

**CITY OF NORTHFIELD**

**ATLANTIC COUNTY**

**NEW JERSEY**

**AUDIT REPORT**

**FOR THE YEAR ENDED**

**December 31, 2018**



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**CITY OF NORTHFIELD**

**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY DATA**

**YEAR ENDED DECEMBER 31, 2018**

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# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

The Honorable Mayor and  
Members of City Council  
City of Northfield, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Northfield, 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 City'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the 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.

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

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

As described in Note 20 of the financial statements, the City 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 \$234,367.83 and \$238,429.63 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 matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” 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.

***Other Matters***

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Northfield’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 was 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 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 July 24, 2019 on our consideration of the City of Northfield'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 City of Northfield's internal control over financial reporting and compliance.

*Ford, Scott & Associates, L.L.C.*  
FORD, SCOTT & ASSOCIATES, L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

*Nancy Sbrolla*  
Nancy Sbrolla  
Certified Public Accountant  
Registered Municipal Accountant  
No. 542

July 24, 2019

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**EXHIBIT A - CURRENT FUND**

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**CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash:		
Treasurer	\$ 3,017,116.59	3,804,421.06
Change Fund	350.00	350.00
	<u>3,017,466.59</u>	<u>3,804,771.06</u>
 Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	385,959.90	368,907.68
Tax Title Liens Receivable	132,638.58	117,621.85
Miscellaneous Liens Receivable	1,468.52	438.59
Property Acquired / Assessed Valuation	38,800.00	-
Prepaid School Taxes	1.00	-
Sewer Rents Receivable	59,692.26	68,216.00
Sewer Liens Receivable	2,308.93	1,818.93
Due from the Grant Fund	-	54,424.15
Revenue Accounts Receivable	9,216.28	9,586.76
	<u>630,085.47</u>	<u>621,013.96</u>
	<u>3,647,552.06</u>	<u>4,425,785.02</u>
 Federal and State Grant Fund:		
Federal and State Grants Receivable	476,770.56	410,077.77
Due from Current Fund	122,795.68	-
	<u>599,566.24</u>	<u>410,077.77</u>
	<u>4,247,118.30</u>	<u>4,835,862.79</u>

**CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	2018	2017
<u>Liabilities, Reserves and Fund Balance</u>		
Liabilities:		
Appropriation Reserves	334,337.31	642,378.30
Encumbrances Payable	287,310.10	248,699.62
Accounts Payable	17,289.36	-
Payroll Taxes Payable	38,334.48	36,905.75
Prepaid Sewer Rents	6,155.10	-
Sewer Rent Overpayments	1,175.00	7,127.50
Prepaid Taxes	181,661.68	1,205,831.52
Tax Overpayments	19,552.17	49.32
Landsale Deposits	1,600.00	-
Due to State of New Jersey - Senior Citizens and Veterans	15,910.49	22,371.17
Due to State of New Jersey - Marriage Fees	300.00	275.00
Due to State of New Jersey - DCA	2,640.00	2,405.00
Due to State of New Jersey - Burial Fees	-	5.00
Due to Grant Fund	122,795.68	-
Due to County - Added Taxes	3,843.37	2,649.80
	1,032,904.74	2,168,697.98
Reserve for Receivables and Other Assets	630,085.47	621,013.96
Fund Balance	1,984,561.85	1,636,073.08
	3,647,552.06	4,425,785.02
Federal and State Grant Fund:		
Due to the Current Fund	-	54,424.15
Reserve for Grants Appropriated	363,422.78	307,055.66
Reserve for Grants Unappropriated	2,976.33	8,517.71
Encumbrances Payable	233,167.13	40,080.25
	599,566.24	410,077.77
	\$ 4,247,118.30	4,835,862.79

See Accompanying Notes to Financial Statements

**CURRENT FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND**  
**CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**For the Year Ended December 31,**

	2018	2017
<u>Revenue and Other Income Realized:</u>		
Fund Balance Utilized	\$ 1,000,000.00	1,335,000.00
Miscellaneous Revenues Anticipated	3,338,572.97	3,531,814.64
Receipts from Delinquent Taxes	378,849.79	437,373.55
Receipts from Current Taxes	28,953,369.11	28,489,637.18
Nonbudget Revenues	132,626.37	162,713.83
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	668,342.82	371,150.45
Unexpended Balance of 2018 Budget Appropriations	-	4.14
Interfund Returned	54,424.15	-
Reimbursement of Prior Year Expenditures	-	11,734.31
Miscellaneous Cancellation	156.76	17,348.52
	34,526,341.97	34,356,776.62
<u>Expenditures:</u>		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	3,717,750.00	3,773,735.00
Other Expenses	4,006,074.68	4,164,801.00
Deferred Charges and Statutory Expenditures	1,009,456.68	958,088.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	147,289.79	146,857.25
Other Expenses	1,895,932.27	2,114,685.61
Capital Improvements	72,500.00	132,500.00
Municipal Debt Service	1,338,791.26	1,381,800.00
Deferred Charges	21,000.00	-
County Taxes	4,527,008.15	4,720,421.95
Due County for Added and Omitted Taxes	3,843.37	2,649.80
Regional High School Tax	6,386,317.00	6,183,531.00
Local District School Tax	10,051,890.00	9,798,131.00
Refund of Prior Year Revenue	-	6,000.00
Interfund Created	-	54,424.14
	33,177,853.20	33,437,624.75

See Accompanying Notes to Financial Statements

**CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGES IN FUND BALANCE - REGULATORY BASIS  
For the Year Ended December 31,**

	<u>2018</u>	<u>2017</u>
Excess in Revenues	1,348,488.77	919,151.87
Adjustments to Income Before Fund Balance - Expenditures Included Above Which Are by Statute Deferred Charges to Budget of Succeeding Year		
	<u>1,348,488.77</u>	<u>919,151.87</u>
Statutory Excess to Fund Balance	1,348,488.77	919,151.87
Fund Balance January 1	<u>1,636,073.08</u>	<u>2,051,921.21</u>
Total	2,984,561.85	2,971,073.08
Decreased by:		
Utilization as Anticipated Revenue	<u>1,000,000.00</u>	<u>1,335,000.00</u>
Fund Balance December 31	<u>\$ 1,984,561.85</u>	<u>1,636,073.08</u>

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

	Anticipated Budget	Special N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 1,000,000.00		1,000,000.00	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	7,500.00		7,500.00	-
Other	80,000.00		83,986.23	3,986.23
Fees and Permits	55,000.00		60,331.87	5,331.87
Fines and Costs:				
Municipal Court	105,000.00		141,874.54	36,874.54
Interest and Costs on Taxes	100,000.00		112,739.57	12,739.57
Interest on Investments and Deposits	15,000.00		25,254.49	10,254.49
Sewer Rentals	1,484,000.00		1,453,815.38	(30,184.62)
Total Section A: Local Revenues	1,846,500.00	-	1,885,502.08	39,002.08
Section B: State Aid Without Offsetting Appropriations				
Consolidated Municipal Property Tax Relief Act	1,783.00		1,783.00	-
Energy Receipts Tax (P.L. 1997, Chapters 162 & 167)	630,603.00		630,603.00	-
Total Section B: State Aid Without Offsetting Appropriations	632,386.00	-	632,386.00	-
Section C: Dedicated Uniform Construction Code Fees				
Offset with Appropriations				
Uniform Construction Code Fees	120,000.00		203,939.00	83,939.00
Total Section C: Dedicated Uniform Construction Code Fees	120,000.00	-	203,939.00	83,939.00
Section D: Special Items of General Revenue Anticipated with				
Prior Written Consent - Interlocal Municipal Service				
Agreements Offset With Appropriations				
Linwood Share - Sewerage Department Costs	11,200.00		62,618.43	51,418.43
Linwood Share - Court Costs	131,045.00		131,045.00	-
Total Section D: Special Items of General Revenue Anticipated				
with Prior Written Consent - Interlocal Municipal Service				
Agreements Offset With Appropriations	142,245.00	-	193,663.43	51,418.43

See Accompanying Notes to Financial Statements

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

	Anticipated Budget	Special N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Section F: Special Items - Public and Private Programs				
Offset with Appropriations				
Recycling Tonnage Grant	\$ 8,517.71		8,517.71	-
Municipal Alliance on Alcoholism & Drug Abuse	13,771.00		13,771.00	-
Safe and Secure Communities Program	60,000.00		60,000.00	-
Alcohol Education Rehab		476.01	476.01	-
Distracted Driving	6,600.00		6,600.00	-
Clean Communities		17,988.55	17,988.55	-
N.J. Transportation Trust Fund Authority Act	284,000.00		284,000.00	-
US DOJ Body Armor Grant	1,587.29	1,987.50	3,574.79	-
<b>Total Section F: Special Items - Public and Private Programs</b>	<b>374,476.00</b>	<b>20,452.06</b>	<b>394,928.06</b>	<b>-</b>
Section G: Other Special Items				
Uniform Fire Safety Act	6,000.00		7,654.40	1,654.40
Library Maintenance Agreement	20,500.00		20,500.00	-
Capital Fund Surplus			-	-
<b>Total Section G: Other Special Items</b>	<b>26,500.00</b>	<b>-</b>	<b>28,154.40</b>	<b>1,654.40</b>
<b>Total Miscellaneous Revenue</b>	<b>3,142,107.00</b>	<b>20,452.06</b>	<b>3,338,572.97</b>	<b>176,013.91</b>
Receipts from Delinquent Taxes	360,000.00	-	378,849.79	18,849.79
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	8,586,975.42		8,884,841.65	297,866.23
Minimum Library Tax	298,559.00		298,559.00	-
<b>Budget Totals</b>	<b>13,387,641.42</b>	<b>20,452.06</b>	<b>13,900,823.41</b>	<b>492,729.93</b>
Nonbudget Revenues	-		132,626.37	132,626.37
<b>\$ 13,387,641.42</b>	<b>20,452.06</b>	<b>14,033,449.78</b>	<b>625,356.30</b>	

See Accompanying Notes to Financial Statements

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

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections:

Revenue from Collections	\$	<u>28,953,369.11</u>
Net Revenue from Collections		28,953,369.11
Allocated to:		
School and County Taxes		<u>20,969,058.52</u>
Balance for Support of Municipal Budget Appropriations		7,984,310.59
Add:		
Appropriations "Reserve for Uncollected Taxes"		<u>1,199,090.06</u>
Amount for Support of Municipal Budget Appropriations		<u><u>9,183,400.65</u></u>
<u>Receipts from Delinquent Taxes:</u>		
Delinquent Tax Collections	362,890.84	
Tax Title Lien Collections	<u>15,958.95</u>	
	\$	<u><u>378,849.79</u></u>

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

ANALYSIS OF REALIZED REVENUES (Continued)

Analysis of Non-Budget Revenues:

Photocopies	\$	193.20	
Books, Maps and Copies of Ordinance		60.00	
Recycling Fees		1,244.50	
Zoning Fees		7,950.00	
Rental - Construction		20,363.00	
Resale - Construction		11,125.00	
Registration Fees		20,100.00	
Miscellaneous - Construction		3,200.00	
Rental of Municipal Property		1,000.00	
LOSAP Surrender		2,876.01	
Police Detail		44,510.28	
Miscellaneous		<u>20,004.38</u>	
			\$ <u><u>132,626.37</u></u>

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

	APPROPRIATIONS		PAID OR CHARGED	EXPENDITURES		(OVEREXPENDED) UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED	
<b>\$</b>						
<u>OPERATIONS WITHIN "CAP"</u>						
<u>GENERAL GOVERNMENT:</u>						
Administrative and Executive						
Salaries and Wages	4,000.00	4,000.00	4,000.00			
Other Expenses	81,000.00	84,000.00	81,376.80	1,886.68	736.52	
Mayor and Council						
Salaries and Wages	71,750.00	71,750.00	71,714.24		35.76	
Other Expenses	3,500.00	3,500.00	2,697.50		802.50	
City Clerk						
Salaries and Wages	118,000.00	118,000.00	116,094.30		1,905.70	
Other Expenses	18,500.00	20,500.00	18,136.65		2,363.35	
Financial Administration						
Salaries and Wages	93,000.00	93,000.00	92,870.37		129.63	
Other Expenses	11,500.00	13,000.00	12,389.38	200.00	410.62	
Municipal Prosecutor						
Other Expenses	11,000.00	11,000.00	10,733.30		266.70	
Audit Services						
Other Expenses	36,000.00	36,000.00	31,000.00		5,000.00	
Public Defender						
Other Expenses:	1,500.00	1,500.00	1,250.00		250.00	
Revenue Administration (Tax Collector)						
Salaries and Wages	91,000.00	91,000.00	91,000.00		-	
Other Expenses:	11,500.00	11,500.00	7,580.08	670.00	3,249.92	
Tax Assessment Administration						
Salaries and Wages	35,000.00	35,000.00	34,419.01		580.99	
Other Expenses	5,500.00	5,500.00	5,326.91		173.09	
Legal Services and Costs						
Other Expenses	160,000.00	160,000.00	82,596.91	70,166.01	7,237.08	
Insurance						
Workers' Compensation	262,000.00	250,273.68	244,428.70		5,844.98	
Group Insurance	1,645,000.00	1,635,000.00	1,600,856.07		34,143.93	
Other Insurance	138,000.00	138,000.00	88,338.49	49,000.00	661.51	
Health Benefit Waiver	25,000.00	15,000.00	15,000.00		-	
Municipal Court						
Salaries and Wages	42,000.00	42,000.00	38,529.14		3,470.86	
Other Expenses	13,000.00	13,000.00	9,371.26	1,284.52	2,344.22	
Planning Board						
Salaries and Wages	8,500.00	8,500.00	7,999.94		500.06	
Other Expenses	13,000.00	13,000.00	11,317.41	75.00	1,607.59	

See Accompanying Notes to Financial Statements

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

	APPROPRIATIONS		PAID OR CHARGED	EXPENDITURES		(OVEREXPENDED) UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED	
<b>OPERATIONS WITHIN "CAP" (Continued)</b>						
Engineering Services and Costs						
Other Expenses	\$ 30,000.00	30,000.00	9,826.92	5,597.50	14,575.58	
<b>TOTAL General Government</b>	<b>2,929,250.00</b>	<b>2,904,023.68</b>	<b>2,688,853.38</b>	<b>128,879.71</b>	<b>86,290.59</b>	<b>-</b>
<b>DEPARTMENT OF PUBLIC SAFETY:</b>						
Fire Official						
Salaries and Wages	9,000.00	9,000.00	8,737.68		262.32	
Other Expenses	1,000.00	1,000.00	179.00		821.00	
Fire Department						
Salaries and Wages	510,000.00	510,000.00	459,559.21		50,440.79	
Other Expenses:						
Fire Hydrant						
Miscellaneous Other Expenses	95,000.00	95,000.00	77,562.16	16,306.56	1,131.28	
Police Department	35,000.00	35,000.00	20,308.61	14,608.32	83.07	
Salaries and Wages	2,037,000.00	2,037,000.00	1,962,136.58		74,863.42	
Other Expenses	70,000.00	70,000.00	60,571.95	2,071.61	7,356.44	
Office of Emergency Management						
Salaries and Wages	4,500.00	4,500.00	4,500.00		-	
Other Expenses	3,000.00	3,000.00	2,246.85	133.99	619.16	
Emergency Medical Services	18,000.00	18,000.00	16,500.00	1,500.00	-	
<b>TOTAL Public Safety</b>	<b>2,782,500.00</b>	<b>2,782,500.00</b>	<b>2,612,302.04</b>	<b>34,620.48</b>	<b>135,577.48</b>	<b>-</b>
<b>STREETS AND ROADS:</b>						
Streets and Road Maintenance						
Salaries and Wages	390,000.00	390,000.00	378,061.09		11,938.91	
Other Expenses	18,000.00	18,000.00	12,594.64	2,080.15	3,325.21	
Reserve for Snow Removal	1.00	5,001.00	5,001.00		-	
Maintenance of Automotive Equipment						
Other Expenses	62,000.00	62,000.00	55,339.71	6,541.72	118.57	
Solid Waste Collection						
Tipping Fees	703,500.00	703,500.00	651,682.14	51,732.68	85.18	
Public Buildings and Grounds						
Other Expenses	75,000.00	75,000.00	54,341.52	13,133.86	7,524.62	
Maintenance of Bike Path	2,000.00	2,000.00	1,851.05		148.95	
<b>TOTAL Streets and Roads</b>	<b>1,250,501.00</b>	<b>1,255,501.00</b>	<b>1,158,871.15</b>	<b>73,488.41</b>	<b>23,141.44</b>	<b>-</b>

See Accompanying Notes to Financial Statements

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

	APPROPRIATIONS		PAID OR CHARGED	EXPENDITURES		(OVEREXPENDED) UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED	
<b>OPERATIONS WITHIN "CAP" (Continued)</b>						
<b>SANITATION</b>						
Sewerage						
Salaries and Wages	\$ 202,000.00	202,000.00	192,846.48		9,153.52	
Other Expenses	30,000.00	30,000.00	19,351.53	590.35	10,058.12	
<b>TOTAL Sanitation</b>	<b>232,000.00</b>	<b>232,000.00</b>	<b>212,198.01</b>	<b>590.35</b>	<b>19,211.64</b>	
<b>HEALTH AND WELFARE:</b>						
Dog Regulation						
Other Expenses	9,300.00	9,300.00	8,525.00	775.00	-	
<b>TOTAL Health and Welfare</b>	<b>9,300.00</b>	<b>9,300.00</b>	<b>8,525.00</b>	<b>775.00</b>	<b>-</b>	
<b>RECREATION AND EDUCATION:</b>						
Parks and Playgrounds						
Salaries and Wages	6,000.00	6,000.00	5,995.56		4.44	
Other Expenses						
Neighborhood Programs						
Miscellaneous Other Expenses:						
Senior Citizens	2,000.00	2,000.00	1,014.63		985.37	
<b>TOTAL Recreation and Education</b>	<b>8,000.00</b>	<b>8,000.00</b>	<b>7,010.19</b>	<b>-</b>	<b>989.81</b>	
<b>UNIFORM CONSTRUCTION CODE (N.J.A.C. 5:23-4.17)</b>						
Construction Code Official						
Salaries and Wages	60,000.00	55,000.00	40,828.94		14,171.06	
Other Expenses	42,000.00	67,000.00	57,757.77	850.00	8,392.23	
Zoning / Housing Officer						
Salaries and Wages	47,000.00	47,000.00	44,596.64		2,403.36	
Other Expenses	1,000.00	1,000.00	658.95		341.05	
<b>Total Uniform Construction Code</b>	<b>150,000.00</b>	<b>170,000.00</b>	<b>143,842.30</b>	<b>850.00</b>	<b>25,307.70</b>	<b>-</b>

See Accompanying Notes to Financial Statements

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

	APPROPRIATIONS		PAID OR CHARGED	EXPENDITURES		(OVEREXPENDED) UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED	
<u>OPERATIONS WITHIN "CAP" (Continued)</u>						
<u>UNCLASSIFIED:</u>						
Utilities:						
Petroleum Products	\$ 45,000.00	45,000.00	40,786.73	3,200.00	1,013.27	
Electricity & Natural Gas	255,000.00	255,000.00	226,032.51	28,478.04	489.45	
Telephone & Telecommunications	54,000.00	54,000.00	42,571.38	6,021.98	5,406.64	
Water	8,500.00	8,500.00	6,326.00	644.97	1,529.03	
TOTAL Unclassified	362,500.00	362,500.00	315,716.62	38,344.99	8,438.39	-
TOTAL OPERATIONS - WITHIN "CAP"	7,724,051.00	7,723,824.68	7,147,318.69	277,548.94	298,957.05	-
Detail:						
Salaries and Wages	3,722,750.00	3,717,750.00	3,547,893.62	-	169,856.38	-
Other Expenses	4,001,301.00	4,006,074.68	3,599,425.07	277,548.94	129,100.67	-
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES - WITHIN "CAP":</u>						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	188,751.90	188,751.90	188,751.90	-	-	-
Police and Firemen's Retirement System	626,978.46	627,204.78	627,204.78	-	-	-
Social Security System (O.A.S.I.)	170,000.00	170,000.00	158,596.55	11,403.45	11,403.45	
Defined Contribution Retirement Program	6,000.00	6,000.00	5,144.85	184.04	671.11	
Reserve for Accumulated Leave	500.00	500.00	500.00	-	-	
Unemployment Compensation Insurance	17,000.00	17,000.00	12,777.02	4,222.98	4,222.98	
TOTAL Deferred Charges and Statutory Expenditures - within "CAP"	1,009,230.36	1,009,456.68	992,975.10	184.04	16,297.54	-
TOTAL General Appropriations for Municipal Purposes - within "CAP"	8,733,281.36	8,733,281.36	8,140,293.79	277,732.98	315,254.59	-

See Accompanying Notes to Financial Statements

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

	APPROPRIATIONS		PAID OR CHARGED	EXPENDITURES		(OVEREXPENDED) UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED	
<b>OPERATIONS EXCLUDED FROM "CAP"</b>						
Maintenance of Free Public Library (P.L. 1985, c.82 and 541)	\$ 298,559.00	298,559.00	298,559.00	-	-	-
Atlantic County Utilities Authority Service Charge - Contractual	725,000.00	725,000.00	721,979.00	-	3,021.00	-
LOSAP	14,000.00	14,000.00	-	-	14,000.00	-
Dispatch	392,532.00	392,532.00	392,532.00	-	-	-
Other Expenses						
Linwood Share Sewerage - Interfocal Service Agreement						
Linwood Share of Court Costs						
Interfocal Service Agreement	131,045.00	131,045.00	128,967.88	2,077.12	-	-
<b>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES - EXCLUDED FROM "CAP"</b>						
NJ American Water Firefighter	1,587.29	3,574.79	3,574.79	-	-	-
State Body Armor Grant	8,517.71	8,517.71	8,517.71	-	-	-
Recycling Tonnage Grant		476.01	476.01	-	-	-
Alcohol Education Rehab						
Community Development Block Grant	6,600.00	6,600.00	6,600.00	-	-	-
Distracted Driving Grant						
Body-Worn Camera Grant						
Cops in Shops						
Drunk Driving Enforcement						
Clean Communities						
Municipal Alliance on Alcoholism and Drug Abuse						
County Share	13,771.00	13,771.00	13,771.00	-	-	-
Local Share	3,443.00	3,443.00	3,443.00	-	-	-
Safe and Secure Program						
State Share	60,000.00	60,000.00	60,000.00	-	-	-
Local Share	83,715.00	83,715.00	83,715.00	-	-	-
NJ DOT Trust Fund Authority Act	284,000.00	284,000.00	284,000.00	-	-	-
<b>TOTAL OPERATIONS - EXCLUDED FROM "CAP"</b>	<b>2,022,770.00</b>	<b>2,043,222.06</b>	<b>2,024,123.94</b>	<b>2,077.12</b>	<b>17,021.00</b>	<b>-</b>
Detail:						
Salaries and Wages	145,302.29	147,289.79	147,289.79	-	-	-
Other Expenses	1,877,467.71	1,895,932.27	1,876,834.15	2,077.12	17,021.00	-

See Accompanying Notes to Financial Statements

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

	APPROPRIATIONS			EXPENDITURES			(OVEREXPENDED) UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION	PAID	ENCUMBERED	RESERVED		
<b>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAP"</b>							
Capital Improvement Fund	\$ 50,000.00	50,000.00	50,000.00	-	-	-	
Firefighter Protection Equipment	7,500.00	7,500.00		7,500.00			
Sewer Repairs	15,000.00	15,000.00	12,938.28		2,061.72		
<b>TOTAL Capital Improvement Fund - Excluded from "CAP"</b>	<u>72,500.00</u>	<u>72,500.00</u>	<u>62,938.28</u>	<u>7,500.00</u>	<u>2,061.72</u>		<u>-</u>
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>							
Payment of Bond Principal	1,069,000.00	1,069,000.00	1,069,000.00				
Payment of Bond Anticipation Notes & Capital Notes							
Interest on Bonds	270,000.00	270,000.00	269,791.26				208.74
Interest on Notes							-
<b>TOTAL Municipal Debt Service - Excluded from "CAP"</b>	<u>1,339,000.00</u>	<u>1,339,000.00</u>	<u>1,338,791.26</u>	<u>-</u>	<u>-</u>		<u>208.74</u>
<b>DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"</b>							
Special Emergency Authorizations - 5 years (N.J.S.A. 40A:4-55)							
Deferred Charge to Future Taxation Unfunded	21,000.00	21,000.00	21,000.00				
<b>TOTAL Deferred Charges - Municipal - Excluded from "CAPS"</b>	<u>21,000.00</u>	<u>21,000.00</u>	<u>21,000.00</u>	<u>-</u>	<u>-</u>		<u>-</u>
<b>TOTAL General Appropriations for Municipal Purposes - Excluded from "CAP"</b>	<u>3,455,270.00</u>	<u>3,475,722.06</u>	<u>3,446,853.48</u>	<u>9,577.12</u>	<u>19,082.72</u>		<u>208.74</u>
<b>SUBTOTAL GENERAL APPROPRIATIONS</b>	12,188,551.36	12,209,003.42	11,587,147.27	287,310.10	334,337.31		208.74
<b>RESERVE FOR UNCOLLECTED TAXES</b>	1,199,090.06	1,199,090.06	1,199,090.06	1,199,090.06			
<b>TOTAL GENERAL APPROPRIATIONS</b>	<u>\$ 13,387,641.42</u>	<u>13,408,093.48</u>	<u>12,786,237.33</u>	<u>1,486,400.16</u>	<u>334,337.31</u>		<u>208.74</u>

See Accompanying Notes to Financial Statements

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

	BUDGET AFTER MODIFICATION	PAID
Appropriation by N.J.S. 40A:4-47	\$ 20,452.06	
Budget	13,387,641.42	
	\$ 13,408,093.48	
Reserve for Federal and State Grants	\$ 482,086.06	
Reserve for Uncollected Taxes	1,199,090.06	
Deferred Charges	11,105,061.21	
Disbursed	\$ 12,786,237.33	

See Accompanying Notes to Financial Statements

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**EXHIBIT B - TRUST FUNDS**

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**TRUST FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Animal Control Fund:		
Cash - Treasurer	\$ <u>2,660.28</u>	<u>2,080.94</u>
	<u>2,660.28</u>	<u>2,080.94</u>
Other Funds:		
Cash - Treasurer	1,507,593.01	1,378,539.33
Cash - Tax Collector	247,643.90	221,397.57
Due from Current Fund	-	-
Small Cities Revolving Loans Receivable	<u>36,997.50</u>	<u>36,997.50</u>
	<u>1,792,234.41</u>	<u>1,636,934.40</u>
LOSAP (Unaudited)		
Investments - Held for LOSAP	<u>234,367.83</u>	<u>238,429.63</u>
	<u><u>2,029,262.52</u></u>	<u><u>1,877,444.97</u></u>

**TRUST FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

<u>Liabilities, Reserves, and Fund Balance</u>	<u>2018</u>	<u>2017</u>
Animal Control Fund:		
Due to the State	5.40	-
Reserve for Animal Control Fund Expenditures	2,654.88	2,080.94
	2,660.28	2,080.94
Other Funds:		
Due to Current Fund	-	-
Reserves for:		
Law Enforcement Forfeiture	39,982.11	34,838.45
Escrow Fees	418,069.44	310,449.12
Snow Removal	63,650.50	58,816.77
Small Cities Grant Appropriation	188,895.69	188,895.69
Recreation Expenditures	78,586.65	80,462.67
Cultural Committee	2,633.29	2,877.51
Banner Program	1,400.00	-
Outside Employment of Police	31,420.55	13,377.44
POAA	147.78	143.78
Public Defender	4,072.50	3,561.00
Recycling	52,317.85	58,274.29
Accumulated Sick and Vacation	621,036.17	620,784.62
Small Cities Revolving Loan	36,997.50	36,997.50
Tax Sale Premiums	187,210.00	219,910.00
Tax Liens	60,433.90	1,487.57
Joint Insurance Funds	5,380.48	6,057.99
	1,792,234.41	1,636,934.40
LOSAP (Unaudited)		
Reserve for LOSAP	234,367.83	238,429.63
	\$ 2,029,262.52	1,877,444.97

See Accompanying Notes to Financial Statements

**EXHIBIT C - GENERAL CAPITAL FUND**

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**GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash - Treasurer	\$ 2,131,841.49	2,682,984.68
Due from Current Fund		
Deferred Charges to Future Taxation:		
Funded	7,395,000.00	8,464,000.00
Unfunded	<u>1,395,500.00</u>	<u>1,416,500.00</u>
	<u>10,922,341.49</u>	<u>12,563,484.68</u>
 <u>Liabilities, Reserves and Fund Balance</u>		
Bond Anticipation Notes Payable	-	-
Serial Bonds Payable	7,395,000.00	8,464,000.00
Contracts Payable	465,754.75	681,972.25
Improvement Authorizations:		
Funded	1,606,701.79	1,972,653.28
Unfunded	1,263,058.80	1,303,033.00
Reserve for:		
Capital Improvement Fund	79,398.00	29,398.00
Fund Balance	<u>112,428.15</u>	<u>112,428.15</u>
	<u>\$ 10,922,341.49</u>	<u>12,563,484.68</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2018 and 2017 of \$1,395,500 and \$1,416,500, respectively.

**GENERAL CAPITAL FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS**

	2018	2017
Balance January 1,	\$ 112,428.15	112,428.15
No current year activity	_____	_____
Balance December 31,	\$ <u>112,428.15</u>	<u>112,428.15</u>

**EXHIBIT G - GENERAL FIXED ASSETS**

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**GENERAL FIXED ASSET FUND**  
**STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS**  
**AS OF DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
General Fixed Assets:		
Land, Building & Improvements	\$ 4,841,675.28	5,473,737.49
Machinery and Equipment	<u>5,631,392.99</u>	<u>5,135,925.79</u>
Total General Fixed Assets	<u><u>10,473,068.27</u></u>	<u><u>10,609,663.28</u></u>
<u>Reserves</u>		
Investment in General Fixed Assets	\$ <u><u>10,473,068.27</u></u>	<u><u>10,609,663.28</u></u>

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**CITY OF NORTHFIELD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Except as noted below, the financial statements of the City of Northfield include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the City of Northfield, as required by N.J.S. 40A:5-5.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The Northfield Public Library is a component unit of the City. A separate audit is performed for the Library and will be made available for inspection upon completion.

**B. Description of Funds**

The accounting policies of the City of Northfield conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 the respect to public funds. Under this method of accounting, the City of Northfield accounts for its financial transactions through the following separate funds:

Current Fund -- resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

Trust Funds -- receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund -- receipt and disbursement of funds for the acquisition of general facilities, other than those acquired in the Current Fund.

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

**C. Basis of Accounting**

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more **significant** policies in New Jersey follow.

A modified accrual basis of accounting is followed with minor exceptions.

**CITY OF NORTHFIELD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

Revenues -- are recorded as received in cash except for certain amounts that are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the City budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

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 the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the City's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis.

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds -- Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets.

General Fixed Assets -- The entity 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.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

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.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. No depreciation has been provided for in the financial statements.

Any capital assets of \$1,000 or more are capitalized.

**CITY OF NORTHFIELD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by the 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Interest on Delinquent Taxes – It is the policy of the City of Northfield to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Capitalization of Interest -- It is the policy of the City of Northfield to treat interest on projects as a current expense and the interest is included in the current operating budget.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **D. Required Financial Statements**

The State of New Jersey requires the following financial statements to be presented for each fund on the regulatory basis of accounting: Balance Sheet, Statement of Operations and Changes in Fund Balance, Statement of Revenue and Statement of Expenditures. These statements differ from those presented under Generally Accepted Accounting Principles, which requires a Statement of Net Position and Statement of Activities in addition to the fund financial statements.

#### **E. Comparative Data**

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the entity's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenue-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

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**F. Recent Accounting Pronouncements Not Yet Effective**

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83 "Certain Asset Retirement Obligations". This statement, which is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the City's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84 "Fiduciary Activities". This statement, which is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the City's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 "Leases". This statement, which is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the City's financial reporting.

In April 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88 "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements". This statement, which is effective for fiscal periods beginning after June 15, 2019, will not have any effect on the City's financial reporting.

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period". This statement, which is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the City's financial reporting.

In August 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 90 "Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61". This statement, which is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the City's financial reporting.

In May 2019, the Governmental Accounting Standards Board (GASB) issued Statement No. 91, "Conduit Debt Obligations". This statement is effective for fiscal periods beginning after December 15, 2020, will not have any effect on the City's financial reporting.

**Note 2: BUDGETARY INFORMATION**

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2018 and 2017 statutory budgets included a reserve for uncollected taxes in the amount of \$1,199,090.06 and \$1,167,492.19. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2018 and 2017 statutory budgets was \$1,000,000 and \$1,335,000.00.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by the City Council. The following significant budget transfers were approved in the 2018 and 2017 calendar years:

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<u>Budget Category</u>	<u>2018</u>	<u>2017</u>
Administrative and Executive		
Other Expenses	\$	17,000.00
Engineering Services and Costs		
Other Expenses		10,000.00
Emergency Medical Services		(21,000.00)
Insurance		
Workers' Compensation	(11,726.00)	
Group Insurance	(10,000.00)	
Health Benefit Waiver	(10,000.00)	
Streets and Road Maintenance		
Salaries and Wages		(20,000.00)
Other Expenses		20,000.00
Reserve for Snow Removal		20,501.00
Public Buildings and Grounds		
Other Expenses		10,000.00
Parks and Playgrounds		
Salaries and Wages		(50,000.00)
Construction Code Official		
Other Expenses	25,000	

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2018 and 2017, the following significant budget insertions were approved:

<u>Budget Category</u>	<u>2018</u>	<u>2017</u>
DDEF	\$ -	2,488.05
State Body Armor Grant	1,987.50	2,187.25
Alcohol Education Rehab	476.01	1,705.01
Clean Communities	17,988.55	18,801.00
NJ DOT 2017	-	216,000
Cops in Shops	-	5,600
NJ American Water	-	955

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The entity may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. As of December 31, 2018 the City had no special emergencies.

**Note 3: INVESTMENTS**

**Interest Rate Risk.** The municipality 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 allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: 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 municipality places no limit on the amount the entity can invest in any one issuer.

**Unaudited Investments.** As more fully described in Note 19, the City has created a Length of Service Awards 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 City. All investments are valued at fair value. In accordance with NJAC 5:30-14.37 the investments are maintained by Lincoln Benefit Life, 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 \$234,367.83 and \$238,429.63, respectively.

**Note 4: 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 municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the 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. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2018 and 2017, \$1,129,831.65 and \$1,173,847.64 of the municipality's bank balance of \$7,764,649.91 and \$8,383,803.56 was exposed to custodial credit risk.

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**Note 5: FIXED ASSETS**

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2018 and 2017:

	Balance 12/31/2016	Additions	Retirements/ Adjustments	Balance 12/31/2017
Land, Buildings and Improvements	\$ 5,473,737.49			5,473,737.49
Equipment and Machinery	4,817,635.81	328,586.24	10,296.26	5,135,925.79
	<u>\$ 10,291,373.30</u>	<u>328,586.24</u>	<u>10,296.26</u>	<u>10,609,663.28</u>

	12/31/2017	Additions	Adjustments	12/31/2018
Land, Building and Improvements	\$ 5,473,737.49		(632,062.21)	4,841,675.28
Equipment and Machinery	5,135,925.79	224,264.32	271,202.88	5,631,392.99
	<u>10,609,663.28</u>	<u>224,264.32</u>	<u>(360,859.33)</u>	<u>10,473,068.27</u>

**Note 6: LONG TERM DEBT**

Long-term debt as of December 31, 2018 and 2017 consisted of the following:

	Balance 12/31/16	Issued	Retired	Balance 12/31/17	Amounts Due Within One Year
General	\$ 9,549,000.00		1,085,000.00	8,464,000.00	1,069,000.00
Net PFRS	13,326,141.00		2,457,620.00	10,868,521.00	
Net PERS	6,179,792.00		1,474,626.00	4,705,166.00	
Compensated Absences Payable	1,263,440.03	464,045.77	427,031.41	1,300,454.39	-
Total long-term liabilities	<u>\$ 30,318,373.03</u>	<u>464,045.77</u>	<u>5,444,277.41</u>	<u>25,338,141.39</u>	<u>1,069,000.00</u>

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	Balance 12/31/17	Issued	Retired	Balance 12/31/18	Amounts Due Within One Year
General	\$ 8,464,000.00		1,069,000.00	7,395,000.00	580,000.00
Net PFRS	10,868,521.00		2,241,142.00	8,627,379.00	
Net PERS	4,705,166.00		1,104,934.00	3,600,232.00	
Compensated Absences Payable	1,300,454.39	469,516.53	418,321.41	1,351,649.51	-
Total long-term liabilities	<u>\$ 25,338,141.39</u>	<u>469,516.53</u>	<u>4,833,397.41</u>	<u>20,974,260.51</u>	<u>580,000.00</u>

**Outstanding bonds whose principal and interest are paid from the Current Fund Budget of the entity:**

\$4,999,000 General Improvement Bond dated 11/15/06 payable in annual installments through 12/1/2018. Interest is paid semiannually at a rate of 3.5% to 4.00% per annum. The balance remaining as of December 31, 2018 was \$0.

\$4,650,000 General Improvement Bond dated 10/23/12 payable in annual installments through 10/23/2027. Interest is paid semiannually at a rate of 2.00% to 3.00% per annum. The balance remaining as of December 31, 2018 was \$3,150,000.

\$4,675,000 General Improvement Bond dated 10/19/16, payable in annual installments through 10/15/2032. Interest is paid semiannually at a rate of 2.00% to 5.00% per annum. The balance remaining as of December 31, 2018 was \$4,245,000.

Schedule of Annual Debt Service for Principal and Interest for Loans Issued and Outstanding

Year	General Fund		Total
	Principal	Interest	
2019	\$ 580,000.00	236,231.25	816,231.25
2020	590,000.00	220,031.25	810,031.25
2021	595,000.00	203,431.25	798,431.25
2022	605,000.00	186,631.25	791,631.25
2023	620,000.00	166,881.00	786,881.00
2024-2028	2,965,000.00	485,156.00	3,450,156.00
2029-2032	1,440,000.00	108,638.00	1,548,638.00
	<u>\$ 7,395,000.00</u>	<u>1,607,000.00</u>	<u>9,002,000.00</u>

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<u>Summary of Municipal Debt</u>	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
Bonds, Loans and Notes	\$ 7,395,000.00	8,464,000.00	9,549,000.00
Bond Anticipation Notes	-	-	-
Authorized But Not Issued	1,395,500.00	1,416,500.00	188,500.00
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 8,790,500.00</u>	<u>9,880,500.00</u>	<u>9,737,500.00</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.964%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 4,056,000.00	4,056,000.00	-
Regional School Debt	9,380,374.63	9,380,374.63	-
General Debt	8,790,500.00	-	8,790,500.00
	<u>\$ 22,226,874.63</u>	<u>13,436,374.63</u>	<u>8,790,500.00</u>

Net Debt \$8,790,500 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$911,488,173 = 0.964%.

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

3 1/2 % of Equalized Valuation Basis ( Municipal)	\$ 31,902,086.06
Net Debt	8,790,500.00
Remaining Borrowing Power	<u>\$ 23,111,586.06</u>

The City of Northfield School District, as a K-8 school district, is permitted to borrow up to 3% of the average equalized valuation for the past three years. State statutes allow a school district to exceed the districts limitation with voter approval. Any amount approved by the voters in excess of the limit is treated as an impairment of the municipal limit.

**Note 7: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2018 and 2017, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Current Fund	\$ 953,000.00	1,000,000.00

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**Note 8: SCHOOL TAXES**

Local District School Taxes and Regional High School Taxes have been raised on a calendar year basis. There were no Local District School Taxes or Regional High School Taxes payable at December 31, 2018.

**Note 9: 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:

	Balance 12/31/18	Balance 12/31/17
Prepaid Taxes	\$ 181,661.68	1,205,831.52
Cash Liability for Taxes Collected in Advance	\$ 181,661.68	1,205,831.52

**Note 10: PENSION FUNDS**

Description of Plans

Substantially all of the entity's employees participate in the Public Employees' Retirement System (PERS) cost sharing multiple-employer defined benefit pension plan which has been established by State Statute and is administered by the New Jersey Division of Pensions and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the systems. This report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey 08625 or the report can be accessed on the internet at -

<http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system.

Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate.

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*Defined Contribution Retirement Program (DCRP)*

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA43:15C-1 et seq). The DCRP is a cost sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

*Funding Policy*

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.34%, through June 30, 2018 and 7.50% thereafter, of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 6.99% of covered payroll. The City's contributions to PERS for the years ended December 31, 2018, 2017, and 2016 were \$188,751.90, \$185,798.00 and \$184,676.00.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The City's contributions to PFRS for the year ended December 31, 2018, 2017, and 2016 were \$626,978.46, \$568,790.00, and \$597,985.00.

The total payroll for the year ended December 31, 2018 was \$4,109,781.81. Payroll covered by PERS was \$1,215,276. Payroll covered by PFRS was \$2,246,200.00.

*Significant Legislation*

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.

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- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2013, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60<sup>th</sup> from 1/55<sup>th</sup>, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7<sup>th</sup> of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

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**Note 11: PENSION LIABILITIES**

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the municipality's pension liabilities. However, due to the fact that the municipality reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the municipality's pension liabilities as June 30, 2018:

**Public Employees' Retirement System**

The Municipality has a liability of \$3,600,232 for its proportionate share of the 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 July 1, 2017 that was rolled forward to June 30, 2018. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Municipality's proportion would be 0.01828503270%, which would be a decrease of 9.54% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Municipality would have recognized pension expense of \$119,928. At December 31, 2018, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 68,657	18,564
Changes of assumptions	593,259	1151163
Changes in proportion	75,262	504,306
Net difference between projected and actual earnings on pension plan investments	-	33,770
Total	<u>\$ 737,178</u>	<u>1,707,803</u>

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Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,		
2019	\$	39,164
2020		(67,121)
2021		(430,513)
2022		(385,710)
2023		(126,444)
Total	<u>\$</u>	<u>(970,625)</u>

**Actuarial Assumptions**

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

Inflation rate	2.25%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.00%

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

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

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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:

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

*Discount Rate*

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of the 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, 2043 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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*Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 5.66%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.66%) or 1-percentage point higher (6.66%) than the current rate:

	1% Decrease █ (4.66%)	Current Discount Rate █ (5.66%)	1% Increase █ (6.66%)
Municipality's proportionate share of the net pension liability	\$ 4,328,390	3,600,232	2,989,722

*Pension plan fiduciary net position.*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**Police and Firemen's Retirement System**

The Municipality has a liability of \$8,627,379 for its proportionate share of the 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 July 1, 2017 that was rolled forward to June 30, 2018. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Municipality's proportion would be 0.07040079160%, which would be an increase of 10.42% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Municipality would have recognized pension expense of \$399,334. At December 31, 2018, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 87,772	35,702
Changes of assumptions	740,544	2,211,048
Changes in proportion	106,838	1,155,119
Net difference between projected and actual earnings on pension plan investments	-	47,200
Total	<u>\$ 935,154</u>	<u>3,449,069</u>

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Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,		
2018	\$	110,816
2019		(436,115)
2020		(1,179,284)
2021		(764,685)
2022		(244,646)
Total	<u>\$</u>	<u>(2,513,915)</u>

**Actuarial Assumptions**

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

Inflation rate	2.25%
Salary increases:	
Through 2026	2.10% - 8.98% (based on age)
Thereafter	3.10% - 9.98% (based on age)
Investment rate of return:	7.00%

Pre-retirement mortality rates were based on the RP-2000 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 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scales thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% 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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equ	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

*Discount Rate*

The discount rate used to measure the total pension liability was 6.51% 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.

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*Sensitivity of the Municipality's proportionate share of the 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, 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:

	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
District's proportionate share of the net pension liability	11,238,381.23	8,627,379	6,474,209.91

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under 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 June 30, 2017 State special funding situation net pension liability amount of \$1,838,050,687.00 is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2018 State special funding situation pension expense of \$217,714,180.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2018. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2017, the State contributed an amount less than the actuarially determined amount.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Municipality was 0.07040079160% for 2018. The net pension liability amount allocated to the Municipality was \$1,171,887. For the fiscal year ending June 30, 2018 State special funding situation pension expense of \$138,808.00 is allocated to the Municipality.

*Pension plan fiduciary net position.*

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

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**Note 12: POST-RETIREMENT BENEFITS**

*General Information about the Plan:*

The City offers Other Post-Retirement Benefits (OPEB) to its employees through the State Health Benefit Local Government Retired Employees Plan (the Plan) a cost-sharing multiple employer defined benefit other postemployment benefit plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at:

<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of post retirement medical coverage for employees and their dependents who:

1) retired on a disability pension;

or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;

or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;

or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

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

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responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

*Allocation Methodology:*

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense, however under the Regulatory Basis of Accounting followed by the City these amounts are not accrued or recorded in the financial statements and the information listed in this note is for disclosure purposes only. Statewide across all member employers, the special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the Collective Total OPEB liabilities for the year ended June 30, 2018 were \$6,338,578,586 and \$9,642,524,641, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's non special funding situation during the measurement period July 1, 2017 through June 30, 2018. Employer and non-employer allocation percentages have been rounded for presentation purposes.

*Special Funding Situation:*

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 non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

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*Net OPEB Liability:*

*Components of Net OPEB Liability*

The components of the collective net OPEB liability of the participating employers in the Plan as of June 30, 2018 is as follows:

	<b>June 30, 2018</b>	
	<b>Collective Total</b>	<b>Proportionate Share</b>
Total OPEB Liability	\$ 15,981,103,227	\$ 11,727,733
Plan Fiduciary Net Position	314,485,086	230,785
Net OPEB Liability	<u>\$ 15,666,618,141</u>	<u>\$ 11,496,948</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%	1.97%

At June 30, 2018 the City's proportionate share of the Collective Net OPEB Liability was \$11,496,948. The State's proportionate share for the Special Funding Situation that is associated with the City is \$5,466,878. The City's proportion of the Collective Net OPEB Liability was 0.073385% which was a decrease from the prior year of 4.95%. The State's proportionate share attributable to the City of the Collective Net OPEB Liability for the Special Funding Situation was 0.087979% which was a decrease from the prior year of 5.81%.

City's Proportionate Share of Collective Net OPEB Liability	\$ 11,496,948
State's proportionate share that is associated with the City	5,466,878
Total	<u>\$ 16,963,826</u>

For the Year ended June 30, 2018 the City's Total OPEB Expense was \$93,441 and the State of New Jersey realized Total OPEB Expense in the amount of \$165,489 for its proportionate share of Total OPEB Expense that is associated with the City.

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases*:	
Through 2026	1.65% to 8.98%
Thereafter	2.65% to 9.98%

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

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

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

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

*Health Care Trend Assumptions*

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

*Discount Rate*

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

*Sensitivity of Net OPEB Liability to Changes in the Discount Rate*

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

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	<u>1% Decrease (2.87%)</u>	<u>Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Collective			
Net OPEB Liability \$	18,381,085,096	\$ 15,666,618,141	\$ 13,498,373,388
Proportionate Share			
Net OPEB Liability \$	13,488,960	\$ 11,496,948	\$ 9,905,782

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

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Collective			
Net OPEB Liability \$	13,068,471,450	\$ 15,666,618,141	\$ 19,029,006,023
Proportionate Share			
Net OPEB Liability \$	9,590,298	\$ 11,496,948	\$ 13,964,436

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB from the following sources:

	<u>Collective Totals</u>		<u>Proportionate Share</u>	
	<u>Deferred Outflow s of Resources</u>	<u>Deferred Inflow s of Resources</u>	<u>Deferred Outflow s of Resources</u>	<u>Deferred Inflow s of Resources</u>
Differences between expected and actual experience \$		(3,180,882,321)		(2,334,290)
Changes of assumptions		(3,974,042,874)		(2,916,351)
Net difference between projected and actual earnings on OPEB plan investments	8,279,239		6,076	
Changes in proportion and differences between contributions and proportionate share of contributions	2,106,728,269	(2,106,728,269)	-	(2,255,291)
Total	<u>\$ 2,115,007,508</u>	<u>(9,261,653,464)</u>	<u>6,076</u>	<u>(7,505,932)</u>

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

Year ended June 30,	Collective Totals	Proportionate Share
2019	\$ (1,049,390,011)	(1,101,254)
2020	(1,049,390,011)	(1,101,254)
2021	(1,049,390,011)	(1,101,254)
2022	(1,050,264,681)	(1,102,172)
2023	(1,051,678,489)	(1,103,656)
Thereafter	(1,896,532,753)	(1,990,265)
Total	<u>\$ (7,146,645,956)</u>	<u>(7,499,856)</u>

Detailed information about the plan's fiduciary net position is available in the separately issued OPEB financial report.

*Collective OPEB Expenses reported by the State of New Jersey*

The components of allocable OPEB Expense related to specific liabilities of individual employers for the year ending June 30, 2018 are as follows:

Service cost	\$ 896,235,148
Interest on Total OPEB Liability	764,082,232
Expected Investment Return	(9,389,460)
Administrative Expenses	8,200,113
Current Period Recognition (Amortization) of Deferred Inflows/ Outflows of Resources:	
Differences between Expected and Actual Experience	(445,501,726)
Changes in Assumptions	(606,176,763)
Differences between Projected and Actual Investment Earnings on OPEB Plan Investments	2,288,478
Total Collective OPEB Expense	<u>\$ 609,738,022</u>

*Schedule of City's Share of Net OPEB Liability*

	<u>2018</u>
City's Proportionate Share of Net OPEB Liability	0.073385%
City's Share of Net OPEB Liability	\$ 11,496,948
City's Covered Payroll	1,215,276
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	946.04%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%

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**Note 13: LABOR CONTRACTS**

As of December 31, 2018, the City's employees were organized in three collective bargaining units. The contracts with Policeman's Benevolent Association (PBA) will expire December 31, 2019, Government Workers Union (GWU) will expire December 31, 2020 and International Association of Firefighters (IAFF) will expire December 31, 2019.

<u>Bargaining Unit</u>	<u>Job Category</u>	<u>Members</u>
PBA	Police	All uniformed police
GWU	Supervisory Employees and White and Blue Collar	All other employees except exempt employees, police and fire
IAFF	Fire	Most Department Heads

**Note 14: ACCRUED SICK AND VACATION BENEFITS**

City employees are covered by union contracts specifying that vacation time may be carried over to the next calendar year, with prior permission. Sick leave may be accumulated from year to year and used as needed. Each contract details the amounts an employee will be compensated at retirement based on the current rate of pay upon retirement. It is estimated that the current cost of such unpaid compensation would approximate \$1,351,649.46 and \$1,300,454.34 as of December 31, 2018 and 2017, respectively. The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12 but is required by the State of New Jersey. Effective January 1, 2002 the State of New Jersey is allowing municipalities to accrue a compensated absence liability. The City has established a reserve trust fund the balance at December 31, 2018 and 2017 is \$621,036.17 and \$620,784.62, respectively.

**Note 15: ECONOMIC DEPENDENCY**

The City of Northfield is not economically dependent on any one business or industry as a major source of tax revenue for the entity.

**Note 16: RISK MANAGEMENT**

The entity is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**Property and Liability Insurance** - The entity maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2018 and 2017 the entity did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The entity is a member of the Atlantic County Joint Insurance Fund (JIF) and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The entity is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The entity has a general liability limit of \$100,000 under JIF, which increases to \$5,000,000 under MEL.

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**Note 17: DEFERRED COMPENSATION**

Employees of the City of Northfield may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the entity. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

An unrelated financial institution administers the deferred compensation plan. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

As part of its fiduciary role, the entity has an obligation of due care in selecting the third party administrator. In the opinion of the entity's legal counsel, the entity has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

**Note 18: CONTINGENT LIABILITIES**

From time to time, the entity is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the entity's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

**Note 19: INTERFUND BALANCES**

During the most current calendar year ended December 31, 2018, the following interfunds were included on the balance sheets of the various funds of the City of Northfield:

	Due From	Due To
	<u>                    </u>	<u>                    </u>
Current Fund:		
Grant Fund	-	122,795.68
Grant Fund:		
Current Fund	122,795.68	-
	<u>\$ 122,795.68</u>	<u>122,795.68</u>

The amounts due to the Grant fund from the Current fund is due to the fact that the City does not receive all grant funds prior to expenditures being made, therefore all disbursements must be made through the Current Fund.

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YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 20: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)**

In 2001, the voters of the City of Northfield approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan is made available to all bona fide eligible volunteers who are performing qualified services which are defined as fire fighting and prevention services, emergency medical services, and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP will also comply with New Jersey Public Law 1997, Chapter 388 and the LOSAP document. The City appropriated \$14,000 and \$16,000 in the 2018 and 2017 budgets, respectively for contributions to the LOSAP for volunteers who have met the established criteria.

The LOSAP is administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the City subject only to the claims of the City's general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the City, and each participant's rights are equal to his or her share of the fair market value of the plan assets. The City believes that it is unlikely that plan assets will be needed to satisfy claims of general creditors that might arise.

As part of its fiduciary role, the City has an obligation of due care in selecting the third party administrator. In the opinion of the City's legal counsel, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

The City of Northfield issues a separate unaudited financial report that includes the statement of net assets available for benefits for the LOSAP. The financial report may be obtained by contacting the City of Northfield, 1600 Shore Road, Northfield, NJ 08225.

**Note 21: SUBSEQUENT EVENTS**

The City has evaluated subsequent events through July 24, 2019, the date which the financial statements were available to be issued and no additional items were noted for disclosure or adjustment.

## **SUPPLEMENTARY INFORMATION**

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# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

The Honorable Mayor and  
Members of the City Council  
City of Northfield, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 24, 2019 which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

### **Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ford, Scott & Associates, L.L.C.*  
FORD, SCOTT & ASSOCIATES, L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

*Nancy Sbrolla*  
Nancy Sbrolla  
Certified Public Accountant  
Registered Municipal Accountant  
No. 542

July 24, 2019

**CURRENT FUND  
SCHEDULE OF CASH - TREASURER**

	<u>Current Fund</u>
Balance December 31, 2017	\$ 3,804,771.06
Increased by Receipts:	
Taxes Receivable	28,016,151.12
Due from State of New Jersey (c.73, P.L.1976)	87,789.32
Prepaid Taxes	181,661.68
Lien Payments	16,358.95
Tax Overpayments	19,552.17
Prepaid Sewer Rents	6,155.10
Sewer Overpayments	1,175.00
Landsale Deposits	1,600.00
Federal and State Grants	320,570.83
Miscellaneous Revenue Anticipated	2,943,644.91
Miscellaneous Revenue Not Anticipated	132,626.37
Due State for DCA Fees	235.00
Due State for Marriage Licenses	25.00
	<u>31,727,545.45</u>
Decreased by Disbursements:	
2017 Appropriation Reserves	205,445.74
2018 Appropriations	11,105,061.21
County Taxes	4,529,657.95
Regional High School Tax	6,386,317.00
Local District School Tax	10,051,890.00
Prepaid School Tax	1.00
Refunds	46,200.03
Due to State for Burial Fees	5.00
Federal and State Grant Expenditures	190,271.99
	<u>32,514,849.92</u>
Balance December 31, 2018	\$ <u><u>3,017,466.59</u></u>

See Accompanying Auditor's Report

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

Year	Balance 12/31/17	2018 Levy	Added Taxes	2017	Collections by Cash 2018	Adjustments	Transferred To Tax Title Liens	Arrears	Balance 12/31/18
Arrears \$	5,106.26				4,997.91	(1,102.50)			1,210.85
2017	363,801.42				357,892.93	551.25	5,357.24		(0.00)
2018	368,907.68	29,856,377.87	25,874.72	1,205,858.83	362,890.84	(551.25)	5,357.24	-	1,210.85
\$	368,907.68	29,856,377.87	25,874.72	1,205,858.83	28,110,401.12	521,032.61	27,907.81	-	385,959.90

State of New Jersey (c.73,P.L. 1976)	Cash
	28,016,151.12
	94,250.00
	<u>28,110,401.12</u>

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

Analysis of 2018 Property Tax Levy	
Tax Yield:	
General Property Tax	29,856,377.87
Added Taxes (54:4-63.1 et. seq.)	<u>25,874.72</u>
	<u>29,882,252.59</u>
Tax Levy:	
Regional High School Tax (Abstract)	6,386,317.00
Local School District Tax (Abstract)	10,051,890.00
County Taxes:	
County Tax (Abstract)	4,326,765.42
County Health Service Tax (Abstract)	188,839.14
County Open Space Tax (Abstract)	11,403.59
Due County for Added Taxes (R.S. 54:4-63.1 et seq.)	<u>3,843.37</u>
Total County Taxes	4,530,851.52
Local Tax for Municipal Purposes	
Add: Minimum Library Tax	8,586,975.42
Add: Additional Tax Levied	298,559.00
	<u>27,659.65</u>
	<u>8,913,194.07</u>
	<u>29,882,252.59</u>

See Accompanying Auditor's Report

**CURRENT FUND  
SCHEDULE OF SEWER RENTS RECEIVABLE**

Balance December 31, 2017		\$ 68,216.00
Increased by:		
Sewer Billings		<u>1,450,767.00</u>
		1,518,983.00
Decreased by:		
Adjustments	5,475.36	
Collections	<u>1,453,815.38</u>	
		<u>1,459,290.74</u>
Balance December 31, 2018		\$ <u><u>59,692.26</u></u>

**CURRENT FUND  
SCHEDULE OF LIENS**

Balance December 31, 2017		\$ 119,879.37
Increased by:		
Tax Sale	5,357.24	
Interest and Cost from Tax Sale	646.08	
Transfers	22,550.57	
Added Tax Liens	2,421.79	
Sewer Liens	890.00	
Miscellaneous Liens	<u>1,029.93</u>	
		<u>32,895.61</u>
		152,774.98
Decreased by:		
Tax Title Lien Collections	15,958.95	
Lien Cancelled		
Miscellaneous Liens Collected	<u>400.00</u>	
		<u>16,358.95</u>
Balance December 31, 2018		\$ <u><u>136,416.03</u></u>
 <u>Analysis of Balance:</u>		
Tax Title Liens	132,638.58	
Sewer Liens	2,308.93	
Miscellaneous Liens	<u>1,468.52</u>	
	<u><u>136,416.03</u></u>	

**CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance 12/31/17	Accrued In 2018	Collected	Balance 12/31/18
<b><u>Miscellaneous Revenues Anticipated:</u></b>				
Alcoholic Beverage Licenses	\$ -	7,500.00	7,500.00	-
Other Licenses	-	83,986.23	83,986.23	-
Fees and Permits	-	60,331.87	60,331.87	-
Municipal Court:				
Fines and Costs	9,586.76	141,504.06	141,874.54	9,216.28
Interest and Costs on Taxes	-	112,739.57	112,739.57	-
Interest on Investments and Deposits	-	25,254.49	25,254.49	-
Sewerage Rentals	-	1,453,815.38	1,453,815.38	-
Energy Receipt Taxes	-	630,603.00	630,603.00	-
Consolidated Municipal Tax Relief Act	-	1,783.00	1,783.00	-
Uniform Construction Code Fees	-	203,939.00	203,939.00	-
Linwood Share - Sewerage Department Costs-				
Interlocal Service Agreement	-	62,618.43	62,618.43	-
Linwood Share - Court Costs	-	131,045.00	131,045.00	-
Uniform Fire Safety Act Fees	-	7,654.40	7,654.40	-
Library Maintenance Agreement	-	20,500.00	20,500.00	-
	<b>\$ 9,586.76</b>	<b>2,943,274.43</b>	<b>2,943,644.91</b>	<b>9,216.28</b>
		Cash Receipts	\$ 2,943,644.91	
		Prior Receipts	\$ 2,943,644.91	

See Accompanying Auditor's Report

**CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES**

	Balance 12/31/17	Balance After Transfers	Paid	Balance Lapsed
Operations Within "CAP":				
General Administration				
Other Expenses	\$ 21,354.27	21,354.27	20,419.37	934.90
Mayor and Council				
Salaries and Wages	35.76	35.76		35.76
Other Expenses	667.96	667.96	400.00	267.96
City Clerk				
Salaries and Wages	3,989.12	3,989.12		3,989.12
Other Expenses	1,798.49	1,798.49	218.70	1,579.79
Financial Administration				
Salaries and Wages	805.20	805.20		805.20
Other Expenses	1,262.05	1,262.05	13.00	1,249.05
Audit Services				
Other Expenses	1,000.00	1,000.00	750.00	250.00
Tax Assessment Administration				
Other Expenses	2,229.46	2,229.46	341.00	1,888.46
Legal Services and Costs				
Other Expenses	68,850.36	68,850.36	22,905.09	45,945.27
Insurance				
Workers' Compensation	5,584.79	5,584.79		5,584.79
Group Insurance	46,207.75	46,207.75	8,695.20	37,512.55
Other Insurance	68,271.83	68,271.83	47,500.00	20,771.83
Municipal Court				
Other Expenses	5,434.25	5,434.25	275.55	5,158.70
Planning Board				
Other Expenses	4,437.69	4,437.69	145.46	4,292.23
Engineering Services and Costs				
Other Expenses	10,388.17	10,388.17	118.75	10,269.42
Fire Department				
Other Expenses				
Miscellaneous Other Expenses	7,257.45	7,257.45	5,866.35	1,391.10

**CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES**

	<u>Balance 12/31/17</u>	<u>Balance After Transfers</u>	<u>Paid</u>	<u>Balance Lapsed</u>
Police Department				
Salaries and Wages	\$ 144,110.14	144,110.14	7,117.46	136,992.68
Other Expenses	23,405.84	23,405.84	11,408.18	11,997.66
Streets and Road Maintenance				
Salaries and Wages	130,524.22	130,524.22		130,524.22
Other Expenses	8,839.00	8,839.00	804.82	8,034.18
Reserve for Snow Removal	1.00	1.00		1.00
Maintenance of Automotive Equipment				
Other Expenses	20,523.60	20,523.60	4,507.59	16,016.01
Solid Waste Collection				
Tipping Fees	65,433.69	65,433.69	63,134.68	2,299.01
Public Buildings and Grounds				
Other Expenses	13,613.39	13,613.39	905.30	12,708.09
Maintenance of Bike Path	2,000.00	2,000.00		2,000.00
Sewerage				
Salaries and Wages	24,651.09	24,651.09		24,651.09
Other Expenses	9,790.72	9,790.72	3,469.47	6,321.25
Dog Regulation				
Other Expenses	2,325.00	2,325.00	775.00	1,550.00
Parks and Playgrounds				
Miscellaneous Other Expenses				
FAN	4,500.00	4,500.00	4,500.00	-
Construction Code Official				
Other Expenses	1,597.41	1,597.41	831.00	766.41
Zoning/Housing Officer				
Other Expenses	311.91	311.91		311.91
Utilities				
Petroleum Products	17,129.23	17,129.23	3,222.38	13,906.85
Electricity & Natural Gas	27,529.23	27,529.23	852.67	26,676.56
Telephone & Telecommunications	2,956.66	2,956.66	253.09	2,703.57
Water	2,192.70	2,192.70		2,192.70
Social Security System (O.A.S.I.)	9,399.19	9,399.19	1,888.32	7,510.87
LOSAP	16,000.00	16,000.00	9,750.00	6,250.00
Linwood - Court Interlocal Agreement	1,666.67	1,666.67	1,666.67	-
Other Accounts with no Change	<u>113,002.63</u>	<u>113,002.63</u>		<u>113,002.63</u>
	\$ <u>891,077.92</u>	<u>891,077.92</u>	<u>222,735.10</u>	<u>668,342.82</u>
Appropriation Reserves	\$ 642,378.30		17,289.36	Encumbrances
Encumbrances Payable	<u>248,699.62</u>		<u>205,445.74</u>	Disbursements
	\$ <u>891,077.92</u>		<u>222,735.10</u>	

See Accompanying Auditor's Report

**CURRENT FUND  
SCHEDULE OF COUNTY TAXES**

Balance December 31, 2017				
County Taxes	\$	-		
Added and Omitted Taxes		<u>2,649.80</u>		2,649.80
Increased by:				
County General		4,326,765.42		
County Local Health		188,839.14		
County Open Space		11,403.59		
Added Taxes		<u>3,843.37</u>		
				<u>4,530,851.52</u>
				4,530,851.52
Decreased by:				
Payments to County				<u>4,529,657.95</u>
Balance December 31, 2018				
County Taxes		(0.00)		
Added and Omitted Taxes		<u>3,843.37</u>		
	\$			<u><u>3,843.37</u></u>

**CURRENT FUND  
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX**

Balance December 31, 2017	\$	-
Increased by:		
Levy - Calendar Year 2018		<u>10,051,890.00</u>
Decreased by:		
Payments		<u>10,051,890.00</u>
Balance December 31, 2018	\$	<u><u>-</u></u>

**SCHEDULE OF REGIONAL HIGH SCHOOL TAX**

Balance December 31, 2017	\$	-
Increased by:		
Levy - Calendar Year 2018		<u>6,386,317.00</u>
Decreased by:		
Payments		<u>6,386,317.00</u>
Balance December 31, 2018	\$	<u><u>-</u></u>

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

	Balance 12/31/17	Transferred From 2018 Revenues	Received	Cancelled	Balance 12/31/18
<b>Federal Grants:</b>					
FEMA Hazard Mitigation Grant	\$ 70,000.00				70,000.00
Community Development Block Grant	26,530.00				26,530.00
US DOJ Body Armor	920.72	3,574.79	2,508.01		1,987.50
<b>Total Federal</b>	<b>97,450.72</b>	<b>3,574.79</b>	<b>2,508.01</b>	<b>-</b>	<b>98,517.50</b>
<b>State Grants:</b>					
Safe and Secure Communities	30,000.00	60,000.00	60,000.00		30,000.00
2018 Municipal Alliance	-	13,771.00	3,517.94		10,253.06
2017 Municipal Alliance	10,187.05		8,103.99	2,083.06	-
2016 Municipal Alliance	-				-
NJDOT Bay Drive (2015)	47,500.00		47,500.00		-
NJDOT Cresson (2017)	216,000.00		162,000.00		54,000.00
NJDOT 2018- Walnut		284,000.00			284,000.00
Clean Communities	-	17,988.55	17,988.55		-
Alcohol Education Rehab	-	476.01	476.01		-
Cops in Shops	4,400.00		4,400.00		-
Drive Sober or Get Pulled Over					-
DDEF	40.00			40.00	-
Distracted Driving	-				-
Body Worn Camera	4,500.00	6,600.00	6,600.00		-
NJ American Water	-		4,500.00		-
Recycling Tonnage	-				-
State Body Armor	-	8,517.71	8,517.71		-
<b>Total State</b>	<b>312,627.05</b>	<b>391,353.27</b>	<b>323,604.20</b>	<b>2,123.06</b>	<b>378,253.06</b>
<b>Total Federal and State Grants</b>	<b>\$ 410,077.77</b>	<b>394,928.06</b>	<b>326,112.21</b>	<b>2,123.06</b>	<b>476,770.56</b>
		Current Fund	317,594.50		
		Transferred from Unappropriated Reserves	8,517.71		
			<u>326,112.21</u>		

See Accompanying Auditor's Report

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

	Balance December 31, 2017		2018 Budget Appropriation	Disbursed	Canceled	Balance 12/31/18
	Appropriated	Reserve for Encumbrances				
<b>Federal Grants:</b>						
FEHA Hazard Mitigation	\$ 30,608.00					30,608.00
Community Development Block Grant	26,530.00					26,530.00
US DOJ Federal Body Armor	473.22		3,574.79	2,060.51		1,987.50
<b>Total Federal</b>	<b>57,611.22</b>	<b>-</b>	<b>3,574.79</b>	<b>2,060.51</b>	<b>-</b>	<b>59,125.50</b>
<b>State Grants:</b>						
Clean Communities	70.78		17,988.55	17,236.14		823.19
Safe and Secure	-		143,715.00	143,715.00		-
Alcohol Education Rehabilitation Fund	6,793.33		476.01	1,950.00		5,319.34
Recycling Tonnage	-		8,517.71	8,517.71		-
NJDOT 2017 - Cresson Ave	216,000.00			216,000.00		-
NJDOT 2018 - Walnut	-		284,000.00			284,000.00
Municipal Alliance 2018-2019	-		17,214.00	6,927.63		10,286.37
Municipal Alliance 2017-2018	10,646.99			8,407.17	2,239.82	-
DDEF	4,112.05			345.47	40.00	3,726.58
Body Armor	4,241.29			4,099.49		141.80
NADDI	-					-
NJ American Water	-					-
Body Worn Camera	4,500.00			4,500.00		-
Cops in Shops	3,080.00			3,080.00		-
Distracted Driving	-		6,600.00	6,600.00		-
Drive Sober Get Pulled Over	-					-
<b>Total State</b>	<b>249,444.44</b>	<b>-</b>	<b>478,511.27</b>	<b>421,378.61</b>	<b>2,279.82</b>	<b>304,297.28</b>
<b>Total Federal and State Grants</b>	<b>\$ 307,055.66</b>	<b>-</b>	<b>482,086.06</b>	<b>423,439.12</b>	<b>2,279.82</b>	<b>363,422.78</b>
			Encumbered	233,167.13		-
			Current Fund	190,271.99		
				<u>423,439.12</u>		

See Accompanying Auditor's Report

**FEDERAL AND STATE GRANT FUND  
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES**

	Balance Dec. 31, 2017	Transferred To 2018 Appropriations	Received	Balance Dec. 31, 2018
<b>State Grants:</b>				
Recycling	\$ 8,517.71	8,517.71		-
DDEF Grant			2,976.33	2,976.33
<b>Total State</b>	<u>\$ 8,517.71</u>	<u>8,517.71</u>	<u>2,976.33</u>	<u>2,976.33</u>

See Accompanying Auditor's Report

**TRUST FUND  
SCHEDULE OF CASH - TREASURER**

	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2017	\$ 2,080.94	1,378,539.33
Increased by Receipts:		
Animal Control Fees	2,638.20	
State Fees	505.80	
Cultural Committee		2,706.00
Accumulated Sick and Vacation		500.00
Parking Offense Adjudication Act		4.00
Snow Removal		62,445.59
Joint Insurance Funds		4,016.10
Public Defender		7,711.50
Banner Program		1,400.00
Law Enforcement Forfeiture		22,800.77
Escrow Review Fees		397,150.07
Recycling		-
Fees and Permits -		
Birch Grove Park		54,621.70
Outside Employment of Police		197,643.41
	<u>3,144.00</u>	<u>750,999.14</u>
	<u>5,224.94</u>	<u>2,129,538.47</u>
Decreased by Disbursements:		
Dog Fund Expenditures	2,064.26	
State Fees	500.40	
Storm Recovery	-	57,611.86
Accumulated Sick and Vacation		248.45
Cultural Committee		2,950.52
Recycling		5,956.44
Joint Insurance Funds		4,693.61
Public Defender		7,200.00
Law Enforcement Forfeiture		17,657.11
Contractors' Expenditures		289,529.75
Birch Grove Park Expenditures		56,497.72
Outside Employment of Police		179,600.00
	<u>2,564.66</u>	<u>621,945.46</u>
Balance December 31, 2018	\$ <u>2,660.28</u>	<u>1,507,593.01</u>

**TRUST FUND  
SCHEDULE OF CASH - COLLECTOR**

Balance December 31, 2017		\$ 221,397.57
Increased By Receipts:		
Redemption of Liens	426,355.83	
Premiums on Sales	<u>316,100.00</u>	
		<u>742,455.83</u>
		963,853.40
Decreased by Disbursements:		
Redemption of Liens	367,409.50	
Premiums on Sales	<u>348,800.00</u>	
		<u>716,209.50</u>
Balance December 31, 2018		\$ <u><u>247,643.90</u></u>

See Accompanying Auditor's Report

**TRUST FUND**  
**SCHEDULE OF RESERVE FOR ACCUMULATED ABSENCES**

Balance December 31, 2017	\$ 620,784.62
Increased by:	
Budget transfer	<u>500.00</u>
Decreased by:	
Retirement payouts	<u>248.45</u>
Balance December 31, 2018	\$ <u><u>621,036.17</u></u>

**TRUST FUND**  
**SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES**

Balance December 31, 2017		\$ 2,080.94
Increased by:		
Animal Control Fees Collected - 2018		2,638.20
		4,719.14
Decreased by:		
Dog License Expenses	2,064.26	
Excess reserve due to Current	-	
	2,064.26	
Balance December 31, 2018		\$ <u>2,654.88</u>

License Fees Collected:		
Year		Amount
2016	\$	3,170.60
2017		3,069.80
	\$	6,240.40

**TRUST FUND  
SCHEDULE OF AMOUNT DUE (TO)FROM CURRENT FUND -  
ANIMAL CONTROL FUND**

Balance December 31, 2017	\$	-
Increased by:		
Excess reserve paid to Current		-
-		
Decreased by:		
Excess reserve due to Current		-
-		
Balance December 31, 2018	\$	-

**SCHEDULE OF AMOUNT DUE TO(FROM) STATE OF NEW JERSEY -  
DEPARTMENT OF HEALTH**

Balance December 31, 2017	\$	-
Increased by:		
2018 State License Fees		505.80
505.80		
Decreased by:		
Disbursements to the State		500.40
5.40		
Balance December 31, 2018	\$	5.40

**TRUST FUND  
SCHEDULE OF RESERVE FOR LAW ENFORCEMENT FORFEITURE**

Balance December 31, 2017	\$	34,838.45
Increased by:		
Cash Receipts		<u>22,800.77</u>
		57,639.22
Decreased by:		
Expenditures		<u>17,657.11</u>
Balance December 31, 2018	\$	<u><u>39,982.11</u></u>

**SCHEDULE OF RESERVE FOR SMALL CITIES PROGRAM**

Balance December 31, 2017	\$	188,895.69
No current year activity		<u>-</u>
Balance December 31, 2018	\$	<u><u>188,895.69</u></u>

**TRUST FUND**  
**SCHEDULE OF RESERVE FOR ESCROW REVIEW FEES**

Balance December 31, 2017	\$ 310,449.12
Increased by:	
Escrow Deposits Received	<u>397,150.07</u>
	707,599.19
Decreased by:	
Disbursements	<u>289,529.75</u>
Balance December 31, 2018	<u><u>\$ 418,069.44</u></u>

Exhibit B-10

**SCHEDULE OF RESERVE FOR SNOW REMOVAL FEES**

Balance December 31, 2017	\$ 58,816.77
Increased by:	
Budget transfer	<u>62,445.59</u>
	121,262.36
Decreased by:	
Disbursements	<u>57,611.86</u>
Balance December 31, 2018	<u><u>\$ 63,650.50</u></u>

**TRUST FUND  
SCHEDULE OF RESERVE FOR RECREATION EXPENDITURES**

Balance December 31, 2017		\$ 80,462.67
Increased by:		
Fees and Permits - Birch Grove Park	54,621.70	54,621.70
		135,084.37
Decreased by:		
Birch Grove Park Expenditures	56,497.72	56,497.72
Balance December 31, 2018		\$ 78,586.65

**SCHEDULE OF OUTSIDE EMPLOYMENT OF POLICE**

Balance December 31, 2017		\$ 13,377.44
Increased by:		
Fees	197,643.11	211,020.55
Decreased by:		
Payments to Current Fund	179,600.00	179,600.00
Balance December 31, 2018		\$ 31,420.55

**TRUST FUND  
SCHEDULE OF RESERVE FOR MUNICIPAL ALLIANCE**

Balance December 31, 2017	\$	-
No current year activity		
Balance December 31, 2018	\$	<u><u>-</u></u>

**SCHEDULE OF RESERVE FOR PUBLIC DEFENDER TRUST**

Balance December 31, 2017	\$	3,561.00
Increased by:		
Cash Receipts		<u>7,711.50</u>
		11,272.50
Decreased by:		
Cash Disbursements		<u>7,200.00</u>
Balance December 31, 2018	\$	<u><u>4,072.50</u></u>

**TRUST FUND  
SCHEDULE OF RESERVE FOR SMALL CITIES REVOLVING LOAN**

Balance December 31, 2017	\$	36,997.50
Decreased by:		
Loan Repayment		-
Balance December 31, 2018	\$	36,997.50

**TRUST FUND  
SCHEDULE OF RESERVE FOR REDEMPTION OF TAX LIENS**

Balance December 31, 2017	\$	1,487.57
Increased by:		
Redemption of Third Party Liens		<u>426,355.83</u>
		427,843.40
Decreased by Disbursements:		
Cash Disbursed to Lienholders		<u>367,409.50</u>
Balance December 31, 2018	\$	<u><u>60,433.90</u></u>

**TRUST FUND  
SCHEDULE OF RESERVE FOR TAX SALE PREMIUMS**

Balance December 31, 2017	\$	219,910.00
Increased by:		
Tax Sale Premiums Received		<u>316,100.00</u>
		536,010.00
Decreased by Disbursements:		
Cash Disbursed		<u>348,800.00</u>
Balance December 31, 2018	\$	<u><u>187,210.00</u></u>

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

Balance December 31, 2017		\$ 2,682,984.68
Increased by Receipts:		
Miscellaneous	24,666.89	
Capital Improvement Fund	50,000.00	
		74,666.89
		2,757,651.57
Decreased by Disbursements:		
Improvement Authorizations Due to Current Fund	625,810.08	
		625,810.08
Balance December 31, 2018		\$ 2,131,841.49

**GENERAL CAPITAL FUND  
ANALYSIS OF CASH**

	Balance		Receipts		Disbursements		Transfers		Balance 12/31/18
	12/31/17		Bonds Issued	Miscellaneous	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 112,428.15								112,428.15
Capital Improvement Fund	29,398.00			50,000.00					79,398.00
Encumbrances Payable	681,972.25						681,972.25	465,754.75	465,754.75
Due from Current Fund	-								-
<b>Improvement Authorizations:</b>									
<b>Ordinance No.</b>									
1-10 Storm Water Drainage Improvements	441.09				8,600.00		33,000.00	44,903.65	3,744.74
1-10 Improvement to City Hall	9,870.01				11,716.01			1,846.00	(0.00)
11-02a Storm Water Drainage	9,677.30				5,827.50		15,237.80	11,388.00	-
10-12b PW Vehicles and Equipment	(0.00)								(0.00)
10-12e Various Sewer Repairs	-								-
10-12g Rec Field Improvements	-								-
12-13d Road Improvements	24,446.23				84,846.17		16,211.53	76,611.47	-
12-13e Flashing Lights	-								-
12-13f Sewer Repairs & Reconstruction	-								-
12-13i Sewer Repairs & Reconstruction	68,500.00			3,666.89	60,143.45		85,936.72	79,080.17	5,166.89
12-13j Public Safe Radios	4,877.05								4,877.05
15-15b Police Vehicles & Equipment	-								-
15-15c Police Vehicles & Equipment	-								-
15-15d Police Vehicles & Equipment	-								-
15-15e DPW Vehicles & Equipment	46,331.05				3,200.00				43,131.05
15-15f DPW Vehicles & Equipment	10,900.00								10,900.00
15-15h Bike Path Improvements	-								-
15-15i General Sewer Maintenance & Repairs	-								-
15-15j General Sewer Maintenance & Repairs	-								-
15-15k Road & Drainage Improvements	710,134.30				52,068.21		36,439.25	52,068.21	673,695.05
15-15l Road & Drainage Improvements	904,038.00			21,000.00	375,879.99		181,955.25	396,046.00	763,248.76
16-08 Various Improvements	4,971.25				15,528.75		4,200.00	20,028.75	9,471.25
17-13 Body Camera Equipment	2,500.00								(1,700.00)
17-16a Public Works Renovations	25,000.00								25,000.00
17-16b Road & Drainage Improvements	25,000.00								25,000.00
17-16c Sewer System Improvements	5,000.00						92,774.20		(87,774.20)
17-16d Public Safety Vehicles and Equipment	2,000.00								2,000.00
17-16e Municipal Library Improvements	750.00				8,000.00				(7,250.00)
17-16f Storage Trailer	3,250.00								3,250.00
17-16g City Hall Improvements	1,500.00								1,500.00
17-16h Veteran's Park Improvements									
	\$ 2,682,984.68			74,666.89	625,810.08		1,147,727.00	1,147,727.00	2,131,841.49

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

Balance December 31, 2017	\$ 8,464,000.00
Increased by:	
Bonds Issued	-
Decreased by:	
Bond Payments	<u>1,069,000.00</u>
Balance December 31, 2018	\$ <u><u>7,395,000.00</u></u>

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

Ordinance Number	Improvement Description	Analysis of Balance December 31, 2018				Unexpended Improvement Authorization
		Balance Dec. 31, 2017	2018 Authorizations	Raised in Budget	Balance Dec. 31, 2018	
08-16	Road & Drainage Improvements	\$ 188,500.00		21,000.00	167,500.00	75,033.00
17-16a	Public Works Renovations	1,228,000.00			1,228,000.00	1,188,025.80
		<u>\$ 1,416,500.00</u>	<u>-</u>	<u>21,000.00</u>	<u>1,395,500.00</u>	<u>1,263,058.80</u>

Improvement Authorizations Unfunded \$ 1,263,058.80  
 Less:  
 Unexpended Proceeds of Bond Anticipation Notes Issued: \$ -

\$ 1,263,058.80

**GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2017		\$ 29,398.00
Increased by:		
2018 Budget Appropriation	50,000.00	
		50,000.00
		79,398.00
Decreased by:		
Improvement Authorizations		-
Balance December 31, 2018		\$ 79,398.00



**GENERAL CAPITAL FUND  
SCHEDULE OF BOND ANTICIPATION NOTES**

Ordinance Number	Improvement Description	Date of Original Issue	Date of Issue	Maturity Date	Interest Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
	No current year activity					\$ -			-
						-			-
						\$ -	-		-

**GENERAL CAPITAL FUND**  
**SCHEDULE OF GENERAL SERIAL BONDS**

Improvement Description	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2017	Issued	Decreased	Balance Dec. 31, 2018
			Date	Amount					
General Improvements	11/15/2006	4,999,000			\$	499,000.00		499,000.00	-
						499,000.00		499,000.00	-
General Improvements	10/23/2012	4,650,000	9/1/2019	350,000	2.00%	3,500,000.00		350,000.00	3,150,000.00
			9/1/2020	350,000	2.00%				
			9/1/2021	350,000	2.00%				
			9/1/2022	350,000	2.00%				
			9/1/2023	350,000	2.00%				
			9/1/2024	350,000	3.00%				
			9/1/2025	350,000	3.00%				
			9/1/2026	350,000	3.00%				
			9/1/2027	350,000	3.00%				
						3,500,000.00		350,000.00	3,150,000.00

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND**  
**SCHEDULE OF GENERAL SERIAL BONDS**

Improvement Description	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance Dec. 31, 2017	Issued	Decreased	Balance Dec. 31, 2018
			Outstanding December 31, 2018	Amount					
General Improvements	10/19/2016	4,675,000	10/15/2019	230,000	4.00%	4,465,000.00		220,000.00	4,245,000.00
			10/15/2020	240,000	4.00%				
			10/15/2021	245,000	4.00%				
			10/15/2022	255,000	5.00%				
			10/15/2023	270,000	5.00%				
			10/15/2024	285,000	5.00%				
			10/15/2025	300,000	5.000%				
			10/15/2026	315,000	5.000%				
			10/15/2027	330,000	2.500%				
			10/15/2028	335,000	2.625%				
			10/15/2029	345,000	2.750%				
			10/15/2030	355,000	3.000%				
			10/15/2031	365,000	3.000%				
			10/15/2032	375,000	3.000%				
						4,465,000.00	-	220,000.00	4,245,000.00
						\$ 8,464,000.00	-	1,069,000.00	7,395,000.00

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND  
SCHEDULE OF CONTRACTS PAYABLE**

Balance December 31, 2017		\$	681,972.25
Increased by:			
Additional Contracts			465,754.75
Decreased by:			
Cash Disbursed	681,972.25		
Cancelled	<u>                    -</u>		
			<u>681,972.25</u>
Balance December 31, 2018		\$	<u><u>465,754.75</u></u>

**GENERAL CAPITAL FUND  
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2017</u>	<u>2018 Authorizations</u>	<u>Debt Issued</u>	<u>Raised in Budget</u>	<u>Balance Dec. 31, 2018</u>
<b><u>General Improvements</u></b>						
08-16	Various Improvements	\$ 188,500.00			21,000.00	167,500.00
16-17	Various Improvements	1,228,000.00				1,228,000.00
		<u>\$ 1,416,500.00</u>	<u>-</u>	<u>-</u>	<u>21,000.00</u>	<u>1,395,500.00</u>

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**CITY OF NORTHFIELD**

**PART II**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2018**

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## **GENERAL COMMENTS**

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

N.J.S. 40A:11-4 states, "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law." Due to the City having a Qualified Purchasing Agent, pursuant to N.J.S.A. 40A:11-3(a), the maximum bid threshold is \$40,000.

The governing body of the City of Northfield has the responsibility of determining whether the expenditures in any category will exceed \$40,000 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the district counsel's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or goods or services, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine if any clear-cut violations existed.

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

No bids noted for the current year

Our examination of expenditures did not reveal any payments in excess of \$40,000 "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 2, 2018, adopted the following resolutions authorizing interest to be charged on delinquent taxes:

"BE IT RESOLVED by the Council of the City of Northfield, County of Atlantic, State of New Jersey that as authorized by N.J.S.A. 54:4-67 as amended by Chapter 435 P.L., 1978, the rate of interest to be charged for the nonpayment of taxes or assessments on or before the date that they would become delinquent is hereby fixed at eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent and eighteen percent (18%) per annum on any amount in excess of \$1,500.00, provided, however, that no interest shall be charged if payment is made within ten (10) days of the date upon which the tax or assessment becomes payable.

"IT IS FURTHER RESOLVED that nothing contained within this Resolution shall be construed to extend the time when taxes are due and payable nor the obligations to pay interest which shall commence on the due date if taxes are not paid within the ten (10) day grace period.

"BE IT RESOLVED by the the Council of the City of Northfield, County of Atlantic, State of New Jersey that as authorized by N.J.S.A. 54:4-67 as amended by Chapter 75 P.L., 1991, the governing body of the City of Northfield hereby establishes a penalty in the amount of six percent (6%) to be charged to a taxpayer with a delinquency in excess of Ten Thousand Dollars (\$10,000) who fails to pay that delinquency prior to the end of the calendar year.

Our examination of interest collected on delinquent taxes did not reveal any charges that were not in agreement with the above resolution.

**Delinquent Taxes and Tax Title Liens**

The tax sale was held on March 15, 2018 and was complete. Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit.

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

<u>Year</u>	<u>Number</u>
2018	16
2017	16
2016	11

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis.

**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, including the mailing of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2019 and 2018 Taxes	5
Payments of 2019 and 2018 Sewer	5
Delinquent Taxes	4
Municipal Court	5

As of the date of this audit report, all verifications have not been returned. However, no problems were noted with those that have been returned.

### Comparison of Tax Levies and Collections 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.

Year	Tax Levy	Cash Collections	Percentage of Collections
2018	\$ 29,882,253	28,953,369	96.89%
2017	29,427,059	28,489,637	96.81%
2016	28,672,794	27,865,386	97.18%
2015	28,713,312	27,730,952	96.58%
2014	27,486,709	26,717,465	97.20%

### Comparative Schedule of Tax Rate Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate	3.348	3.237	3.108	3.065	2.898
Apportionment of Tax Rate					
Municipal	0.963	0.924	0.893	0.854	0.826
Library	0.033	0.032	0.033	0.035	0.032
County	0.507	0.521	0.468	0.480	0.408
Local School	1.128	1.079	1.053	1.069	1.047
Regional High School	0.717	0.681	0.661	0.627	0.585
Assessed Valuation	882,012,236	891,767,560	921,913,460	934,737,421	946,347,687

### Delinquent Taxes and Tax Title Liens

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

<u>Year</u>	Amount of Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent	Percentage of Tax Levy
2018	\$ 132,639	385,960	518,599	1.74%
2017	117,622	368,908	486,530	1.84%
2016	31,414	495,088	526,502	2.23%
2015	25,124	615,608	640,732	1.67%
2014	21,351	437,637	458,988	1.80%

**FINDINGS AND RECOMMENDATIONS**

None

**STATUS OF PRIOR RECOMMENDATIONS**

None

**FINDINGS**

None

The problems and weaknesses noted in my review 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.

*Ford, Scott & Associates, LLC*  
FORD, SCOTT & ASSOCIATES, L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

*Nancy Sbrolla*  
Nancy Sbrolla  
Certified Public Accountant  
Registered Municipal Accountant  
No. 542

July 24, 2019