278.29		566,278.29	474,238.87
Accounts Receivable:					
State & Federal Grants Receivable	673,079.57		383,291.25	1,056,370.82	1,204,941.12
Due from State of New Jersey	2,573.26			2,573.26	1,090.73
Taxes, Assessments, Liens, Sewer & Refuse Charges	854,438.60	3,641.64		858,080.24	731,804.29
Interfund Loans	173,603.75	1,208,465.57	652,560.15	2,034,629.47	242,276.34
Other Accounts Receivable	26,352.63	200,000.00	200,000.00	426,352.63	224,905.35
Deferred Charges to Revenue of Succeeding Years	20,000.00			20,000.00	25,000.00
Deferred Charges to Future Taxation: General Capital Fund			21,275,630.78	21,275,630.78	20,998,134.78
	<u>\$ 5,898,817.17</u>	<u>\$ 2,934,872.84</u>	<u>\$ 22,538,972.58</u>	<u>\$ 31,372,662.59</u>	<u>\$ 28,550,667.09</u>
LIABILITIES, RESERVES AND FUND BALANCE	CURRENT FUND	TRUST FUND	GENERAL CAPITAL FUND	MEMORANDUM ONLY TOTALS BALANCE DEC. 31, 2017	MEMORANDUM ONLY TOTALS BALANCE DEC. 31, 2016
Bonds, Notes and Loans Payable			\$ 18,082,805.35	\$ 18,082,805.35	\$ 18,304,431.35
Prepaid Taxes, Assessments, Utility Charges and Licenses	676,275.04			676,275.04	145,778.15
Tax, Assessment, Lien, License and Utility Charge Overpayments	19,334.98			19,334.98	25,150.87
Appropriation Reserves	297,009.29			297,009.29	337,858.99
Reserve for Encumbrances/ Accounts Payable	146,698.84	2,892.21	795,233.35	944,824.40	180,920.71
Other Liabilities		2,254.06		2,254.06	2,254.06
Special District Tax Payable	10,608.68			10,608.68	10,214.97
Armts. Pledged to Specific Purposes	1,052,019.20	2,804,308.83	159,359.69	4,015,687.72	3,794,123.20
Improvement Authorizations			3,173,319.14	3,173,319.14	3,262,740.40
Interfund Loans	1,926,210.77	108,418.70		2,034,629.47	242,276.34
Reserve for Certain Assets Acquired or Receivables & Inventories	880,977.97	445.74		881,423.71	796,916.21
Fund Balance	889,682.40	16,553.30	328,255.05	1,234,490.75	1,448,001.84
	<u>\$ 5,898,817.17</u>	<u>\$ 2,934,872.84</u>	<u>\$ 22,538,972.58</u>	<u>\$ 31,372,662.59</u>	<u>\$ 28,550,667.09</u>

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

Revenue and Other <u>Income Realized</u>	Year 2017		Year 2016	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Fund Balance Utilized	\$ 800,000.00	2.55	\$ 321,179.00	1.06
Miscellaneous - From Other Than Local Property Tax Levies	5,703,632.12	18.16	5,223,196.61	17.18
Collection of Delinquent Taxes and Tax Title Liens	498,813.51	1.59	525,297.30	1.73
Collection of Current Tax Levy	<u>24,411,148.42</u>	<u>77.71</u>	<u>24,329,631.66</u>	<u>80.03</u>
Total Income	<u>31,413,594.05</u>	<u>100.00</u>	<u>30,399,304.57</u>	<u>100.00</u>
<u>Expenditures</u>				
Budget Expenditures:				
Municipal Purposes	13,380,266.35	43.69	12,706,330.81	42.68
County Taxes	2,946,724.33	9.62	2,948,554.48	9.90
Local School Taxes	14,183,103.00	46.31	13,961,192.00	46.89
Other Charges	<u>118,011.46</u>	<u>0.39</u>	<u>157,440.97</u>	<u>0.53</u>
Total Expenditures	<u>30,628,105.14</u>	<u>100.00</u>	<u>29,773,518.26</u>	<u>100.00</u>
Excess (Deficit) in Revenue	785,488.91		625,786.31	
Less: Expenditures to be Raised by Future Taxes			<u>25,000.00</u>	
Statutory Excess to Surplus	785,488.91		650,786.31	
Fund Balance January 1	<u>904,193.49</u>		<u>574,586.18</u>	
	1,689,682.40		1,225,372.49	
Less:				
Utilization as Anticipated Revenue	<u>800,000.00</u>		<u>321,179.00</u>	
Fund Balance December 31	<u>889,682.40</u>		<u>904,193.49</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate:</u>	<u>\$3.411</u>	<u>\$3.386</u>	<u>\$3.311</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	<u>1.064</u>	<u>1.067</u>	<u>1.068</u>
County	<u>0.404</u>	<u>0.405</u>	<u>0.402</u>
Local School	<u>1.943</u>	<u>1.914</u>	<u>1.841</u>

Assessed Valuation:

2017	<u>\$730,022,587.00</u>	
2016		<u>\$729,433,434.00</u>
2015		<u>\$712,960,985.00</u>

Note: Under the provisions of Chapter 73, L. 1976 (R.S. 54:4-46.1), the Somerset County Board of Taxation estimated the amount of approved Veterans' and Senior Citizens' tax deductions, etc. to be \$58,750.00 for the year 2017.

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>
2017	\$ 25,061,840.91	\$ 24,411,148.42	97.40%
2016	24,845,467.58	24,329,631.66	97.92%
2015	23,720,518.71	23,138,203.98	97.55%

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>
2017	\$ 27,511.60	\$ 608,896.29	\$ 636,407.89	2.54%
2016	36,562.71	489,453.09	526,015.80	2.12%
2015	33,828.36	526,311.38	560,139.74	2.36%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

No Properties have been acquired, reported or recorded in CY 2017 or as at December 31, 2016 by foreclosure or deed.

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

<u>Year</u>	<u>Billings</u>	<u>Collections</u>
2017	\$ 1,536,298.01	\$ 1,507,568.86
2016	1,374,598.01	1,374,642.41
2015	1,082,951.27	1,065,555.79

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

<u>Year</u>	<u>Billings</u>	<u>Collections</u>
2017	\$ 502,215.00	\$ 497,990.22
2016	434,700.00	417,780.23
2015	450,699.16	441,779.36

COMPARATIVE SCHEDULE OF FUND BALANCE

	<u>Year</u>	<u>Balance</u> <u>December 31</u>	<u>Utilized in</u> <u>Budget of</u> <u>Succeeding Year</u>
Current Fund	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	-
	2013	398,671.38	325,000.00

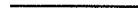
OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office at December 31, 2017:

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF BOND</u>
Robert Fazen	Mayor	
Anthony Pranzatelli	President of Council	
Robert Dixon	Councilperson	
Philip Fiadino	Councilperson	
Abel Gomez	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 VI
GENERAL COMMENTS AND RECOMMENDATIONS**

**BOROUGH OF BOUND BROOK
COUNTY OF SOMERSET, NEW JERSEY
YEAR ENDED DECEMBER 31, 2017**

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, 2017, 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, 2017, 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 following control deficiencies were considered to be significant deficiencies in internal control over financial reporting:

2017-1 General Ledger Proofs to Subsidiary Records

The Borough maintains computerized subsidiary records for tax, sewer rents, garbage disposal fees and Borough held liens utilizing software from a third-party service provider. During 2017, the General Ledger control accounts were not reconciled to the activity recorded in these subsidiary records on a monthly basis, subsidiary reports were not provided at year end nor reconciled, and the audit revealed that non-cash entries to record billing adjustments, cancellations, and transfers to lien status were often omitted from the general ledger record. One of the objectives of a general ledger is to provide a summarized control over subsidiary records. The absence of periodic proofs of summarized general ledger balances to the detailed balances in the subsidiary records weakens the reliability of the general ledger as a basis for financial reporting.

We recommend that reconciliations of general ledger control balances to detailed subsidiary records be performed for property tax, sewer user fees, refuse disposal fees and Borough held lien records.

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:

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.

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 November 29, 2018 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.

GENERAL COMMENTS

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.

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 Reconstruction Program, Lawn and Grounds Maintenance, Animal Control Services, 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 revealed aggregate payments, in excess of the bid threshold then in effect to twelve (12) vendors, "for the performance of work or furnishing or hiring of any material or supplies" where no resolutions awarding a contract pursuant to the statutory exceptions thereto, for the following categories of goods and services: police vehicles, computer equipment and maintenance.

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.

We recommend the Borough review its controls over the purchasing function for compliance with the applicable purchasing statutes and regulations.

GENERAL COMMENTS

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, 2017. 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.

The Borough was unable to provide evidence of compliance with the "Pay-to-Play" statutes for fourteen (14) 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 3, 2017, 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 2017 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>
2017	2
2016	2
2015	2

Interfund Balances

Interfund balances appear on the various balance sheets of the Borough's financial statements at December 31, 2017.

These interfunds, in some cases, resulted from 2017 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.

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, 2017.

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, 2017.

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.

GENERAL COMMENTS

Other Matters (Cont'd.)

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.

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, 2017, 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.

GENERAL COMMENTS

Other Matters (Cont'd.)

Condition of the Records – Finance Office

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

As previously noted, the effectiveness of the general ledger as a control over subsidiary records was weakened by the absence of monthly proof procedures and the omission of postings of necessary adjusting entries for non-cash transactions. A recommendation has previously been made within these General Comments. It was noted that during the second half of 2018, the Borough did make improvements with respect to reconciling of subsidiary ledgers to the respective general ledger accounts.

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 test of the budget appropriations and the budget appropriations reserves was made. It was noted that a resolution to transfer appropriation funds was adopted by the Council, however the transfer resolution included an amount from outside cap to inside cap which is not allowed. Upon noticing the error a subsequent resolution was adopted and corrected the error.

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 2017, 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 2017.

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.

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 2018, 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 2015 was presented and accepted by the governing body.

RECOMMENDATIONS

We recommend the following:

That reconciliations of general ledger control balances to detailed subsidiary records be performed and provided for audit for property tax, sewer user fees, refuse disposal fees and Borough held lien records.

That the Borough review its controls over the purchasing function for compliance with the applicable purchasing statutes and regulations.

We recommend the Borough review the use of confirming orders for compliance with 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