

BOROUGH OF DUMONT
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2018

BOROUGH OF DUMONT

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PART I
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Dumont
Dumont, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Dumont, as of December 31, 2018 and 2017, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Current Fund for the year ended December 31, 2018, and the related notes to the financial statements.

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 accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Dumont on the basis of the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2018 and 2017. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 51 percent and 58 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2018 and 2017.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Dumont as of December 31, 2018 and 2017, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the Current Fund for the year ended December 31, 2018 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

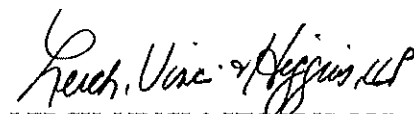
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Dumont as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Dumont.

The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

The supplementary data and letter of comments and recommendations section has not been subject 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated July 16, 2019 on our consideration of the Borough of Dumont'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 effectiveness of the Borough of Dumont's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Dumont's internal control over financial reporting and compliance.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
July 16, 2019

BOROUGH OF DUMONT
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2018 AND 2017

ASSETS	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Cash	A-4	\$ 5,767,302	\$ 6,738,718
Petty Cash	A-5	400	300
Change Fund	A-6	250	250
Due From State - Senior Citizens and Veterans Deductions	A-7	<u>7,657</u>	<u>6,907</u>
		<u>5,775,609</u>	<u>6,746,175</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-8	531,494	456,499
Tax Title Liens	A-9	7,883	7,497
Property Acquired for Taxes	A-10	79,526	79,526
Revenue Accounts Receivable	A-12	5,918	7,511
Due from Animal Control Fund	B-4	7,177	3,713
Due from Dumont Library	A-15	14,005	
Due from Other Trust Fund	B-7	<u>-</u>	<u>73,718</u>
		<u>646,003</u>	<u>628,464</u>
Deferred Charges			
Overexpenditure of Appropriation	A-11	<u>9,395</u>	<u>1,831</u>
		<u>9,395</u>	<u>1,831</u>
Total Assets		<u>\$ 6,431,007</u>	<u>\$ 7,376,470</u>

BOROUGH OF DUMONT
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2018 AND 2017
(Continued)

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Liabilities			
Appropriation Reserves	A-3,A-13	\$ 844,695	\$ 1,124,103
Accounts Payable	A-14	669,120	806,337
Due to General Capital Fund	C-8	196,771	183,291
Due to Other Trust Fund	B-7	62,487	
Miscellaneous Reserves	A-16	913,052	759,958
Prepaid Taxes	A-17	251,201	1,885,571
Tax Overpayments	A-18	65,580	22,492
County Taxes Payable	A-20	6,205	4,298
Appropriated Reserves for Grants	A-21	37,102	54,611
Unappropriated Reserves for Grants	A-22	<u>55,158</u>	<u>31,031</u>
		3,101,371	4,871,692
Reserve for Receivables and Other Assets	A	646,003	628,464
Fund Balance	A-1	<u>2,683,633</u>	<u>1,876,314</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 6,431,007</u>	<u>\$ 7,376,470</u>

BOROUGH OF DUMONT
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
REVENUES AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 1,250,000	\$ 1,250,000
Miscellaneous Revenues Anticipated	2,533,858	2,456,939
Receipts from Delinquent Taxes	456,463	547,687
Receipts from Current Taxes	60,181,857	59,042,921
Non-Budget Revenues	162,860	170,947
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	837,269	147,152
Prior Year Senior Citizen and Veterans Allowed		250
Cancelled Accounts Payable	14,741	
Interfunds Returned	73,718	101,702
Statutory Excess - Animal Control Fund	<u>3,464</u>	<u>3,713</u>
 Total Revenues	 <u>65,514,230</u>	 <u>63,721,311</u>
 EXPENDITURES		
Municipal Budget	21,582,979	21,207,993
County Taxes	4,912,316	4,962,118
Local District School Taxes	36,942,190	36,234,439
Refund of Prior Year Revenues	11,184	24,497
Cancelled Balances		20
Prior Year Senior Citizens and Veterans Disallowed		250
Prior Year Adjustment - POAA	168	
Library Advance	14,005	
Interfund Advance	<u>3,464</u>	<u>77,431</u>
 Total Expenditures	 <u>63,466,306</u>	 <u>62,506,748</u>
 Excess in Revenues	 2,047,924	 1,214,563
 Adjustments to Income Before Fund Balance:		
Expenditures Included Above Which are by Statute		
Deferred Charges to Budget of Succeeding Year	<u>9,395</u>	<u>1,831</u>
 Statutory Excess to Fund Balance	 2,057,319	 1,216,394
 Fund Balance, January 1	 <u>1,876,314</u>	 <u>1,909,920</u>
	3,933,633	3,126,314
Decreased by:		
Utilization as Anticipated Revenue	<u>1,250,000</u>	<u>1,250,000</u>
 Fund Balance, December 31	 <u>\$ 2,683,633</u>	 <u>\$ 1,876,314</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Budget</u>	<u>NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Utilized	\$ 1,250,000	-	\$ 1,250,000	-
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	14,000		15,146	\$ 1,146
Other	5,000		6,431	1,431
Fees and Permits				
Construction Code Official	200,000		379,772	179,772
Other	50,000		80,459	30,459
Fines and Costs - Municipal Court	120,000		112,419	(7,581)
Interest on Costs on Taxes	90,000		88,180	(1,820)
Interest on Investments and Deposits	15,000		17,734	2,734
Fire Inspections	20,000		15,000	(5,000)
Consolidated Municipal Property Tax Relief Aid	30,449		30,449	
Energy Receipts Tax	1,324,803		1,324,803	
Recycling Tonnage	22,460		22,460	
Police Body Armor	3,071		3,071	
Distracted Driving	5,500		5,500	
Police Outside Services - Admin. Fees	130,000		130,000	
General Capital Fund Balance	25,000		25,000	
Reserve for Payment of Debt	2,900		2,900	
Life Hazard Use Fees	7,000		8,656	1,656
PILOT - Senior Citizen Club	15,000		15,000	-
Cable Television Franchise Fees	225,000	-	250,878	25,878
Total Miscellaneous Revenues	<u>2,305,183</u>	<u>-</u>	<u>2,533,858</u>	<u>228,675</u>
Receipts from Delinquent Taxes	<u>400,000</u>	<u>-</u>	<u>456,463</u>	<u>56,463</u>
Amount to be Raised by Taxes for Support of				
Municipal Budget	18,176,180		18,884,902	708,722
Free Public Library	667,449	-	667,449	-
	<u>18,843,629</u>	<u>-</u>	<u>19,552,351</u>	<u>708,722</u>
Total General Revenues	<u>\$ 22,798,812</u>	<u>\$ -</u>	<u>23,792,672</u>	<u>\$ 993,860</u>
Non-Budget Revenues			<u>162,860</u>	
			<u>\$ 23,955,532</u>	

BOROUGH OF DUMONT
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Analysis of Realized Revenues	
Allocation of Current Tax Collections	
Revenues from Collections	\$ 60,181,857
Less: Allocation to School and County Taxes	<u>41,854,506</u>
Balance for Support of Municipal Budget Appropriation	18,327,351
Add Appropriation - "Reserve for Uncollected Taxes"	<u>1,225,000</u>
Amount for Support of Municipal Budget Appropriations	<u><u>\$ 19,552,351</u></u>
Licenses-Other	
Borough Clerk	\$ 6,233
Board of Health	<u>198</u>
	<u><u>\$ 6,431</u></u>
Fees and Permits-Other	
Borough Clerk	\$ 18,755
Police	1,525
Construction Code	14,905
Planning and Zoning	2,440
Fire Prevention	29,149
Board of Health	<u>13,685</u>
	<u><u>\$ 80,459</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF DUMONT
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Analysis of Non-Budget Revenue	
AT&T Tower Rental	\$ 21,367
Metro PCS Monopole Rental	26,783
Pilot - Bergen County Housing	18,457
Miscellaneous	22,544
Admin Fee - Senior Citizens And Veterans	2,570
LOSAP Forfeiture	3,954
FEMA	2,345
6% Tax Penalty	14,194
Sale of Recyclables	10,185
Recycling Cans	1,026
Unison Revenue Sharing	17,704
Miscellaneous Reimbursements	<u>21,731</u>
	<u>\$ 162,860</u>

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

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended Reserved</u>	<u>Cancelled</u>	<u>Over- Expenditures</u>
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT						
General Administration						
Salaries and Wages	\$ 293,481	\$ 293,481	\$ 284,944	\$ 8,537		
Other Expenses	144,000	144,000	99,848	44,152		
Postage	20,000	20,000	18,791	1,209		
Elections						
Other Expenses	15,500	16,500	16,129	371		
Financial Administration						
Salaries and Wages	95,305	135,305	105,022	30,283		
Other Expenses	158,700	168,700	115,024	53,676		
Assessment of Taxes						
Salaries and Wages	22,876	22,876	22,876	-		
Other Expenses	21,500	6,500	5,198	1,302		
Collection of Taxes						
Salaries and Wages	78,149	91,149	80,816	10,333		
Other Expenses	10,270	10,270	9,030	1,240		
Legal Services and Costs						
Borough Attorney - Other Expenses	70,000	143,000	123,605	19,395		
Special Counsel - Other Expenses	75,000	70,000	38,653	31,347		
Engineering						
Other Expenses	70,000	70,000	61,366	8,634		
Planning Board/Zoning Board						
Salaries and Wages	1,800	1,800	300	1,500		
Other Expenses	35,600	25,600	9,319	16,281		
Affordable Housing (COAH)						
Salaries and Wages	3,000	3,000	-	3,000		
Other Expenses	5,000	5,000	-	5,000		
Insurance						
Unemployment Insurance	18,000	18,000	-	18,000		
General Liability	360,000	327,700	329,697			\$ 1,997
Workers Compensation	357,300	357,300	357,282	18		
Employee Group Health	1,801,800	1,815,800	1,794,239	21,561		
Health Benefit Waiver	20,000	20,000	14,523	5,477		
Rent Leveling Board						
Salaries and Wages	1,080	1,080	-	1,080		
Other Expenses	140	140	-	140		
PUBLIC SAFETY						
Fire Department						
Salaries and Wages	3,398	3,398	3,398	-		
Other Expenses	92,050	98,550	81,706	16,844		
Life Hazard Use Fees						
Salaries and Wages	35,857	35,857	43,055			7,198
Other Expenses	7,000	7,000	3,998	3,002		
Aid to Volunteer Fire Companies	42,000	42,000	42,000	-		
Rental of Fire Houses	30,000	30,500	30,200	300		
Fire Hydrant Services	183,000	183,000	175,217	7,783		

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

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Expended</u> <u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>	<u>Over- Expenditures</u>
PUBLIC SAFETY (Continued)						
Police Department						
Salaries and Wages	\$ 5,194,475	\$ 5,131,875	\$ 5,066,132	\$ 65,743		
Other Expenses	219,363	129,363	116,876	12,487		
Police Reserve - Other Expenses	3,750	3,750	178	3,572		
Emergency Management						
Salaries and Wages	3,000	3,000	-	3,000		
Other Expenses	4,500	4,500	1,056	3,444		
Volunteer Ambulance Corp.						
Other Expenses	32,000	32,000	32,000	-		
Municipal Prosecutor						
Salaries and Wages	8,240	9,240	9,440			\$ 200
PUBLIC WORKS						
Streets and Road Maintenance						
Salaries and Wages	1,995,738	1,940,738	1,924,394	16,344		
Other Expenses	184,900	229,900	206,472	23,428		
Recycling						
Salaries and Wages	4,078	4,078	4,078	-		
Garbage and Trash Removal						
Other Expenses	1,600,000	1,600,000	1,469,578	130,422		
Sewer System						
Other Expenses	12,000	12,000	10,890	1,110		
Public Building and Grounds						
Salaries and Wages	201,488	201,488	164,782	36,706		
Other Expenses	30,500	50,500	44,315	6,185		
Shade Tree						
Other Expenses	12,000	12,000	7,562	4,438		
HEALTH AND HUMAN SERVICES						
Board of Health						
Salaries and Wages	14,600	15,100	14,870	230		
Other Expenses	74,400	74,400	62,609	11,791		
Other Expenses-Contractual (Animal Shelter)	25,000	25,000	23,182	1,818		
Environmental Commission						
Other Expenses	300	300	-	300		
Administration of Public Assistance						
Salaries and Wages	4,000	4,000	4,000	-		
Other Expenses	-	100	-	100		
Aid to Community Center for Mental Health	8,000	8,000	8,000	-		
PARKS AND RECREATION						
Senior Citizens						
Salaries and Wages	82,326	86,626	78,606	8,020		
Other Expenses	22,000	22,000	14,797	7,203		
Parks and Playgrounds						
Salaries and Wages	81,185	96,185	94,443	1,742		
Other Expenses	44,900	34,900	33,258	1,642		

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

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended Reserved</u>	<u>Cancelled</u>	<u>Over- Expenditures</u>
OTHER COMMON OPERATING FUNCTIONS						
Celebration of Public Events						
Other Expenses	\$ 19,500	\$ 19,500	\$ 18,211	\$ 1,289		
MUNICIPAL COURT						
Salaries and Wages	123,672	130,172	129,434	738		
Other Expenses	15,500	18,000	17,417	583		
Public Defender (P.L. 1997, C.256)						
Salaries and Wages	6,149	6,149	5,149	1,000		
UNIFORM CONSTRUCTION CODE						
APPROPRIATIONS OFFSET BY DEDICATED						
REVENUES (N.J.A.C. 5:23-4-17)						
CODE ENFORCEMENT AND ADMINISTRATION						
Salaries and Wages	234,804	234,804	214,136	20,668		
Other Expenses	11,000	18,000	17,424	576		
UNCLASSIFIED						
Utilities						
Gasoline	125,000	100,000	97,722	2,278		
Electricity	200,000	200,000	149,257	50,743		
Telephone	100,000	100,000	84,906	15,094		
Street Lighting	140,000	164,000	138,669	25,331		
Water	30,000	33,000	32,331	669	-	-
Total Operations Within "CAPS"	14,940,174	14,922,174	14,162,410	769,159	-	9,395
Detail:						
Salaries and Wages	8,488,701	8,451,401	8,249,875	208,924	-	7,398
Other Expenses	6,451,473	6,470,773	5,912,535	560,235	-	1,997
DEFERRED CHARGES AND REGULATORY						
EXPENDITURES-MUNICIPAL-WITHIN "CAPS"						
Deferred Charges:						
Overexpenditure of Appropriation Reserves	1,831	1,831	1,831			
Statutory Expenditures:						
Contribution to:						
Social Security System (O.A.S.I.)	350,000	359,000	358,939	61		
Public Employees' Retirement System	406,233	406,233	406,233	-		
Police and Firemen's Retirement Fund of NJ	1,148,465	1,148,465	1,143,465	5,000		
Defined Contribution Retirement Plan (DCRP)	2,000	3,000	2,997	3	-	-
Total Deferred Charges and Statutory						
Expenditures - Within "CAPS"	1,908,529	1,918,529	1,913,465	5,064	-	-
Total General Appropriations for						
Municipal Purposes within "CAPS"	16,848,703	16,840,703	16,075,875	774,223	-	9,395

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

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Expended</u> <u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>	<u>Over- Expenditures</u>
OPERATIONS - EXCLUDED FROM "CAPS"						
UTILITY EXPENSES AND BULK PURCHASES						
Bergen County Utilities Authority-Operations	\$ 1,377,783	\$ 1,385,783	\$ 1,377,780	\$ 8,003		
Bergen County Utilities Authority-Debt Service	513,667	513,667	513,667			
EDUCATION FUNCTIONS						
Maintenance of Free Public Library	667,449	667,449	667,449			
PUBLIC SAFETY						
Length of Service Awards Program (LOSAP)	50,000	50,000	-	50,000	-	-
Total Other Operations - Excluded from "CAPS"	2,608,899	2,616,899	2,558,896	58,003	-	-
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES FEDERAL AND STATE GRANTS						
Recycling Tonnage Grant						
State Share	22,460	22,460	17,813	4,647		
Distracted Driving						
Other Expenses	5,500	5,500	-	5,500		
Police Body Armor						
Other Expenses	3,071	3,071	749	2,322	-	-
Total Public and Private Programs Offset by Revenues	31,031	31,031	18,562	12,469	-	-
Total Operations Excluded from "CAPS"	2,639,930	2,647,930	2,577,458	70,472	-	-
Detail:						
Other Expenses	2,639,930	2,647,930	2,577,458	70,472	-	-
CAPITAL IMPROVEMENTS -						
Capital Improvement Fund	115,000	115,000	115,000	-	-	-
MUNICIPAL DEBT SERVICE -						
Payment of Bond Principal	\$ 1,040,000	\$ 1,040,000	\$ 1,040,000			
Payment of Bond Anticipation Note Principal						
Interest on Bonds	395,075	395,075	395,075			
Green Trust						
Loan Repayments for Principal and Interest	12,437	12,437	12,437			
Bergen County Improvement Authority -						
Loan Repayment	95,442	95,442	95,442			
NJEIT Loan Principal	354,295	354,295	354,295			
NJEIT Loan Interest	72,930	72,930	72,702	-	\$ 228	-
Total Municipal Debt Service	1,970,179	1,970,179	1,969,951	-	228	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	4,725,109	4,733,109	4,662,409	\$ 70,472	228	-

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

	<u>Budget</u>	<u>Budget After Modification</u>	<u>Expended</u> <u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>	<u>Over- Expenditures</u>
Subtotal General Appropriations	\$ 21,573,812	\$ 21,573,812	\$ 20,738,284	\$ 844,695	\$ 228	\$ 9,395
RESERVE FOR UNCOLLECTED TAXES	<u>1,225,000</u>	<u>1,225,000</u>	<u>1,225,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 22,798,812</u>	<u>\$ 22,798,812</u>	<u>\$ 21,963,284</u>	<u>\$ 844,695</u>	<u>\$ 228</u>	<u>\$ 9,395</u>
Cash Disbursements			\$ 19,998,052			
Accounts Payable			623,356			
Due to General Capital Fund			115,000			
Deferred Charges			1,831			
Due to Other Trust Fund			45			
Reserve for Uncollected Taxes			<u>1,225,000</u>			
			<u>\$ 21,963,284</u>			

BOROUGH OF DUMONT
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-1	\$ 13,522	\$ 11,110
OTHER TRUST FUND			
Cash	B-1	1,127,409	953,708
Due from Current Fund	B-7	62,487	-
		<u>1,189,896</u>	<u>953,708</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	16,546	29,483
Due from Payroll Service Provider	B-11	678	1,006
		<u>17,224</u>	<u>30,489</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Investment	B	1,250,083	1,311,241
Contribution Receivable	B	40,750	39,550
		<u>1,290,833</u>	<u>1,350,791</u>
Total Assets		<u>\$ 2,511,475</u>	<u>\$ 2,346,098</u>

**BOROUGH OF DUMONT
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Reserve for Animal Control Expenditures	B-2	\$ 6,196	\$ 7,229
Due to State of New Jersey	B-3	149	168
Due to Current Fund	B-4	<u>7,177</u>	<u>3,713</u>
		<u>13,522</u>	<u>11,110</u>
OTHER TRUST FUND			
Reserve for Developers Escrow	B-5	80,989	31,801
Miscellaneous Reserves	B-8	1,045,852	786,076
Due to Current Fund	B-7		73,718
Payroll Deductions Payable	B-9	<u>63,055</u>	<u>62,113</u>
		<u>1,189,896</u>	<u>953,708</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Due to State of New Jersey	B-10	825	9,510
Reserve for Unemployment Insurance Expenditures	B-6	<u>16,399</u>	<u>20,979</u>
		<u>17,224</u>	<u>30,489</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Reserve for Length of Service Awards Program	B	<u>1,290,833</u>	<u>1,350,791</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,511,475</u>	<u>\$ 2,346,098</u>

BOROUGH OF DUMONT
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Cash	C-2, C-3	\$ 979,831	\$ 254,593
Grants Receivable	C-6	487,713	216,955
Deferred Charges to Future Taxation			
Funded	C-4	16,560,425	18,043,862
Unfunded	C-5	18,032,813	16,272,913
Cancelled Grant Receivable	C-7	140,141	140,141
Overexpenditure of Ordinance	C-20	5,811	
Due from Current Fund	C-8	<u>196,771</u>	<u>183,291</u>
Total Assets		<u>\$ 36,403,505</u>	<u>\$ 35,111,755</u>
LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-11	\$ 12,020,000	\$ 13,060,000
Pension Obligation Lease Payable	C-12	536,000	615,000
Bond Anticipation Notes	C-13	3,000,000	
Green Trust Fund Loan Payable	C-16	107,117	117,259
Environmental Infrastructure Trust Loan Payable	C-17	3,897,308	4,251,603
Improvement Authorizations			
Funded	C-14	873,750	784,332
Unfunded	C-14	14,863,632	14,444,091
Contracts Payable	C-15	735,042	1,385,571
Reserve for Payment of Debt	C-10		2,900
Reserve for Grants Receivable	C-6	43,853	142,853
Reserve for Preliminary Costs	C-9	10,000	10,000
Capital Improvement Fund	C-18	115,647	94,161
Fund Balance	C-1	<u>201,156</u>	<u>203,985</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 36,403,505</u>	<u>\$ 35,111,755</u>

There were bonds and notes authorized but not issued of \$15,032,813 and \$16,272,913 at December 31, 2018 and 2017, respectively (Exhibit C-19).

BOROUGH OF DUMONT
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Balance, January 1	\$ 203,985	\$ 152,172
Increased by:		
Funded Improvement Authorizations Cancelled		196,063
Premium on Sale of Serial Bonds		60,750
Premium on Sale of Bond Anticipation Notes	<u>22,171</u>	<u>-</u>
	<u>226,156</u>	<u>408,985</u>
Decreased by:		
Appropriated to Finance Improvement Authorizations		180,000
Anticipated as Revenue in Current Fund Budget	<u>25,000</u>	<u>25,000</u>
	<u>25,000</u>	<u>205,000</u>
Balance, December 31	<u>\$ 201,156</u>	<u>\$ 203,985</u>

**BOROUGH OF DUMONT
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Cash	D-1	\$ <u>100</u>	\$ <u>1,823</u>
		\$ <u>100</u>	\$ <u>1,823</u>
LIABILITIES			
Reserve for Goodwill	D-2	\$ <u>100</u>	\$ <u>1,823</u>
		\$ <u>100</u>	\$ <u>1,823</u>

**BOROUGH OF DUMONT
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Land and Site Improvements	\$ 4,235,916	\$ 3,319,093
Buildings and Building Improvements	4,840,406	4,822,120
Construction in Progress	559,875	
Machinery and Equipment	<u>8,932,452</u>	<u>8,542,949</u>
	<u>\$ 18,568,649</u>	<u>\$ 16,684,162</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 18,568,649</u>	<u>\$ 16,684,162</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Dumont (the "Borough") was incorporated in 1894 and operates under an elected Mayor and Council form of government. The Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department or volunteer first aid squad, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

B. Description of Regulatory Basis of Accounting

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

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

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

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

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Borough as collateral.

Unemployment Insurance Fund - This fund is used to account for employee and employer contributions for the purpose of providing unemployment benefits to former eligible employees.

Length of Service Awards Program Fund (LOSAP) – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Borough.

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

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough. The Borough's infrastructure is not reported in the account group.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Reclassifications - Certain reclassifications may have been made to the December 31, 2017 balances to conform to the December 31, 2018 presentation.

Financial Statements – Regulatory Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Borough presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues/Receivables - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Grant and Similar Award Revenues/Receivables - 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 as soon as all eligibility requirements imposed by the grantor or provider have been met.

Property Acquired for Taxes - Property acquired for taxes 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 as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

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

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Deferred Charges – Certain expenditures, operating deficits and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures, operating deficits and certain other items generally to be recognized when incurred, if measurable.

Funded and unfunded debt authorizations for general capital projects are also recorded as deferred charges and represent permanent long-term debt issues outstanding (funded) and temporary debt issues outstanding or unissued debt authorizations (unfunded), respectively. GAAP does not permit the recording of deferred charges for funded and unfunded debt authorizations.

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

Expenditures – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

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

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Dumont has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years.

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

General Fixed Assets purchased after December 31, 2008 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General Fixed Assets purchased prior to December 31, 2008 are stated as follows:

Land and Land Improvements	Estimated Historical Cost
Building and Building Improvements	Assessed Value and/or Cost
Machinery and Equipment	Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

Use of Estimates - The preparation of financial statements requires management of the 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 the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. **Budgets and Budgetary Accounting** - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services as per N.J.S.A. 40A:4 et seq.

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

Trust Funds
General Capital Fund
Public Assistance Fund

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Accounting (Continued)

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2017 the Borough Council increased the original budget by \$30,771. The 2017 increases were funded by additional aid allotted to the Borough. The 2018 budget was not increased. In addition, the governing body approved several budget transfers during 2018 and 2017.

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
<u>2018</u>			
Current Fund			
Insurance			
General Liability	\$ 327,700	\$ 329,697	\$ 1,997
Life Hazard Use Fees			
Salaries and Wages	35,857	43,055	7,198
Municipal Prosecutor			
Salaries and Wages	9,240	9,440	200
	<u>\$ 372,797</u>	<u>\$ 382,192</u>	<u>\$ 9,395</u>
<u>2017</u>			
Current Fund			
Assessment of Taxes			
Other Expenses	\$ 19,200	\$ 21,031	\$ 1,831

In accordance with the regulatory basis of accounting, the above variances or overexpenditures were recorded as deferred charges on the balance sheet of the respective fund at year end and are required to be funded in the succeeding year's budget. GAAP does not permit the deferral of overexpenditures at year end.

In accordance with the regulatory basis of accounting, the above variances or overexpenditures were recorded as deferred charges on the balance sheet of the respective fund at year end and are required to be funded in the succeeding year's budget. GAAP does not permit the deferral of overexpenditures at year end.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3 CASH DEPOSITS AND INVESTMENTS

The Borough considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

A. Cash Deposits

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC or NCUSIF.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each, failed brokerage firm. At December 31, 2018 and 2017, the book value of the Borough's deposits were \$7,905,360 and \$7,989,985 and bank and brokerage firm balances of the Borough's deposits amounted to \$8,486,140 and \$8,051,110, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2018</u>	<u>2017</u>
Insured	\$ 8,478,289	\$ 8,043,466
Uninsured and Collateralized	<u>7,851</u>	<u>7,644</u>
	<u>\$ 8,486,140</u>	<u>\$ 8,051,110</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2018 and 2017, the Borough's bank balances of \$7,851 and \$7,644 were exposed to custodial credit risk as follows:

	<u>2018</u>	<u>2017</u>
Collateral Held by Borough's Agent in the Borough's Name	<u>\$ 7,851</u>	<u>\$ 7,644</u>

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law, " (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2018 and 2017, the Borough had the following investments:

	<u>Fair Value</u>	
	<u>2018</u>	<u>2017</u>
Investment in Lincoln Financial (LOSAP-Unaudited)	\$ <u>1,250,083</u>	\$ <u>1,311,241</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2018 and 2017, \$1,250,083 and \$1,311,241 of the Borough's investments was exposed to custodial credit risk as follows:

	<u>2018</u>	<u>2017</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust		
department but not in the Borough's name (LOSAP - Unaudited)	\$ <u>1,250,083</u>	\$ <u>1,311,241</u>

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2018 and 2017, the Borough's investment in Lincoln Financial Group was rated Baal by Moody's Investor Services.

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer. More than five (5) percent of the Borough's investments are in Lincoln Financial Group. These investments are 100% of the Borough's total investments.

The fair value of the above-listed investments were based on quoted market prices.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting.

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
<u>Current</u>		
Property Taxes	\$ 531,494	\$ 456,499
Tax Title Liens	<u>7,883</u>	<u>7,497</u>
	<u>\$ 539,377</u>	<u>\$ 463,996</u>

In 2018 and 2017, the Borough collected \$456,463 and \$547,687 from delinquent taxes, which represented 98% and 85%, respectively of the prior year delinquent taxes receivable balance.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 5 DUE TO/FROM OTHER FUNDS

As of December 31, 2018 and 2017 interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 7,177	\$ 259,258	\$ 77,431	\$ 183,291
Trust Fund				
Other Trust Fund	62,487			73,718
Animal Control Fund		7,177		3,713
General Capital Fund	<u>196,771</u>	<u>-</u>	<u>183,291</u>	<u>-</u>
	<u>\$ 266,435</u>	<u>\$ 266,435</u>	<u>\$ 260,722</u>	<u>\$ 260,722</u>

The above balances are the result of expenditures being paid by one fund on behalf of another revenues earned in one fund but owed to another fund and receipts deposited in one fund but owed to another fund.

The Borough expects all interfund balances to be liquidated within one year.

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2018 and 2017 the following deferred charges are reported on the balance sheets of the following funds:

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2018</u>			
Current Fund			
Overexpenditure of Appropriation	<u>\$ 9,395</u>	<u>\$ 9,395</u>	<u>\$ -</u>
General Capital Fund			
Overexpenditure of Ordinance	<u>\$ 5,811</u>	<u>\$ 5,811</u>	
Cancelled Grant Receivables	<u>140,141</u>	<u>46,141</u>	<u>\$ 94,000</u>
	<u>\$ 145,952</u>	<u>\$ 51,952</u>	<u>\$ 94,000</u>
<u>2017</u>			
Current Fund			
Overexpenditure of Appropriation	<u>\$ 1,831</u>	<u>\$ 1,831</u>	<u>\$ -</u>
General Capital Fund			
Cancelled Grant Receivables	<u>\$ 140,141</u>	<u>-</u>	<u>\$ 140,141</u>

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund is comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	2018		2017	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 2,666,581	\$ 1,490,000	\$ 1,867,576	\$ 1,250,000
Non-Cash Surplus	<u>17,052</u>	<u>-</u>	<u>8,738</u>	<u>-</u>
	<u>\$ 2,683,633</u>	<u>\$ 1,490,000</u>	<u>\$ 1,876,314</u>	<u>\$ 1,250,000</u>

NOTE 8 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2018 and 2017.

	<u>Balance, December 31, 2017</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance, December 31, 2018</u>
Land and Site Improvements	\$ 3,319,093	\$ 916,823		\$ 4,235,916
Buildings and Building Improvements	4,822,120	18,286		4,840,406
Construction in Progress		559,875		559,875
Machinery and Equipment	<u>8,542,949</u>	<u>588,253</u>	<u>\$ 198,750</u>	<u>8,932,452</u>
	<u>\$ 16,684,162</u>	<u>\$ 2,083,237</u>	<u>\$ 198,750</u>	<u>\$ 18,568,649</u>
	<u>Balance, December 31, 2016</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance, December 31, 2017</u>
Land and Site Improvements	\$ 3,319,093			\$ 3,319,093
Buildings and Building Improvements	4,754,780	\$ 67,340		4,822,120
Machinery and Equipment	<u>8,152,381</u>	<u>390,568</u>	<u>\$ -</u>	<u>8,542,949</u>
	<u>\$ 16,226,254</u>	<u>\$ 457,908</u>	<u>\$ -</u>	<u>\$ 16,684,162</u>

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 9 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2018</u>	<u>2017</u>
Issued		
General		
Bonds, Notes, Leases and Loans	\$ 19,560,425	\$ 18,043,862
Less Funds Temporarily Held to		
Pay Bonds and Notes	-	2,900
Net Debt Issued	19,560,425	18,040,962
Authorized But Not Issued		
General		
Bonds and Notes	15,032,813	16,272,913
Net Bonds and Notes Issued and Authorized		
But Not Issued	<u>\$ 34,593,238</u>	<u>\$ 34,313,875</u>

Statutory Net Debt

The statement of debt condition that follows indicates a statutory net debt of 1.70% and 1.72% at December 31, 2018 and 2017, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2018</u>			
General Debt	\$ 34,593,238	\$ 536,000	\$ 34,057,238
School Debt	9,310,000	9,310,000	-
Total	<u>\$ 43,903,238</u>	<u>\$ 9,846,000</u>	<u>\$ 34,057,238</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General Debt	\$ 34,316,775	\$ 620,180	\$ 33,696,595
School Debt	10,585,000	10,585,000	-
Total	<u>\$ 44,901,775</u>	<u>\$ 11,205,180</u>	<u>\$ 33,696,595</u>

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Borrowing Power

The Borough's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2018</u>	<u>2017</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 70,464,136	\$ 68,384,397
Net Debt	<u>34,057,238</u>	<u>33,696,595</u>
Remaining Borrowing Power	<u>\$ 36,406,898</u>	<u>\$ 34,687,802</u>

A. Long-Term Debt

The Borough's long-term debt consisted of the following at December 31:

General Obligation Bonds

The Borough levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
\$8,530,000, 2010 Bonds, due in annual installment of \$800,000 on July 15, 2019 interest at 2.75%	\$ 800,000	\$ 1,575,000
\$5,430,000, 2016 Refunding Bonds, due in annual installments of \$795,000 to \$1,060,000 through July 2025, interest at 3.00% to 4.00%	5,410,000	5,410,000
\$6,075,000, 2017 Bonds, due in annual installments of \$270,000 to \$445,000 through May 2035, interest at 2.13% to 3.00%	<u>5,810,000</u>	<u>6,075,000</u>
	<u>\$ 12,020,000</u>	<u>\$ 13,060,000</u>

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable

The Borough has entered into loan agreements with the New Jersey Green Trust and the Environmental Infrastructure Trust Funds. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Green Trust Fund		
\$200,000, Bonds, due in semi-annual installments of \$4,946 to \$6,157 through 2028, interest at 2%	\$ 107,117	\$ 117,259
Total Green Trust Fund	<u>\$ 107,117</u>	<u>\$ 117,259</u>
	<u>2018</u>	<u>2017</u>
Environmental Infrastructure Trust		
\$1,675,000 Trust Loan, due in annual installments of \$77,000 to \$112,000 through 2027, interest at 5.0%	\$ 847,000	\$ 920,000
\$1,572,000 Fund Loan, due in semi-annual installments of \$1,681 to \$80,765 through 2027 interest free	753,844	837,460
\$965,000 Trust Loan, due in annual installments of \$47,000 to \$67,000 through 2029, interest at 3.0% to 5.0%	617,000	662,000
\$2,850,000 Fund Loan, due in semi-annual installments of \$50,893 and \$101,786 through 2029, interest free	<u>1,679,464</u>	<u>1,832,143</u>
Total Environmental Infrastructure Trust	<u>3,897,308</u>	<u>4,251,603</u>
Total Intergovernmental Loans	<u>\$ 4,004,425</u>	<u>\$ 4,368,862</u>

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Pension Obligation Lease Agreement

The Borough has entered into an agreement with the Bergen County Improvement Authority ("BCIA") for the retirement of the Borough's outstanding unfunded pension liability for the early retirement incentive program of 2003. The original amount financed totaled \$958,000. The Borough issued refunding revenue bonds totaling \$882,000 through the BCIA during 2012. The following is the schedule of the future minimum lease payments and the present value of the net minimum lease payment at December 31, 2018:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2019	\$ 101,583
2020	109,268
2021	115,410
2022	123,023
2023	<u>131,102</u>
Total Minimum Lease Payments	580,386
Less: Amounts Representing Interest	<u>44,386</u>
Present Value of Net Minimum Lease Payments	<u>\$ 536,000</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2018 is as follows:

<u>Calendar</u> <u>Year</u>	<u>General Bonds</u>		<u>Intergovernmental Loans</u>				<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Environmental Infrastructure</u> <u>Principal</u>	<u>Interest</u>	<u>Green Trust</u> <u>Principal</u>	<u>Interest</u>	
2019	\$ 1,070,000	\$ 370,181	\$ 360,770	\$ 67,030	\$ 10,346	\$ 2,091	\$ 1,880,418
2020	1,070,000	342,219	366,656	61,300	10,554	1,883	1,852,612
2021	1,090,000	311,775	372,415	55,320	10,765	1,672	1,841,947
2022	1,140,000	280,350	374,251	49,090	10,983	1,454	1,856,128
2023	1,150,000	247,538	386,415	42,660	11,203	1,234	1,839,050
2024-2028	3,715,000	655,226	1,817,127	104,500	53,266	2,699	6,347,818
2029-2033	1,910,000	278,550	219,674	2,680	-	-	2,410,904
2034-2035	<u>875,000</u>	<u>26,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>901,475</u>
Total	<u>\$ 12,020,000</u>	<u>\$ 2,512,314</u>	<u>\$ 3,897,308</u>	<u>\$ 382,580</u>	<u>\$ 107,117</u>	<u>\$ 11,033</u>	<u>\$ 18,930,352</u>

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2018 and 2017 were as follows:

	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
General Capital Fund					
Bonds Payable	\$ 13,060,000		\$ 1,040,000	\$ 12,020,000	\$ 1,070,000
Intergovernmental Loans Payable	4,368,862		364,437	4,004,425	371,116
Pension Obligation Lease	615,000	-	79,000	536,000	87,000
General Capital Fund Long-Term Liabilities	<u>\$ 14,663,405</u>	<u>\$ -</u>	<u>\$ 1,483,437</u>	<u>\$ 16,560,425</u>	<u>\$ 1,528,116</u>
	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
General Capital Fund					
Bonds Payable	\$ 7,755,000	\$ 6,075,000	\$ 770,000	\$ 13,060,000	\$ 1,040,000
Intergovernmental Loans Payable	4,902,466		533,604	4,368,862	364,437
Pension Obligation Lease	687,000	-	72,000	615,000	79,000
General Capital Fund Long-Term Liabilities	<u>\$ 13,344,466</u>	<u>\$ 6,075,000</u>	<u>\$ 1,375,604</u>	<u>\$ 18,043,862</u>	<u>\$ 1,483,437</u>

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2018 and 2017 was as follows:

Bond Anticipation Notes

Ord, No.	Improvement Description	Interest Rate	Date of Maturity	Balance, December 31, <u>2017</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2018</u>
1481/1496	Relocation of Borough Offices	2.50%	3/14/2019		\$ 320,888		\$ 320,888
1498/1518	Various Improvements	2.50%	3/14/2019		148,800		148,800
1501	Various Improvements	2.50%	3/14/2019		176,000		176,000
1504	Various Storm Water Sewer Improvements	2.50%	3/14/2019		43,500		43,500
1517	Roadway Improvements	2.50%	3/14/2019		213,000		213,000
1519	Various Improvements	2.50%	3/14/2019		2,021,812		2,021,812
1523	Sewer System Improvements	2.50%	3/14/2019	-	76,000	-	76,000
				<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

Ord. No.	Improvement Description	Interest Rate	Date of Maturity	Balance, December 31, 2016	Increased	Decreased	Balance, December 31, 2017
1375/1407	Stormwater Sewer System Improvements	2.00%	6/22/2017	\$ 665,342		\$ 665,342	\$ -
1393	Various General Improvements	2.00%	6/22/2017	377,227		377,227	-
1409	Library and Senior Center Handicap	2.00%	6/22/2017	51,178		51,178	-
1416	Park Improvements	2.00%	6/22/2017	156,716		156,716	-
1421	Various Capital Improvements	2.00%	6/22/2017	688,068		688,068	-
1431	DPW Garage Site Improvements	2.00%	6/22/2017	222,226		222,226	-
1432	Storm Sewer Improvements - Phase III	2.00%	6/22/2017	212,968		212,968	-
1434	Various Capital Improvements	2.00%	6/22/2017	381,790		381,790	-
1436	Various Storm Water Sewer Improvements	2.00%	6/22/2017	111,112		111,112	-
1438	Various Improvements - Twin Boro Field	2.00%	6/22/2017	1,061,378		1,061,378	-
1447	Installation of New Walking Path	2.00%	6/22/2017	82,807		82,807	-
1448/1456							
1478/1487	Improvements to DePew Street (Phases I, II and III)	2.00%	6/22/2017	366,503		366,503	-
1450	Acq. And Installation of Air Quality Equip.	2.00%	6/22/2017	58,500		58,500	-
1460	Various Capital Improvements	2.00%	6/22/2017	537,690		537,690	-
1465	Library Window and Exterior Renovation	2.00%	6/22/2017	176,000		176,000	-
1466	Stormwater Sewer System Improvements Phase II	2.00%	6/22/2017	195,000		195,000	-
1479	Various Road Improvements	2.00%	6/22/2017	156,750		156,750	-
1480	Various Capital Improvements	2.00%	6/22/2017	380,000		380,000	-
1486	Various Capital Improvements	2.00%	6/22/2017	75,526		75,526	-
1490	Various Capital Improvements	2.00%	6/22/2017	490,475		490,475	-
1493	Various Improvements to Locust Ave and Brook St	2.00%	6/22/2017	127,744	-	127,744	-
				<u>\$ 6,575,000</u>	<u>\$ -</u>	<u>\$ 6,575,000</u>	<u>\$ -</u>

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, 2018 and 2017 the Borough had the following commitments with respect to unfinished capital projects:

	<u>Commitment</u>	<u>Estimated Date of Completion</u>
<u>2018</u>		
Municipal Complex	\$ 459,125	2019
Remediation Improvements - DPW	68,000	2019
<u>2017</u>		
Sewer Infrastructure Improvements	\$ 149,041	2018
Road Improvements	173,365	2018
Acquisition of Property - Municipal Complex	401,275	2018
Municipal Complex	630,000	2018

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused vacation benefits, sick leave and compensation time in lieu of overtime over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement. Bargaining unit agreements and a local ordinance establish the maximum number of accumulated days an employee can be compensated for.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$4,303,947 and \$4,118,185 at December 31, 2018 and 2017, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2018 and 2017, the Borough has reserved in the Other Trust Fund \$75,226 and \$75,226, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the notes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

The Borough's changes in other long-term liabilities for the years ended December 31, 2018 and 2017 were as follows:

	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
Compensated Absences	\$ 4,118,185	\$ 315,850	\$ 130,088	\$ 4,303,947	\$ 115,000
Net OPEB Liability	13,232,085		3,247,906	9,984,179	
Net Pension Liability					
PERS	10,180,858		1,419,351	8,761,507	
PFRS	<u>19,946,351</u>	<u>-</u>	<u>3,975,516</u>	<u>15,970,835</u>	<u>-</u>
	<u>\$ 47,477,479</u>	<u>\$ 315,850</u>	<u>\$ 8,772,861</u>	<u>\$ 39,020,468</u>	<u>\$ 115,000</u>

	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
Compensated Absences	\$ 4,130,000		\$ 11,815	\$ 4,118,185	\$ 115,000
Net OPEB Liability	13,725,003		492,918	13,232,085	
Net Pension Liability					
PERS	14,912,386		4,731,528	10,180,858	
PFRS	<u>24,923,017</u>	<u>-</u>	<u>4,976,666</u>	<u>19,946,351</u>	<u>-</u>
	<u>\$ 57,690,406</u>	<u>\$ -</u>	<u>\$ 10,212,927</u>	<u>\$ 47,477,479</u>	<u>\$ 115,000</u>

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Borough employees who are eligible for pension coverage.

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees. PFRS is a cost-sharing multi-employer defined benefit pension plan with a special funding situation. For additional information about PFRS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement benefits 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:

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

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tier 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.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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, if applicable, vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 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 tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members 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 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 a least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Borough employees who are eligible for pension coverage.

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at www.state.nj.us/treasury/doinvest.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Collective Net Pension Liability

The collective net pension liability of the participating employers for PERS at June 30, 2018 and 2017 is \$43.4 billion and \$48.9 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 40.45% and 36.78%, respectively. The collective net pension liability of the participating employers for PFRS at June 30, 2018 and 2017 is \$19.7 billion and \$21.6 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 57.91% and 54.52%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 and 2016 which were rolled forward to June 30, 2018 and 2017, respectively.

Actuarial Methods and Assumptions

In the July 1, 2017 and 2016 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions for 2018 and 2017 based on 10.0% for PFRS, 7.50% (effective July 1, 2018) and 7.34% (effective July 1, 2017) for PERS and 5.50% for DCRP of employee's annual compensation.

For the years ended December 31, 2018 and 2017 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2018, 2017 and 2016 were equal to the required contributions.

During the years ended December 31, 2018, 2017 and 2016, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ending</u> <u>December 31,</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2018	\$ 1,143,465	\$ 405,160	\$ 2,997
2017	1,063,771	447,307	1,750
2016	1,069,141	450,074	2,805

In addition for the years ended December 31, 2018 and 2017 the Borough contributed for long-term disability insurance premiums (LTDI) \$1,073 and \$775, respectively for PERS.

BOROUGH OF DUMONT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No.68) their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2018 and 2017, the Borough reported a liability of \$8,761,507 and \$10,180,858, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the Borough's proportionate share was .04449 percent, which was an increase of .00075 percent from its proportionate share measured as of June 30, 2017 of .04374 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough's pension expense to be \$207,994 and \$434,239, respectively, for PERS based on the actuarial valuations which are less than the actual contributions reported in the Borough's financial statements of \$405,160 and \$447,307, respectively. At December 31, 2018 and 2017, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 167,083	\$ 45,177	\$ 239,724	
Changes of Assumptions	1,443,751	2,801,464	2,051,092	\$ 2,043,572
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		82,183	69,325	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	205,457	1,130,396	108,280	1,483,048
Total	\$ 1,816,291	\$ 4,059,220	\$ 2,468,421	\$ 3,526,620

BOROUGH OF DUMONT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

At December 31, 2018 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending December 31,	Total
2019	\$ (167,148)
2020	(358,808)
2021	(927,350)
2022	(645,757)
2023	(143,866)
Thereafter	-
	<u>\$ (2,242,929)</u>

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as 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, applied to all periods in the measurement date:

<u>2018 and 2017</u>	
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%
Mortality Rate Table	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

BOROUGH OF DUMONT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018 and 2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
US Equity	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Calendar</u>		
<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	5.66%
2017	June 30, 2017	5.00%

BOROUGH OF DUMONT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

	<u>2018</u>	<u>2017</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2046	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2046 and Thereafter	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2018 and 2017 calculated using the discount rate of 5.66% and 5.00%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 4.66% and 4.00%, respectively or 1-percentage-point higher 6.66% and 6.00%, respectively than the current rate:

	<u>1% Decrease (4.66%)</u>	<u>Current Discount Rate (5.66%)</u>	<u>1% Increase (6.66%)</u>
<u>2018</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 11,016,586</u>	<u>\$ 8,761,507</u>	<u>\$ 6,869,640</u>
	<u>1% Decrease (4.00%)</u>	<u>Current Discount Rate (5.00%)</u>	<u>1% Increase (6.00%)</u>
<u>2017</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 12,630,045</u>	<u>\$ 10,180,858</u>	<u>\$ 8,140,381</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

BOROUGH OF DUMONT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Police and Firemen's Retirement System (PFRS)

At December 31, 2018 and 2017, the Borough reported a liability of \$15,970,835 and \$19,946,351, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the Borough's proportionate share was .11803 percent, which was a decrease of .01117 percent from its proportionate share measured as of June 30, 2017 of .12920 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough pension expense to be \$958,070 and \$1,835,743, respectively, for PFRS based on the actuarial valuations which are less in 2018 and more in 2017 than the actual contributions reported in the Borough's financial statements of \$1,143,465 and \$1,063,771, respectively. At December 31, 2018 and 2017, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough's financial statements are from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 162,482	\$ 66,091	\$ 129,400	\$ 117,068
Changes of Assumptions	1,370,881	4,093,049	2,459,607	3,266,629
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		87,375	380,623	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	129,114	1,646,643	217,045	253,935
Total	<u>\$ 1,662,477</u>	<u>\$ 5,893,158</u>	<u>\$ 3,186,675</u>	<u>\$ 3,637,632</u>

BOROUGH OF DUMONT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen's Retirement System (PFRS) (Continued)

At December 31, 2018 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2019	\$ (69,222)
2020	(776,684)
2021	(1,729,676)
2022	(1,184,591)
2023	(470,508)
Thereafter	-
	<u>\$ (4,230,681)</u>

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as 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, applied to all periods in the measurement date:

2018 and 2017

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%
Mortality Rate Table	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA and one year using Scale BB.

The actuarial assumptions used in the July 1, 2017 and July 1, 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

BOROUGH OF DUMONT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen's Retirement System (PFRS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018 and 2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.87%
US Equity	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liabilities of the PFRS plan was as follows:

<u>Calendar</u>		
<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	6.51%
2017	June 30, 2017	6.14%

BOROUGH OF DUMONT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen's Retirement System (PFRS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PFRS defined benefit plan:

	<u>2018</u>	<u>2017</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2062	Through June 30, 2057
Municipal Bond Rate *	From July 1, 2062 and Thereafter	From July 1, 2057 and Thereafter

* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PFRS net pension liability as of December 31, 2018 and 2017 calculated using the discount rate of 6.51% and 6.14%, respectively, as well as what the Borough's proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 5.51% and 5.14%, respectively or 1-percentage-point higher 7.51% and 7.14%, respectively than the current rate:

<u>2018</u>	<u>1% Decrease (5.51%)</u>	<u>Current Discount Rate (6.51%)</u>	<u>1% Increase (7.51%)</u>
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ 21,374,981	\$ 15,970,835	\$ 11,513,399
<u>2017</u>	<u>1% Decrease (5.14%)</u>	<u>Current Discount Rate (6.14%)</u>	<u>1% Increase (7.14%)</u>
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ 26,280,960	\$ 19,946,351	\$ 14,741,749

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF DUMONT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen's Retirement System (PFRS) (Continued)

Special Funding Situation – PFRS

Under N.J.S.A. 43:16A-15, the Borough is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2018 and 2017, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$2,169,374 and \$2,234,159, respectively. For the years ended December 31, 2018 and 2017, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$256,959 and \$273,288, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$128,479 and \$111,737, respectively. At December 31, 2018 (measurement date June 30, 2018) the State's share of the PFRS net pension liability attributable to the Borough was .11803 percent, which was a decrease of .01117 percent from its proportionate share measured as of December 31, 2017 (measurement date June 30, 2017) of .12920 percent. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

Detailed information about the PFRS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for participating municipalities including the Borough.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program covering substantially all eligible local government employees from local participating employers.

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

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

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

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level coverage.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Measurement Focus and Basis of Accounting

The financial statements of the OPEB plan are prepared in accordance with U.S. generally accepted accounting principles as applicable to government organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the other postemployment benefit plan. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Collective Net OPEB Liability

The collective net OPEB liability of the participating employers and the State, as the non-employer contributing entity, of the Plan at June 30, 2018 and 2017 is \$15.7 billion and \$20.4 billion, respectively, and the plan fiduciary net position as a percentage of the total OPEB liability is 1.97% and 1.03%, respectively.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2017 and 2016 which were rolled forward to June 30, 2018 and 2017.

Actuarial Methods and Assumptions

In the June 30, 2017 and 2016 OPEB actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Post-Retirement Medical Benefits Contribution

The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members. The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1967, as disclosed previously. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis.

The employers participating in the OPEB plan made contributions of \$421.2 million and \$381.8 million and the State of New Jersey, as the non-employer contributing entity, contributed \$53.5 million and \$53.1 million for fiscal years 2018 and 2017, respectively.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Borough's contributions to the State Health Benefits Program Fund-Local Government Retired Plan for post-retirement benefits for the years ended December 31, 2018, 2017 and 2016 were \$388,023, \$396,487 and \$311,565, respectively, which equaled the required contributions for each year. In addition, the Borough's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended December 31, 2018, 2017 and 2016 were \$9,636, \$9,352 and \$8,613, respectively.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The regulatory basis of accounting requires participating employers in the State Health Benefit Program Fund – Local Government Retired Plan to disclose in accordance with GASB Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefits other than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

At December 31, 2018 and 2017, the Borough reported a liability of \$9,984,179 and \$13,232,085, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and 2017, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 and 2016, respectively. The Borough's proportionate share of the net OPEB liability was based on the ratio of the Borough's proportionate share of the OPEB liability attributable to the Borough at June 30, 2018 and 2017 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2018 and 2017, respectively. As of the measurement date of June 30, 2018 the Borough's proportionate share was .06373 percent, which was a decrease of .00108 percent from its proportionate share measured as of June 30, 2017 of .06481 percent.

For the years ended December 31, 2018 and 2017, the Plan has determined the Borough's OPEB expense to be \$402,004 and \$948,208, respectively, based on the actuarial valuations which are more than the actual contributions reported in the Borough's financial statements of \$388,023 and \$396,487, respectively. At December 31, 2018 and 2017, the Borough's deferred outflows of resources and deferred inflows of resources related to the OPEB plan which are not reported on the Borough's financial statements are from the following sources:

	2018		2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 2,027,144		
Changes of Assumptions		2,532,618		\$ 1,468,649
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 5,276		\$ 2,268	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	263,489	215,632	307,113	-
Total	<u>\$ 268,765</u>	<u>\$ 4,775,394</u>	<u>\$ 309,381</u>	<u>\$ 1,468,649</u>

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

At December 31, 2018 the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2019	\$ (655,878)
2020	(655,878)
2021	(655,878)
2022	(656,446)
2023	(657,339)
Thereafter	<u>(1,225,210)</u>
	<u>\$ (4,506,629)</u>

Actuarial Assumptions

The Borough's total OPEB liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total OPEB liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>2018 and 2017</u>	
Inflation Rate	2.50%
Salary Increases*	
Initial Fiscal Year Applied Through	2026
Rate	1.65% to 8.98%
Rate Thereafter	2.65% to 9.98%
Mortality	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
Long-Term Rate of Return	1.00%

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

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions (Continued)

For the June 30, 2018 measurement date healthcare cost trend rates for pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

For the June 30, 2017 measurement date healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine year. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefit, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

The actuarial assumptions used in the June 30, 2017 and 2016 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2018 and 2017, respectively.

Discount Rate

The discount rate used to measure the total OPEB liabilities of the plan was as follows:

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	3.87%
2017	June 30, 2017	3.58%

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

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of Net OPEB Liability to Changes in the Discounts Rate

The following presents the Borough's proportionate share of the OPEB net liability as of December 31, 2018 and 2017 calculated using the discount rate of 3.87% and 3.58%, respectively, as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.87% and 2.58%, respectively or 1-percentage-point higher 4.87% and 4.58%, respectively than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
<u>2018</u>			
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 11,714,082</u>	<u>\$ 9,984,179</u>	<u>\$ 8,602,378</u>
	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
<u>2017</u>			
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 15,607,639</u>	<u>\$ 13,232,085</u>	<u>\$ 11,347,123</u>

The sensitivity analysis was based on the proportionate share of the Borough's net OPEB liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Borough's net OPEB liability was not provided by the Plan.

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

The following presents the Borough's proportionate share of the OPEB net liability as of December 31, 2018 and 2017 calculated using the healthcare trend rates as disclosed above as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
<u>2018</u>			
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 8,328,406</u>	<u>\$ 9,984,179</u>	<u>\$ 12,126,995</u>
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
<u>2017</u>			
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 10,996,249</u>	<u>\$ 13,232,085</u>	<u>\$ 16,143,402</u>

The sensitivity analysis was based on the proportionate share of the Borough's net OPEB liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Borough's net OPEB liability was not provided by the pension system.

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (Continued)**

Special Funding Situation

Under N.J.S.A. 43:3C-24 the Borough is responsible for their own OPEB contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 330, P.L. 1997 and Chapter 271, P.L., 1989. Under Chapter 330, P.L. 1997, the State pays the premiums or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 75 is zero percent and the State's proportionate share is 100% of OPEB under this legislation.

At December 31, 2018 and 2017, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$10,059,034 and \$13,432,848, respectively. For the years ended December 31, 2018 and 2017 the plan has determined the State's proportionate share of the OPEB expense attributable to the Borough for the OPEB special funding situation is \$304,499 and \$961,336, respectively. At December 31, 2018, (measurement date June 30, 2018), the State's share of the OPEB liability attributable to the Borough was .16188 percent, which was an increase of .0074 percent from its proportionate share measured as of December 31, 2017 (measurement date June 30, 2017) of .15448 percent. The State's proportionate share attributable to the Borough was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

NOTE 14 RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Borough has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Borough should they occur.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 14 RISK MANAGEMENT (Continued)

The Borough of Dumont is a member of the Bergen County Municipal Joint Insurance Fund (BJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The BJIF and MEL coverage amounts are on file with the Borough.

The relationship between the Borough and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Borough is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough's unemployment compensation trust fund for the current and previous two years:

<u>Year Ended</u> <u>December 31</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2018	\$ 21,299	\$ 25,879	\$ 16,399
2017	10,697	32,814	20,979
2016	10,414	19,669	49,889

NOTE 15 CONTINGENT LIABILITIES

The Borough is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the Borough's Attorney, the potential claims against the Borough not covered by insurance policies would not materially affect the financial condition of the Borough.

Pending Litigation – The Borough has one matter before the Superior Court of New Jersey, Bergen County. This litigation stems from Administrative disciplinary charges against five Borough employees (the "Plaintiff's").

The Plaintiff's filed an Order to Show Cause and Verified Complaint in Superior Court on June 21, 2017, contesting the charges. The complaint included a claim for monetary charges under the New Jersey Civil Rights Act. It is too early to make any determination as to the validity of this claim as the matter is proceeding through discovery as of the date of this audit.

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 15 CONTINGENT LIABILITIES (Continued)

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2018 and 2017. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2018 and 2017, the Borough reserved \$188,052 and \$193,762, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2018 and 2017, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 16 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2018 and 2017, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

The Borough of Dumont Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on August 17, 1999 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Dumont approved the adoption of the Plan at the general election held on November 2, 2001.

The first year of eligibility for entrance into the Plan was calendar year 2002. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the First Aid Organization, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

The Borough of Dumont has contributed \$40,750 and \$38,950 for 2018 and 2017, respectively, for eligible volunteer fire department and volunteer ambulance corp. members into the Plan.

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Borough has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

Lincoln Financial Group is the administrator of the plan. The Borough's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

Vesting and Benefits

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

Reporting Requirements

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Borough perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the Borough's Trust Fund.

NOTE 18 TAX ABATEMENTS

For the years ended December 31, 2018 and 2017, the Borough provided property tax abatements through certain programs authorized under State statutes. These programs include the New Jersey Housing and Mortgage Financing Act (NJHMFA).

- The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the years ended December 31, 2018 and 2017 the Borough abated property taxes totaling \$525,543 and \$515,454, respectively, under the NJHMFA program. The Borough received \$45,240 and \$48,351 in PILOT payments under this program for the years ended December 31, 2018 and 2017, respectively.

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 18 TAX ABATEMENTS (Continued)

- Prior to the enactment of the Long Term Tax Exempt Law (NJSA 40A:20 et.seq.) and under the provisions of the Senior Citizens Nonprofit Rental Housing Tax Law (NJSA 55:141-1), which has since been repealed, allows for the clearance, re-planning, development or redevelopment of blighted areas by means of a non-profit rental housing project for the elderly, developed, erected and owed by a non-profit corporations under the Federal Senior Citizens Housing Loan Program, and pursuant to section 202 of the Federal Housing Act of 1959, as amended; authorizing and providing for the exemption in part of such non-profit rental housing projects from taxation under the law. A qualified municipality could abate for up to 50 years the property taxes on newly construction senior housing. The process beings when the municipality passes by ordinance or resolution, as appropriate, that such residential rental senior housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor to make a PILOT payment to the municipality in an amount equal to a percentage of the annual gross revenue from each senior housing project. For the years ended December 31, 2018 and 2017 the Borough abated property taxes totaling \$6,897 and \$6,764, respectively, under this law. The Borough received \$15,000 and \$15,000 in PILOT payments under this program for the years ended December 31, 2018 and 2017, respectively.

NOTE 19 SUBSEQUENT EVENTS

Bond Anticipation Notes

On March 13, 2019 the Borough issued bond anticipation notes in the amount of \$3,500,000 to temporarily finance expenditures related to various capital projects. The Borough has awarded the sale of said notes to TD Securities at an interest rate of 2.25%. These notes dated March 13, 2019 will mature on February 20, 2020

Debt Authorized

On February 5, 2019 the Borough adopted a bond ordinance authorizing the issuance \$76,000 in Bonds or bond anticipation notes to fund the construction of a Municipal Complex. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

On February 5, 2019 the Borough adopted a bond ordinance authorizing the issuance \$4,685,500 in Bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

On June 24, 2019 the Borough adopted a bond ordinance authorizing the issuance \$1,902,000 in Bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

SUPPLEMENTARY SCHEDULES

CURRENT FUND

**BOROUGH OF DUMONT
STATEMENT OF CASH**

Balance, December 31, 2017		\$ 6,738,718
Increased by Receipts:		
Taxes Receivable	\$ 58,623,499	
Revenue Accounts Receivable	2,344,927	
Non Budget Revenue	162,860	
Prepaid Taxes	251,201	
General Capital Receipts Deposited in Current Fund	37,828	
Receipts from Other Trust Fund	265,992	
Receipts from General Capital Fund	4,388	
Unappropriated Reserves for Grants	55,158	
Miscellaneous Reserves	558,596	
Tax Overpayments	71,166	
Senior Citizens' and Veterans' Deductions	128,500	
Receipts from Library	<u>368,985</u>	
		<u>62,873,100</u>
		69,611,818
Decreased by Disbursements:		
Budget Appropriations	19,998,052	
Appropriation Reserves	258,403	
Accounts Payable	753,522	
Tax Overpayments	28,078	
County Taxes	4,910,409	
Local District School Taxes	36,942,190	
Appropriated Grant Reserves	38,250	
Miscellaneous Reserves	405,502	
Payments Made On Behalf Of Library	382,990	
Payments to General Capital Fund	115,000	
General Capital Expenditure Paid by Current Fund	836	
Refund of Prior Year Revenue	11,184	
Petty Cash Advance	<u>100</u>	
		<u>63,844,516</u>
Balance, December 31, 2018		<u>\$ 5,767,302</u>

EXHIBIT A-5

**BOROUGH OF DUMONT
STATEMENT OF PETTY CASH FUNDS**

<u>Office</u>	Balance, December 31, <u>2017</u>	<u>Advance</u>	Balance, December 31, <u>2018</u>
Finance Department	\$ <u>300</u>	\$ <u>100</u>	\$ <u>400</u>

EXHIBIT A-6

STATEMENT OF CHANGE FUNDS

<u>Office</u>	Balance, December 31, <u>2017</u>	Balance, December 31, <u>2018</u>
Tax Collector	\$ <u>250</u>	\$ <u>250</u>

EXHIBIT A-7

**STATEMENT OF DUE FROM STATE OF NEW JERSEY
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, December 31, 2017	\$ 6,907
Increased by:	
Senior Citizens' and Veterans' Deductions Per Tax Billing	\$ 129,500
Deductions Allowed by Tax Collector	<u>1,750</u>
	<u>131,250</u>
	138,157
Decreased by:	
Deductions Disallowed by Tax Collector	2,000
Cash Receipts	<u>128,500</u>
	<u>130,500</u>
Balance, December 31, 2018	\$ <u>7,657</u>

BOROUGH OF DUMONT
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance, December 31, 2017	Levy	Senior Citizens' and Veterans' Deductions Disallowed	Collections 2017	2018	Senior Citizens' and Veterans' Deductions Allowed	Cancelled	Transferred to Tax Title Lien	Balance, December 31, 2018
2017	\$ 456,499			\$ 1,885,571	\$ 456,463	\$ 131,250	\$ 27	\$ 9	\$ 531,494
2018	-	\$ 60,771,424	\$ 2,000	\$ 1,885,571	58,167,036	\$ 131,250	57,696	377	\$ 531,494
	\$ 456,499	\$ 60,771,424	\$ 2,000	\$ 1,885,571	\$ 58,623,499	\$ 131,250	\$ 57,723	\$ 386	\$ 531,494

Analysis of Property Tax Levy

TAX YIELD	
General Property Tax	\$ 60,699,959
Real Property Tax	71,465
Added Taxes (54:4-63.1 et seq.)	<u>\$ 60,771,424</u>

TAX LEVY	
Local School Tax (Abstract)	\$ 36,942,190
County Taxes (Abstract)	4,706,048
County Open Space (Abstract)	200,501
Due County for Added Taxes (54:4-63.1)	<u>5,767</u>
	41,854,506

Local Tax for Municipal Purposes	18,176,180
Local Tax For Free Public Library	667,449
Add Additional Tax Levied	<u>73,289</u>
	18,916,918
	<u>\$ 60,771,424</u>

**BOROUGH OF DUMONT
STATEMENT OF TAX TITLE LIENS RECEIVABLE**

Balance, December 31, 2017		\$ 7,497
Increased by:		
Transferred from 2018 Taxes Receivable	\$ 377	
Transferred from 2017 Taxes Receivable	<u>9</u>	
		<u>386</u>
Balance, December 31, 2018		<u>\$ 7,883</u>

STATEMENT OF PROPERTY ACQUIRED FOR TAXES (AT ASSESSED VALUATION)

Balance, December 31, 2017	<u>\$ 79,526</u>
Balance, December 31, 2018	<u>\$ 79,526</u>

STATEMENT OF DEFERRED CHARGES

	Balance, December 31, <u>2017</u>	Increase in <u>2018</u>	Budget <u>Appropriation</u>	Balance, December 31, <u>2018</u>
Overexpenditure of Appropriations	<u>\$ 1,831</u>	<u>\$ 9,395</u>	<u>\$ 1,831</u>	<u>\$ 9,395</u>

BOROUGH OF DUMONT
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2017</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2018</u>
Licenses				
Alcoholic Beverages		\$ 15,146	\$ 15,146	
Board of Health		198	198	
Borough Clerk		6,233	6,233	
Fees and Permits				
Construction Code Official		14,905	14,905	
Board of Health		13,685	13,685	
Borough Clerk		18,755	18,755	
Fire Prevention		29,149	29,149	
Planning and Zoning		2,440	2,440	
Police		1,525	1,525	
Construction Code		379,772	379,772	
Fines and Costs - Municipal Court	\$ 7,511	110,826	112,419	\$ 5,918
Interest and Cost on Taxes		88,180	88,180	
Interest on Investments and Deposits		17,734	17,734	
Consolidated Municipal Property Tax Relief		30,449	30,449	
Energy Receipts Tax		1,324,803	1,324,803	
Life Hazard Use Fees		8,656	8,656	
Fire Inspections		15,000	15,000	
PILOT - Senior Citizens Club		15,000	15,000	
Cable Television Franchise Fees	-	250,878	250,878	-
	<u>\$ 7,511</u>	<u>\$ 2,343,334</u>	<u>\$ 2,344,927</u>	<u>\$ 5,918</u>

**BOROUGH OF DUMONT
STATEMENT OF APPROPRIATION RESERVES**

	Balance December 31, 2017	Encumbrances Restored to Appropriation <u>Reserves</u>	<u>Transfers</u>	Budget After Transfer or <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Salaries and Wages						
General Administration / Mayor / Clerk	\$ 19,571			\$ 19,571	\$ 500	\$ 19,071
Financial Administration	14,646			14,646		14,646
Collection of Taxes	5,266			5,266		5,266
Planning Board/Zoning Board	75			75		75
Affordable Housing	3,000			3,000		3,000
Rent Leveling Board	360			360		360
Fire Department	63			63		63
Life Hazard Use Fees	475			475		475
Police Department	121,294			121,294	53,750	67,544
Emergency Management	3,000			3,000		3,000
Municipal Prosecutor	1			1		1
Streets and Roads	40,659			40,659		40,659
Recycling	27			27		27
Public Buildings and Grounds	1,882			1,882		1,882
Board of Health	15,000			15,000		15,000
Administration of Public Assistance	1,400			1,400		1,400
Senior Citizens	4,000			4,000		4,000
Parks and Playgrounds	2,422			2,422		2,422
Municipal Court	16,183			16,183		16,183
Code Enforcement & Administration	33,265	-	-	33,265	-	33,265
	<u>282,589</u>	<u>-</u>	<u>-</u>	<u>282,589</u>	<u>54,250</u>	<u>228,339</u>
Other Expenses						
General Administration / Mayor / Clerk						
Other Expenses	15,688			15,688	9,868	\$ 5,820
Postage	1,621			1,621		1,621
Elections	1,178			1,178		1,178
Financial Administration / Audit	2,700	\$ 14,300	\$ 83,000	100,000	18,268	81,732
Assessment of Taxes			2,000	2,000		2,000
Collection of Taxes	292			292		292
Legal Services and Costs						
Borough Attorney - Other Expenses	25,242			25,242		25,242
Special Council	38,052			38,052	37,172	880
Engineering	24,663			24,663	23,635	1,028
Planning Board/Zoning Board	8,398			8,398	6,957	1,441
Affordable Housing	2,000			2,000		2,000
Rent Leveling Board	140			140		140
Fire Department						
Other Expenses	25,001			25,001	8,854	16,147
Life Hazard Use Fees	10,742	661		11,403		11,403
Fire Hydrant Services	2,637			2,637		2,637
Police	81,167			81,167	3,194	77,973
Police Reserves	11,400			11,400		11,400
Emergency Management	3,000			3,000		3,000
Volunteer Ambulance	2,000			2,000	2,000	-
Streets and Roads	6,831			6,831	2,618	4,213
Garbage and Trash Removal	24,304			24,304	2,850	21,454
Sewer System	12,226			12,226	332	11,894
Shade Tree	440			440		440
Public Buildings and Grounds	12,074			12,074	2,234	9,840
Board of Health	11,273	327		11,600		11,600
Animal Shelter	4			4		4
Aid to Community Center for Mental Health	8,000			8,000	8,000	-

BOROUGH OF DUMONT
STATEMENT OF APPROPRIATION RESERVES

	Balance December 31, 2017	Encumbrances Restored to Appropriation Reserves	Transfers	Budget After Transfer or Modification	Paid or Charged	Balance Lapsed
Other Expenses (Continued)						
Environmental Commission	\$ 300			\$ 300		\$ 300
Senior Citizens	5,985			5,985	\$ 605	5,380
Parks and Playgrounds	1,637			1,637	1,637	-
Celebration of Public Events	11,238			11,238	951	10,287
Prior Year Bills						
O-Neil Contracting, Inc. 2014	1			1		1
Utilities						
Electricity	76,902			76,902	25,478	51,424
Street Lighting	67,707			67,707	12,282	55,425
Telephone	12,589			12,589	531	12,058
Gasoline	32,261			32,261	5,472	26,789
Water	2,116			2,116	1,020	1,096
Municipal Court	10,557			10,557	185	10,372
Code Enforcement & Administration	646			646	228	418
Insurance						
Unemployment Insurance	18,000			18,000		18,000
General Liability	3,706			3,706	3,700	6
Workers Compensation	16,004			16,004		16,004
Employee Group Health	94,317		\$ (85,000)	9,317	200	9,117
Health Benefit Waiver	12,906			12,906		12,906
Statutory Expenditures						
Social Security System (O.A.S.I.)	56,155			56,155		56,155
Public Employees Retirement System	2,013			2,013		2,013
Police and Firemen's Retirement System	2,000			2,000		2,000
DCRP	950			950		950
LOSAP	50,000			50,000	37,150	12,850
Clean Communities	22,131			22,131	22,131	-
Recycling Tonnage Grant	8,182			8,182	8,182	-
Police Body Armor	2,138			2,138	2,138	-
	<u>841,514</u>	<u>15,288</u>	<u>-</u>	<u>856,802</u>	<u>247,872</u>	<u>608,930</u>
	<u>\$ 1,124,103</u>	<u>\$ 15,288</u>	<u>\$ -</u>	<u>\$ 1,139,391</u>	<u>\$ 302,122</u>	<u>\$ 837,269</u>

Cash Disbursements	\$ 258,403
Transfer to Accounts Payable	22,978
Transfer to Appropriated Grants	
Recycling Tonnage Grant	555
Clean Communities Grant	20,186
	<u>\$ 302,122</u>

**BOROUGH OF DUMONT
STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2017		\$ 806,337
Increased by:		
Transfer from 2018 Budget Appropriations	\$ 623,356	
Transfer from 2017 Appropriations Reserves	<u>22,978</u>	
		<u>646,334</u>
		1,452,671
Decreased by:		
Cash Disbursements	753,522	
Cancelled Encumbrances Restored to Appropriated Reserves	15,288	
Cancelled	<u>14,741</u>	
		<u>783,551</u>
Balance, December 31, 2018		<u>\$ 669,120</u>

STATEMENT OF DUE FROM DUMONT FREE PUBLIC LIBRARY

Increased by:		
Library Expenditures Paid by Current Fund		\$ 382,990
Decreased by:		
Receipts from Library		<u>368,985</u>
Balance, December 31, 2018		<u>\$ 14,005</u>

**BOROUGH OF DUMONT
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2017</u>	<u>Receipts</u>	<u>Disbursed</u>	Balance, December 31, <u>2018</u>
Tax Sale Premium	\$ 554,000	\$ 367,100	\$ 211,100	\$ 710,000
Redemption of Tax Sale Certificates		170,046	170,046	
Tax Appeals	193,762		5,710	188,052
Master Plan	6,955			6,955
DCA Fees	4,073	18,422	16,771	5,724
Marriage Licenses	775	1,650	1,875	550
Homestead Rebate	393	1,378	-	1,771
	<u>\$ 759,958</u>	<u>\$ 558,596</u>	<u>\$ 405,502</u>	<u>\$ 913,052</u>

STATEMENT OF PREPAID TAXES

Balance, December 31, 2017	\$ 1,885,571
Increased by:	
Collection of 2019 Taxes	<u>251,201</u>
	2,136,772
Decreased by:	
Application to 2018 Taxes Receivable	<u>1,885,571</u>
Balance, December 31, 2018	<u>\$ 251,201</u>

**BOROUGH OF DUMONT
STATEMENT OF TAX OVERPAYMENTS**

Balance, December 31, 2017	\$ 22,492
Increased by:	
Cash Receipts	<u>71,166</u>
	93,658
Decreased by:	
Cash Disbursements	<u>28,078</u>
Balance, December 31, 2018	<u>\$ 65,580</u>

STATEMENT OF LOCAL SCHOOL DISTRICT TAX PAYABLE

Increased by:	
Levy - Calendar Year	\$ 36,942,190
Decreased by:	
Payments	<u>36,942,190</u>
Balance, December 31, 2018	<u>\$ -</u>

**BOROUGH OF DUMONT
STATEMENT OF COUNTY TAXES PAYABLE**

Balance, December 31, 2017		\$ 4,298
Increased by:		
2018 Levy	\$ 4,706,048	
2018 County Open Space	200,501	
Added Taxes	<u>5,767</u>	
		<u>4,912,316</u>
		4,916,614
Decreased by:		
Payments		<u>4,910,409</u>
Balance, December 31, 2018		<u>\$ 6,205</u>

EXHIBIT A-21

SCHEDULE OF APPROPRIATED GRANT RESERVES

	Balance, December 31, <u>2017</u>	Transfer from Appropriation <u>Reserves</u>	<u>Expended</u>	Balance, December 31, <u>2018</u>
Clean Communities Grant	\$ 40,828	\$ 20,186	\$ 37,475	\$ 23,539
Alcohol Education and Rehabilitation Fund	3,076			3,076
Recycling Tonnage Grant	<u>10,707</u>	<u>555</u>	<u>775</u>	<u>10,487</u>
	<u>\$ 54,611</u>	<u>\$ 20,741</u>	<u>\$ 38,250</u>	<u>\$ 37,102</u>

EXHIBIT A-22

STATEMENT OF UNAPPROPRIATED RESERVES FOR GRANTS

	Balance, December 31, <u>2017</u>	<u>Receipts</u>	Realized as Budget <u>Revenue</u>	Balance, December 31, <u>2018</u>
Recycling Tonnage	\$ 22,460	\$ 20,000	\$ 22,460	\$ 20,000
Police Body Armor Fund	3,071		3,071	
Clean Communities Grant		29,455		29,455
Distracted Driving	<u>5,500</u>	<u>5,703</u>	<u>5,500</u>	<u>5,703</u>
	<u>\$ 31,031</u>	<u>\$ 55,158</u>	<u>\$ 31,031</u>	<u>\$ 55,158</u>

TRUST FUNDS

**BOROUGH OF DUMONT
STATEMENT OF TRUST CASH**

	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>	<u>Unemployment Insurance Trust Fund</u>
Balance, December 31, 2017	\$ 11,110	\$ 953,708	\$ 29,483
Increased by Receipts:			
Escrow Deposits	\$ 107,361		
Miscellaneous Reserves	1,392,510		
License Fees Collected	\$ 2,765		
Receipts from Payroll Service Provider		\$ 21,627	
Due to State of New Jersey	583		
Payroll and Payroll Deductions	-	<u>9,871,145</u>	<u>-</u>
	<u>3,348</u>	<u>11,371,016</u>	<u>21,627</u>
Decreased by Disbursements:			
Expenditures Under R.S. 4:19-15.11			
Escrow Deposits	334		
Payments to State of NJ	602	58,173	
Payments to Current Fund		265,992	34,564
Payroll and Payroll Deductions Payable		9,870,203	
Miscellaneous Reserves	-	1,002,902	-
Due from Current Fund	-	<u>45</u>	<u>-</u>
	<u>936</u>	<u>11,197,315</u>	<u>34,564</u>
Balance, December 31, 2018	<u>\$ 13,522</u>	<u>\$ 1,127,409</u>	<u>\$ 16,546</u>

**BOROUGH OF DUMONT
STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES**

Balance, December 31, 2017		\$ 7,229
Increased by:		
Animal Control Fees		<u>2,765</u>
		9,994
Decreased by:		
Cash Disbursements	\$ 334	
Statutory Excess Due to Current Fund	<u>3,464</u>	
		<u>3,798</u>
Balance, December 31, 2018		<u>\$ 6,196</u>

EXHIBIT B-3

**STATEMENT OF DUE TO STATE OF NEW JERSEY
DOG REGULATION FEES**

Balance, December 31, 2017		\$ 168
Increased by:		
Registration Fees - Due State of New Jersey		<u>583</u>
		751
Decreased by:		
Payments		<u>602</u>
Balance, December 31, 2018		<u>\$ 149</u>

EXHIBIT B-4

**STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL FUND**

Balance, December 31, 2017		\$ 3,713
Increased by:		
Statutory Excess		<u>3,464</u>
Balance, December 31, 2018		<u>\$ 7,177</u>

**BOROUGH OF DUMONT
STATEMENT OF ESCROW DEPOSITS**

Balance, December 31, 2017	\$ 31,801
Increased by:	
Cash Receipts	<u>107,361</u>
	139,162
Decreased by:	
Cash Disbursements	<u>58,173</u>
Balance, December 31, 2018	<u>\$ 80,989</u>

STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE EXPENDITURES

Balance, December 31, 2017	\$ 20,979
Increased by:	
Payroll Deductions	\$ 20,621
Due from Payroll Service Provider	<u>678</u>
	<u>21,299</u>
	42,278
Decreased by:	
Unemployment Insurance Claims	\$ 25,054
Due to State of New Jersey	<u>825</u>
	<u>25,879</u>
Balance, December 31, 2018	<u>\$ 16,399</u>

STATEMENT OF DUE (TO)/FROM CURRENT FUND

Balance, December 31, 2017 (Due to)	\$ 73,718
Increased by:	
Anticipated as Revenue in Current Fund Budget	
Police Outside Services	<u>130,000</u>
	203,718
Decreased by:	
Payments to Current Fund	\$ 265,992
Current Fund Expenditures Paid by Other Trust	45
Prior Year Adjustment - POAA	<u>168</u>
	<u>266,205</u>
Balance, December 31, 2018 (Due from)	<u>\$ 62,487</u>

**BOROUGH OF DUMONT
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2017</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2018</u>
Fire Prevention Fees	\$ 7,405		\$ 6,296	\$ 1,109
Recreation Commission	172,545	\$ 283,856	222,780	233,621
Tax Sale Premiums	200			200
Street Openings	10,218	4,895		15,113
Maintenance Bond	11,155			11,155
POAA	7,099	746		7,845
Affordable Housing (COAH)	35,625	1		35,626
Drug and Alcohol	16,148	6,373	9,817	12,704
Police Outside Services	336,376	1,078,610	819,934	595,052
Police Donations	676			676
Shade Tree	8,491	6,357		14,848
Accumulated Leave	75,226			75,226
Storm Emergency	<u>104,912</u>	<u>11,840</u>	<u>74,075</u>	<u>42,677</u>
	<u>\$ 786,076</u>	<u>\$ 1,392,678</u>	<u>\$ 1,132,902</u>	<u>\$ 1,045,852</u>
Cash Receipts		\$ 1,392,510		
Cash Disbursements			\$ 1,002,902	
Due To Current Fund		<u>168</u>	<u>130,000</u>	
		<u>\$ 1,392,678</u>	<u>\$ 1,132,902</u>	

STATEMENT OF ACCRUED SALARIES/WAGES AND PAYROLL DEDUCTIONS PAYABLE

Balance, December 31, 2017	\$ 62,113
Increased by:	
Cash Receipts	<u>9,871,145</u>
	9,933,258
Decreased by:	
Cash Disbursements	<u>9,870,203</u>
Balance, December 31, 2018	<u>\$ 63,055</u>

BOROUGH OF DUMONT
STATEMENT OF DUE TO STATE OF NEW JERSEY UNEMPLOYMENT INSURANCE FUND

Balance, December 31, 2017	\$ 9,510
Increased by:	
Unemployment Claims Due to State of New Jersey	<u>825</u>
	10,335
Decreased by:	
Unemployment Insurance Claims Payments	<u>9,510</u>
Balance, December 31, 2018	<u>\$ 825</u>

STATEMENT OF DUE FROM PAYROLL SERVICE PROVIDER

Balance, December 31, 2017	\$ 1,006
Increased by:	
Payroll Deductions Transferred to Payroll Service Provider	<u>678</u>
	1,684
Decreased by:	
Cash Receipts from Payroll Service Provider	<u>1,006</u>
Balance, December 31, 2018	<u>\$ 678</u>

GENERAL CAPITAL FUND

**BOROUGH OF DUMONT
STATEMENT OF GENERAL CAPITAL CASH**

Balance, December 31, 2017		\$	254,593
Increased by Receipts:			
Bond Anticipation Notes Issued	\$	3,000,000	
Premium on Sale of Bond Anticipation Notes		22,171	
Grant Receipts		99,000	
Reimbursement for Prior Year Expense		9,496	
Receipts from Current Fund		<u>115,000</u>	
			<u>3,245,667</u>
			3,500,260
Decreased by:			
Improvement Authorizations		1,235,109	
Contracts Payable		1,280,932	
Payments to Current Fund		<u>4,388</u>	
			<u>2,520,429</u>
Balance, December 31, 2018		\$	<u>979,831</u>

**BOROUGH OF DUMONT
ANALYSIS OF GENERAL CAPITAL CASH
AS OF DECEMBER 31, 2018**

Fund Balance	\$ 201,156
Contracts Payable	735,042
Grants Receivable	(443,860)
Due From Current Fund	(196,771)
Deferred Charges - Overexpenditure of Ordinance	(5,811)
Deferred Charges - Cancelled Grant Receivable	(140,141)
Reserve for Preliminary Costs	10,000
Capital Improvement Fund	115,647

Improvement Authorizations:

<u>Ord. No.</u>	<u>Improvement Description</u>	
1250	Impvts of Various Parks and Acq. of Equipment	(4,908)
1275	Unfunded Pension Liability	(2,280)
1380	Park Improvements	231,454
1393	Various General Capital Improvements	(191,425)
1400	Reconstruction of Short Street	3,766
1401	Reconstruction of Bussell Court	7,850
1407/1466	Various Storm Sewer Improvements	85,262
1434/1486	Various Capital Improvements	72,830
1448	Improvements to DePew Street	21
1460	Various Capital Improvements	20,005
1464	Various Park Improvements	1,070
1467	Road Resurfacing & Repairs to Curbs/Sidewalks	281,521
1478/1487	Road Improvements - Depew Street - Phase III	20,960
1481/1496	Temporary Relocation of Borough Offices	(339,893)
1479	Various Road Improvements	43,690
1490	Various Capital Improvements	86,582
1493	Various Improvements to Locust and Brook	3,411
1498/1518	Various Capital Improvements	(131,870)
1501	Various Capital Improvements	(91,925)
1504	Various Storm Water Sewer Improvements	(43,500)
1508	Purchase and Installation of Computer Server	152
1517	Thompson Street and Schrallenburgh Way	
	Road Improvements	(49,928)
1519/1550	Various Capital Improvements	889,827
1523	Sewerage System Improvements	(76,000)
1526	Various Equipment and Improvements	11,788
1527	Various Equipment and Improvements	3,388
1549	Various Capital Improvements	(127,279)
		<u>\$ 979,831</u>

BOROUGH OF DUMONT
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2017		\$ 18,043,862
Decreased by:		
Budget Appropriations		
Serial Bonds	\$ 1,040,000	
Green Trust Loans	10,142	
NJEIT Loan Payable	354,295	
Pension Obligation Lease	<u>79,000</u>	
		<u>1,483,437</u>
Balance, December 31, 2018		<u>\$ 16,560,425</u>

BOROUGH OF DUMONT
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. No.	Improvement Description	Analysis of Balance				
		Balance, December 31, 2017	2018 Authorizations	Grant Receipts	Balance, December 31, 2018	Bond Anticipation Notes
						Expenditures
						Unexpended Improvement Authorizations
1250	Impvts of Various Parks and Acq. Of Equip.	\$ 4,908			\$ 4,908	\$ 4,908
1275	Refund Unfunded Pension Liab	2,280			2,280	2,280
1393	Various General Improvements	191,425			191,425	191,425
1481/1496	Temporary Relocation of Borough Offices	342,000			342,000	339,893 \$ 2,107
1498/1518	Various Capital Improvements	148,800			148,800	131,870 16,930
1501	Various Capital Improvements	176,000			176,000	91,925 84,075
1436/1504	Various Storm Water Sewer Improvements	43,500			43,500	43,500
1517	Thompson Street and Schraalenburgh Way Road Impvts	213,000		\$ 99,000	114,000	49,928 64,072
1519/1550	Various Capital Improvements	15,075,000			15,075,000 \$	3,000,000 12,075,000
1523	Sewerage System Improvements	76,000			76,000	76,000
1549	Various Capital Improvements	-	\$ 1,858,900	-	1,858,900	127,279 1,731,621
		\$ 16,272,913	\$ 1,858,900	\$ 99,000	\$ 18,032,813	\$ 3,000,000 \$ 1,059,008 \$ 13,973,805

Improvement Authorizations - Unfunded \$ 14,863,632
Less: Unexpended Proceeds on Bond Anticipation Notes Issued
Ord. No. 1519/1550 889,827

\$ 13,973,805

**BOROUGH OF DUMONT
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2017</u>	<u>Grant Awards</u>	Cash <u>Receipts</u>	Balance, December 31, <u>2018</u>
Community Development				
Ord. No. 1493 Various Improvements to Locust Avenue and Brook Street	\$ 31,913			\$ 31,913
Ord. No. 1517 Thompson Street and Schraalenburgh Way Road Improvements	99,000		\$ 99,000	-
Historic Preservation Trust Fund				
Ord. No. 1465 Library Window and Exterior Restoration	11,940			11,940
Department of Transportation				
Ord. No. 1498 Improvements to Johnson Avenue	74,102		37,828	36,274
Housing and Urban Development				
Ord. No. 1549 Various Capital Improvements		\$ 250,861		250,861
Bergen County Open Space Trust Fund				
Ord. No. 1549 Various Capital Improvements	<u>-</u>	<u>156,725</u>	<u>-</u>	<u>156,725</u>
	<u>\$ 216,955</u>	<u>\$ 407,586</u>	<u>\$ 136,828</u>	<u>\$ 487,713</u>
			Cash Receipts	
			\$ 99,000	
			Due from Current Fund	
			<u>37,828</u>	
			<u>\$ 136,828</u>	
			Reserve for Receivable	\$ 43,853
			Pledged to Ordinance	<u>443,860</u>
				<u>\$ 487,713</u>

EXHIBIT C-7

STATEMENT OF DEFERRED CHARGES UNFUNDED - CANCELLED GRANT RECEIVABLES

Balance, December 31, 2017	<u>\$ 140,141</u>
Balance, December 31, 2018	<u>\$ 140,141</u>

**BOROUGH OF DUMONT
STATEMENT OF DUE FROM CURRENT FUND**

Balance, December 31, 2017		\$ 183,291
Increased by:		
Grant Receipts Deposited in Current Fund	\$ 37,828	
Payment to Current Fund	4,388	
Current Fund Budget Appropriation		
Capital Improvement Fund	<u>115,000</u>	
		<u>157,216</u>
		340,507
Decreased by:		
Anticipated as Revenue in Current Fund		
General Capital Surplus	25,000	
Reserve for Payment of Debt	2,900	
General Capital Expenditure Paid by Current Fund	836	
Receipts from Current Fund	<u>115,000</u>	
		<u>143,736</u>
Balance, December 31, 2018		<u>\$ 196,771</u>

STATEMENT OF RESERVE FOR PRELIMINARY COSTS

Balance, December 31, 2017	<u>\$ 10,000</u>
Balance, December 31, 2018	<u>\$ 10,000</u>

STATEMENT OF RESERVE FOR PAYMENT OF DEBT

Balance, December 31, 2017	\$ 2,900
Decreased by:	
Anticipated as Current Fund Revenue	<u>2,900</u>
Balance, December 31, 2018	<u>\$ -</u>

BOROUGH OF DUMONT
STATEMENT OF GENERAL SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding December 31, 2018		Interest Rate	Balance, December 31, 2017	Increased	Decreased	Balance, December 31, 2018
			Date	Amount					
General Improvements	7/15/2010	8,530,000	7/15/2019	\$ 800,000	2.75%	\$ 1,575,000		\$ 775,000	\$ 800,000
2016 Refunding Bonds	7/15/2016	5,430,000	7/15/2020	795,000	3.00%				
			7/15/2021	810,000	3.00%				
			7/15/2022	850,000	3.00%				
			7/15/2023	855,000	4.00%				
			7/15/2024	1,040,000	4.00%				
			7/15/2025	1,060,000	4.00%	5,410,000			5,410,000
General Obligation Bonds	5/23/2017	6,075,000	5/15/2019	270,000	2.13%				
			5/15/2020	275,000	2.25%				
			5/15/2021	280,000	2.50%				
			5/15/2022	290,000	2.50%				
			5/15/2023	295,000	2.50%				
			5/15/2024	305,000	2.50%				
			5/15/2025	315,000	2.50%				
			5/15/2026	320,000	2.50%				
			5/15/2027	330,000	2.50%				
			5/15/2028	345,000	3.00%				
			5/15/2029	355,000	3.00%				
			5/15/2030	370,000	3.00%				
			5/15/2031	380,000	3.00%				
			5/15/2032	395,000	3.00%				
			5/15/2033	410,000	3.00%				
			5/15/2034	430,000	3.00%				
			5/15/2035	445,000	3.00%				
						6,075,000	\$ -	265,000	5,810,000
						\$ 13,060,000	\$ -	\$ 1,040,000	\$ 12,020,000

BOROUGH OF DUMONT
SCHEDULE OF PENSION OBLIGATION LEASE PAYABLE

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2017</u>	<u>Decreased</u>	<u>Balance, December 31, 2018</u>
			<u>Leases Outstanding</u>	<u>December 31, 2018</u>				
			<u>Date</u>	<u>Amount</u>				
Refunding - Unfunded Pension Obligation	3/15/2012	\$ 882,000	3/15/2019	\$ 87,000	2.36%			
			3/15/2020	97,000	2.66%			
			3/15/2021	106,000	2.96%			
			3/15/2022	117,000	3.11%			
			3/15/2023	129,000	3.26%			
						<u>\$ 615,000</u>	<u>\$ 79,000</u>	<u>\$ 536,000</u>
						<u>\$ 615,000</u>	<u>\$ 79,000</u>	<u>\$ 536,000</u>

BOROUGH OF DUMONT
STATEMENT OF BOND ANTICIPATION NOTES

Ord. No.	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2017	Increased	Decreased	Balance, December 31, 2018
1481/1496	Relocation of Borough Offices	3/14/2018	3/14/2018	3/14/2019	2.50%	\$	320,888		\$ 320,888
1498/1518	Various Capital Improvements	3/14/2018	3/14/2018	3/14/2019	2.50%		148,800		148,800
1501	Various Capital Improvements	3/14/2018	3/14/2018	3/14/2019	2.50%		176,000		176,000
1504	Various Storm Water Sewer Improvements	3/14/2018	3/14/2018	3/14/2019	2.50%		43,500		43,500
1517	Roadway Improvements	3/14/2018	3/14/2018	3/14/2019	2.50%		213,000		213,000
1519	Various Capital Improvements	3/14/2018	3/14/2018	3/14/2019	2.50%		2,021,812		2,021,812
1523	Sewer System Improvements	3/14/2018	3/14/2018	3/14/2019	2.50%	-	76,000	-	76,000
						\$	3,000,000	\$	3,000,000

Bond Anticipation Notes Issued \$ 3,000,000

2018 Authorizations											
Ord. No.	Improvement Description	Balance, December 31, 2017		Capital Impvt. Fund	Deferred Charges to Future Taxation	Grant Awards	Expended	Cancelled Payables	Reimbursemen for Prior Year Expense	Balance, December 31, 2018	
		Funded	Unfunded							Funded	Unfunded
	Park Improvements	\$ 231,454								\$ 231,454	
1380	Reconstruction of Short Street	3,766								3,766	
1400	Reconstruction of Bussell Court	7,850								7,850	
1401	Various Capital Improvements	5,140						\$ 67,690		72,830	
1434/1486	Improvements to DeFew Street	21								21	
1448	Various Capital Improvements	20,005								20,005	
1460	Various Park Improvements	1,070								1,070	
1464	Stormwater System Improvements Phase II	85,262								85,262	
1466	Road Resurfacing & Repairs to Curbs/Sidewalks	281,521								281,521	
1467	Improvements to DeFew Street Phase III	20,960								20,960	
1481/1496	Temporary Relocation of Borough Offices	\$ 2,551					\$ 444			\$ 2,107	
1479	Various Road Improvements	7,888						35,802		43,690	
1490	Various Capital Improvements	86,582								86,582	
1490	Various Capital Improvements	3,411							1,147	3,411	
1493	Various Improvements to Locust and Brook								\$ 9,496		16,930
1498/1518	Various Capital Improvements	6,287									84,075
1501	Various Capital Improvements	84,075									
1504	Various Storm Water Sewer Improvements	152								152	
1508	Purchase and Installation of Computer Server						5,909			64,072	
1517	Thompson Street and Schraalenburgh Way Impvs						1,266,906			12,964,827	
1519	Various Capital Improvements	14,231,733					55,275				\$ 5,811
	Various Capital Improvements	49,464					14,074			11,788	
1523	Sewerage System Improvements	25,862								3,388	
1526	Various Equipment and Improvements										
1527	Various Equipment and Improvements	3,388									
1549	Various Capital Improvements	-		\$ 93,514	\$ 1,858,900	\$ 407,586	628,379	-	-	-	1,731,621
		\$ 784,332	\$ 14,444,091	\$ 93,514	\$ 1,858,900	\$ 407,586	\$ 1,970,987	\$ 104,639	\$ 9,496	\$ 873,750	\$ 14,853,632
											\$ 5,811
<div>Cash Disbursed \$ 1,255,109</div> <div>General Capital Expenditures Paid by Current Fund 836</div> <div>Contracts Payable <u>735,042</u></div> <div>\$ 1,970,987</div>											

**BOROUGH OF DUMONT
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2017		\$ 1,385,571
Increased by:		
Charges to Improvement Authorizations		<u>735,042</u>
		2,120,613
Decreased by:		
Payments	\$ 1,280,932	
Cancellations	<u>104,639</u>	
		<u>1,385,571</u>
Balance, December 31, 2018		<u>\$ 735,042</u>

STATEMENT OF GREEN TRUST FUND LOAN PAYABLE

Balance, December 31, 2017		\$ 117,259
Decreased by:		
2018 Budget Appropriation		<u>10,142</u>
Balance, December 31, 2018		<u>\$ 107,117</u>

**STATEMENT OF ENVIRONMENTAL INFRASTRUCTURE
TRUST LOAN PAYABLE**

Balance, December 31, 2017		\$ 4,251,603
Decreased by:		
2018 Budget Appropriation		<u>354,295</u>
Balance, December 31, 2018		<u>\$ 3,897,308</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2017		\$ 94,161
Increased by:		
Current Fund Budget Appropriation		<u>115,000</u>
		209,161
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>93,514</u>
Balance, December 31, 2018		<u>\$ 115,647</u>

BOROUGH OF DUMONT
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance, December 31, 2017</u>	<u>Improvement Authorizations</u>	<u>Grant Proceeds</u>	<u>Bond Anticipation Notes Issued</u>	<u>Balance, December 31, 2018</u>
1250	Impvts of Various Parks and Acq. of Equip	\$ 4,908				\$ 4,908
1275	Refund Unfunded Pension Liab	2,280				2,280
1375	Sewer System Improvements					
1393	Various General Capital Improvements	191,425				191,425
1481/1496	Relocation of Borough Offices	342,000				342,000
1490	Various Capital Improvements					
1493	Various Improvements to Locust and Brook					
1498	Various Capital Improvements	91,800				91,800
1501	Various Capital Improvements	176,000				176,000
1436/1504	Various Storm Water Sewer Improvements	43,500				43,500
1517	Thompson Street and Schrallenburgh Way Road Improvements	213,000		\$ 99,000		114,000
1518	Purchase of Additional Sports Utility Vehicle	57,000				57,000
1519/1550	Various Capital Improvements	15,075,000			\$ 3,000,000	12,075,000
1523	Sewerage System Improvements	76,000				76,000
1549	Various Capital Improvements	-	\$ 1,858,900	-	-	1,858,900
		<u>\$ 16,272,913</u>	<u>\$ 1,858,900</u>	<u>\$ 99,000</u>	<u>\$ 3,000,000</u>	<u>\$ 15,032,813</u>

EXHIBIT C-20

STATEMENT OF DEFERRED CHARGES
OVEREXPENDITURE OF APPROPRIATIONS

	<u>Balance, December 31, 2017</u>	<u>Increase in 2018</u>	<u>Budget Appropriation</u>	<u>Balance, December 31, 2018</u>
Overexpenditure of Appropriations	<u>\$ -</u>	<u>\$ 5,811</u>	<u>\$ -</u>	<u>\$ 5,811</u>

PUBLIC ASSISTANCE FUND

**BOROUGH OF DUMONT
STATEMENT OF PUBLIC ASSISTANCE CASH**

Balance, December 31, 2017	\$ 1,823
Increased by:	
Donations	<u>1,150</u>
	2,973
Decreased by:	
Expenditures	<u>2,873</u>
Balance, December 31, 2018	<u>\$ 100</u>

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

Balance, December 31, 2017	\$ 1,823
Increased by:	
Revenues	<u>1,150</u>
	2,973
Decreased by:	
Expenditures	<u>2,873</u>
Balance, December 31, 2018	<u>\$ 100</u>

EXHIBIT D-3

**BOROUGH OF DUMONT
STATEMENT OF PUBLIC ASSISTANCE REVENUES**

Revenues/Receipts
Donations

\$ 1,150

EXHIBIT D-4

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

Expenditures/Disbursements
Current Year Assistance
Non-Reimbursable Expenditures

\$ 2,873

PART II
GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

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 Dumont
Dumont, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements 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 Dumont as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated July 16, 2019. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


Compliance and Other Matters


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

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Dumont in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

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 Borough of Dumont's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Dumont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
July 16, 2019

SCHEDULE A

BOROUGH OF DUMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Program	CFDA Number	Grant Receipts	Grant Award	Balance, December 31, 2017	Revenue	Expended	Balance, December 31, 2018	Cumulative Expenditures
United States Department of Homeland Security Federal Emergency Management Agency Hurricane Sandy - October 30, 2012	97.036	\$ 2,345	\$ 2,345	\$	\$ 2,345	\$ 2,345	\$	2,345
United States Department of Housing and Urban Development Community Development Block Grant Thompson Street and Schraalenburgh Way Road Improvements	14.218	99,000			99,000	99,000		99,000
United States Department of Transportation Division of Highway Traffic Safety Distracted Driving Incentive	20.616	5,703	5,703	\$ 5,500	-	-	\$ 5,500	-
				\$ 5,500	\$ 101,345	\$ 101,345	\$ 5,500	\$ 101,345

This schedule is not subject to a single audit as defined by U.S. Uniform Guidance

SCHEDULE B

BOROUGH OF DUMONT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2018

State Grant Program	Account Number	Grant Year	Grant Receipts	Balance, December 31, 2017	Revenue	Expended	Balance, December 31, 2018	Cumulative Expenditures
Department of Transportation Improvements to Johnson Avenue (Ord. No. 1498)	609166	2018	\$ 37,828	\$	\$ 37,828	\$ 37,828	\$	\$ 37,828
Division of Criminal Justice								
Body Armor	1020-718-066-1020-001-YCJS-6120	2017	3,071	\$ 2,138	3,071	749	\$ 2,322	749
Body Armor	1020-718-066-1020-001-YCJS-6120	2016				2,138		2,138
Department of Environmental Protection								
Clean Communities Program	4900-765-178910-60	2018	29,455			1,945	20,186	1,945
Clean Communities Program	4900-765-178910-60	2017		22,131			3,353	
Clean Communities Program	4900-765-178910-60	2016		3,353				
Clean Communities Program	4900-765-178910-60	2015		29,599		29,599		29,599
Clean Communities Program	4900-765-178910-60	2012		7,876		7,876		7,876
State Recycling Fund	*	2018	20,000		22,460	17,813	4,647	17,813
State Recycling Fund	*	2016		8,182		7,627	555	7,627
State Recycling Fund	*	2015		10,707		775	9,932	775
Administrative Offices of the Courts								
Alcohol Education and Rehabilitation	9735-760-060000-60	2015		118			118	
Alcohol Education and Rehabilitation	9735-760-060000-60	2014		354			354	
Alcohol Education and Rehabilitation	9735-760-060000-60	2013		475			475	
Alcohol Education and Rehabilitation	9735-760-060000-60	2012		270			270	
Alcohol Education and Rehabilitation	9735-760-060000-60	2007		395			395	
Alcohol Education and Rehabilitation	9735-760-060000-60	2006		205			205	
Alcohol Education and Rehabilitation	9735-760-060000-60	2005		250			250	
Alcohol Education and Rehabilitation	9735-760-060000-60	2002		434			434	
Alcohol Education and Rehabilitation	9735-760-060000-60	1998		575			575	
Total State Financial Assistance				\$ 87,062	\$ 63,359	\$ 106,350	\$ 44,071	\$ 106,350

* Not Available

This schedule is not subject to a single audit in accordance with NJ Circular 15-08

BOROUGH OF DUMONT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2018

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the regulatory basis of accounting as prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the Borough's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's financial statements. Financial assistance revenues are reported in the Borough's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 2,345	\$ 25,531	\$ 27,876
General Capital Fund	<u>99,000</u>	<u>37,828</u>	<u>136,828</u>
Total Financial Awards	<u>\$ 101,345</u>	<u>\$ 63,359</u>	<u>\$ 164,704</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Borough's fiscal year and grant program year.

BOROUGH OF DUMONT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2018

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2018, which are not required to be reported on the schedules of expenditures of federal awards and state financial assistance, are as follows:

Loan Program

Green Trust Fund	
Park Improvements	\$ 107,117
NJ Environmental Infrastructure Trust	
Trust Loan - 2007	847,000
Fund Loan - 2007	753,844
Trust Loan - 2010	617,000
Fund Loan - 2010	<u>1,679,464</u>
	<u>\$ 4,004,425</u>

NOTE 6 DE MINIMIS INDIRECT COST RATE

The Borough has not elected to use the 10 percent de minimis indirect cost rate allowed under the U.S. Uniform Guidance.

**BOROUGH OF DUMONT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Part I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on financial statements

Modified, Presentation of Unaudited LOSAP Fund

Internal control over financial reporting:

1) Material weakness(es) identified

_____ yes X no

2) Significant deficiency(ies) that are not
considered to be material weakness(es)?

_____ yes X none reported

Noncompliance material to the financial
statements noted?

_____ yes X no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF DUMONT
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Part II – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18-5.20 of *Government Auditing Standards*.

There are none.

**BOROUGH OF DUMONT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

This section identifies the status of prior-year findings related to the financial statements are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*.

STATUS OF PRIOR YEAR FINDINGS

There were none.

PART III
SUPPORTING DATA
AND
LETTER OF COMMENTS AND RECOMMENDATIONS

**BOROUGH OF DUMONT
SUPPORTING DATA**

Comparative Schedule Of Tax Rate Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate</u>	\$3.594	\$3.525	\$3.443
<u>Apportionment of Tax Rate</u>			
Municipal	1.077	1.046	1.024
County	.290	.294	.275
Local School	2.188	2.146	2.107
Library	.039	.039	.037

Assessed Valuation

2018	<u>\$1,688,924,840</u>	
2017		<u>\$1,688,580,640</u>
2016		<u>\$1,689,058,529</u>

Comparison Of Tax Levies And Collection Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	\$ 60,771,424	\$ 60,181,857	99.03%
2017	59,568,799	59,042,921	99.12%
2016	58,190,336	57,673,333	99.11%

**BOROUGH OF DUMONT
SUPPORTING DATA**

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>December 31 Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Tax Title Lien</u>	<u>Total</u>	<u>Percentage of Tax Levy</u>
2018	\$ 531,494	\$ 7,883	\$ 539,377	0.89%
2017	456,499	7,497	463,996	0.78%
2016	635,242	7,135	642,377	1.10%

The Borough held a tax sale on June 8, 2017.

Property Acquired By Tax Title Lien Liquidation

No properties have been acquired in 2018 by foreclosure or deed, as a result of liquidation of tax title liens.

The value of property acquired by liquidation of tax title liens at December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2018	\$79,526
2017	79,526
2016	79,526

Comparative Schedule Of Fund Balances

	<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2018	\$2,683,633	\$1,490,000
	2017	1,876,314	1,250,000
	2016	1,909,920	1,250,000

**BOROUGH OF DUMONT
SUPPORTING DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>
James J. Kelly	Mayor
Andrew LaBruno	Councilman
Carl Manna	Councilman
Louis DiPaolo	Councilman
Lisa Rossillo	Councilwoman
Rafael Riquelme	Councilman
Carole Stewart	Councilwoman
Tom Richards	Administrator
Joseph Rutch	Chief Financial Officer (January to June)
Sercan Zoklu	Chief Financial Officer (July to December)
Frank Berardo	Qualified Purchasing Agent
Susan Connelly	Borough Clerk
Huntington Bailey	Attorney
Remington Vernick Arango	Engineers
Frank Berardo	Tax Collector
Donald Holdsworth	Magistrate
Beryl Horbert	Court Administrator (January to September)
Wendy Vasquez-Moody	Deputy Court Administrator
James Anzevino	Tax Assessor

The Bergen County Municipal Joint Insurance Fund and Hartford Fire Insurance Company provide a blanket position bond in the amount of \$1,000,000.

BOROUGH OF DUMONT

GENERAL COMMENTS

Prior Year Unresolved

Certain municipal departments ordered goods or materials prior to the issuance of a purchase order. It is recommended that the encumbrance system be enhanced to ensure that materials be ordered only after a purchase order has been executed.

Our audit of the Other Trust Fund revealed that escrow monies are not always refunded upon completion of project. During 2019, the Borough took action to refund monies for the completed escrow projects and implemented procedures to monitor the status of new and ongoing projects. Thus, no audit recommendation is warranted.

Our audit noted that the payroll agency ledger by deduction is not in agreement with the monthly bank reconciliations. It is recommended that all payroll agency transactions be recorded in the Borough's accounting system and that the payroll agency ledger be reconciled with the monthly bank reconciliations.

Our audit revealed that a purchase order is encumbered for the full amount of the construction contract, however additional purchase orders are also created upon receipt of an invoice from the vendor for the same contract. It is recommended that only one purchase order be created and utilized for a construction contract and subsequent payments to the vendor.

Our audit of the municipal departments revealed the following:

- Recreation
 - Program fees are established by the individual league sport, but are not memorialized in a municipal ordinance.
- Construction Code
 - Cash receipts ledger was not in agreement with the finance department records.

It is recommended that:

- Recreation fees be included in a municipal ordinance.
- Cash receipt ledger maintained by the Construction Code Department be reconciled with the finance office records on a monthly basis.

Current Year

Our audit noted that certain balances in the General Capital Improvement Authorization ledger and the Trust Escrow ledgers were not in agreement with audited balances. It is recommended that the General Capital improvement authorization balances and Trust Escrow balances be reviewed and adjusted to bring the accounts in agreement with the audited balances. In addition, procedures be implemented to reconcile the subsidiary ledgers with the general ledger on a monthly basis.

Our audit noted that the 2018 annual report for the Council on Affordable Housing (COAH) was not filed. It is recommended that the Borough complete and file the annual COAH report, by the required due date.

BOROUGH OF DUMONT

GENERAL COMMENTS

Current Year (Continued)

Our audit noted that the Borough's fixed asset accounting records were not updated in a timely manner. In addition, the fixed asset records are updated by an independent appraisal company and are not reconciled with the Borough's accounting records. It is recommended that the Borough's fixed asset accounting records be updated in a timely manner and consideration be given to integrate the fixed asset accounting system with the purchasing system.

Our audit of expenditures noted that political contribution disclosure ("PCD") forms were not obtained for certain vendors paid in excess of \$17,500. In addition, quotes were not always obtained for purchases in excess of \$6,000. It is recommended that the Borough obtain political contribution disclosure forms and quotations in accordance with the New Jersey Local Public Contracts Law.

Our audit of the municipal departments revealed the following:

- Recreation
 - Community Pass/Recreation records are not reconciled with the finance department records.
- Board of Health
 - Food licenses were not included in the Board of Health cash receipt ledger.

It is recommended that:

- Recreation records be reconciled with the finance office records on a monthly basis.
- Food licenses be recorded in the Board of Health cash receipt ledger.

Contracts and Contracts Required To Be Advertised For NJS 40A:11-4

NJS 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 therefore, 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 (without a Qualified Purchasing Agent) and \$40,000 (With a Qualified Purchasing Agent) except by contract or agreement.

The bid threshold in accordance with N.J.S.A. 40A:11-4 was \$17,500. The Borough has adopted a resolution increasing the threshold to \$40,000 and has appointed an individual as the qualified purchasing agent in accordance with regulations established by the Division of Local Government Services.

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

The minutes indicated that bids were received for the First Street Drainage Project.

The minutes indicate that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for "professional services" per N.J.S. 40A:11-5.

BOROUGH OF DUMONT

GENERAL COMMENTS

Contracts and Contracts Required To Be Advertised For NJS 40A:11-4 (Continued)

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.

Our examination of expenditures revealed instances where the accumulation of expenditures exceeded the bid threshold "for the performance of any work, or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJS 40A:11-6.

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 non-payment of taxes or assessments on or before the date when they would become delinquent.

The Governing Body on January 3, 2018 adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, N.J.S.A. 54:4-67 authorizes the Borough to fix a rate of interest to be charged for delinquent taxes; and

WHEREAS, N.J.S.A. 54:4-67, as amended by Section 29 of P.L. 1991, c. 75, authorizes the Borough to fix a penalty of 6% to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay the delinquency prior to the end of the calendar year.

WHEREAS, the Council has decided to charge the maximum interest and penalty allowed by law on delinquent taxes.

RESOLVED, by the Council of the Borough of Dumont, as follows:

1. For the year 2018 the rate of interest for delinquent taxes and Borough charges shall be 8% per annum for the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00 except that, for any quarter if the taxes are paid during the first ten (10) days following February 1st, May 1st, August 1st, and November 1st there shall be no interest. If the office of the Tax Collector is closed on the 10th day of February, May, August or November this shall be extended to include the first business day thereafter.

2. For the year 2018 any taxpayer with a tax delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year shall be charged a penalty of 6% of the amount of the delinquency.

3. The Tax Collector is hereby authorized to cancel any overpayment of taxes or tax delinquency which is less than \$10.00.

Suggestions to Management

- Consider computerizing the cash receipts ledgers maintained by the Borough Clerk and Police Departments.
- Consider inputting "walk in/mail in" cash receipts into the Community Pass registration system.
- Continued efforts be made to verify that the state tax remittances have been made by the payroll service provider by the required due date.

**BOROUGH OF DUMONT
SUPPORTING DATA**

RECOMMENDATIONS

It is recommended that:

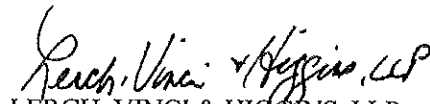
- * 1. The encumbrance system be enhanced to ensure that materials be ordered only after a purchase order has been executed.
- 2. With respect to the Municipal Departments:
 - * a) The Construction Code and Recreation Department reconcile their respective cash receipt ledgers with the finance office records on a monthly basis
 - * b) Recreation fees be included in a municipal ordinance.
 - c) Food licenses be included in the Board of Health cash receipts ledger.
- * 3. All payroll agency transactions be recorded in the Borough's accounting system and that the payroll agency ledger be reconciled with the monthly bank reconciliations.
- 4. Only one purchase order be created and utilized for a construction contract and subsequent payments to the vendor.
- 5. The General Capital improvement authorizations and Trust Escrow balances be reviewed and adjusted to bring the accounts in agreement with the audited balances. In addition, procedures be implemented to reconcile the subsidiary ledgers with the general ledger on a monthly basis.
- 6. The Borough complete and file the annual Council on Affordable Housing (COAH) report by the required due date.
- 7. The Borough's fixed asset accounting records be completed in a timely manner and consideration be given to integrate the fixed asset accounting system with the purchasing system.
- 8. The Borough obtain political contribution disclosure forms and quotations in accordance with New Jersey Local Public Contracts Law.

Status of Prior Years' Audit Findings/Recommendations

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

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

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


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants