

REPORT OF AUDIT
BOROUGH OF PROSPECT PARK
COUNTY OF PASSAIC
DECEMBER 31, 2018

BOROUGH OF PROSPECT PARK, N.J.

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BOROUGH OF PROSPECT PARK

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PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Borough Council
Borough of Prospect Park
Prospect Park, New Jersey 07508

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 Prospect Park in the County of Passaic, as of December 31, 2018 and 2017, the related statement 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 various funds for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



The Honorable Mayor and
Members of the Borough Council
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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 Prospect Park on the basis of the financial reporting provisions 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 requirements of New Jersey.

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 Prospect Park as of December 31, 2018 and 2017, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis Accounting Principles

The Borough's fixed assets amount are not supported by perpetual inventory records as required by N.J.A.C. 5:30-5.6 and we were unable to satisfy ourselves as to the correct carrying value of the general fixed assets by other auditing procedures. As described in Note 13 of the financial statements, the Borough participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$516,322.70 and \$550,155.91 for 2018 and 2017, respectively, were not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matters described in the “*Basis for Qualified Opinion on Regulatory Basis Accounting Principles*” paragraph, the financial statements referred to above, present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2018 and 2017, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2018 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Emphasis of Matter

Adoption of New Accounting Principle

As discussed in Note 1 to the basic financial statements, during the year ended December 31, 2018, the Borough adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions (an Amendment of GASB Statement No. 45). As a result of the regulatory basis of accounting, described in the previous paragraph, the implementation of this statement only required financial statement disclosure. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Prospect Park’s basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

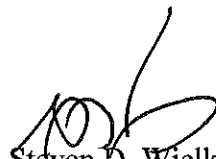
The supplemental information listed in the table of contents is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable Mayor and
Members of the Borough Council
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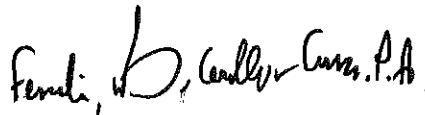
The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2019 on our consideration of the Borough of Prospect Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Prospect Park's internal control over financial reporting and compliance.



Steven D. Wielkotz, C.P.A.
Registered Municipal Accountant
No. 413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

September 11, 2019

Borough of Prospect Park, N.J.

Comparative Balance Sheet - Regulatory Basis

Page 1 of 2

Current Fund

December 31, 2018 and 2017

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	\$ 1,803,890.39	1,906,413.18
Change Fund	A-6	125.00	125.00
		<u>1,804,015.39</u>	<u>1,906,538.18</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-7	368,012.11	432,088.31
Tax Title Liens	A-8	106,772.69	84,786.40
Property Acquired for Taxes - Assessed Valuation	A-9	250.00	250.00
Interfund Receivables:			
Federal and State Grant Fund	A-11		10,844.10
Animal License Trust	A-11	1,714.80	1,834.20
Other Trust	A-11	32,714.50	1,464.70
		<u>509,464.10</u>	<u>531,267.71</u>
Deferred Charges:			
Special Emergency Authorizations	A-12	24,000.00	54,000.00
		<u>2,337,479.49</u>	<u>2,491,805.89</u>
Federal and State Grant Fund:			
Cash	A-5	212,275.42	227,931.73
Grants Receivable	A-21	4,270.17	8,576.00
Interfund - Current Fund	A-22	185.48	
		<u>216,731.07</u>	<u>236,507.73</u>
Total Assets		<u>\$ 2,554,210.56</u>	<u>2,728,313.62</u>

See Accompanying Notes to Financial Statements.

Borough of Prospect Park, N.J.
Comparative Balance Sheet - Regulatory Basis

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Current Fund

December 31, 2018 and 2017

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3/A-13	\$ 368,896.04	315,676.54
Encumbrances Payable	A-14	77,060.05	25,941.76
Prepaid Taxes	A-15	91,607.44	254,853.30
Due to State of New Jersey:			
Senior Citizen and Veteran Deductions	A-16	2,111.95	2,861.95
Interfunds Payable:			
General Capital	A-11	249,585.00	
Federal and State Grant Fund	A-11	185.48	
Local School Taxes Payable	A-17		282,598.50
Regional High School Taxes Payable	A-18	285,974.62	309,613.97
Due to State of New Jersey:			
Marriage Surcharge	A-20	225.00	200.00
Building Surcharge	A-20	2,227.00	422.00
Accounts Payable	A-20	12,039.50	12,039.50
Special Emergency Notes Payable	A-20	24,000.00	48,000.00
Reserve for:			
Redemption of Outside Liens	A-20	11,201.71	11,201.71
		<u>1,125,113.79</u>	<u>1,263,409.23</u>
Reserve for Receivables	Contra	509,464.10	531,267.71
Fund Balance	A-1	702,901.60	697,128.95
		<u>2,337,479.49</u>	<u>2,491,805.89</u>
Federal and State Grant Fund:			
Interfund - Current Fund	A-22		10,844.10
Interfund - Other Trust Fund	A-22	15,000.00	15,000.00
Accounts Payable	A-23	1,351.22	
Appropriated Reserve for Grants	A-23	23,342.40	19,790.18
Unappropriated Reserve for Grants	A-24	177,037.45	190,873.45
		<u>216,731.07</u>	<u>236,507.73</u>
Total Liabilities, Reserves and Fund Balance		\$ <u>2,554,210.56</u>	<u>2,728,313.62</u>

See Accompanying Notes to Financial Statements.

Borough of Prospect Park, N.J.

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Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

Current Fund

Year Ended December 31, 2018 and 2017

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	\$ 622,000.00	642,343.00
Miscellaneous Revenue Anticipated	A-2	1,400,067.28	1,085,372.51
Receipts from Delinquent Taxes	A-2	432,088.31	535,173.73
Receipts from Current Taxes	A-2	13,092,437.22	12,845,787.50
Non-Budget Revenue	A-2	265,689.97	228,481.90
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-1	154,232.68	209,141.99
Statutory Excess Animal Control Fund	A-11	1,714.80	1,843.80
Refund of Prior Year Expenditure	A-4	13,585.50	
Cancellation of Appropriated Grants	A-23	8,390.52	81,347.98
Interfunds Returned	A-11	14,143.00	58,296.79
Total Revenues and Other Income		<u>16,004,349.28</u>	<u>15,687,789.20</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within Caps:			
Salaries and Wages	A-3	2,877,965.00	2,711,579.00
Other Expenses	A-3	1,781,910.81	1,766,574.00
Deferred Charges and Statutory Expenditures -			
Municipal - Within Caps	A-3	668,103.00	603,071.00
Operations - Excluded from Caps:			
Salaries and Wages	A-3	38,200.00	38,200.00
Other Expenses	A-3	437,731.03	423,845.66
Capital Improvement Fund - Excluded from Caps	A-3	15,000.00	15,000.00
Municipal Debt Service - Excluded from Caps	A-3	489,003.32	445,126.31
Deferred Charges and Statutory Expenditures -			
Municipal - Excluded from Caps	A-3	30,000.00	50,000.00
Local District School Tax	A-17	3,203,476.06	3,149,543.44
Regional High School Tax	A-18	3,573,260.00	3,680,684.50
County Taxes including Added Taxes	A-19	2,214,672.11	2,087,489.35
Prior Year Senior Citizen Deductions Disallowed by State	A-16	4,250.00	
Cancellation of Grants Receivable	A-21	8,576.00	142,116.85
Interfund Advances	A-11	34,429.30	14,143.00
Total Expenditures		<u>15,376,576.63</u>	<u>15,127,373.11</u>

Borough of Prospect Park, N.J.

Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

Current Fund

Year Ended December 31, 2018 and 2017

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Excess (Deficit) Revenue Over Expenditures		627,772.65	560,416.09
Adjustment to Income Before Fund Balance - Expenditures Included above Which are by Statute Deferred Charges to Budget of Succeeding Year			
Statutory Excess to Fund Balance		627,772.65	560,416.09
Fund Balance, January 1,	A	<u>697,128.95</u>	<u>779,055.86</u>
		1,324,901.60	1,339,471.95
Decreased by:			
Fund Balance Utilized as Budget Revenue		<u>622,000.00</u>	<u>642,343.00</u>
Fund Balance, December 31,	A	<u>\$ 702,901.60</u>	<u>697,128.95</u>

See Accompanying Notes to Financial Statements.

Borough of Prospect Park, N.J.
Statement of Revenues - Regulatory Basis

Exhibit A-2

Page 1 of 2

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 622,000.00	622,000.00	
Miscellaneous Revenues:				
Fees and Permits	A-2	26,103.00	37,442.59	11,339.59
Fines and Costs:				
Municipal Court	A-10	286,400.00	286,981.68	581.68
Interest and Costs on Taxes	A-4	72,000.00	94,063.41	22,063.41
Energy Receipts Tax	A-10	300,033.00	300,033.00	
Consolidated Municipal Property Tax Relief Aid	A-10	42,929.00	42,929.00	
Uniform Construction Code Fees	A-10	27,000.00	57,216.00	30,216.00
Special Items of General Revenue Anticipated				
With Prior written Consent of Director of				
Local Government Services:				
Public and Private Revenues:				
Recycling Tonnage Grant	A-21	12,992.51	12,992.51	
Drunk Driving Enforcement Fund	A-21	1,816.79	1,816.79	
Clean Communities Program	A-21	7,575.67	7,575.67	
Municipal Alliance on Alcoholism and Drug Abuse	A-21	10,000.00	10,000.00	
N.J. Division of Criminal Justice Body Armor Grant	A-21	1,865.87	1,865.87	
Safe and Secure Communities Program	A-21	28,200.00	28,200.00	
Other Special Items:				
Prospect Park Board of Ed. - School Resource Officer	A-10	100,000.00	63,750.00	(36,250.00)
Prospect Park Board of Ed. - Solid Waste Pick-up	A-10	15,000.00	7,500.00	(7,500.00)
General Capital Surplus	A-10	141,900.00	141,900.00	
Lease Telecommunications Facility - Cell Tower	A-10	92,000.00	305,800.76	213,800.76
Total Miscellaneous Revenues	A-1	<u>1,165,815.84</u>	<u>1,400,067.28</u>	<u>234,251.44</u>
Receipts from Delinquent Taxes	A-1/A-2	<u>451,000.00</u>	<u>432,088.31</u>	<u>(18,911.69)</u>
Subtotal General Revenues		<u>2,238,815.84</u>	<u>2,454,155.59</u>	<u>215,339.75</u>
Amount to be Raised by Taxes for Support of				
Municipal Budget - Local Tax for Municipal				
Purposes Including Reserve for Uncollected Taxes	A-2	<u>4,569,222.00</u>	<u>4,652,484.11</u>	<u>83,262.11</u>
Budget Totals		6,808,037.84	7,106,639.70	298,601.86
Non-Budget Revenue	A-1/A-2		<u>265,689.97</u>	<u>265,689.97</u>
		<u>\$ 6,808,037.84</u>	<u>7,372,329.67</u>	<u>564,291.83</u>
		A-3		

See Accompanying Notes to Financial Statements.

Borough of Prospect Park, N.J.
Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2018

Analysis of Realized Revenues

	<u>Ref.</u>	
Revenue from Collections	A-1/A-7	13,092,437.22
Allocated to School and County Taxes	A-7	<u>8,909,943.11</u>
Balance for Support of Municipal Budget Appropriations		4,182,494.11
Add : Appropriation - Reserve for Uncollected Taxes	A-3	<u>469,990.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>4,652,484.11</u></u>
Receipts from Delinquent Taxes:		
Delinquent Taxes	A-7	<u>432,088.31</u>
	A-2	<u><u>432,088.31</u></u>
Fees and Permits - Other:		
Clerk/Health	A-10	3,455.59
Construction Code Official	A-10	<u>33,987.00</u>
	A-2	<u><u>37,442.59</u></u>

Analysis of Non-budget Revenues

	<u>Ref.</u>	
Miscellaneous Revenues Not Anticipated:		
Senior Citizen & Veteran Deduction Handling Fee		285.00
Cable T.V. / Verizon Franchise Fee		53,184.12
Exempt Sewer Charges		1,301.43
Interest on Investments		50,358.96
Miscellaneous Fees / Reimbursements		13,892.38
Police Reports/Fees		726.34
Planning/Zoning Board Fees		1,650.00
Recreation Fees		28,458.10
Registrar Fees		2,120.00
FEMA Storm Reimbursement		20,319.24
Rolloff Containers		902.79
Equipment Rental Fees PVWC		13,170.00
Library Copays		1,375.00
Outside Police Duty Administration Fees		42,588.51
Spray Park Fees		4,498.00
Pavilion Rentals		5,625.00
Prior Year Void Checks		<u>22,485.10</u>
	A-2/A-4	<u><u>265,689.97</u></u>

See Accompanying Notes to Financial Statements.

Borough of Prospect Park, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

<u>General Appropriations</u>		<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Operations - within "CAPS"							
General Government:							
Administrative and Executive							
Salaries and Wages	\$	19,052.00	42,052.00	39,781.40	2,270.60		
Other Expenses		61,000.00	64,000.00	52,514.30	11,485.70		
Mayor and Council							
Salaries and Wages		24,587.00	24,587.00	23,630.00	957.00		
Other Expenses		4,000.00	4,000.00	2,505.14	1,494.86		
Borough Clerk							
Salaries and Wages		55,215.00	41,215.00	37,685.81	3,529.19		
Codification of Ordinances		1,500.00					
Contractual		7,000.00	16,000.00	15,966.00	34.00		
Financial Administration							
Salaries and Wages		45,929.00	46,929.00	46,029.27	899.73		
Other Expenses - Treasurer		6,000.00	5,000.00	3,061.14	1,938.86		
Miscellaneous Other Expenses		7,000.00	7,000.00	2,000.00	5,000.00		
Fixed Asset System		1,000.00	1,000.00		1,000.00		
Annual Audit		18,000.00	18,000.00	13,500.00	4,500.00		
Collection of Taxes							
Salaries and Wages		45,914.00	45,914.00	41,884.38	4,029.62		
Other Expenses		11,000.00	10,700.00	8,592.33	2,107.67		
Tax Search Officer							
Salaries and Wages		1,026.00	1,326.00	1,283.89	42.11		
Assessment of Taxes							
Salaries and Wages		12,426.00	13,451.00	12,866.70	584.30		
Other Expenses		6,000.00	5,975.00	5,090.87	884.13		
Legal Services and Costs							
Other Expenses		75,000.00	84,000.00	65,785.15	18,214.85		
Engineering Services and Costs							
Other Expenses		1,500.00					

Borough of Prospect Park, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Municipal Land Use Law (N.J.S. 40:55D-11):						
Planning Board						
Salaries and Wages		500.00	500.00		500.00	
Other Expenses		1,000.00	1,000.00	512.96	487.04	
Board of Adjustment						
Salaries and Wages		500.00	500.00	416.00	84.00	
Other Expenses		2,000.00	2,000.00	1,842.26	157.74	
Insurance:						
Other Insurance Premiums		208,998.00	198,998.00	144,409.65	54,588.35	
Group Insurance Plan for Employees		582,585.00	474,336.81	466,729.72	7,607.09	
Municipal Court:						
Salaries and Wages		94,481.00	91,481.00	87,830.85	3,650.15	
Other Expenses		22,500.00	19,500.00	15,477.31	4,022.69	
Public Defender						
Salaries and Wages		10,594.00	10,594.00	975.30	9,618.70	
Public Safety:						
Police						
Salaries and Wages		2,119,868.00	2,149,868.00	2,116,304.44	33,563.56	
Other Expenses		59,000.00	75,000.00	61,090.52	13,909.48	
Police Cars		1.00	1.00		1.00	
Emergency Management Services						
Salaries and Wages		827.00	827.00	394.00	433.00	
Other Expenses		3,500.00	1,500.00		1,500.00	
Fire						
Salaries and Wages		5,304.00	5,304.00	2,129.00	3,175.00	
Other Expenses		40,000.00	59,000.00	58,461.81	538.19	
Fire Prevention Bureau						
Salaries and Wages		9,479.00	7,979.00	5,623.74	2,355.26	
Other Expenses		3,000.00	500.00	175.00	325.00	

Borough of Prospect Park, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

General Appropriations	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Cancelled
Fire Alarm System						
Salaries and Wages		5,454.00	5,454.00	3,895.92	1,558.08	
Other Expenses		5,000.00	3,000.00	2,843.20	156.80	
Prosecutor						
Salaries and Wages		13,312.00	13,312.00	13,056.00	256.00	
Public Works Function:						
Road Repairs and Maintenance						
Salaries and Wages		179,143.00	199,143.00	185,210.39	13,932.61	
Other Expenses		50,000.00	70,000.00	60,213.06	9,786.94	
Garbage and Trash Removal						
Other Expenses - Contractual		341,000.00	326,000.00	296,933.29	29,066.71	
Recycling						
Salaries and Wages		3,000.00				
Other Expenses		65,500.00	69,500.00	65,461.48	4,038.52	
Public Buildings and Grounds						
Salaries and Wages		1,000.00	1,000.00	243.61	756.39	
Other Expenses		102,100.00	97,100.00	57,946.55	39,153.45	
Sewer System						
Salaries and Wages		2,596.00	2,596.00	848.64	1,747.36	
Other Expenses		6,000.00	8,000.00	7,885.00	115.00	
Health and Welfare:						
Board of Health						
Salaries and Wages		26,038.00	26,038.00	22,866.53	3,171.47	
Other Expenses		3,400.00	3,400.00	758.75	2,641.25	
Other Expenses - Contractual		9,900.00	10,400.00	10,331.00	69.00	
Sanitarian						
Salaries and Wages		2,272.00	2,272.00	2,136.00	136.00	
Dog Regulation						
Other Expenses		8,400.00	8,400.00	8,400.00		

Borough of Prospect Park, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Parks and Recreation:						
Recreation Services and Programs						
Salaries and Wages		54,381.00	71,381.00	71,198.28	182.72	
Other Expenses		25,000.00	35,000.00	33,177.57	1,822.43	
Senior Citizens						
Other Expenses		1,000.00	1,000.00	739.51	260.49	
Celebration of Public Events Anniversary or Holiday						
Other Expenses		1,000.00	2,500.00	2,075.73	424.27	
Salary and Wage Adjustment Accumulated Absences		100.00	100.00		100.00	
Construction Code Official						
Salaries and Wages		10,958.00	10,958.00	10,135.84	822.16	
Building Inspector						
Salaries and Wages		51,019.00	51,019.00	50,298.89	720.11	
Other Expenses		6,000.00	6,000.00	4,941.58	1,058.42	
Plumbing Inspector						
Salaries and Wages		4,165.00	4,165.00	4,032.96	132.04	
Fire Protection Official						
Salaries and Wages		3,353.00	3,353.00		3,353.00	
Elevator Inspector						
Salaries and Wages		758.00	758.00		758.00	
Electrical Inspector						
Salaries and Wages		3,989.00	3,989.00	3,916.12	72.88	
Unclassified:						
Street Lighting		50,000.00	50,000.00	49,919.70	80.30	
Gasoline		45,000.00	39,000.00	26,961.32	12,038.68	
Utilities - Spray Park		12,000.00	5,000.00		5,000.00	
Total Operations within "CAPS"		4,660,124.00	4,659,875.81	4,330,975.86	328,899.95	

Borough of Prospect Park, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

<u>General Appropriations</u>		<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Detail:							
Salaries and Wages		A-1	2,807,140.00	2,877,965.00	2,784,673.96	93,291.04	
Other Expenses		A-1	1,852,984.00	1,781,910.81	1,546,301.90	235,608.91	
Deferred Charges and Statutory Expenditures - Municipal within "CAPS"							
Statutory Expenditures:							
Contribution to:							
Public Employees' Retirement System			70,146.00	70,146.00	70,145.80	0.20	
Social Security System (O.A.S.I.)			89,108.00	91,108.00	90,394.48	713.52	
Police and Firemen's Retirement System			494,349.00	494,349.00	494,349.00		
Defined Contribution Retirement Plan			2,500.00	2,500.00	1,027.25	1,472.75	
Unemployment Insurance			15,000.00	10,000.00		10,000.00	
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"		A-1	671,103.00	668,103.00	655,916.53	12,186.47	
Total General Appropriations for Municipal Purposes within "CAPS"			5,331,227.00	5,327,978.81	4,986,892.39	341,086.42	
Operations - Excluded from "CAPS"							
Municipal Court Mandated Costs NJSA 40:A4-45.3(cc)							
Salaries and Wages			10,000.00	10,000.00	10,000.00		
Passaic Valley Sewer Commission - Share of Costs			258,300.00	258,300.00	249,366.64	8,933.36	
Borough of Haledon Share of PVSC Costs			48,880.00	52,128.19	52,128.19		
Emergency Services Volunteer Length of Service Award Program			41,457.00	41,457.00	23,340.00	18,117.00	
Borough of Hawthorne - Free Public Library Services							
Other Expenses			16,000.00	16,000.00	15,240.74	759.26	
Public and Private Programs Offset by Revenues							
Clean Communities Program			7,575.67	7,575.67	7,575.67		
Municipal Alliance on Alcoholism and Drug Abuse			10,000.00	10,000.00	10,000.00		
Municipal Alliance on Alcoholism and Drug Abuse - Local Share			2,500.00	2,500.00	2,500.00		
N.J. Division of Criminal Justice - Body Armor Grant			1,865.87	1,865.87	1,865.87		

Borough of Prospect Park, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Recycling Tonnage Grant		12,992.51	12,992.51	12,992.51		
Drunk Driving Enforcement Fund - Police		1,816.79	1,816.79	1,816.79		
Safe and Secure Communities Program						
- State Share		28,200.00	28,200.00	28,200.00		
- Local Share		33,095.00	33,095.00	33,095.00		
Total Operations - Excluded from "CAPS"		472,682.84	475,931.03	448,121.41	27,809.62	
Detail:						
Salaries & Wages	A-1	38,200.00	38,200.00	38,200.00		
Other Expenses	A-1	434,482.84	437,731.03	409,921.41	27,809.62	
Capital Improvements:						
Capital Improvement Fund		15,000.00	15,000.00	15,000.00		
Total Capital Improvements Excluded from "CAPS"	A-1	15,000.00	15,000.00	15,000.00		
Municipal Debt Service:						
Payment of Bond Principal		360,000.00	360,000.00	360,000.00		
Payment of Bond Anticipation Notes		51,438.00	51,438.00	51,438.00		
Interest on Bonds		32,000.00	32,000.00	32,000.00		
Interest on Notes		45,700.00	45,700.00	45,565.32		134.68
Total Municipal Debt Service-Excluded from "CAPS"	A-1	489,138.00	489,138.00	489,003.32		134.68
Deferred Charges:						
Special Emergency Authorizations		30,000.00	30,000.00	30,000.00		
Total Deferred Charges - Municipal - Excluded from "CAPS"	A-1	30,000.00	30,000.00	30,000.00		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		1,006,820.84	1,010,069.03	982,124.73	27,809.62	134.68
Subtotal General Appropriations		6,338,047.84	6,338,047.84	5,969,017.12	368,896.04	134.68

Borough of Prospect Park, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Reserve for Uncollected Taxes		469,990.00	469,990.00	469,990.00		
Total General Appropriations		<u>\$ 6,808,037.84</u>	<u>6,808,037.84</u>	<u>6,439,007.12</u>	<u>368,896.04</u>	<u>134.68</u>
					<u>A</u>	
Adopted Budget	A-2		<u>6,808,037.84</u>			
			<u>6,808,037.84</u>			
<u>Analysis of Paid or Charged</u>						
Cash Disbursed	A-4			5,763,911.23		
Encumbrances Payable	A-14			77,060.05		
Special Emergency Authorization	A-12			30,000.00		
Reserve for Uncollected Taxes	A-2			469,990.00		
Matching Funds for Grants	A-4/A-23			35,595.00		
Reserve for Federal and State Grants	A-23			62,450.84		
				<u>6,439,007.12</u>		

See Accompanying Notes to Financial Statements.

Borough of Prospect Park, N.J.
Comparative Balance Sheet - Regulatory Basis
Trust Funds
December 31, 2018 and 2017

<u>Assets</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Animal Control Fund:			
Cash	B-1	\$ 4,954.00	5,951.80
		<u>4,954.00</u>	<u>5,951.80</u>
Other Trust Funds:			
Cash	B-1	301,295.00	286,598.77
Interfund - State Federal Grant Fund	B-2	15,000.00	15,000.00
		<u>316,295.00</u>	<u>301,598.77</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited):			
Cash in Plan	B-1	490,648.70	525,648.91
Contributions Receivable	B-3	25,674.00	24,507.00
		<u>516,322.70</u>	<u>550,155.91</u>
Total Assets		<u>837,571.70</u>	<u>857,706.48</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Animal Control Fund:			
Reserve for Animal Control Fund Expenditures	B-4	3,227.80	4,108.00
Due to State Department of Health	B-5	11.40	9.60
Interfund - Current Fund	B-2	1,714.80	1,834.20
		<u>4,954.00</u>	<u>5,951.80</u>
Other Trust Fund:			
Interfund - Current Fund	B-2	32,714.50	1,464.70
Accounts Payable	B-6	11,870.99	1,576.26
Reserve for:			
Unemployment Insurance	B-6	7,114.03	6,945.48
Escrow Deposits	B-6	31,904.26	40,553.29
Donations - Public Events	B-6	360.00	-
Uniform Fire Safety Penalty Funds	B-6	8,498.71	7,250.87
Donations - Shooting Range	B-6	335.40	335.40
Recreation	B-6	1,511.34	-
Tax Sale Premium	B-6	184,200.00	207,700.00
Accumulated Absences	B-6	14,100.00	14,100.00
Municipal Court - P.O.A.A.	B-6	23,685.77	21,672.77
		<u>316,295.00</u>	<u>301,598.77</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited):			
Net Assets Available for Benefits	B-7	516,322.70	550,155.91
		<u>516,322.70</u>	<u>550,155.91</u>
Total Liabilities, Reserves & Fund Balance		<u>\$ 837,571.70</u>	<u>857,706.48</u>

See Accompanying Notes to Financial Statements.

Borough of Prospect Park, N.J.
Comparative Balance Sheet - Regulatory Basis
General Capital Fund
December 31, 2018 and 2017

<u>Assets</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Cash	C-2/C-3	\$ 468,201.92	984,526.82
Due from N.J. Department of Transportation	C-4	204,192.56	256,754.61
Due from Passaic County	C-4		100,000.00
Deferred Charges to Future Taxation:			
Funded	C-5	620,000.00	980,000.00
Unfunded	C-6	2,338,739.85	2,150,677.85
Interfund - Current Fund	C-7	249,585.00	
		<u>3,880,719.33</u>	<u>4,471,959.28</u>
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds	C-8	620,000.00	980,000.00
Bond Anticipation Notes	C-9	1,965,204.00	1,779,690.00
Improvement Authorizations:			
Funded	C-10	37,933.50	265,355.36
Unfunded	C-10	816,100.37	914,455.48
Capital Improvement Fund	C-11	17,490.00	7,990.00
Accounts Payable	C-12	405,163.35	376,873.33
Reserve for:			
Preliminary Expenses	C-13	2,894.00	2,894.00
Debt Service	C-14	51.21	51.21
Fund Balance	C-1	15,882.90	144,649.90
		<u>\$ 3,880,719.33</u>	<u>4,471,959.28</u>

Footnote: There were \$388,000.00 and \$550,994.00 of Bonds and Notes Authorized But Not Issued per Exhibit C-15 on December 31, 2018 and 2017.

See Accompanying Notes to Financial Statements.

Borough of Prospect Park, N.J.

Comparative Statement of Changes in Fund Balance - Regulatory Basis

General Capital Fund

Years Ended December 31, 2018 and 2017

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Balance - January 1,	C	\$ 144,649.90	130,629.90
Increased by:			
Funded Improvement Authorizations Cancelled	C-10		61,181.87
Accounts Payable Cancelled	C-12		166,757.42
Premium on Sale of Notes	C-2	13,133.00	13,945.27
		<u>157,782.90</u>	<u>372,514.46</u>
Decreased by:			
Grants Receivable Cancelled	C-4		102,864.56
Appropriated to Current Fund Budget Revenue	C-2	<u>141,900.00</u>	<u>125,000.00</u>
Balance - December 31,	C,C-3	\$ <u>15,882.90</u>	<u>144,649.90</u>

See Accompanying Notes to Financial Statements.

GENERAL FIXED ASSET ACCOUNT GROUP

Exhibit F

Borough of Prospect Park, N.J.

Comparative Statement of General Fixed Assets - Regulatory Basis

December 31, 2018 and 2017

	2018	2017
<u>General Fixed Assets:</u>		
Land	\$ 1,348,900.00	1,348,900.00
Buildings and Building Improvements	1,370,735.80	1,370,735.80
Machinery and Equipment	2,992,069.10	2,944,311.59
	<u>5,711,704.90</u>	<u>5,663,947.39</u>
Investment in Fixed Assets	\$ <u>5,711,704.90</u>	<u>5,663,947.39</u>

See Accompanying Notes to Financial Statements.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes seven fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with generally accepted accounting principles (GAAP).

The financial statements of the Borough of Prospect Park have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a comprehensive basis of accounting other than generally accepted accounting principles. 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 the following separate funds which differ from the fund structure required by GAAP.

A. Reporting Entity

The Borough of Prospect Park (the "Borough") operates under a Mayor/Council form of government. 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 has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, 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. 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 Volunteer Fire Department which is considered component units under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

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. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities that are not recorded in those Funds.

The Borough has the following funds:

Current Fund - This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

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

Other Trust Fund - This fund is established to account for the assets and resources which are also held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds.

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

Emergency Services Volunteer Length of Service Award Program - This fund is used to account for the cumulative payments to participant's in the emergency services volunteer length of service award program including any income, gains, losses or increases or decreases in market value attributable to the investment of the participant's length of service awards.

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

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting

A modified accrual basis of accounting is followed by the Borough of Prospect Park. 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 for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The more significant differences are as follows:

Property Tax Revenues - 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. 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 June 30, 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 the 11th day of the 11th month in the current year taxes are levied, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. 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 taxes 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, reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - 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.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

Grant Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

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 for the current fund. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

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

General Capital Fund
Public Assistance Fund

Trust Funds

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not 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. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. 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 2018, several budget transfers were approved by the governing body.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

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 canceled 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, which should be recognized when due.

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

Appropriation Reserves - 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.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. 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 be recorded as a long-term obligation.

Property Acquired for Taxes - Is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market 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.

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.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at costs which approximates fair value and are limited by N.J.S.A. 40A:5-15.1(a).

Deferred Charges to Future Taxation Funded and Unfunded - Upon the authorization of capital projects, the Borough establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or nonfunding of the authorized cost of capital projects. According to N.J.S.A. 40A:2-4, the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

Fixed Assets - The Borough of Prospect Park has developed a fixed assets accounting and reporting system as promulgated by the Division of Local Government Services which differs in certain respects from generally accepted accounting principles.

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 drainage systems are not capitalized.

Fixed assets purchased after December 31, 1992 are stated at cost.

Fixed assets purchased prior to December 31, 1992 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

GAAP requires that fixed assets be capitalized at historical or estimated historical cost if actual historical cost is not available.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations 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 and notes to financial statements because their inclusion would make certain statements and notes to financial statements unduly complex and difficult to understand.

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

For the year ended December 31, 2018, the Borough adopted Government Accounting Standards Board GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. As a result of adopting this Statement, the Borough was required to measure and disclose liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their post-employment benefits other than pensions. As a result of the regulatory basis of accounting previously described in Note 1, the implementation of this Statement only required financial statement disclosure. There exists no impact on the financial statements of the Borough.

C. Basic Financial Statements

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

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

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's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2018 and 2017, \$-0- of the Borough's bank balances of \$3,902,856.63 and \$4,044,904.67, respectively, were exposed to custodial credit risk.

Investments

Investment 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. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the town is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer.

Unaudited Investments

As more fully described in Note 14, the Borough has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Borough. All investments are

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS, (continued)

valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by Lincoln Financial Group, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2018 and 2017 amounted to \$490,648.70 and \$525,648.91, respectively.

The following investments represent 5.00% or more of the total invested with Lincoln Financial Group on December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Growth	\$365,576.85	\$392,835.76
Fixed	22,817.17	26,069.86
Growth and Income	42,844.31	44,127.46
All Others	<u>59,410.37</u>	<u>62,615.83</u>
Total	<u>\$490,648.70</u>	<u>\$525,648.91</u>

NOTE 3. MUNICIPAL DEBT

Long-term debt as of December 31, 2018 consisted of the following:

	<u>Balance Dec. 31, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable - General Obligation	\$980,000.00	\$	\$360,000.00	\$620,000.00	\$115,000.00
Other Liabilities - Compensated Absences Payable	498,923.92	<u>22,902.16</u>		521,826.08	
Deferred Pension Obligation	<u>110,425.00</u>	<u> </u>	<u>13,365.00</u>	<u>97,060.00</u>	<u>14,614.00</u>
	<u>\$1,589,348.92</u>	<u>\$22,902.16</u>	<u>\$373,365.00</u>	<u>\$1,238,886.08</u>	<u>\$129,614.00</u>

Summary of Municipal Debt

The Local Bond Law governs the issuance of bonds and notes to finance capital expenditures. General obligation bonds have been issued for the general capital fund. 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 five months or retired by the issuance of bonds.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

Summary of Municipal Debt, (continued)

The Borough's debt is summarized as follows:

	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Issued:</u>			
General - Bonds and Notes	\$2,585,204.00	\$2,759,690.00	\$2,636,328.00
<u>Authorized But Not Issued</u>			
General - Bonds and Notes	<u>388,000.00</u>	<u>550,994.00</u>	<u>592,300.00</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$2,973,204.00</u>	<u>\$3,310,684.00</u>	<u>\$3,228,628.00</u>

Summary of Statutory Debt Condition - Annual Debt Statements

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .986%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$1,879,000.00	\$1,879,000.00	\$0.00
Regional High School		0.00	0.00
General Debt	<u>2,973,204.00</u>	<u>14,515.36</u>	<u>2,958,688.64</u>
	<u>\$4,852,204.00</u>	<u>\$1,893,515.36</u>	<u>\$2,958,688.64</u>

Net Debt \$2,958,688.64 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$300,143,538.33 equals 1.100%.

Borrowing Power under N.J.S. 40A:2-6 as Amended

3 ½% of Equalized Valuation Basis (Municipal)	\$10,505,023.84
Net Debt	<u>2,958,688.64</u>
Remaining Borrowing Power	<u>\$7,546,335.20</u>

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

The Borough's long term debt consisted of the following at December 31, 2018:

<u>Paid by Current Fund</u>	<u>Amount Outstanding</u>
\$1,110,000.00 General Serial Bonds - issued April 1, 2011, due through April 1, 2023 with an interest rate of 4.00%	<u>\$620,000.00</u> <u>\$620,000.00</u>

General Capital Serial Bonds are direct obligations of the Borough for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within the Borough.

In addition to the above, the Borough had authorized but not issued debt as follows:

General Capital	<u>\$388,000.00</u>
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Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued
and Outstanding

	<u>General</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$115,000.00	\$22,500.00	\$137,500.00
2020	120,000.00	17,800.00	137,800.00
2021	125,000.00	12,900.00	137,900.00
2022	130,000.00	7,800.00	137,800.00
2023	<u>130,000.00</u>	<u>2,600.00</u>	<u>132,600.00</u>
	<u>\$620,000.00</u>	<u>\$63,600.00</u>	<u>\$683,600.00</u>

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 4. BOND ANTICIPATION NOTES

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid or retired. A second and third legal installment must be paid if the notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.

On December 31, 2018, the Borough had \$1,965,204.00 in outstanding general capital bond anticipation notes that matured on May 20, 2019 at an interest rate of 3.00%. These notes were funded by the issuance of general serial bonds on May 7, 2019.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
TD Securities	<u>\$1,779,690.00</u>	<u>\$1,965,204.00</u>	<u>\$1,779,690.00</u>	<u>\$1,965,204.00</u>
	<u>\$1,779,690.00</u>	<u>\$1,965,204.00</u>	<u>\$1,779,690.00</u>	<u>\$1,965,204.00</u>

NOTE 5. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance December 31, 2018</u>	<u>2019 Budget Appropriation</u>	<u>Balance to Succeeding Years</u>
Special Emergency Authorizations	<u>\$24,000.00</u>	<u>\$24,000.00</u>	<u>\$0.00</u>

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 6. DEFERRED SCHOOL TAXES

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

The Borough of Prospect Park has elected to defer school taxes as follows:

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Local School District</u>	<u>Regional High School</u>	<u>Local School District</u>	<u>Regional High School</u>
Balance of Tax	\$1,630,362.94	\$2,001,686.62	\$1,852,590.50	\$2,167,161.97
Deferred	<u>1,630,362.94</u>	<u>1,715,712.00</u>	<u>1,569,992.00</u>	<u>1,857,548.00</u>
Tax Payable	<u>\$0.00</u>	<u>\$285,974.62</u>	<u>\$282,598.50</u>	<u>\$309,613.97</u>

NOTE 7. PENSION PLANS

Description of Plans:

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

Public Employees' Retirement System (PERS)

Plan Description

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

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Public Employees' Retirement System (PERS), (continued)

Benefits Provided

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

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible 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 Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Police and Firemens' Retirement System (PFRS)

Plan Description

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

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Police and Firemens' Retirement System (PFRS), (continued)

Benefits Provided

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

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

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

Defined Contribution Retirement Program

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Defined Contribution Retirement Program, (continued)

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

Significant Legislation

On March 17, 2009, the legislative of the State of New Jersey enacted Public Laws 2009, c.19(S-21) the "Pension Deferral Program". This law allows the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying their full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the Public Employees' Retirement System and/or the Police and Firemen's Retirement System obligation for payment due to the State Fiscal Year ending June 30, 2009. The amount deferred will be repaid starting in April 2012 over a 15-year period at 8¼ percent. The amount will fluctuate based on pension system investment earnings on the deferred amount. The local employer is allowed to payoff the obligation at any time prior to April 2012.

The Borough of Prospect Park opted for this deferral in the amount of \$168,451.00. The balance outstanding at December 31, 2018 and 2017 was \$97,060.00 and \$110,425.00, respectively.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 and 8.5% for PFRS, which increased to 10% in October 2011, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Contribution Requirements, (continued)

The Borough's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>	<u>DCRP</u>
2018	\$65,396.00	\$471,774.00	\$1,027.25
2017	64,462.72	429,427.86	0.00
2016	54,821.28	431,546.86	0.00

Statement No's 68 and 71 require a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. However, since the financial statements are prepared on another comprehensive basis of accounting, the net pension liability of the various pension systems is not recorded in the financial statements and is only required to be disclosed in the notes to the financial statements.

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

Public Employees Retirement System (PERS)

At December 31, 2018, the Borough had a liability of \$1,459,416 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2018, the Borough's proportion was 0.007412155 percent, which was an increase/(decrease) of 0.0003529495 percent from its proportion measured as of June 30, 2017.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Public Employees Retirement System (PERS), (continued)

For the year ended December 31, 2018, the Borough recognized pension expense of \$65,396.00. At December 31, 2018, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$27,831	\$7,525
Changes of assumptions	240,488	466,644
Net difference between projected and actual earnings on pension plan investments		13,689
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	<u>287,580</u>	<u>112,323</u>
Total	<u>\$555,899</u>	<u>\$600,181</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2018) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$10,129
2020	(14,024)
2021	(100,562)
2022	(87,169)
2023	(27,913)

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Public Employees Retirement System (PERS), (continued)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at June 30, 2018 and June 30, 2017 are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Collective deferred outflows of resources	\$4,684,852,302	\$6,424,455,842
Collective deferred inflows of resources	7,646,736,226	5,700,625,981
Collective net pension liability	19,689,501,539	23,278,401,588
Borough's Proportion	0.007412155%	0.0070592055%

Actuarial Assumptions

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

Inflation	2.25 Percent
Salary Increases:	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Public Employees Retirement System (PERS), (continued)

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

Mortality Rates

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

Long-Term Rate of Return

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

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Public Employees Retirement System (PERS), (continued)

Long-Term Rate of Return, (continued)

<u>Asset Class</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%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Public Employees Retirement System (PERS), (continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

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

	June 30, 2018		
	1% Decrease <u>4.66%</u>	At Current Discount Rate <u>5.66%</u>	1% Increase <u>6.66%</u>
Borough's proportionate share of the pension liability	\$1,909,169	\$1,459,416	\$1,144,286

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

Police and Firemen's Retirement System (PFRS)

At December 31, 2018, the Borough had a liability of \$7,821,318 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2018, the Borough's proportion was 0.0578001884 percent, which was an increase/(decrease) of 0.0044935036 percent from its proportion measured as of June 30, 2017.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Police and Firemen's Retirement System, (continued)

For the year ended December 31, 2018, the Borough recognized pension expense of \$471,774. At December 31, 2018, deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference in actual and expected experience	\$79,572	\$32,366
Changes of assumptions	671,355	2,004,469
Net difference between projected and actual earnings on pension plan investments		42,790
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>1,374,966</u>	<u>180,022</u>
Total	<u>\$2,125,893</u>	<u>\$2,259,647</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2018) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$67,264
2020	(226,744)
2021	(634,347)
2022	(407,207)
2023	(127,664)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.73, 5.59, 5.58, 5.53 and 6.17 years for 2018, 2017, 2016, 2015 and 2014 amounts respectively.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Police and Firemen's Retirement System, (continued)

Additional Information

Local Group Collective balances at June 30, 2018 and June 30, 2017 are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Collective deferred outflows of resources	\$1,988,215,695	\$2,941,952,753
Collective deferred inflows of resources	4,286,994,294	3,262,432,093
Collective net pension liability	13,531,648,591	17,167,260,198
Borough's Proportion	0.0578001884%	0.0533066848%

Actuarial Assumptions

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

Inflation	2.25 Percent
Salary Increases:	
Through 2026	2.10-8.98 Percent (based on age)
Thereafter	3.10-9.98 Percent (based on age)
Investment Rate of Return	7.00 Percent

Mortality Rates

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

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Police and Firemen's Retirement System, (continued)

Mortality Rates, (continued)

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

Long-Term Rate of Return

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

<u>Asset Class</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%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Police and Firemen's Retirement System, (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

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

	June 30, 2018		
	1% Decrease <u>5.51%</u>	At Current Discount Rate <u>6.51%</u>	1% Increase <u>7.51%</u>
Borough's proportionate share of the pension liability	\$11,889,750	\$7,821,318	\$6,404,284

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Police and Firemen's Retirement System, (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 proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,067,397 and \$921,776, 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 \$125,839 and \$112,754, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$62,920 and \$46,093, respectively. 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 pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 8. OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to the pension described in Note 7, the Borough does not provide post employment health care benefits as part of the State Health Benefits Local Government Retired Employment Plan. However, benefits are provided as described below:

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

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred inflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation.

At December 31, 2018, the State's proportionate share of the net OPEB liability attributable to the Borough for the PFRS special funding situation is \$5,029,486 and the State's proportionate share of the OPEB expense for the PFRS special funding situation is \$152,248.

NOTE 9. FUND BALANCES

Fund balances as of December 31, 2018 and 2017 that have been anticipated as revenue in the 2019 and 2018 budgets were as follows:

	<u>2019</u>	<u>2018</u>
Current Fund	<u>\$681,000.00</u>	<u>\$622,000.00</u>

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 10. FIXED ASSETS

The following is a summary of changes in the general fixed asset account group for the year 2018. The Borough does not have a perpetual inventory record that support the amounts below.

	Balance <u>Dec. 31, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2018</u>
Land	\$1,348,900.00	\$	\$	\$1,348,900.00
Buildings and Improvements	1,370,735.80			1,370,735.80
Vehicles, Machinery and Equipment	<u>2,944,311.59</u>	<u>47,757.51</u>		<u>2,992,069.10</u>
	<u>\$5,663,947.39</u>	<u>\$47,757.51</u>	<u>\$0.00</u>	<u>\$5,711,704.90</u>

NOTE 11. ACCRUED SICK AND VACATION BENEFITS

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused sick pay over the life of their working careers up to a maximum of 150 days. Of the days accumulated one-third will be paid as terminal leave upon retirement.

The estimated current cost of such unpaid compensation is \$521,826.08. This amount which could be material to the financial statements, is not reported either as an expenditure or liability. However, it is expected that the cost of such unpaid compensation would be included in the Borough's operating budget in the year it is used.

NOTE 12. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at December 31, 2018 consists of the following:

\$249,585.00	Due to the General Capital Fund from the Current Fund for short term loans.
15,000.00	Due to the Other Trust Fund from the Federal and State Grant Fund for short term loan.
185.48	Due to the Federal and State Grant Fund from the Current Fund for Grant Fund receipts deposited in the Current Fund.
32,714.50	Due to the Current Fund from the Other Trust Fund for Other Trust Fund bills disbursed in the Current Fund.
<u>1,714.80</u>	Due to the Current Fund from the Animal License Trust for statutory excess and error in deposits.
<u>\$299,199.78</u>	

It is anticipated that all interfunds will be liquidated during the fiscal year.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 13. EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP)

On April 8, 2002, the Division of Local Government Services approved the Borough's LOSAP plan, provided by Lincoln Financial Group. The purpose of this plan is to enhance the Borough's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

Lincoln Financial Group will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plan shall provide for a fixed annual contribution of \$1,150.00 to each eligible volunteer who accumulates a minimum of 100 service points based on criteria established by Borough Ordinance No. 2000-05. The Borough's contribution shall be included in the current years budget.

All amounts awarded under a length of service award plan shall remain the asset of the sponsoring agency; the obligation of the sponsoring agency to participating volunteers shall be contractual only; and no preferred or special interest in the awards made shall accrue to such participants. Such money shall be subject to the claims of the sponsoring agency's general creditors until distributed to any or all participants.

We have reviewed the plan for the year ended December 31, 2018 in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Review Services.

NOTE 14. RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur.. During the 2018 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The Borough of Prospect Park is currently a member of the Suburban Essex Municipal Joint Insurance Fund and the Municipal Excess Liability Joint Insurance Fund (the "Funds"). The Funds provide their members with Liability, Property and Workers' Compensation and Employer Liability Insurance. The Funds are risk-sharing public entity risk pools that are both an insured and self administered group of municipalities established for the purpose of providing low-cost insurance coverage for their respective members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Funds are elected.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 14. RISK MANAGEMENT, (continued)

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

The Funds can declare and distribute dividends to members upon approval of the State of New Jersey Department of Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

Financial statements for the Funds are available at the office of the Funds' Executive Director, Conner Strong/PERMA Risk Management Services.

NOTE 15. TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	<u>Balance</u> <u>Dec 31, 2018</u>	<u>Balance</u> <u>Dec 31, 2017</u>
Prepaid Taxes	<u>\$91,607.44</u>	<u>\$254,853.30</u>
Cash Liability for Taxes Collected in Advance	<u>\$91,607.44</u>	<u>\$254,853.30</u>

NOTE 16. COMMITMENTS AND CONTINGENT LIABILITIES

The Borough is involved in suits in the normal course of business. These cases, if decided against the Borough, would be paid for by its insurance carrier or with funds raised by future taxation.

1. **Prospect Park Partners, LLC v. Borough of Prospect Park** – This matter was commenced on or about March 21, 2016. It is a Direct Appeal to the State Tax Court of the real estate assessments for the former quarry property, which is made up of various parcels. The Borough conducted a Town-wide Revaluation of all of the assessments in 2014 which were applied for the 2015 tax year. The approximate assessments of all of the relevant properties of the quarry totaled approximately \$5,160,000.00 in 2014. After the revaluation, the approximate assessments on all of the relevant properties rose to \$11,993,500.00 for 2015. In terms of the amount of taxes paid, the Petitioner paid approximately \$340,000.00 in 2014

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 16. COMMITMENTS AND CONTINGENT LIABILITIES, (continued)

and \$565,000.00 in 2015. The within matter is the appeal of the Petitioner's 2016 assessment, which remains approximately \$11,993,500.00, however, the approximate taxes to be paid in 2016 has risen to approximately \$598,000.00. Petitioner has also filed subsequent appeals for the 2017, 2018 and 2019 assessments. This matter remains in its initial stages, however, Petitioner's counsel position in the litigation is that they insist that the current assessments are significantly higher than the actual value of the properties due to the properties' current condition and the significant costs to develop the properties. Due to the early stage of this matter, it is difficult at this juncture to formulate an assessment of the Borough's potential liability, if any, at this juncture. Notwithstanding, it is my understanding that at this stage, in the event that Borough is unable to resolve the matter for something far less than the level of materiality, the Borough intends to vigorously defend the assessments and this matter.

NOTE 17. SUBSEQUENT EVENTS

The Borough has evaluated subsequent events through September 11, 2019, the date which the financial statements were available to be issued and no other items were noted for disclosure.

SUPPLEMENTARY DATA AND SCHEDULES

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate:</u>	<u>5.125</u>	<u>5.053</u>	<u>4.987</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	1.737	1.6543	1.6258
County	.831	.7822	.7698
County Open Space	.012	.0107	.0104
Local School	1.304	1.1936	1.1981
Regional High School	1.241	1.4122	1.3829
<u>Assessed Valuation:</u>			
2018	\$263,019,500.00		
2017		\$263,071,300.00	
2016			\$263,686,000.00

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	\$13,487,365.87	\$13,092,437.22	97.07%
2017	13,314,864.01	12,845,787.50	96.47
2016	13,160,219.90	12,688,740.87	96.41

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>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2018	\$106,772.69	\$368,012.11	\$474,784.80	3.52%
2017	84,786.40	432,088.31	516,874.71	3.88
2016	206,121.13	404,353.98	610,475.11	4.64

PROPERTY ACQUIRED BY TAX TITLE LIENS LIQUIDATION

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

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

<u>Year</u>	<u>Amount</u>
2018	\$250.00
2017	250.00
2016	250.00

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Year</u>	<u>Current Fund</u>	
	<u>Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
2018	\$702,901.60	\$681,000.00
2017	697,128.95	622,000.00
2016	779,055.86	642,343.00
2015	835,788.16	665,000.00
2014	596,198.37	525,000.00

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>	<u>Amount Of Bond</u>
Mohamed T. Khairullah	Mayor	
Bobby Lash	Councilman	
Robert Artis	Councilman	
Esther Perez	Councilwoman	
Felicia Ortiz	Councilwoman	
Adnan Zakaria	Councilman	
Anand Shah	Councilman	
 Denis Murphy, Esq.	 Attorney	
 Danielle Ireland	 Borough Administrator	
Laura Borchers	Borough Clerk	
Naomi Kasib Del-Valle	Court Administrator	(A)
Stephen P. Sanzari	Chief Financial Officer/Treasurer/ Tax Collector	(A)
Rosemarie Farrell	Tax Assessor	
Abdelmageid Abdelhadi	Judge	
David Ferrante	Prosecutor	

(A) Coverage provided by the Municipal Excess Liability Joint Insurance Fund of up to \$1,000,000.00 per loss subject to a deductible of \$1,000.00 per loss.

BOROUGH OF PROSPECT PARK, N.J.

SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2018

Name of Federal Agency or Department	Federal Program	Grant No. or C.F.D.A. Account No.	Total Grant Award Amount	Balance Jan. 1, 2018	Receipts/ Revenue	Cancelled/ Expended	Balance Dec. 31, 2018	Memo
								Cumulative Total Expenditures
								*
								*
								*

NOTE: THIS SCHEDULE WAS NOT SUBJECT TO AN AUDIT IN ACCORDANCE WITH FEDERAL OMB UNIFORM GUIDANCE.

BOROUGH OF PROSPECT PARK, N.J.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Grant Number	Grant Award Received	Balance Jan. 1, 2018	Receipts/ Revenues	Expended	Cancelled/ Adjustment	Balance Dec. 31, 2018	Memo Cumulative Total Expenditures
Clean Communities Grant	4900-765-178900	7,575.67 7,251.43	7,575.67	7,251.43	5,737.64		1,838.03 7,251.43	5,737.64
Recycling Tonnage Grant		12,992.51 377.44	12,992.51	377.44	9,225.00		3,767.51 377.44	9,225.00
Safe and Secure Communities	1020-789-0266-1020	28,200.00		28,200.00	28,200.00			28,200.00
Municipal Alliance Program	1110-448-031020-22	10,000.00 10,000.00	1,424.00	5,729.83	1,424.00 4,171.98		1,557.85	1,424.00 4,171.98
Drunk Driving Enforcement Fund	1110-448-031020-22	1,816.79	1,816.79		1,624.48		192.31	1,924.48
Body Armor Replacement Program	1020-718-066-1020-001	1,847.11 1,863.38 1,865.87	972.11 1,863.38 1,865.87		972.11 1,652.89		210.49 1,865.87	1,847.11 1,652.89
Dept. of Transportation Improvements to No. 9th Street Improvements to No. 9th and No. 10th Streets Improvements to Brown Avenue Section 2 Improvements to Struyk Ave. & Savoy Place Improvements to No. 16th Street	5320-480-078-6320	250,000.00 250,000.00 190,000.00 200,000.00 230,000.00	(65,734.82) (23,734.39) 150,000.00	65,734.82 23,734.39 50,000.00 143,092.84	200,000.00		143,092.84	230,843.50 210,258.50 146,837.20
			89,041.12	324,120.75	253,008.10		160,153.77	642,122.30

NOTE: THIS SCHEDULE WAS NOT SUBJECT TO AN AUDIT IN ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 15-08.

Borough of Prospect Park, N.J.
Schedule of Cash - Collector-Treasurer

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>		<u>Current Fund</u>
Balance - December 31, 2017	A	\$	1,906,413.18
Increased by Receipts:			
Refund of Prior Year Expenditure	A-1	13,585.50	
Cancellation of Appropriated Grants	A-1	8,390.52	
Interest and Costs on Taxes	A-2	94,063.41	
Miscellaneous Revenue Not Anticipated	A-2	265,689.97	
Due From State - Senior Citizen and Veteran Deductions	A-16	10,000.00	
Taxes Receivable	A-7	13,254,672.23	
Revenue Accounts Receivable	A-10	1,243,553.03	
Interfunds	A-11	263,913.48	
Prepaid Taxes	A-15	91,607.44	
Various Cash Liabilities and Reserves	A-20	198,434.91	
			<u>15,443,910.49</u>
			17,350,323.67
Decreased by Disbursements:			
Cancelled Grants Receivable	A-1	8,576.00	
Current Year Budget Appropriations	A-3	5,763,911.23	
Interfunds	A-11	32,714.50	
Appropriation Reserves	A-13	187,385.62	
Local District School Taxes	A-17	3,486,074.56	
Regional High School Taxes	A-18	3,596,899.35	
County Taxes Payable	A-19	2,214,672.11	
Various Cash Liabilities and Reserves	A-20	220,604.91	
Reserve for Federal and State Grants Matching Funds	A-3	35,595.00	
			<u>15,546,433.28</u>
Balance - December 31, 2018	A	\$	<u><u>1,803,890.39</u></u>

Borough of Prospect Park, N.J.
Schedule of Cash - Collector-Treasurer
Grant Fund
Year Ended December 31, 2018

	<u>Ref.</u>		<u>Grant Fund</u>
Balance - December 31, 2017	A	\$	227,931.73
Increased by Receipts:			
Grants Receivable	A-21	33,929.83	
Cancelled Grants Receivable	A-21	8,576.00	
Appropriated Reserve for Grants	A-23	35,595.00	
Unappropriated Reserve for Grants	A-24	<u>10,414.84</u>	
			<u>88,515.67</u>
			316,447.40
Decreased by Disbursements:			
Interfunds	A-22	11,029.58	
Cancelled Appropriated Grants	A-23	8,390.52	
Appropriated Reserve for Grants	A-23	<u>84,751.88</u>	
			<u>104,171.98</u>
Balance - December 31, 2018	A	\$	<u><u>212,275.42</u></u>

Exhibit A-6

Borough of Prospect Park, N.J.
Schedule of Cash - Change Fund
Current Fund
Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	A	\$ <u>125.00</u>
Balance - December 31, 2018	A	\$ <u>125.00</u>
<u>Analysis of Balance:</u>		
Tax Collector		50.00
Municipal Court		<u>75.00</u>
		<u>125.00</u>

Borough of Prospect Park, N.J.

Schedule of Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Year Ended December 31, 2018

Year	Balance, Dec. 31, 2017	Levy	Added Taxes	Collected	2018	Senior Citizen and Veteran Deductions	Transferred to Tax Title Liens	Adjusted/ Canceled	Balance, Dec. 31, 2018
2017	\$ 432,088.31				432,088.31				
	<u>432,088.31</u>				<u>432,088.31</u>				
2018		13,479,752.45	7,613.42	254,853.30	12,822,583.92	15,000.00	21,986.29	4,930.25	368,012.11
	\$ 432,088.31	13,479,752.45	7,613.42	254,853.30	13,254,672.23	15,000.00	21,986.29	4,930.25	368,012.11
	<u>A</u>			<u>A-2/A-15</u>	<u>A-2/A-4</u>	<u>A-2/A-16</u>	<u>A-8</u>		<u>A</u>

Analysis of Tax Levy

Tax yield:

General Purpose Tax
Public Utility
Added Tax (R.S. 54:4-63.1 et seq.)

13,472,321.20
7,431.25
7,613.42
13,487,365.87

Tax Levy:

Local District School Tax
Regional High School Tax
County Tax - General
County Tax - Open Space
Added County Taxes

A-17
A-18
A-19
A-19
A-19
2,183,097.15
30,322.68
1,252.28
2,214,672.11

3,263,847.00
3,431,424.00

8,909,943.11

Local Tax for Municipal Purposes
Additional Taxes

4,569,222.00
8,200.76
4,577,422.76

13,487,365.87

Exhibit A-8**Borough of Prospect Park, N.J.****Schedule of Tax Title Liens****Current Fund****Year Ended December 31, 2018**

Balance - December 31, 2017	<u>Ref.</u> A		\$ <u>84,786.40</u>
Increased by:			
Transfer from Taxes Receivable	A-7	<u>21,986.29</u>	<u>21,986.29</u>
Balance - December 31, 2018	A		\$ <u><u>106,772.69</u></u>

Analysis of Balance

<u>Block</u>	<u>Lot</u>	<u>Amount</u>
16	6	14,017.53
16	20	14,841.00
21	7	13,510.45
21	24	14,127.66
21	25	14,127.66
49	16	7,455.63
50	4.01	9,587.17
62	13	14,938.71
69	19	497.13
102	3	3,669.75
		<u><u>106,772.69</u></u>

Exhibit A-9**Schedule of Property Acquired for
Taxes Assessed Valuation****Current Fund****Year Ended December 31, 2018**

Balance - December 31, 2017	<u>Ref.</u> A	\$ <u>250.00</u>
Balance - December 31, 2018	A	\$ <u><u>250.00</u></u>

Borough of Prospect Park, N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>	<u>Accrued</u>	<u>Collected</u>
Clerk/Health:			
Fees and Permits	A-2 \$	3,455.59	3,455.59
Uniform Construction Code:			
Fees and Permits - Building	A-2	57,216.00	57,216.00
Fees and Permits - Other	A-2	33,987.00	33,987.00
Municipal Court :			
Fines and Costs	A-2	286,981.68	286,981.68
Energy Receipts Tax	A-2	300,033.00	300,033.00
Consolidated Municipal Property Tax Relief Aid	A-2	42,929.00	42,929.00
Prospect Park Brd. Of Ed. - School Res. Officer	A-2	63,750.00	63,750.00
Prospect Park Board of Ed. - Solid Waste Pick-up	A-2	7,500.00	7,500.00
General Capital Surplus	A-2	141,900.00	141,900.00
Lease Telecommunications Facility - Cell Tower	A-2	305,800.76	305,800.76
		<u>\$ 1,243,553.03</u>	<u>1,243,553.03</u>
			A-4

Borough of Prospect Park, N.J.
Schedule of Interfunds Receivables/(Payables)

Current Fund

Year Ended December 31, 2018

<u>Fund</u>	<u>Ref.</u>	Due From/(To) Balance <u>Dec. 31, 2017</u>	<u>Increased</u>	<u>Decreased</u>	Due From/(To) Balance <u>Dec. 31, 2018</u>
Other Trust	A	\$ 1,464.70	32,714.50	1,464.70	32,714.50
Animal Control	A	1,834.20	1,714.80	1,834.20	1,714.80
Federal and State Grant Fund	A	10,844.10		11,029.58	(185.48)
General Capital Fund	A			249,585.00	(249,585.00)
		<u>\$ 14,143.00</u>	<u>34,429.30</u>	<u>263,913.48</u>	<u>(215,341.18)</u>
<u>Analysis</u>					
Due to Current Fund	A/A-1	14,143.00			34,429.30
Due From Current Fund	A				<u>(249,770.48)</u>
		<u>14,143.00</u>			<u>(215,341.18)</u>
Disbursed	A-4		32,714.50		
Statutory Excess In Animal Control	A-1		1,714.80		
Received	A-4			263,913.48	
			<u>34,429.30</u>	<u>263,913.48</u>	

Borough of Prospect Park, N.J.

Schedule of Deferred Charges - Special Emergency Authorization

Current Fund

Year Ended December 31, 2018

<u>Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>1/5 of Amount Authorized</u>	<u>Balance, Dec. 31, 2017</u>	<u>Reduced in 2018</u>	<u>Balance, Dec. 31, 2018</u>
6/17/2013	Revision of Tax Maps	30,000.00	6,000.00	6,000.00	6,000.00	
5/19/2014	Revaluation	120,000.00	24,000.00	48,000.00	24,000.00	24,000.00
				<u>54,000.00</u>	<u>30,000.00</u>	<u>24,000.00</u>
				A	A-3	A

Borough of Prospect Park, N.J.
Schedule of Appropriation Reserves

Page 1 of 2

Current Fund

Year Ended December 31, 2018

	Balance, Dec. 31, <u>2017</u>	Balance after Transfers and <u>Encumbrances</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Salaries and Wages Within "CAPS":				
Administrative and Executive	\$ 3.32	3.32		3.32
Mayor and Council	692.82	692.82		692.82
Borough Clerk	5,052.93	2,052.93	962.50	1,090.43
Financial Administration	449.50	449.50		449.50
Collection of Taxes	6,763.91	4,763.91		4,763.91
Tax Search Officer	115.37	115.37		115.37
Assessment of Taxes	56.03	56.03		56.03
Planning Board	500.00			
Board of Adjustment	98.00	98.00		98.00
Municipal Court	3,649.07	1,465.12	816.05	649.07
Public Defender	5,191.70	5,191.70		5,191.70
Police	6,104.28	1,104.28		1,104.28
Emergency Management	436.00	795.00	359.00	436.00
Fire	3,076.00	576.00		576.00
Fire Prevention Bureau	2,225.00	225.00		225.00
Fire Alarm System	1,720.08	1,720.08		1,720.08
Prosecutor	53.96	53.96		53.96
Road Repairs and Maintenance	6,129.60	1,129.60		1,129.60
Recycling	14.00	14.00		14.00
Sewer System	50.08	50.08		50.08
Board of Health	1,517.50	1,517.50		1,517.50
Sanitarian	48.00	48.00		48.00
Recreation Services and Programs	1,027.38	27.38		27.38
Construction Code Official	719.18	719.18		719.18
Building Inspector	745.57	745.57		745.57
Plumbing Inspector	71.00	71.00		71.00
Elevator Inspector	728.00	728.00		728.00
Electrical Inspector	216.74	216.74		216.74
Fire Protection Official	1,224.00	1,224.00		1,224.00
Total Salaries and Wages Within "CAPS"	48,679.02	25,854.07	2,137.55	23,716.52
Other Expenses Within "CAPS":				
Administrative and Executive	6,846.60	12,597.36	11,165.57	1,431.79
Mayor and Council	400.87	400.87		400.87
Contractual	1,000.00	1,000.00		1,000.00
Financial Administration				
Other - Treasurer	1,193.47	3,633.47	990.50	2,642.97
Annual Audit	14,500.00	13,500.00	13,500.00	
Collection of Taxes	1,812.62	2,155.62	1,143.51	1,012.11
Assessment of Taxes	792.02	848.05		848.05
Revaluation				
Legal Services and Costs	19,731.40	28,696.40	8,460.00	20,236.40
Board of Adjustment	419.05	1,004.05	170.00	834.05
Other Insurance	51,063.17	51,063.17	45,362.61	5,700.56
Group Insurance	53,124.67	29,524.67		29,524.67
Municipal Court	3,848.71	6,928.56	6,900.60	27.96

Borough of Prospect Park, N.J.
Schedule of Appropriation Reserves

Page 2 of 2

Current Fund

Year Ended December 31, 2018

	Balance, Dec. 31, 2017	Balance after Transfers and Encumbrances	Paid or Charged	Balance Lapsed
Police	1,996.34	10,059.27	6,905.16	3,154.11
Emergency Management	1,890.21	1,890.21		1,890.21
Fire	207.85	3,272.85	1,148.05	2,124.80
Fire Prevention Bureau	25.00	25.00		25.00
Road Repairs and Maintenance	8,214.77	28,477.35	22,589.61	5,887.74
Garbage and Trash Removal - Contractual	29,088.00	29,088.00	26,800.00	2,288.00
Recycling Program	5,525.95	6,050.95	5,125.00	925.95
Public Buildings and Grounds	19,229.42	20,031.92	12,866.37	7,165.55
Sewer System	815.00	1,815.00	961.87	853.13
Board of Health	2,205.00	1,325.00	120.00	1,205.00
Recreation	2,456.21	6,514.33	1,844.38	4,669.95
Senior Citizens	268.21	268.21		268.21
Accumulated Absences	100.00	100.00		100.00
Building Inspector	568.49	635.95	264.08	371.87
Street Lighting	3,056.80	14,799.78	13,100.45	1,699.33
Gasoline	3,730.49	3,730.49	2,271.60	1,458.89
Utilities Spray Park	4,466.28	4,466.28	5.25	4,461.03
Total Other Expenses Within "CAPS"	238,576.60	283,902.81	181,694.61	102,208.20
Deferred Charges and Statutory Expenditures Within "CAPS":				
Public Employees' Retirement System	0.28	0.28		0.28
Social Security (O.A.S.I.)	4,661.80	4,661.80		4,661.80
Police and Firemen's Retirement System	0.14	0.14		0.14
Defined Contribution Retirement Plan	2,500.00	2,500.00		2,500.00
Total Deferred Charges and Statutory Expenditures Within "CAPS"	7,162.22	7,162.22		7,162.22
Total Reserves Within "CAPS"	294,417.84	316,919.10	183,832.16	133,086.94
Other Expenses Excluded From "CAPS":				
Passaic Valley Sewer Comm. Contractual	628.91	1,728.91	1,003.46	725.45
Boro. Of Haledon Share of PVSC	490.65	490.65		490.65
Emergency Services Volunteer - LOSAP	19,284.00	19,284.00		19,284.00
Boro. of Hawthorne - Free Public Library	855.14	3,195.64	2,550.00	645.64
Total Other Expenses Excluded from "CAPS"	21,258.70	24,699.20	3,553.46	21,145.74
Total Reserves Excluded from "CAPS"	21,258.70	24,699.20	3,553.46	21,145.74
Totals	\$ 315,676.54	341,618.30	187,385.62	154,232.68
				A-1
Total Reserves	Ref.	315,676.54		
Prior Year Encumbrances	A	25,941.76		
Disbursed	A-15		187,385.62	
	A-4		187,385.62	
		<u>341,618.30</u>	<u>187,385.62</u>	

Exhibit A-14

Borough of Prospect Park, N.J.
Schedule of Encumbrances Payable
Current Fund
Year Ended December 31, 2018

Balance - December 31, 2017	<u>Ref.</u> A	\$ 25,941.76
Increased by:		
Transfer from Current Appropriations	A-3	<u>77,060.05</u>
		103,001.81
Decreased by:		
Transfer to Appropriation Reserves	A-13	<u>25,941.76</u>
Balance - December 31, 2018	A	\$ <u><u>77,060.05</u></u>

Exhibit A-15

Schedule of Prepaid Taxes
Current Fund
Year Ended December 31, 2018

Balance - December 31, 2017	A	\$ 254,853.30
Increased by:		
Receipts - Prepaid 2019 Taxes	A-4	<u>91,607.44</u>
		346,460.74
Decreased by:		
Applied to 2018 Taxes	A-7	<u>254,853.30</u>
Balance - December 31, 2018	A	\$ <u><u>91,607.44</u></u>

Borough of Prospect Park, N.J.
Schedule of Amount Due to State of New Jersey
for Senior Citizens' and Veterans' Deductions - CH. 73 P.L. 1976

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	A	\$ 2,861.95
Increased by:		
Senior Cit. and Vet. Disallowed - State Audit	A-1	4,250.00
State Share of Senior Citizens and Veteran		
Deductions Received in Cash	A-4	<u>10,000.00</u>
		17,111.95
Decreased by:		
Senior Citizens' Deductions Per Tax Billing		5,250.00
Veterans' Deductions Per Tax Billing		<u>9,750.00</u>
	A-7	<u>15,000.00</u>
Balance - December 31, 2018	A	\$ <u><u>2,111.95</u></u>

Exhibit A-17

Borough of Prospect Park, N.J.

Schedule of Local District School Tax

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>		
Balance - December 31, 2017			
School Tax Payable	A	\$ 282,598.50	
School Tax Deferred		<u>1,569,992.00</u>	1,852,590.50
Increased by:			
Levy School Year - July 1, 2018			
to June 30, 2019	A-7		<u>3,263,847.00</u>
			5,116,437.50
Decreased by:			
Payments	A-4		<u>3,486,074.56</u>
Balance - December 31, 2018			
School Tax Payable	A		
School Tax Deferred		<u>1,630,362.94</u>	<u>\$ 1,630,362.94</u>
2018 Liability for Local School District Tax			
Tax Payable/(Prepaid) - Dec. 31, 2018			
Tax Paid			<u>3,486,074.56</u>
			3,486,074.56
Less: Tax Payable/(Prepaid) - Dec. 31, 2017			<u>282,598.50</u>
Amount Charged to 2018 Operations	A-1		<u>3,203,476.06</u>

Exhibit A-18

Schedule of Regional High School Tax

Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>		
Balance - December 31, 2017			
School Tax Payable	A	\$ 309,613.97	
School Tax Deferred		<u>1,857,548.00</u>	2,167,161.97
Increased by:			
Levy School Year - July 1, 2018			
to June 30, 2019	A-7		<u>3,431,424.00</u>
			5,598,585.97
Decreased by:			
Payments	A-4		<u>3,596,899.35</u>
Balance - December 31, 2018			
School Tax Payable		285,974.62	
School Tax Deferred		<u>1,715,712.00</u>	<u>\$ 2,001,686.62</u>
2018 Liability for Regional High School District Tax:			
Tax Payable - Dec. 31, 2018			285,974.62
Tax Paid			<u>3,596,899.35</u>
			3,882,873.97
Less: Tax Payable - Dec. 31, 2017			<u>309,613.97</u>
Amount Charged to 2018 Operations	A-1		<u>3,573,260.00</u>

Borough of Prospect Park, N.J.
Schedule of County Taxes Payable
Current Fund
Year Ended December 31, 2018

	<u>Ref.</u>		
Balance - December 31, 2017			
Increased by:			
Levy - General County Tax	A-1/A-7	\$ 2,183,097.15	
Levy - Open Space Tax	A-1/A-7	30,322.68	
Added and Omitted Taxes	A-1/A-7	<u>1,252.28</u>	<u>2,214,672.11</u>
Decreased by:			
Payments	A-4		<u><u>2,214,672.11</u></u>
Balance - December 31, 2018			<u><u> </u></u>

Borough of Prospect Park, N.J.

Schedule of Various Cash Liabilities and Reserves

Current Fund

Year Ended December 31, 2018

	Liabilities and Reserves	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
<u>Liabilities:</u>					
	Due to State of NJ Marriage Surcharge	\$ 200.00	825.00	800.00	225.00
	Due to State of NJ Building Surcharge	422.00	3,093.00	1,288.00	2,227.00
	Accounts Payable	12,039.50			12,039.50
	Special Emergency Notes	48,000.00	24,000.00	48,000.00	24,000.00
<u>Reserves for:</u>					
	Redemption of Outside Liens	11,201.71	170,516.91	170,516.91	11,201.71
		\$ 71,863.21	198,434.91	220,604.91	49,693.21
		A			A
<u>Receipts</u>					
	Disbursed	Ref.	198,434.91		
		A-4		220,604.91	
		A-4	198,434.91	220,604.91	

Borough of Prospect Park, N.J.

Schedule of Grants Receivable

Federal and State Grant Fund

Year Ended December 31, 2018

<u>Grant</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Budget</u> <u>Revenue</u>	<u>Received</u>	<u>Cancelled</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
State Grants:					
Municipal Alliance on Alcoholism and Drug Abuse	\$ 8,576.00	10,000.00	5,729.83	8,576.00	4,270.17
Clean Communities		7,575.67	7,575.67		
Drunk Driving Enforcement Fund		1,816.79	1,816.79		
Recycling Tonnage Grant		12,992.51	12,992.51		
Safe and Secure Communities Grant		28,200.00	28,200.00		
Body Armor Replacement Grant		1,865.87	1,865.87		
	<u>8,576.00</u>	<u>62,450.84</u>	<u>58,180.67</u>	<u>8,576.00</u>	<u>4,270.17</u>
	<u>\$ 8,576.00</u>	<u>62,450.84</u>	<u>58,180.67</u>	<u>8,576.00</u>	<u>4,270.17</u>
	<u>A</u>	<u>A-2</u>		<u>A-1/A-5</u>	<u>A</u>

Ref.

Transfer from Unappropriated Reserves
Received

24,250.84
33,929.83
58,180.67

Exhibit A-22**Borough of Prospect Park, N.J.****Schedule of Interfunds****Federal and State Grant Fund****Year Ended December 31, 2018**

<u>Fund</u>	<u>Ref.</u>	Due From/(To) Balance <u>Dec. 31, 2017</u>	<u>Increased</u>	Due From/(To) Balance <u>Dec. 31, 2018</u>
Other Trust Fund	A	\$ (15,000.00)		(15,000.00)
Current Fund	A	<u>(10,844.10)</u>	<u>11,029.58</u>	<u>185.48</u>
		<u>\$ (25,844.10)</u>	<u>11,029.58</u>	<u>(14,814.52)</u>
Disbursed	A-5		11,029.58	
			<u>11,029.58</u>	

Borough of Prospect Park, N.J.

Schedule of Appropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2018

<u>Grant</u>	<u>Balance Dec. 31, 2017</u>	<u>Transfer From 2018 Budget</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2018</u>
Local Grants:					
Municipal Alliance on Alcoholism and Drug Abt \$	2,449.30	2,500.00			4,949.30
Safe and Secure Communities Act		33,095.00	33,095.00		2,126.21
Out of School Time Grant - Walamart/NRPA	<u>2,126.21</u>				<u>7,075.51</u>
	<u>4,575.51</u>	<u>35,595.00</u>	<u>33,095.00</u>		
State Grants:					
Municipal Alliance on Alcoholism and Drug Abuse	12,379.18	10,000.00	5,595.98	8,390.52	8,392.68
Clean Communities Grant		7,575.67	5,737.64		1,838.03
Drunk Driving Enforcement Fund		1,816.79	1,624.48		192.31
Recycling Tonnage Grant		12,992.51	9,225.00		3,767.51
Safe and Secure Communities Act		28,200.00	28,200.00		
Body Armor Replacement Fund	<u>2,835.49</u>	<u>1,865.87</u>	<u>2,625.00</u>		<u>2,076.36</u>
	<u>15,214.67</u>	<u>62,450.84</u>	<u>53,008.10</u>	<u>8,390.52</u>	<u>16,266.89</u>
\$	<u>19,790.18</u>	<u>98,045.84</u>	<u>86,103.10</u>	<u>8,390.52</u>	<u>23,342.40</u>
	<u>A</u>			<u>A-1/A-5</u>	<u>A</u>
Federal and State Grants					
	<u>Ref.</u>				
	A-3	62,450.84			
Municipal Matching Funds	A-3,A-5	35,595.00			
Accounts Payable	A		1,351.22		
Disbursed	A-5		84,751.88		
		<u>98,045.84</u>	<u>86,103.10</u>		

Borough of Prospect Park, N.J.

Schedule of Unappropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2018

Grant	Balance	Transfer	Received	Balance
	Dec. 31, 2017	To 2018 Budget		Dec. 31, 2018
Local Grants:				
Community Garden	\$ 1,000.00			1,000.00
	<u>1,000.00</u>			<u>1,000.00</u>
Federal Grants:				
Small Cities Community Development	\$ 165,622.61		2,785.97	168,408.58
	<u>165,622.61</u>		<u>2,785.97</u>	<u>168,408.58</u>
State Grants:				
Body Armor Replacement Grant	1,865.87	1,865.87		
Drunk Driving Enforcement Fund	1,816.79	1,816.79		
Recycling Tonnage Grant	12,992.51	12,992.51	377.44	377.44
Clean Communities	7,575.67	7,575.67	7,251.43	7,251.43
	<u>24,250.84</u>	<u>24,250.84</u>	<u>7,628.87</u>	<u>7,628.87</u>
	\$ 190,873.45	24,250.84	10,414.84	177,037.45
	<u>A</u>	<u>A-21</u>	<u>A-5</u>	<u>A</u>

Borough of Prospect Park, N.J.

Schedule of Cash

Trust Funds

Year Ended December 31, 2018

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>	<u>Emergency Services Volunteer LOSAP</u>
Balance - December 31, 2017	B	\$ <u>5,951.80</u>	<u>286,598.77</u>	<u>525,648.91</u>
Increase by Receipts:				
Animal License Fees - Borough Share	B-4	1,181.60		
Dog License Fees - State Share	B-5	155.40		
Interfunds	B-2		32,714.50	
Borough Contributions	B-3			23,340.00
Other Trust Funds	B-6		163,720.16	
Net Assets Available for Benefits	B-7			(24,483.54)
Total Receipts		<u>1,337.00</u>	<u>196,434.66</u>	<u>(1,143.54)</u>
		<u>7,288.80</u>	<u>483,033.43</u>	<u>524,505.37</u>
Decreased by Disbursements:				
Interfunds	B-4	1,834.20	1,464.70	
Reserve for Dog Expenditures	B-4	347.00		
State Share - Dog Licenses	B-3	153.60		
Other Trust Funds	B-6		180,273.73	
Net Assets Available for Benefits	B-7			33,856.67
Total Disbursements		<u>2,334.80</u>	<u>181,738.43</u>	<u>33,856.67</u>
Balance - December 31, 2018	B	\$ <u><u>4,954.00</u></u>	<u><u>301,295.00</u></u>	<u><u>490,648.70</u></u>

Borough of Prospect Park, N.J.

Schedule of Interfunds

Trust Funds

Year Ended December 31, 2018

	Due to/(from) Balance Dec. 31, 2017	Increased	Decreased	Due to/(from) Balance Dec. 31, 2018
STATE & FEDERAL GRANT FUND:				
Other Trust	\$ (15,000.00)			(15,000.00)
CURRENT FUND:				
Animal Control Fund	1,834.20	1,714.80	1,834.20	1,714.80
Other Trust	1,464.70	32,714.50	1,464.70	32,714.50
	<u>\$ (11,701.10)</u>	<u>34,429.30</u>	<u>3,298.90</u>	<u>19,429.30</u>
	B			B

	Ref.		
Receipts	B-1	32,714.50	
Disbursed	B-1		3,298.90
Statutory Excess	B-4	1,714.80	
		<u>34,429.30</u>	<u>3,298.90</u>

Schedule of Emergency Services Volunteer Length
of Service Award Program - Contributions Receivable

Trust Funds

Year Ended December 31, 2018

	Ref.	
Balance - December 31, 2017	B	\$ 24,507.00
Increased by:		
Borough Contributions	B-7	24,507.00
		<u>49,014.00</u>
Decreased by:		
Receipts	B-1	<u>23,340.00</u>
Balance - December 31, 2018	B	<u>\$ 25,674.00</u>

Borough of Prospect Park, N.J.
Reserve for Animal Control Fund Expenditures

Trust Funds

Year Ended December 31, 2018

	<u>Ref.</u>		
Balance - December 31, 2017	B	\$	4,108.00
Increased by:			
Animal License Fees	B-1	1,181.60	<u>1,181.60</u>
			5,289.60
Decreased by:			
Statutory Excess to Current Fund	B-2	1,714.80	
Expenditures R.S. 4:19-1511	B-1	<u>347.00</u>	<u>2,061.80</u>
Balance - December 31, 2018	B	\$	<u><u>3,227.80</u></u>

	<u>License Fees Collected</u>
<u>Year</u>	
2017	1,433.80
2016	<u>1,794.00</u>
	<u><u>3,227.80</u></u>

Schedule of Due to/(from) State Department of Health

Trust Funds

Year Ended December 31, 2018

	<u>Ref.</u>		
Balance - December 31, 2017	B	\$	9.60
Increased by:			
State Fees Collected	B-1	155.40	<u>165.00</u>
Decreased by:			
Prior Year Adjustment	B-4		
Paid to State	B-1	<u>153.60</u>	
Balance - December 31, 2018	B	\$	<u><u>11.40</u></u>

Borough of Prospect Park, N.J.

Schedule of Various Reserves

Trust Funds

Year Ended December 31, 2018

	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
Unemployment Insurance	\$ 6,945.48	1,572.57	1,404.02	7,114.03
Accounts Payable	1,576.26	11,870.99	1,576.26	11,870.99
Escrow Deposits	40,553.29	55,000.00	63,649.03	31,904.26
Recreation		16,741.26	15,229.92	1,511.34
Donations - Public Events		360.00		360.00
Uniform Fire Safety Penalty Funds	7,250.87	1,247.84		8,498.71
Public Defender Fees		9,214.50	9,214.50	
Donations - Shooting Range	335.40			335.40
Reserve for Tax Sale Premium	207,700.00	65,700.00	89,200.00	184,200.00
Accumulated Absences	14,100.00			14,100.00
Municipal Court - P.O.A.A.	21,672.77	2,013.00		23,685.77
	<u>\$ 300,134.07</u>	<u>163,720.16</u>	<u>180,273.73</u>	<u>283,580.50</u>
	B			B
	Ref.			
Cash Disbursed	B-1		180,273.73	
Cash Receipts	B-1	163,720.16		
		<u>163,720.16</u>	<u>180,273.73</u>	

Borough of Prospect Park, N.J.

**Schedule of Emergency Services Volunteer Length
of Service Award Program - Net Assets Available for Benefits**

Trust Funds

Year Ended December 31, 2018

	<u>Ref.</u>		
Balance - December 31, 2017	B		\$ 550,155.91
Increased by:			
Borough Contributions	B-3	24,507.00	
Appreciation/(Depreciation) of Assets	B-1	<u>(24,483.54)</u>	
			<u>23.46</u>
			550,179.37
Decreased by:			
Withdrawals	B-1	32,681.67	
Administrative Charge	B-1	<u>1,175.00</u>	
			<u>33,856.67</u>
Balance - December 31, 2018	B		\$ <u><u>516,322.70</u></u>

Exhibit C-2**Borough of Prospect Park, N.J.****Schedule of Cash****General Capital Fund****Year Ended December 31, 2018**

	<u>Ref.</u>		
Balance - December 31, 2017	C		\$ <u>984,526.82</u>
Increased by Receipts:			
Premium on Notes	C-1	13,133.00	
Due From N.J. - Various Receivables	C-4	382,562.05	
Bond Anticipation Notes	C-9	1,965,204.00	
Capital Improvement Fund	C-11	<u>15,000.00</u>	
			<u>2,375,899.05</u>
			3,360,425.87
Decreased by Disbursements:			
Bond Anticipation Notes	C-9	1,728,252.00	
Fund Balance	C-1	141,900.00	
Interfund - Current Fund	C-7	249,585.00	
Accounts Payable	C-12	376,873.33	
Improvement Authorizations	C-10	<u>395,613.62</u>	
			<u>2,892,223.95</u>
Balance - December 31, 2018	C		\$ <u><u>468,201.92</u></u>

Borough of Prospect Park, N.J.

Analysis of Cash

General Capital Fund

Year Ended December 31, 2018

	<u>Ref.</u>	
Fund Balance	C-1	\$ 15,882.90
Various Reserves	C-14	51.21
Capital Improvement Fund	C-11	17,490.00
Accounts Payable	C-12	405,163.35
Reserve for Preliminary Expenses	C-13	2,894.00
Various Receivables	C-4	(204,192.56)
Cash on Hand to Pay Debt		14,465.00

Improvement Authorizations:

OrdinanceNumberImprovement Description

2011-03	Imp. To No. 13th & No. 14 Streets	9,681.51
2011-04	Construct Restrooms at Hofstra Park	12,469.76
2011-12	Sewer Improvements	(0.85)
2011-13	Haledon Ave. Streetscape Imp. Ph. II	27,850.37
2012-06	Construct Restrooms at Hofstra Park Ph. II	5,821.96
2012-07	Construct Hofstra Park - Spray Park	25,674.77
2012-13	Various Capital Improvements	61,440.67
2012-16	Improvement to Brown Avenue	26,202.80
2013-07	Various Improvements to Hofstra Park	4.12
2013-08	Improvements to No. 7th Street	8,453.63
2013-09	Various Capital Improvements	3,375.00
2014-01	Supp. Improvements to Hofstra Park	61.16
2014-05	Purchase of Computer Equipment	(9,500.00)
2014-06	Imp. To Lake Shore Drive & North 9th Street	(93,136.75)
2015-08	Various Capital Improvements	41,982.85
2015-09	Imp. To No. 9th and 10th Streets	89,704.95
2016-04	Hofstra Park Pavilion	98,685.26
2016-06	Improvement to Brown Avenue Section 2	101,102.71
2016-16	Police Department Data Base	73.37
2017-01	Purchase of Police SUV	5,856.78
2017-09	Rooftop AC Units Borough Hall	4,500.35
2017-10	Reconstruct No. 10th Street	18,385.21
2017-11	Improvement to Struyk & Savoy Place	50,267.45
2017-14	Various Capital Improvements	29,774.19
2018-03	Reconstruct No. 16th Street	37,933.50
2018-05	Various Capital Improvements	(90,631.75)

\$ 468,201.92

C

Borough of Prospect Park, N.J.

Schedule of Various Receivables

General Capital Fund

Year Ended December 31, 2018

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Grants</u> <u>Approved</u>	<u>Cash</u> <u>Received</u>	<u>Cancelled</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
<u>State of New Jersey Department of Transportation</u>					
Ord. 2014-06 - Improvements to Lake Shore Dr. & No. 9th Street	34,576.39				34,576.39
Ord. 2015-09 - Improvements to No. 9th and No. 10th Streets	92,306.12		65,734.82		26,571.30
Ord. 2016-06 - Improvements to Brown Avenue Section 2	79,872.10		23,734.39		56,137.71
Ord. 2017-11 - Improvements to Struyk Ave. & Savoy Place	50,000.00		50,000.00		
Ord. 2018-03 - Reconstruct No. 16th Street		230,000.00	143,092.84		86,907.16
	<u>256,754.61</u>	<u>230,000.00</u>	<u>282,562.05</u>		<u>204,192.56</u>
<u>Passaic County / County Open Space Grant / CDBG Grant</u>					
Ord. 2017-10 - Reconstruct No.10th Street	100,000.00		100,000.00		
	<u>100,000.00</u>		<u>100,000.00</u>		
\$	<u>356,754.61</u>	<u>230,000.00</u>	<u>382,562.05</u>	<u>C-1</u>	<u>204,192.56</u>
	<u>C</u>	<u>C-10</u>	<u>C-2</u>		<u>C/C-3</u>

Exhibit C-5

Borough of Prospect Park, N.J.
Schedule of Deferred Charges to Future
Taxation - Funded
General Capital Fund
Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	C	\$ 980,000.00
Decreased by:		
Serial Bonds Paid by Current Year		
Budget Appropriations	C-8	<u>360,000.00</u>
Balance - December 31, 2018	C	\$ <u>620,000.00</u>

Borough of Prospect Park, N.J.
Schedule of Deferred Charges to Future Taxation - Unfunded
General Capital Fund
Year Ended December 31, 2018

Ordinance Number	Improvement Description	Balance Dec. 31, 2017	2018 Authorizations	Funded by Budget Appropriation	Balance Dec. 31, 2018	Analysis of Balance - Dec. 31, 2018		
						Financed by Bond Anticipation Notes	Expended	Unexpended Improvement Authorization
2011-03	Imp. To No. 13th & No. 14 Streets	\$ 12,250.00		4,250.00	8,000.00	8,000.00		
2011-04	Construct Restrooms at Hofstra Park	63,680.00		2,360.00	61,320.00	61,320.00		
2011-12	Sewer Improvements	16,653.85		220.00	16,433.85	16,433.00	0.85	
2011-13	Haledon Ave. Streetscape Imp. Ph. II	34,000.00		2,000.00	32,000.00	32,000.00		
2012-06	Construct Restrooms at Hofstra Park Ph. II	68,880.00		2,560.00	66,320.00	66,320.00		
2012-07	Construct Hofstra Park - Spray Park	95,420.00		3,540.00	91,880.00	91,880.00		
2012-13	Various Capital Improvements	103,166.00		10,817.00	92,349.00	92,349.00		
2012-16	Improvement to Brown Avenue	47,050.00		7,475.00	39,575.00	39,575.00		
2013-07	Various Improvements to Hofstra Park	97,260.00		2,740.00	94,520.00	94,520.00		
2013-08	Improvements to No. 7th Street	63,282.00		2,718.00	60,564.00	60,564.00		
2013-09	Various Capital Improvements	115,284.00		11,716.00	103,568.00	103,568.00		
2014-01	Supp. Improvements to Hofstra Park	36,958.00		1,042.00	35,916.00	35,916.00		
2014-05	Purchase of Computer Equipment	9,500.00			9,500.00		9,500.00	
2014-06	Imp. To Lake Shore Dr. & No. 9th Street	139,000.00			139,000.00		93,136.75	45,863.25
2015-08	Various Capital Improvements	213,000.00			213,000.00			
2015-09	Imp. To No. 9th and 10th Streets	138,000.00			138,000.00			
2016-04	Hofstra Park Pavilion	310,000.00			310,000.00			
2016-06	Improvement to Brown Avenue Section 2	112,000.00			112,000.00			
2016-16	Police Department Data Base	21,800.00			21,800.00			
2017-01	Purchase of Police SUV	51,000.00			51,000.00			
2017-09	Roofing AC Units Borough Hall	23,700.00			23,700.00			
2017-10	Reconstruct No. 10th Street	55,000.00			55,000.00			
2017-11	Improvement to Stryck & Savoy Place	170,000.00			170,000.00			
2017-14	Various Capital Improvements	153,794.00			153,794.00			
2018-03	Reconstruct No. 16th Street		135,000.00		135,000.00			135,000.00
2018-05	Various Capital Improvements		104,500.00		104,500.00		90,631.75	13,868.25
		<u>\$ 2,150,677.85</u>	<u>239,500.00</u>	<u>51,438.00</u>	<u>2,338,739.85</u>	<u>1,950,739.00</u>	<u>193,269.35</u>	<u>194,731.50</u>
		C	C-10	C-9	C			

Improvement Authorizations Unfunded		816,100.37
Less: Unexpended Proceeds of Bond Anticipation Notes		
2011-03	9,681.51	
2011-04	12,469.76	
2011-13	27,850.37	
2012-06	5,821.96	
2012-07	25,674.77	
2012-13	61,440.67	
2012-16	26,202.80	
2013-07	4.12	
2013-08	8,453.63	
2013-09	3,375.00	
2014-01	61.16	
2015-08	41,982.85	
2015-09	89,704.95	
2016-04	98,685.26	
2016-06	101,102.71	
2016-16	73.37	
2017-01	5,856.78	
2017-09	4,500.35	
2017-10	18,385.21	
2017-11	50,267.45	
2017-14	29,774.19	
	<u>621,368.87</u>	
		<u>194,731.50</u>

Exhibit C-7

Borough of Prospect Park, N.J.
Schedule of Interfund - Current Fund
General Capital Fund
Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017 - Due from	C	\$
Increased by:		
Disbursed	C-2	<u>249,585.00</u>
Balance - December 31, 2018 - Due from	C	\$ <u>249,585.00</u>

Borough of Prospect Park, N.J.
Schedule of General Serial Bonds Payable

General Capital Fund

Year Ended December 31, 2018

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding, December 31, 2018</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2017</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2018</u>
			<u>Date</u>	<u>Amount</u>				
General Improvement Bonds	3/1/2005	1,940,000.00				\$ 290,000.00	290,000.00	
General Improvement Bonds	4/1/2011	1,110,000.00	4/1/2019	115,000.00	4.000%	690,000.00	70,000.00	620,000.00
			4/1/2020	120,000.00	4.000%			
			4/1/2021	125,000.00	4.000%			
			4/1/2022-23	130,000.00	4.000%			
						<u>\$ 980,000.00</u>	<u>360,000.00</u>	<u>620,000.00</u>
						<u>C</u>	<u>C-5</u>	<u>C</u>

Borough of Prospect Park, N.J.
Schedule of Bond Anticipation Notes Payable

General Capital Fund

Year Ended December 31, 2018

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Original Amount Issued</u>	<u>Date of Original Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2017</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2018</u>
2011-03	Imp. To No. 13th & No. 14 Streets	80,750.00	5/30/2013	5/21/2018	5/20/2019	3.00%	\$ 72,250.00	12,250.00	72,250.00	12,250.00
2011-04	Construct Restrooms at Hofstra Park	68,400.00	5/30/2013	5/21/2018	5/20/2019	3.00%	63,680.00	61,320.00	63,680.00	61,320.00
2011-12	Sewer Improvements	17,100.00	5/30/2013	5/21/2018	5/20/2019	3.00%	16,660.00	16,433.00	16,660.00	16,433.00
2011-13	Haledon Ave. Streetscape Imp. Ph. II	38,000.00	5/30/2013	5/21/2018	5/20/2019	3.00%	34,000.00	32,000.00	34,000.00	32,000.00
2012-06	Construct Restrooms at Hofstra Park Ph. II	74,000.00	5/30/2013	5/21/2018	5/20/2019	3.00%	68,880.00	66,320.00	68,880.00	66,320.00
2012-07	Construct Hofstra Park - Spray Park	102,500.00	5/30/2013	5/21/2018	5/20/2019	3.00%	95,420.00	91,880.00	95,420.00	91,880.00
2012-13	Various Capital Improvements	174,800.00	5/30/2013	5/21/2018	5/20/2019	3.00%	103,166.00	92,349.00	103,166.00	92,349.00
2012-16	Improvement to Brown Avenue	142,000.00	5/30/2013	5/21/2018	5/20/2019	3.00%	127,050.00	47,050.00	127,050.00	47,050.00
2013-07	Various Improvements to Hofstra Park	100,000.00	5/29/2014	5/21/2018	5/20/2019	3.00%	97,260.00	57,260.00	97,260.00	57,260.00
2013-08	Improvements to No. 7th Street	106,000.00	5/29/2014	5/21/2018	5/20/2019	3.00%	103,282.00	100,564.00	103,282.00	100,564.00
2013-09	Various Capital Improvements	127,000.00	5/29/2014	5/21/2018	5/20/2019	3.00%	115,284.00	103,568.00	115,284.00	103,568.00
2014-01	Supp. Improvements to Hofstra Park	38,000.00	5/29/2014	5/21/2018	5/20/2019	3.00%	36,958.00	35,916.00	36,958.00	35,916.00
2015-08	Various Capital Improvements	213,000.00	5/25/2016	5/21/2018	5/20/2019	3.00%	213,000.00	213,000.00	213,000.00	213,000.00
2015-09	Imp. To No. 9th and 10th Streets	138,000.00	5/25/2016	5/21/2018	5/20/2019	3.00%	138,000.00	138,000.00	138,000.00	138,000.00
2016-04	Hofstra Park Pavilion	310,000.00	5/23/2017	5/21/2018	5/20/2019	3.00%	310,000.00	310,000.00	310,000.00	310,000.00
2016-06	Improvement to Brown Avenue Section 2	112,000.00	5/23/2017	5/21/2018	5/20/2019	3.00%	112,000.00	112,000.00	112,000.00	112,000.00
2016-16	Police Department Data Base	21,800.00	5/23/2017	5/21/2018	5/20/2019	3.00%	21,800.00	21,800.00	21,800.00	21,800.00
2017-01	Purchase of Police SUV	51,000.00	5/23/2017	5/21/2018	5/20/2019	3.00%	51,000.00	51,000.00	51,000.00	51,000.00
2017-09	Rooflop AC Units Borough Hall	23,700.00	5/21/2018	5/21/2018	5/20/2019	3.00%	23,700.00	23,700.00	23,700.00	23,700.00
2017-10	Reconstruct No. 10th Street	55,000.00	5/21/2018	5/21/2018	5/20/2019	3.00%	55,000.00	55,000.00	55,000.00	55,000.00
2017-11	Improvement to Struyk & Savoy Place	170,000.00	5/21/2018	5/21/2018	5/20/2019	3.00%	170,000.00	170,000.00	170,000.00	170,000.00
2017-14	Various Capital Improvements	153,794.00	5/21/2018	5/21/2018	5/20/2019	3.00%	153,794.00	153,794.00	153,794.00	153,794.00
							\$ 1,779,690.00	1,965,204.00	1,779,690.00	1,965,204.00
							C			C

Ref.

Notes Paid by Budget Appropriation
 Paid from Cash on Hand
 Renewals
 Issued

C-6
 C-2
 C-2
 C-2/C-15

51,438.00
 165,542.00
 1,562,710.00
 402,494.00
 1,965,204.00

Borough of Prospect Park, N.J.
Schedule of Improvement Authorizations
General Capital Fund

Year Ended December 31, 2018

Ordinance Number	Improvement Description	Ordinance		Balance Dec. 31, 2017		2018 Authorizations	Paid or Charged	Balance Dec. 31, 2018	
		Date	Amount	Funded	Unfunded			Funded	Unfunded
General Improvements:									
2011-03	Imp. To No. 13th & No. 14 Streets	03/28/2011	285,000.00 \$		9,681.51				9,681.51
2011-04	Construct Restrooms at Hofstra Park	03/28/2011	220,000.00		12,469.76				12,469.76
2011-13	Haledon Ave. Streetscape Imp. Ph. II	09/26/2011	40,000.00		27,850.37				27,850.37
2012-06	Construct Restrooms at Hofstra Park Ph. II	03/26/2012	173,000.00		26,174.77		500.00		25,674.77
2012-07	Construct Hofstra Park - Spray Park	03/26/2012	298,000.00		5,821.96				5,821.96
2012-13	Various Capital Improvments	07/23/2012	184,000.00		63,945.19		2,504.52		61,440.67
2012-16	Improvement to Brown Avenue	10/22/2012	399,500.00		26,202.80				26,202.80
2013-07	Various Improvements to Hofstra Park	10/28/2013	400,000.00		4.12				4.12
2013-08	Improvements to No. 7th Street	10/28/2013	322,000.00		9,554.13		1,100.50		8,453.63
2013-09	Various Capital Improvements	10/28/2013	134,000.00		3,982.71		607.71		3,375.00
2014-01	Supp. Improvements to Hofstra Park	02/28/2014	40,000.00		98.51		37.35		61.16
2014-06	Imp. To Lake Shore Drive & North 9th Street	07/28/2014	397,000.00		45,863.25				45,863.25
2014-16	Hofstra Park Improvement Study	12/15/2014	31,000.00	9,811.00			9,811.00		41,982.85
2015-08	Various Capital Improvments	09/28/2015	225,000.00		42,204.36		221.51		89,704.95
2015-09	Imp. To No. 9th and 10th Streets	10/26/2015	396,000.00		126,793.92		37,088.97		98,685.26
2016-04	Hofstra Park Pavilion	04/25/2016	514,000.00		103,107.65		4,422.39		101,102.71
2016-06	Improvement to Brown Avenue Section 2	05/23/2016	302,000.00	23,934.81	112,000.00		34,832.10		73.37
2016-16	Police Department Data Base	12/19/2016	23,000.00		96.04		22.67		5,856.78
2017-01	Purchase of Police SUV	02/27/2017	54,000.00		6,026.30		169.52		4,500.35
2017-09	Rooflop AC Units Borough Hall	07/24/2017	25,000.00		4,525.00		24.65		18,385.21
2017-10	Reconstruct No. 10th Street	07/24/2017	158,000.00	75,175.00	55,000.00		111,789.79		50,267.45
2017-11	Improvement to Struyk & Savoy Place	07/24/2017	370,000.00	156,434.55	170,000.00		276,167.10		29,774.19
2017-14	Various Capital Improvements	10/30/2017	161,494.00		63,053.13		33,278.94		135,000.00
2018-03	Reconstruct No. 16th Street	05/31/2018	365,000.00			365,000.00	192,066.50	37,933.50	13,868.25
2018-05	Various Capital Improvements	07/23/2018	110,000.00			110,000.00	96,131.75		
				\$ 265,355.36	914,455.48	475,000.00	800,776.97	37,933.50	816,100.37
				C		C		C	
		Ref.							
Deferred Charges to Future Taxation - Unfunded		C-6/C-15		239,500.00					
Disbursed		C-2		395,613.62					
Grants Receivable		C-4		230,000.00					
Accounts Payable		C-12		405,163.35					
Capital Improvement Fund		C-11		5,500.00					
				475,000.00		800,776.97			

Exhibit C-11

Borough of Prospect Park, N.J.
Schedule of Capital Improvement Fund
General Capital Fund
Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	C	\$ 7,990.00
Increased by:		
Budget Appropriation	C-2	<u>15,000.00</u>
		22,990.00
Decreased by:		
Appropriated to Finance Improvement Authorizations	C-10	<u>5,500.00</u>
Balance - December 31, 2018	C/C-3	<u>\$ 17,490.00</u>

Exhibit C-12

Schedule of Accounts Payable
General Capital Fund
Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	C	\$ 376,873.33
Increased by:		
Transfer from Improvement Auth.	C-10	<u>405,163.35</u>
		782,036.68
Decreased by:		
Disbursed	C-2	<u>376,873.33</u>
Balance - December 31, 2018	C/C-3	<u>\$ 405,163.35</u>

Exhibit C-13

Schedule of Reserve for Preliminary Expenses
General Capital Fund
Year Ended December 31, 2018

	<u>Ref.</u>	
Balance - December 31, 2017	C	\$ <u>2,894.00</u>
Balance - December 31, 2018	C/C-3	<u>\$ 2,894.00</u>

Exhibit C-14**Borough of Prospect Park, N.J.****Schedule of Various Reserves****General Capital Fund****Year Ended December 31, 2018**

<u>Purpose</u>	Balance <u>Dec. 31, 2017</u>	Balance <u>Dec. 31, 2018</u>
Debt Service	\$ 51.21	51.21
	<hr/>	<hr/>
	\$ 51.21	51.21
	<hr/> <hr/> C	<hr/> <hr/> C/C-3

Borough of Prospect Park, N.J.
Schedule of Bonds and Notes Authorized But Not Issued
General Capital Fund
Year Ended December 31, 2018

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2017</u>	<u>2018 Authorizations</u>	<u>Bond Anticipation Notes Issued</u>	<u>Balance Dec. 31, 2018</u>
<u>General improvements:</u>					
2014-05	Purchase of Computer Equipment	\$ 9,500.00			9,500.00
2014-06	Imp. To Lake Shore Dr. & No. 9th Street	139,000.00			139,000.00
2017-09	Rooftop AC Units Borough Hall	23,700.00		23,700.00	
2017-10	Reconstruct No. 10th Street	55,000.00		55,000.00	
2017-11	Improvement to Struyk & Savoy Place	170,000.00		170,000.00	
2017-14	Various Capital Improvements	153,794.00		153,794.00	
2018-03	Reconstruct No. 16th Street		135,000.00		135,000.00
2018-05	Various Capital Improvements		104,500.00		104,500.00
		\$ 550,994.00	239,500.00	402,494.00	388,000.00
		<u>Footnote C</u>	<u>C-10</u>	<u>C-9</u>	<u>Footnote C</u>

BOROUGH OF PROSPECT PARK

PART II

LETTER ON COMPLIANCE AND ON INTERNAL CONTROL

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

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INDEPENDENT AUDITOR'S 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

Honorable Mayor and
Members of the Borough Council
Borough of Prospect Park
Prospect Park, New Jersey 07508

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements-regulatory basis of the Borough of Prospect Park in the County of Passaic 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 September 11, 2019, which was adverse due to being presented in accordance with New Jersey regulatory basis of accounting. The regulatory basis opinion was qualified for fixed assets and the Length of Service Awards Program not being audited.

Internal Control Over Financial Reporting

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

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

FWCC

Honorable Mayor and
Members of the Borough Council
Page 2.

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.

We did identify certain immaterial deficiencies in internal control that we have reported to management of the Borough of Prospect Park in the accompany comments and recommendations section of this report.

Compliance and Other Matters

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

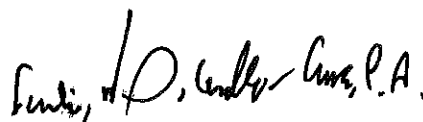
However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Borough of Prospect Park in the accompanying comments and recommendations section of this report.

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 Prospect Park'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 Prospect Park's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.



Steven D. Wielkottz, C.P.A.
Registered Municipal Accountant
No. 413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey



GENERAL COMMENTS

Contracts and Agreements

N.J.S.A. 40A:11-4 states "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law."

Effective April 17, 2000 and thereafter the bid thresholds in accordance with N.J.S.A. 40A:11-3 (as amended) is \$17,500 and \$25,000 with a qualified purchasing agent. On July 1, 2010, the threshold was increased to \$36,000.00 with a qualified purchasing agent and on July 1, 2015, this amount was increased to \$40,000.00.

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors' formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the total sum of \$17,500 or \$21,000 after July 1, 2005, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations."

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months."

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

The minutes indicate that bids were requested by public advertising for the following item:

Reconstruction of North 10th Street Phase 2
Improvements to North 16th Street

Resolutions were adopted authorizing the awarding of contracts and agreements for "Professional Services" N.J.S. 40A:11-5.

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 material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed. No violations were disclosed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the statutory 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 N.J.S. 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 nonpayment of taxes or assessments on or before the date when they would become delinquent.

The governing body on January 6, 2018 adopted the following resolution authorizing interest to be charged on delinquent taxes:

RESOLVED that, all unpaid taxes shall be subject to interest at the rate of 8% per annum on taxes up to \$1,500 and 18% per annum on taxes over \$1,500 and 6% additional penalty for a delinquency over \$10,000 if not paid prior to the end of the calendar year, 10 days after the date that the same shall become due and owing.

It appears from an examination of the Collector's record that interest was collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 3, 2018, and was complete.

The following comparison is made of the number of tax title liens receivable on December 31, of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2018	10
2017	9
2016	10

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services.

The results of the test, which was made as of December 31, 2018, is not yet known, but a separate report will be rendered if any irregularities were developed.

In addition, analytical review procedures were utilized to ascertain the validity of the receivables.

OTHER COMMENTS

Finance/Tax Office

- *1. There were several employees' compensation that did not agree with approved compensation amounts in the Borough's salary ordinance.
- *2. One employee's salary was charged to the incorrect budget account.
- *3. The value of fixed assets is not supported by perpetual inventory records.

Outside Offices

- 1. The construction code permit fees charged on several permits did not agree to the fee ordinance.
- *2. Building Department deposits were not always being made within 48 hours.
- *3. Cash receipt books were not being maintained by the Clerk's office.

Payment of Claims/Test of Expenditures

- *1. Several purchases were made prior to the requisition being approved.
- *2. Several vouchers included in our testing of expenditures did not have backing documentation.
- 3. Several health benefits invoices and an invoice for the Passaic Valley Sewer Commission were paid late resulting in interest charges.
- 4. There were two purchase orders tested that the invoice did not agree with amount paid.

Municipal Court

- *1. Monthly management report contains numerous tickets assigned but not issued over 180 days.
- *2. Credit card fees have not been reimbursed to the Magistrate's account by the Current Fund.

Administration

- *1. There were several employees eligible to be enrolled in the various state pension plans that were not enrolled as of December 31, 2018.
- 2. Bid documents for one contract were not available for audit.
- *3. Chief Financial Officer's certification of availability of funds was not included with three contracts.
- 4. Minutes of Council meetings were not always being approved.

OTHER COMMENTS, (continued)

Administration, (continued)

5. Several resolutions described in the minutes did not agree with description in actual resolution and several resolutions were not signed.
6. Advertisements for bids for several contracts were not available for audit.
7. One employee that waived health benefits was never removed from the health benefit invoice for the entire year.

RECOMMENDATIONS

Finance/Tax Office

- *1. That all employee's salaries be in agreement with approved Borough's salary ordinance.
- *2. That all employees' salaries be charged to the correct budget account.
- *3. That a physical inventory of fixed assets be performed and updated annually.

Outside Offices

1. That the fees charged for construction code permits be in agreement with the fee ordinance.
- *2. That building permit fees be deposited within 48 hours of receipt.
- *3. That the Clerk's office maintain cash receipts books.

Payment of Claims/Test of Expenditures

- *1. That purchases not be made prior to requisition approval or without purchase orders.
- *2. That all vouchers have supporting documentation attached.
3. That all bills be paid on a timely basis to avoid interest charges.
4. That amounts paid on purchase orders be in agreement with invoice amounts.

Municipal Court

- *1. That tickets assigned not issued be recalled and removed from the management report.
- *2. That credit card fees be reimbursed by the Current Fund to the Magistrate's account.

RECOMMENDATIONS, (continued)

Administration

- *1 That employees eligible to be enrolled in a State administered pension plan be enrolled.
- 2. That all bid documents be available for audit.
- *3. That the Chief Financial Officer's certification of availability of funds be included with all contracts.
- 4. That minutes of Council meetings be approved.
- 5. That the description of various resolutions described in the minutes be in agreement with the actual certified resolution.
- 6. That the legal advertisements for all bids be available for audit.
- 7. That all employees that waive health benefits be removed from the Borough's health insurance plan.

STATUS OF PRIOR YEAR AUDIT FINDINGS/RECOMMENDATIONS

A review was performed on all prior year recommendations and corrective action was taken on all with the exception of those marked with an "*".

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

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

Very truly yours,



Steven D. Wielkotz, C.P.A.
Registered Municipal Accountant
No. 413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey