

BOROUGH OF TENAFLY
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2017

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BOROUGH OF TENAFLY

BERGEN COUNTY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED DECEMBER 31, 2017



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Tenafly, as of December 31, 2017 and 2016, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Tenafly as of December 31, 2017 and 2016, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2017 and 2016. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 10 percent and 8 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2017 and 2016.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Tenafly as of December 31, 2017 and 2016, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2017 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

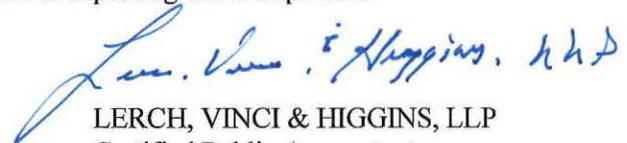
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Tenafly as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary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

The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

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

Other Reporting Required by *Government Auditing Standards*

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



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



Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457

Fair Lawn, New Jersey
June 29, 2018

BOROUGH OF TENAFLY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Cash	A-4	\$ 26,343,418	\$ 9,428,274
Cash - Change Funds	A-5	375	375
Cash- Petty Cash	A-6	8,736	8,736
Due from State of New Jersey- Senior Citizen and Veterans Deductions	A-7	1,083	4,297
Grants Receivable	A-12	<u>16,119</u>	<u>53,853</u>
		<u>26,369,731</u>	<u>9,495,535</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes Receivable	A-8	724,525	693,143
Tax Title Lien Receivable	A-10	887	887
Property Acquired for Taxes - Assessed Valuation	A-9	18,200	18,200
Due From Other Trust Fund	B-20	130	
Due From Animal Control Fund	B-6	36	36
Due From Recreation Activities Trust Fund	B-19	818	125
Due From Other Trust Fund - Payroll Agency	B-10	<u>28,455</u>	<u>28,455</u>
		<u>773,051</u>	<u>740,846</u>
Total Assets		<u>\$ 27,142,782</u>	<u>\$ 10,236,381</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TENAFLY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,A-13	\$ 1,440,780	\$ 1,873,625
Encumbrances Payable	A-14	696,339	269,303
Accounts Payable	A-21	6,500	67,581
Due to Unemployment Trust Fund	B-8	8	8
Due to Other Trust Fund	B-9	601,763	497,604
Due to General Capital Fund	C-10	184,629	209,764
Due to Municipal Open Space Trust Fund	A-19	-	394,294
Prepaid Taxes	A-15	17,345,219	1,085,385
Tax Overpayments	A-20	130,108	56,038
County Taxes Payable	A-18	114,231	59,857
Appropriated Reserve for Grants	A-22	137,182	199,437
Unappropriated Reserve for Grants	A-23	58,650	52,982
Miscellaneous Reserves	A-24	<u>983,283</u>	<u>668,602</u>
		21,698,692	5,434,480
Reserve for Receivables	A	773,051	740,846
Fund Balance	A-1	<u>4,671,039</u>	<u>4,061,055</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 27,142,782</u>	<u>\$ 10,236,381</u>

BOROUGH OF TENAFLY
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 1,900,000	\$ 1,750,000
Miscellaneous Revenues Anticipated	A-2	3,210,712	3,015,659
Receipts from Delinquent Taxes	A-2	743,785	558,170
Receipts from Current Taxes	A-2	99,287,115	96,645,590
Non-Budget Revenues	A-2	103,450	81,593
Other Credits to Income			
Prior Years Amount Due from BID Returned	A-1		8,719
Unexpended Balance of Appropriation Reserves	A-13	774,994	590,443
Cancellation of Miscellaneous Reserves	A-1	-	64,589
		<u>106,020,056</u>	<u>102,714,763</u>
Total Revenues and Other Income			
EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	10,545,578	10,413,992
Other Expenses	A-3	11,182,669	10,849,777
Capital Improvements	A-3	150,000	150,000
Municipal Debt Service	A-3	3,084,987	2,867,048
Deferred Charges and Statutory Expenditures	A-3	2,288,224	2,283,256
Local District School Tax	A-16	64,304,678	62,722,401
County Taxes including Added Taxes	A-17, A-18	11,550,736	10,950,548
Municipal Open Space Taxes incl/Added Taxes	A-19	398,944	394,229
Prior Year Senior Discount Disallowed	A-7	3,433	1,750
Interfunds Advanced - Net	A	823	83
		<u>103,510,072</u>	<u>100,633,084</u>
Total Expenditures			
Excess in Revenue		2,509,984	2,081,679
Fund Balance, January 1	A	<u>4,061,055</u>	<u>3,729,376</u>
		6,571,039	5,811,055
Decreased by:			
Utilization as Anticipated Revenues	A-1	<u>1,900,000</u>	<u>1,750,000</u>
Fund Balance, December 31,	A	<u>\$ 4,671,039</u>	<u>\$ 4,061,055</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

		2017 <u>Anticipated</u>	2017 <u>Realized</u>	Excess or <u>(Deficit)</u>
	<u>Reference</u>	<u>Budget</u>		
FUND BALANCE ANTICIPATED	A-1	\$ 1,900,000	\$ 1,900,000	-
MISCELLANEOUS REVENUES				
Licenses				
Alcoholic Beverages	A-11	25,000	27,100	\$ 2,100
Other	A-2	16,000	16,940	940
Fees and Permits				
Other	A-2	110,000	149,813	39,813
Fines and Costs				
Municipal Court	A-11	115,000	139,729	24,729
Interest and Costs on Taxes	A-11	190,000	204,394	14,394
Interest on Investments	A-2	23,000	141,981	118,981
Rental of Borough Owned Property	A-11	70,000	82,723	12,723
Use of Sewer System Agreements	A-11	25,000	43,692	18,692
Borough Operated Alarm Systems	A-11	55,000	57,750	2,750
Energy Receipts Taxes	A-11	1,119,801	1,119,801	-
Uniform Construction Code Fees	A-11	600,000	625,843	25,843
State and Federal Grants Offset with Appropriations-				
Recycling Tonnage Grant-Reserve	A-12	22,573	22,573	-
Municipal Alliance on Alcoholism and Drug Abuse	A-12	4,938	4,938	-
Body Armor Fund - Reserve	A-24	3,227	3,227	-
Clean Communities- Reserve	A-24	33,551	33,551	-
Click It or Ticket - Reserve	A-24	5,000	5,000	-
Environmental Grant- Reserve	A-24	500	500	-
DOJ- Bullet Proof Vest- Reserve	A-24	2,625	2,625	-
DDEF- Reserve	A-24	6,079	6,079	-
Green Community Grant	A-24	2,000	2,000	-
Uniform Fire Safety Act	A-11	12,500	12,283	(217)
Cable TV Franchise Fee	A-11	145,000	190,148	45,148
Hotel Occupancy Fee (P.L. 2003, c.114)	A-11	105,000	104,741	(259)
Reserve for Payment of Debt Service	C-11	10,281	10,281	-
Sewer Charges - Tax Exempt Properties	A-11	25,000	28,265	3,265
Payment in Lieu of Taxes - Tenafly House	A-11	16,000	27,804	11,804
Cell Tower/Monopole Lease	A-11	130,000	146,931	16,931
Total Miscellaneous Revenues	A-1	<u>2,873,075</u>	<u>3,210,712</u>	<u>337,637</u>
RECEIPTS FROM DELINQUENT TAXES	A-1,A-8	<u>590,000</u>	<u>743,785</u>	<u>153,785</u>
AMOUNT TO BE RAISED BY TAXATION:				
Local Tax for Municipal Purposes		22,015,520	23,128,310	1,112,790
Minimum Library Tax		<u>1,504,447</u>	<u>1,504,447</u>	-
Total Amount to be Raised by Taxation	A-2	<u>23,519,967</u>	<u>24,632,757</u>	<u>1,112,790</u>
Total General Revenues		<u>\$ 28,883,042</u>	<u>30,487,254</u>	<u>\$ 1,604,212</u>
Non-Budget Revenues	A-1,A-2		<u>103,450</u>	
			<u>\$ 30,590,704</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Reference</u>	
Analysis of Realized Revenue		
Allocation of Current Tax Collections		
Revenue from Collections	A-8	\$ 99,587,115
Less: Transfer to Reserve for Tax Appeals	A-25	<u>300,000</u>
		99,287,115
Less: Allocated to School, County Taxes and Open Space	A-1 A-16,A-17,A-18, A-19	<u>76,254,358</u>
		1,600,000
Add: Reserve for Uncollected Taxes	A-3	<u>1,600,000</u>
		\$ 24,632,757
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 24,632,757</u>
Licenses		
Clerk	A-11	\$ 5,555
Board of Health	A-11	<u>11,385</u>
	A-2	<u>\$ 16,940</u>
Fees and Permits		
Clerk	A-11	\$ 45,100
Police	A-11	3,213
Board of Health	A-11	2,760
Tax Department	A-11	1,143
Fire Prevention	A-11	44,706
Construction Code- Miscellaneous	A-11	32,896
Board of Adjustment/Planning Board	A-11	<u>19,995</u>
	A-2	<u>\$ 149,813</u>
Interest on Investments and Deposits		
Cash Receipts	A-11	\$ 116,947
Due from General Capital	C-10	15,766
Due from Animal Control Fund	B-6	304
Due from Recreation Trust Fund	B-19, B-17	7,751
Due from Other Trust Fund- Escrow	B-20	130
Due from Other Trust- Payroll	B-10	<u>1,083</u>
	A-2	<u>\$ 141,981</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Reference</u>	
Non-Budget Revenue		
Recycling Cardboard/Miscellaneous		\$ 53,242
Returned Check Fee		4,320
Tenafly Swim Club Bankruptcy Payment		8,798
Other		<u>37,090</u>
	A-2,A-4	<u>\$ 103,450</u>

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

	<u>2017 Appropriated</u>		<u>2017 Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS WITHIN "CAPS"					
General Government					
Administrative and Executive					
Salaries and Wages					
Administrator's Office	\$ 287,666	\$ 287,666	\$ 285,166	\$ 2,500	
Borough Clerk's Office	194,272	196,761	196,761	-	
Other Expenses					
Administrator's Office	165,433	165,433	154,930	10,503	
Borough Clerk's Office	49,325	49,325	48,043	1,282	
Postage	26,000	26,000	21,246	4,754	
Photocopy Expense	9,000	9,000	6,478	2,522	
Mayor and Council					
Salaries and Wages	28,000	28,000	24,050	3,950	
Other Expenses	7,000	7,000	6,527	473	
Elections					
Salaries and Wages	9,000	6,837	6,837	-	
Other Expenses	17,000	16,332	16,215	117	
Financial Administration					
Salaries and Wages	212,716	257,777	257,777	-	
Audit/Other Expenses	64,790	64,790	55,412	9,378	
Revenue Administration					
Salaries and Wages	119,701	74,640	58,163	16,477	
Other Expenses	42,133	42,133	28,887	13,246	
Assessment of Taxes					
Salaries and Wages	189,201	189,201	165,858	23,343	
Other Expenses	25,127	18,627	14,415	4,212	
Legal Services and Costs					
Other Expenses	305,000	305,000	289,694	15,306	
Engineering Services and Costs					
Other Expenses	35,000	35,374	35,374	-	
Historic Preservation Commission					
Other Expenses	11,390	11,390	5,667	5,723	
Municipal Land Use Law:					
Planning Board					
Salaries and Wages	2,500	2,500	338	2,162	
Other Expenses	38,581	31,956	24,952	7,004	
Zoning Board of Adjustment					
Salaries and Wages	1,500	1,500		1,500	
Other Expenses	22,353	22,353	21,700	653	
Insurance					
Liability	378,717	393,911	392,411	1,500	
Surety Bond Premiums	2,250	2,250	142	2,108	

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2017 Appropriated</u>		<u>2017 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS" (Cont'd)					
Insurance (Continued)					
Worker's Compensation	\$ 303,035	\$ 303,035	\$ 303,035	-	
Group Insurance Plan for Employees	2,200,000	2,200,000	2,120,143	79,857	
Unemployment	30,000	30,000	30,000	-	
Public Safety					
Police					
Salaries and Wages	5,121,311	5,148,510	5,148,510	-	
Other Expenses	288,200	288,200	252,529	35,671	
Other Expenses - Emergency Response	3,000	3,000	818	2,182	
Emergency Management Services					
Salaries and Wages	4,600	4,600	4,600	-	
Other Expenses	29,800	19,800	15,464	4,336	
Aid to Volunteer Fire Company					
Salaries and Wages	23,500	23,500	17,405	6,095	
Other Expenses	334,332	327,532	281,233	46,299	
Aid to Volunteer Ambulance Corps					
Salaries and Wages	17,652	17,652	16,758	894	
Other Expenses	187,700	172,700	157,397	15,303	
Fire Department					
Salaries and Wages	134,519	134,519	133,006	1,513	
Other Expenses	15,780	15,780	14,618	1,162	
Fire Hydrant Services	250,000	250,000	245,865	4,135	
Municipal Prosecutor					
Salaries and Wages	13,500	13,962	13,962	-	
Streets and Roads					
Road Repairs and Maintenance					
Salaries and Wages	2,335,523	2,335,523	2,090,346	245,177	
Other Expenses	430,325	413,825	330,390	83,435	
Solid Waste Collections					
Contract-Collections	755,000	755,000	750,000	5,000	
Recycling Center					
Salaries and Wages	577,796	591,681	591,681	-	
Other Expenses	70,025	75,950	72,516	3,434	
Public Buildings and Grounds					
Salaries and Wages	209,449	209,449	196,387	13,062	
Other Expenses	156,325	158,948	148,165	10,783	

The Accompanying Notes are an Integral Part of these Financial Statements

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

	2017 Appropriated		2017 Expended		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS" (Cont'd)					
Health and Welfare					
Board of Health					
Salaries and Wages	\$ 5,000	\$ 5,000	\$ 5,000		
Other Expenses	97,379	97,379	92,646	\$ 4,733	
Environmental Commission					
Other Expenses	2,087	2,087	625	1,462	
Animal Welfare					
Other Expenses	10,069	10,069	10,069	-	
Mental Health Center					
Other Expenses	7,000	7,000	7,000	-	
Recreation and Education:					
Recreation Commission R.S. 40:12-1					
Salaries and Wages	196,444	196,444	179,517	16,927	
Other Expenses	34,300	34,300	29,469	4,831	
Youth Center					
Salaries and Wages	135,706	128,206	122,311	5,895	
Other Expenses	6,450	6,450	6,440	10	
Senior Citizens Center					
Salaries and Wages	123,553	127,293	127,293	-	
Other Expenses	10,836	10,836	9,494	1,342	
Community Support					
Nature Center - Other Expenses	35,000	35,000	35,000	-	
Welcome Committee					
Other Expenses	5,000	5,000	4,992	8	
Senior Services Committee					
Salaries and Wages	88,400	84,151	48,721	35,430	
Other Expenses	22,800	22,800	1,721	21,079	
Parking Lot Rental					
Other Expenses	20,000	20,000	19,973	27	
Celebration of Public Events					
Other Expenses	41,000	41,000	40,205	795	
Reserve for Terminal Leave					
	56,000	56,000	-	56,000	
Payroll Adjustment					
	132,112	132,112	132,112	-	
PUBLIC SAFETY FUNCTION					
Municipal Court					
Salaries and Wages	112,942	113,936	113,936	-	
Other Expenses	11,200	11,200	9,895	1,305	
Public Defender					
Other Expenses	4,400	4,400	1,200	3,200	

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2017 Appropriated</u>		<u>2017 Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
State Uniform Construction Code					
Construction Code Officials					
Salaries and Wages	\$ 274,129	\$ 274,129	\$ 270,447	\$ 3,682	
Other Expenses	9,790	9,790	6,259	3,531	
Director of Building Department					
Salaries and Wages	99,766	99,766	96,651	3,115	
Other Expenses	6,110	6,110	3,869	2,241	
Unclassified					
Electricity	189,275	189,275	174,593	14,682	
Street Lighting	168,000	168,000	134,079	33,921	
Telephone	64,300	64,300	52,780	11,520	
Natural Gas	62,000	62,000	48,678	13,322	
Gasoline	183,000	183,000	101,275	81,725	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
BCUA Disposal Fees	428,000	428,000	400,154	27,846	-
Total Operations Within "CAPS"	18,377,075	18,373,955	17,338,275	1,035,680	-
Total Operations Including Contingent Within "CAPS"	18,377,075	18,373,955	17,338,275	1,035,680	-
Detail:					
Salaries and Wages	10,618,058	10,520,452	10,118,160	402,292	-
Other Expenses	7,759,017	7,853,503	7,220,115	633,388	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
Statutory Expenditures					
Contribution to:					
Public Employees Retirement System	623,641	623,641	623,641	-	
Social Security System (O.A.S.I.)	545,000	545,000	535,219	9,781	
Police and Firemen's Retirement System of NJ	1,023,033	1,023,033	1,023,033	-	
Defined Contribution Retirement Program	9,600	12,720	12,720	-	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	2,201,274	2,204,394	2,194,613	9,781	-
Total General Appropriations for Municipal Purposes Within "CAPS"	20,578,349	20,578,349	19,532,888	1,045,461	-

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2017 Appropriated</u>		<u>2017 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library (P.L. 1985, Ch. 82-541)	\$ 1,416,908	\$ 1,416,908	\$ 1,272,729	\$ 144,179	
Library Building Maintenance					
Salaries and Wages	25,126	25,126	16,099	9,027	
Other Expenses	62,413	62,413	54,517	7,896	
Bergen County Utilities Authority					
Operations and Maintenance	1,108,366	1,108,366	1,108,365	1	
Debt Service	428,751	428,751	428,751	-	
Emergency Services Volunteer Length of Service Award Program (P.L. 1997, C. 388)	66,000	66,000		66,000	
Recycling Tax	20,000	20,000	20,000	-	
Reserve for Tax Appeals	145,000	145,000	-	145,000	-
Total Other Operations Excluded from "CAPS"	<u>3,272,564</u>	<u>3,272,564</u>	<u>2,900,461</u>	<u>372,103</u>	<u>-</u>
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
Recycling Tonnage Grant - Reserve	22,573	22,573	16,726	5,847	
Police DWI	6,079	6,079	6,079	-	
Body Armor Fund - Reserve	3,227	3,227	2,740	487	
DOJ - Bullet Proof Vest - Reserve	2,625	2,625	2,625	-	
Click It or Ticket - Reserve	5,000	5,000		5,000	
Municipal Alliance on Alcoholism and Drug Abuse	4,938	4,938		4,938	
Matching Funds - Municipal Alliance	1,235	1,235		1,235	
Environmental Grant	500	500		500	
Green Communities	2,000	2,000		2,000	
Clean Communities Program - Reserve	33,551	33,551	30,342	3,209	-
Total Public and Private Programs Offset by Revenues	<u>81,728</u>	<u>81,728</u>	<u>58,512</u>	<u>23,216</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>3,354,292</u>	<u>3,354,292</u>	<u>2,958,973</u>	<u>395,319</u>	<u>-</u>
Detail:					
Salaries and Wages	25,126	25,126	16,099	9,027	-
Other Expenses	3,329,166	3,329,166	2,942,874	386,292	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	150,000	150,000	150,000	-	-
Total Capital Improvement Fund - Excluded from "CAPS"	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"					
Payment of Bond Principal	2,572,000	2,572,000	2,572,000	-	
Interest on Bonds	487,664	487,664	459,472	-	\$ 28,192
Interest on Notes	56,907	56,907	53,515	-	3,392
Total Municipal Debt Service - Excluded from "CAPS"	<u>3,116,571</u>	<u>3,116,571</u>	<u>3,084,987</u>	<u>-</u>	<u>31,584</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2017 Appropriated</u>		<u>2017 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
DEFERRED CHARGES					
Deferred Charges - Unfunded Grants Ord. #10-08	\$ 83,830	\$ 83,830	\$ 83,830	-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	<u>83,830</u>	<u>83,830</u>	<u>83,830</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>6,704,693</u>	<u>6,704,693</u>	<u>6,277,790</u>	<u>\$ 395,319</u>	<u>\$ 31,584</u>
Subtotal General Appropriations	27,283,042	27,283,042	25,810,678	1,440,780	31,584
Reserve for Uncollected Taxes	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,600,000</u>	-	-
Total General Appropriations	<u>\$ 28,883,042</u>	<u>\$ 28,883,042</u>	<u>\$ 27,410,678</u>	<u>\$ 1,440,780</u>	<u>\$ 31,584</u>
<u>Reference</u>	A-2	A-2		A	
Budget as Adopted	A-3	<u>\$ 28,883,042</u>			
Cash Disbursed	A-4		\$ 25,114,339		
Encumbrances Payable	A-14		696,339		
Reserve for Uncollected Taxes	A-3		<u>1,600,000</u>		
			<u>\$ 27,410,678</u>		

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TENAFLY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2017 AND 2016

ASSETS	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Animal Control Trust Fund			
Cash	B-3	\$ 29,887	\$ 25,598
Due from State of New Jersey	B-5	<u>2</u>	<u>2</u>
		<u>29,889</u>	<u>25,600</u>
Other Trust Fund			
Cash	B-3	4,929,151	4,912,925
Due from Recreation Fund- Payroll Agency	B-18	30	30
Due from Current Fund - Other Trust Fund	B-9	<u>601,763</u>	<u>497,604</u>
		<u>5,530,944</u>	<u>5,410,559</u>
Unemployment Insurance Trust Fund			
Cash	B-3	19,615	25,193
Due from Current Fund	B-8	<u>8</u>	<u>8</u>
		<u>19,623</u>	<u>25,201</u>
Recreation Activities Trust Fund			
Cash	B-3	<u>326,808</u>	<u>270,009</u>
Open Space Preservation Trust Fund			
Cash	B-3	1,754,302	1,707,860
Due from Current Fund	A-19	<u>-</u>	<u>394,294</u>
		<u>1,754,302</u>	<u>2,102,154</u>
Length of Service Award Program (Unaudited)			
Investments	B	811,116	660,579
Contributions Receivable	B	<u>52,562</u>	<u>48,336</u>
		<u>863,678</u>	<u>708,915</u>
Total Assets		<u>\$ 8,525,244</u>	<u>\$ 8,542,438</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TENAFLY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Animal Control Trust Fund			
Reserve for Animal License Expenditures	B-4	\$ 29,853	\$ 25,564
Due to Current Fund	B-6	36	36
		<u>29,889</u>	<u>25,600</u>
Other Trust Fund			
Due to Current Fund - Payroll Agency	B-10	28,455	28,455
Due to Current Fund - Escrow Deposits	B-20	130	
Reserve for:			
Miscellaneous Reserves	B-14	2,987,996	2,679,141
Escrow Deposits - Construction Fees	B-13	390,843	335,266
Affordable Housing Trust	B-16	2,107,396	2,350,515
Accrued Salary and Wages	B-11	4,393	4,393
Payroll Deductions Payable	B-12	11,731	12,789
		<u>5,530,944</u>	<u>5,410,559</u>
Unemployment Insurance Trust Fund			
Reserve for Unemployment Compensation Insurance	B-7	19,623	25,201
		<u>19,623</u>	<u>25,201</u>
Recreation Activities Trust Fund			
Due to Current Fund	B-19	818	125
Due to Other Trust Fund- Payroll Agency	B-18	30	30
Reserve for Recreation Expenditures	B-17	325,960	269,854
		<u>326,808</u>	<u>270,009</u>
Open Space Preservation Trust Fund			
Due to General Capital Fund	C-13		100,000
Reserve for Municipal Open Space Expenditures	B-15	1,754,302	2,002,154
		<u>1,754,302</u>	<u>2,102,154</u>
Length of Service Award Program (Unaudited)			
Net Position Available for Benefits	B	863,678	708,915
Total Liabilities, Reserves and Fund Balance		<u>\$ 8,525,244</u>	<u>\$ 8,542,438</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF TENAFLY
STATEMENT OF REVENUES-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 Budget (Memo)	Realized in 2017	Excess or Deficit
Amount to be Raised by Taxation	\$ 394,997	\$ 398,944	\$ 3,947
Reference	B-2	B-15	

STATEMENT OF APPROPRIATIONS-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 Budget (Memo)	2017 Expended Paid or Charged	Reserved
Open Space Improvements	\$ 394,997	\$ 661,000	\$ (266,003)
Reference	B-1	B-15	

BOROUGH OF TENAFLY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Cash	C-2,C-3	\$ 1,985,854	\$ 1,133,515
Grants / Other Receivable	C-4	380,962	956,219
Due From Current Fund	C-10	184,629	209,764
Due From Municipal Open Space Trust Fund	C-13		100,000
Deferred Charges to Future Taxation			
Funded	C-5	18,216,000	12,262,000
Unfunded	C-6	<u>2,876,013</u>	<u>8,516,043</u>
 Total Assets		 <u>\$ 23,643,458</u>	 <u>\$ 23,177,541</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-7	\$ 18,216,000	\$ 12,262,000
Bond Anticipation Notes Payable	C-14		6,119,000
Contracts Payable	C-12	1,539,779	2,297,941
Improvement Authorizations			
Funded	C-8	1,734,937	261,065
Unfunded	C-8	1,517,124	1,977,323
Reserve for:			
Debt Service	C-11	65,527	13,096
Grants Receivable	C-4	275,056	147,731
Capital Improvement Fund	C-9	32,712	27,516
Fund Balance	C-1	<u>262,323</u>	<u>71,869</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 23,643,458</u>	 <u>\$ 23,177,541</u>

There were bonds and notes authorized but not issued at December 31, 2017 and 2016 of \$2,876,013 and \$2,407,000, respectively (Exhibit C-15).

BOROUGH OF TENAFLY
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS -
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Balance, December 31	C	\$ <u>71,869</u>	\$ <u>71,649</u>
Increased by:			
Cancellation	C-8	11,370	220
Premium on Sale of Bonds	C-4	<u>179,084</u>	<u>-</u>
Balance, December 31	C	\$ <u>262,323</u>	\$ <u>71,869</u>

BOROUGH OF TENAFLY
COMPARATIVE SCHEDULES OF GENERAL FIXED ASSETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
General Fixed Assets		
Land	\$ 96,720,279	\$ 95,993,700
Land Improvements	457,779	296,325
Construction In Progress	2,084,170	1,284,098
Buildings	12,519,993	12,519,993
Machinery and Equipment	<u>14,295,007</u>	<u>13,188,372</u>
	<u>\$ 126,077,228</u>	<u>\$ 123,282,488</u>
Investment in General Fixed Assets	<u>\$ 126,077,228</u>	<u>\$ 123,282,488</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Description of Regulatory Basis of Accounting

The financial statements of the Borough of Tenafly have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

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

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

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

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

Recreation Activities Trust Fund - This fund is used to account for the receipts and disbursements relating to recreation programs administered by the Recreation Commission.

Open Space Preservation Trust Fund - This fund is used to account for the resources which have accumulated from a dedicated tax to be used for the preservation of open space, recreation and farm land property.

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

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

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

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

Reclassifications - Certain reclassifications may have been made to the December 31, 2016 balances to conform to the December 31, 2017 presentation.

Financial Statements – Regulatory Basis

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

D. Measurement Focus and Basis of Accounting

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

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

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

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

Grant and Similar Award Revenues/Receivables - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

Property Acquired for Taxes - Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved. GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

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

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Tenafly has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$1,000 and an estimated useful life in excess of two years.

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

General Fixed Assets purchased after December 31, 2010 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General Fixed Assets purchased prior to December 31, 2010 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

No depreciation has been provided for in the financial statements.

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

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

General Capital Fund
Trust Fund (Except Open Space Preservation Fund)

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. There were no increases to the original budget during 2017 and 2016. In addition, the governing body approved several budget transfers during 2017 and 2016.

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2017 and 2016, the book value of the Borough's deposits were \$35,398,146 and \$17,512,485 and bank and brokerage firm balances of the Borough's deposits amounted to \$33,192,907 and \$17,640,049, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2017</u>	<u>2016</u>
Insured	\$ 32,789,180	\$ 17,239,723
Uninsured and Collateralized	<u>403,727</u>	<u>400,326</u>
	<u>\$ 33,192,907</u>	<u>\$ 17,640,049</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2017 and 2016, the Borough's bank balances of \$403,727 and \$400,326 were exposed to custodial credit risk as follows:

	<u>2017</u>	<u>2016</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department not in the Borough's name	<u>\$ 403,727</u>	<u>\$ 400,326</u>

**BOROUGH OF TENAFLY
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2017 and 2016, the Borough had the following investments:

	Fair Value	
	2017	2016
Investment:		
Lincoln Financial-Length of Service Award Program (Unaudited)	\$ 811,116	\$ 660,579

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2017 and 2016, \$811,116 and \$660,579 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value	
	2017	2016
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 811,116	\$ 660,579

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2017 and 2016, the Borough’s investment in Lincoln Financial Group was rated Baa2 by Moody’s Investor Services.

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

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

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

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
<u>Current</u>		
Property Taxes	\$ 724,525	\$ 693,143
Tax Title Liens	<u>887</u>	<u>887</u>
	<u>\$ 725,412</u>	<u>\$ 694,030</u>

In 2017 and 2016, the Borough collected \$743,785 and \$558,170 from delinquent taxes, which represented 100% and 88%, respectively of the prior year delinquent taxes receivable balance.

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2017</u>		<u>2016</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 29,439	\$ 786,400	\$ 28,616	\$ 1,101,670
Animal Control Trust Fund		36		36
Open Space Preservation Trust Fund			394,294	100,000
Other Trust Fund	601,793	28,585	497,634	28,455
Recreation Trust Fund		848		155
Unemployment Insurance Trust Fund	8		8	
General Capital Fund	<u>184,629</u>	<u>-</u>	<u>309,764</u>	<u>-</u>
Total	<u>\$ 815,869</u>	<u>\$ 815,869</u>	<u>\$ 1,230,316</u>	<u>\$ 1,230,316</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and revenues earned in on fund that are due to another fund.

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

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 6 FUND BALANCES APPROPRIATED

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

	Fund Balance December 31, <u>2017</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance December 31, <u>2016</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 4,653,837	\$ 2,100,000	\$ 4,002,905	\$ 1,900,000
Non-Cash Surplus	<u>17,202</u>	<u>-</u>	<u>58,150</u>	<u>-</u>
	<u>\$ 4,671,039</u>	<u>\$ 2,100,000</u>	<u>\$ 4,061,055</u>	<u>\$ 1,900,000</u>

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 7 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2017 and 2016.

	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustment</u>	Balance, December 31, <u>2017</u>
<u>2017</u>					
Land	\$ 95,993,700	\$ 726,579			\$ 96,720,279
Construction in Progress	1,284,098	800,072			2,084,170
Buildings and Building Improvements	12,519,993				12,519,993
Land Improvements	296,325	161,454			457,779
Machinery and Equipment	<u>13,188,372</u>	<u>1,134,060</u>	\$ (27,425)	<u>-</u>	<u>14,295,007</u>
	<u>\$ 123,282,488</u>	<u>\$ 2,822,165</u>	<u>\$ (27,425)</u>	<u>\$ -</u>	<u>\$ 126,077,228</u>
	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustment</u>	Balance, December 31, <u>2016</u>
<u>2016</u>					
Land	\$ 95,993,700				\$ 95,993,700
Construction in Progress		\$ 1,284,098			1,284,098
Buildings and Building Improvements	12,519,993				12,519,993
Land Improvements	192,991	103,334			296,325
Machinery and Equipment	<u>12,663,586</u>	<u>554,712</u>	\$ (29,926)	<u>-</u>	<u>13,188,372</u>
	<u>\$ 121,370,270</u>	<u>\$ 1,942,144</u>	<u>\$ (29,926)</u>	<u>\$ -</u>	<u>\$ 123,282,488</u>

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 8 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2017</u>	<u>2016</u>
Issued		
General		
Bonds, Notes and Loans	\$ 18,216,000	\$ 18,381,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>(65,527)</u>	<u>(23,053)</u>
Net Debt Issued	18,150,473	18,357,947
Authorized But Not Issued		
General		
Bonds and Notes	<u>2,876,013</u>	<u>2,407,000</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 21,026,486</u>	<u>\$ 20,764,947</u>

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .47% and .47% at December 31, 2017 and 2016, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General Debt	\$ 21,092,013	\$ 65,527	\$ 21,026,486
School Debt	<u>31,975,000</u>	<u>31,975,000</u>	<u>-</u>
Total	<u>\$ 53,067,013</u>	<u>\$ 32,040,527</u>	<u>\$ 21,026,486</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2016</u>			
General Debt	\$ 20,788,000	\$ 23,053	\$ 20,764,947
School Debt	<u>33,700,000</u>	<u>33,700,000</u>	<u>-</u>
Total	<u>\$ 54,488,000</u>	<u>\$ 33,723,053</u>	<u>\$ 20,764,947</u>

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 8 MUNICIPAL DEBT (Continued)

Statutory Borrowing Power

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

	<u>2017</u>	<u>2016</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 156,578,259	\$ 153,187,316
Net Debt	<u>21,026,486</u>	<u>20,764,947</u>
Remaining Borrowing Power	<u>\$ 135,551,773</u>	<u>\$ 132,422,369</u>

A. Long-Term Debt

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

General Obligation Bonds

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

	<u>2017</u>	<u>2016</u>
\$6,562,000, 2005 General Improvement Bonds, due in annual installments of \$822,000 through November 1, 2017, interest at 3.70%		\$ 822,000
\$8,614,000, 2007 General Improvement Bonds, due in annual installments of \$1,050,000 through December 1, 2017, interest at 3.875% - 4.0 %	-	1,050,000
\$6,260,000, 2012 General Improvement Bonds, due in annual installments of \$735,000 to \$750,000 through October 1, 2022, interest at 1% to 2.0%	\$ 3,735,000	4,435,000
\$5,955,000, 2015 General Improvement Refunding Bonds, due in annual installments of \$1,130,000 to \$1,240,000 through December 1, 2022, interest at 3% to 4%	5,955,000	5,955,000
\$8,526,000, 2017 General Improvement Refunding Bonds, due in annual installments of \$575,000 to \$1,146,000 through May 1, 2027, interest at 2% to 3%	<u>8,526,000</u>	<u>-</u>
	<u>\$ 18,216,000</u>	<u>\$ 12,262,000</u>

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2017 is as follows:

Calendar Year	General Bonds		Total
	Principal	Interest	
2018	\$ 2,440,000	\$ 477,093	\$ 2,917,093
2019	2,490,000	424,343	2,914,343
2020	2,515,000	355,930	2,870,930
2021	2,555,000	281,830	2,836,830
2022	2,565,000	206,130	2,771,130
2023-2027	5,651,000	374,610	6,025,610
Total	<u>\$ 18,216,000</u>	<u>\$ 2,119,936</u>	<u>\$ 20,335,936</u>

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2017 and 2016 were as follows:

	Balance, December 31, 2016	Additions	Reductions	Balance, December 31, 2017	Due Within One Year
<u>2017</u>					
General Capital Fund Bonds Payable	\$ 12,262,000	\$ 8,526,000	\$ 2,572,000	\$ 18,216,000	\$ 2,440,000
General Capital Fund Long-Term Liabilities	\$ 12,262,000	\$ 8,526,000	\$ 2,572,000	\$ 18,216,000	\$ 2,440,000

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>					
General Capital Fund					
Bonds Payable	\$ 14,652,000		\$ 2,390,000	\$ 12,262,000	\$ 2,572,000
Intergovernmental Loans Payable	<u>34,286</u>	<u>-</u>	<u>34,286</u>	<u>-</u>	<u>-</u>
General Capital Fund Long-Term Liabilities	<u>\$ 14,686,286</u>	<u>\$ -</u>	<u>\$ 2,424,286</u>	<u>\$ 12,262,000</u>	<u>\$ 2,572,000</u>

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2017 and 2016 was as follows:

Bond Anticipation Notes

<u>2017</u>	Rate (%)	Maturity Date	Balance, December 31, <u>2016</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2017</u>
General Capital Fund						
<u>Purpose</u>						
Various Capital Improvements	0.93%	5/12/2017	\$ 1,930,200		\$ 1,930,200	
Various Capital Improvements	0.90%	5/12/2017	1,809,000		1,809,000	
Supplemental for Public Works Bldg.	0.93%	5/12/2017	999,500		999,500	
Various Capital Improvements	0.93%	5/12/2017	<u>1,380,300</u>	<u>-</u>	<u>1,380,300</u>	<u>-</u>
Total			<u>\$ 6,119,000</u>	<u>\$ -</u>	<u>\$ 6,119,000</u>	<u>\$ -</u>

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 8 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>2016</u>	<u>Rate</u> <u>(%)</u>	<u>Maturity</u> <u>Date</u>	<u>Balance,</u> <u>December 31,</u> <u>2015</u>	<u>Renewed/</u> <u>Issued</u>	<u>Retired/</u> <u>Redeemed</u>	<u>Balance,</u> <u>December 31,</u> <u>2016</u>
General Capital Fund						
<u>Purpose</u>						
Various Capital Improvements	0.93%	5/12/2017	\$ 1,930,200	\$ 1,930,200	\$ 1,930,200	\$ 1,930,200
Various Capital Improvements	0.90%	5/12/2017	1,809,000	1,809,000	1,809,000	1,809,000
Supplemental for Public Works Bldg.	0.93%	5/12/2017	-	999,500	-	999,500
Various Capital Improvements	0.93%	5/12/2017	-	1,380,300	-	1,380,300
Total			<u>\$ 3,739,200</u>	<u>\$ 6,119,000</u>	<u>\$ 3,739,200</u>	<u>\$ 6,119,000</u>

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

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

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 9 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2017</u>		
DPW Building	\$ 284,835	2018
Fiber Communication System	100,000	2018
Police Communication Equipment	407,484	2018
Mack Truck	211,000	2018
<u>2016</u>		
DPW Building	\$ 822,857	2018
Technology Equipment - DPW Building	127,089	2017
Playground Equipment	100,000	2017
2016 Road Paving	628,123	2017

NOTE 10 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

The Borough does not permit employees to accumulate unused sick and vacation pay. However, the Borough has a terminal leave policy that is based on years of service with the Borough. An employee terminating their service with the Borough may elect to take severance pay in one (1) payment or continue on the payroll for the designated period of their allowances, thereby continuing all employee benefits while they remain on payroll.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$1,158,679 and \$1,070,540 at December 31, 2017 and 2016, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2017 and 2016, the Borough has reserved in the Other Trust Fund \$834,075 and \$833,910, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities

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

The Borough's changes in other long-term liabilities for the years ended December 31, 2017 and 2016 were as follows:

	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
Compensated Absences	\$ 1,070,540	\$ 137,974	\$ 49,835	\$ 1,158,679	
Net Pension Liability - PERS	23,919,052		4,659,677	19,259,375	
Net Pension Liability - PFRS	<u>23,968,569</u>	<u>-</u>	<u>3,860,654</u>	<u>20,107,915</u>	<u>-</u>
 Total Other Long-Term Liabilities	 <u>\$ 48,958,161</u>	 <u>\$ 137,974</u>	 <u>\$ 8,570,166</u>	 <u>\$ 40,525,969</u>	 <u>\$ -</u>
	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>					
Compensated Absences	\$ 1,002,705	\$ 155,804	\$ 87,969	\$ 1,070,540	
Net Pension Liability - PERS	17,389,412	7,247,108	717,468	23,919,052	
Net Pension Liability - PFRS	<u>21,687,011</u>	<u>3,304,591</u>	<u>1,023,033</u>	<u>23,968,569</u>	<u>\$ -</u>
 Total Other Long-Term Liabilities	 <u>\$ 40,079,128</u>	 <u>\$ 10,707,503</u>	 <u>\$ 1,828,470</u>	 <u>\$ 48,958,161</u>	 <u>\$ -</u>

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

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

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership. PFRS is a cost-sharing multi-employer defined benefit pension plan.

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage. PERS is a cost-sharing multi-employer defined benefit pension plan.

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

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

Other Pension Funds

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

The State also administers the Pensions Adjustment Fund (PAF). Prior to the adoption of pension reform legislation, P.L. 2011, C.78, it provided cost of living increases equal to 60 percent of the change in the average consumer price index, to eligible retirees in some State-sponsored pension systems which includes the CPFPPF. Cost-of-living increases provided under the State's pension adjustment program are currently suspended as a result of the reform legislation. This benefit is funded by the State as benefit allowances become payable.

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

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

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

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits and refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

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

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, which was rolled forward to June 30, 2017, the aggregate funded ratio for all the State administered retirement systems, including local PERS and local PFRS is 35.79 percent with an unfunded actuarial accrued liability of \$142.3 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 48.10 percent and \$23.3 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 58.60 percent and \$17.2 billion, respectively.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2016 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.00% for investment rate of return for all the retirement systems except CPFPP (1.00% and (b) changes to projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for PERS and 2.10-9.98 percent based on age for PFRS.

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 10.0% for PFRS, 7.20% for PERS and 5.50% for DCRP of employee’s annual compensation for 2017.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the years ended December 31, 2017 and 2016 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2017, 2016 and 2015, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2017	\$ 1,023,033	\$ 623,641	\$ 12,720
2016	1,096,661	578,210	9,599
2015	904,696	547,407	5,835

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

Public Employees Retirement System (PERS)

At December 31, 2017 and 2016, the Borough reported a liability of \$19,259,375 and \$23,919,052, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Borough’s proportionate share of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the Borough’s proportionate share was .08273 percent, which was an increase of .00197 percent from its proportionate share measured as of June 30, 2016 of .08076 percent.

BOROUGH OF TENAFLY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2017 and 2016, the pension system has determined the Borough's pension expense to be \$1,681,007 and \$2,485,781, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$623,641 and \$578,510, respectively. At December 31, 2017 and 2016, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2017		2016	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 453,492		\$ 444,822	
Changes of Assumptions	3,880,100	\$ 3,665,875	4,954,750	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	131,143		912,055	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	979,213	-	829,540	-
Total	<u>\$ 5,443,948</u>	<u>\$ 3,665,875</u>	<u>\$ 7,141,167</u>	<u>\$ -</u>

At December 31, 2017 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2018	\$ 840,625
2019	840,625
2020	752,754
2021	(322,253)
2022	(333,678)
Thereafter	<u>-</u>
	<u>\$ 1,778,073</u>

**BOROUGH OF TENAFLY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	1.65-4.15% Based on Age	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age	2.65-5.15% Based on Age
Investment Rate of Return	7.00%	7.65%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2016 and 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

**BOROUGH OF TENAFLY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash Equivalents	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2017	5.00%
2016	June 30, 2016	3.98%

**BOROUGH OF TENAFLY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

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

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2017 and 2016 calculated using the discount rate of 5.00% and 3.98%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00% and 2.98%, respectively) or 1-percentage-point higher (6.00% and 4.98%, respectively) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
<u>2017</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 23,892,562</u>	<u>\$ 19,259,375</u>	<u>\$ 15,399,356</u>
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
<u>2016</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 29,310,006</u>	<u>\$ 23,919,052</u>	<u>\$ 19,468,352</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2017 and 2016. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF TENAFLY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

Police and Firemen's Retirement System (PFRS)

At December 31, 2017 and 2016, the Borough reported a liability of \$20,107,915 and \$23,968,569, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the Borough's proportionate share was .13025 percent, which was an increase of .00478 percent from its proportionate share measured as of June 30, 2016 of .12547 percent.

For the years ended December 31, 2017 and 2016, the pension system has determined the Borough pension expense to be \$1,801,047 and \$2,373,407, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$1,023,033 and \$1,096,607, respectively. At December 31, 2017 and 2016, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough's financial statements are from the following sources:

	2017		2016	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 130,448	\$ 118,017		\$ 157,118
Changes of Assumptions	2,479,530	3,293,089	\$ 3,319,844	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	383,706		1,679,429	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>1,360,902</u>	<u>1,236,793</u>	<u>1,064,767</u>	<u>1,729,579</u>
Total	<u>\$ 4,354,586</u>	<u>\$ 4,647,899</u>	<u>\$ 6,064,040</u>	<u>\$ 1,886,697</u>

**BOROUGH OF TENAFLY
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

At December 31, 2017 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2018	\$ 367,257
2019	367,254
2020	85,656
2021	(799,050)
2022	(314,430)
Thereafter	<u>-</u>
	<u>\$ (293,313)</u>

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

PFRS

	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	2.10-8.98% Based on Age	2.10-8.98% Based on Age
Thereafter	3.10-9.98% Based on Age	3.10-9.98% Based on Age
Investment Rate of Return	7.00%	7.65%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2016 and July 1, 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**BOROUGH OF TENAFLY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2017	6.14%
2016	June 30, 2016	5.55%

**BOROUGH OF TENAFLY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Discount Rate (Continued)

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

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

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2017 and 2016 calculated using the discount rate of 6.14% and 5.55%, respectively, as well as what the Borough’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.14% and 4.55 %, respectively) or 1-percentage-point higher (7.14% and 6.55%, respectively) than the current rate:

	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
<u>2017</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 26,493,834</u>	<u>\$ 20,107,915</u>	<u>\$ 14,861,156</u>
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
<u>2016</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 30,905,712</u>	<u>\$ 23,968,569</u>	<u>\$ 18,311,746</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2017 and 2016. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

**BOROUGH OF TENAFLY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Special Funding Situation – PFRS

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

At December 31, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$2,252,256 and \$2,012,765, respectively. For the years ended December 31, 2017 and 2016, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$275,502 and \$257,078, respectively, which is less than the actual contributions the State made on behalf of the Borough of \$112,622 and \$77,123, respectively. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

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

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating municipalities including the Borough. The plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and the Teacher's Pension and Annuity (TPAF) are combined and reported as Pension and Other Employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost sharing multiple-employer plan. The post-retirement benefit programs had a total of 580 state and local participating employers and contributing entities for Fiscal Year 2017.

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

State Health Benefits Program Funds (HBPF) – Local Government (including Prescription Drug Program Fund) – Certain local employers who participate in the State Health Benefits Program provide health insurance coverage to their employees at retirement. Under provisions of P.L. 1997, c.330, the State of New Jersey provides partially funded benefits to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Also, local employees are eligible for the PDP coverage after 60 days of employment.

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

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the State had a \$85.4 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$25.5 billion for state active and retired members, \$16.1 billion for local active and retired members and \$43.8 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2016 OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contribution

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2017, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

P.L. 1977, c. 136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$184.6 million for 10,994 eligible retired members for Fiscal Year 2017. This benefit covers the Police and Firemen's Retirement System.

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits Contribution (Continued)

P.L. 1997, c. 330 provides paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State and participating local governments are responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State and participating local governments contributed \$52.1 million in Fiscal Year 2017 to provide benefits under Chapter 330 to qualified retirees.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Borough's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended December 31, 2017, 2016 and 2015 were \$453,706, \$416,779 and \$427,211, respectively, which equaled the required contributions for each year. In addition, the Borough's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended December 31, 2017, 2016 and 2015 were \$42,228, \$32,603, and \$32,352, respectively.

NOTE 14 RISK MANAGEMENT

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

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

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

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

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 14 RISK MANAGEMENT (Continued)

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

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

<u>Year Ended December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017	\$ 30,000	\$ 14,859	\$ 50,624	\$ 19,623
2016	30,000	14,418	35,953	25,201
2015	30,000	14,483	34,595	16,687

NOTE 15 CONTINGENT LIABILITIES

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

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2017 and 2016. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2017 and 2016, the Borough reserved \$977,002 and \$662,299, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2017 and 2016, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 16 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2017 and 2016, the Borough has not estimated its arbitrage earnings due to the IRS, if any.

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

The Borough of Tenafly Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on June 26, 2001 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Tenafly approved the adoption of the Plan at the general election held on November 2, 1999.

The first year of eligibility for entrance into the Plan was calendar year 2001. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the First Aid Organization, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

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

The Borough of Tenafly has contributed \$1,282 and \$1,272 for 2017 and 2016, respectively, for each eligible volunteer fire department and volunteer ambulance corp. member into the Plan. The Borough also contributed \$1,282 and \$1,272 for 2017 and 2016, respectively for each eligible volunteer first aid squad members into the Plan. The total Borough contributions were \$52,562 and \$48,336 for 2017 and 2016, respectively.

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

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

Vesting and Benefits

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

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

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

Reporting Requirements

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

NOTE 18 TAX ABATEMENTS

For the years ended December 31, 2017 and 2016, the Borough provided property tax abatements through certain programs authorized under State statutes. These programs include the Long Term Tax Exemption Law (the "LTTE Law"), the Five-Year Exemption and Abatement Law (the "FYEA") and the New Jersey Housing and Mortgage Financing Act (NJHMFA).

- The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the years ended December 31, 2017 and 2016 the Borough abated property taxes totaling \$43,590 and \$42,726, respectively, under the NJHMFA program. The Borough received \$2,000 and \$2,000 in PILOT payments under this program for the years ended December 31, 2017 and 2016, respectively.
- Prior to the enactment of the Long Term Tax Exempt Law (NJSA 40A:20 et.seq.) and under the provisions of the Senior Citizens Nonprofit Rental Housing Tax Law (NJSA 55:141-1), which has since been repealed, allows for the clearance, re-planning, development or redevelopment of blighted areas by means of a non-profit rental housing project for the elderly, developed, erected and owed by a non-profit corporations under the Federal Senior Citizens Housing Loan Program, and pursuant to section 202 of the Federal Housing Act of 1959, as amended; authorizing and providing for the exemption in part of such non-profit rental housing projects from taxation under the law. A qualified municipality could abate for up to 50 years the property taxes on newly construction senior housing. The process beings when the municipality passes by ordinance or resolution, as appropriate, that such residential rental senior housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor to make a PILOT payment to the municipality in an amount equal to a percentage of the annual gross revenue from each senior housing project. For the years ended December 31, 2017 and 2016 the Borough abated property taxes totaling \$73,709 and \$72,249, respectively, under this law. The Borough received \$27,804 and \$17,863 in PILOT payments under this program for the years ended December 31, 2017 and 2016, respectively.

**BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 19 SUBSEQUENT EVENTS

Bond Anticipation Notes

On May 31, 2018, the Borough issued bond anticipation notes in the amount of \$2,876,013 to temporarily finance expenditures related to various capital projects. The Borough has awarded the sale of said notes to Jerfferies, LLC at an interest rate of 2.750%. These notes dated May 31, 2018 will mature on May 31, 2019.

Debt Authorized

On April 17, 2018 the Borough adopted a bond ordinance authorizing the issuance \$2,674,615 in Bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

CURRENT FUND

BOROUGH OF TENAFLY
STATEMENT OF CURRENT CASH - COLLECTOR-TREASURER

	<u>Current Fund</u>	
Balance, December 31, 2016	\$	9,428,274
Increased by Receipts:		
Miscellaneous Revenue Not Anticipated	103,450	
Taxes Receivable	98,794,785	
Revenue Accounts Receivable	3,094,904	
Grants Receivable	22,573	
Prepaid Taxes	17,345,219	
Due from State - Senior Citizen and Veteran Deductions	60,248	
Homestead Rebate	390,263	
Tax Overpayments	260,574	
Unappropriated Reserve- State and Federal Grants	58,650	
Miscellaneous Reserves	6,288	
FEMA Proceeds Deposited in Current Fund on Behalf of Storm Trust	52,628	
Due from General Capital Fund	912	
Due from Recreation Trust	7,058	
Due from Animal Control Fund	304	
Due from Other Trust Fund	1,531	
Due from Other Trust Fund- Payroll	1,083	
	<hr/>	120,200,470
		129,628,744
Decreased by Disbursements:		
2017 Budget Appropriations	25,114,339	
Appropriation Reserves	1,166,434	
Accounts Payable	67,581	
Local District School Taxes	64,304,678	
County Taxes Payable	11,436,504	
County Added and Omitted Taxes	59,858	
Tax Overpayments	186,504	
Appropriated Reserve for State and Federal Grants	19,583	
Miscellaneous Reserves	136,607	
Payments Made Municipal Open Space Trust Fund	793,238	
	<hr/>	103,285,326
Balance, December 31, 2017	<u>\$</u>	<u>26,343,418</u>

**BOROUGH OF TENAFLY
STATEMENT OF CHANGE FUNDS**

	Balance, December 31, <u>2016</u>	Balance, December 31, <u>2017</u>
<u>Office</u>		
Tax Collector	\$ 200	\$ 200
Court Clerk	50	50
Librarian	75	75
Secretary to Board of Health	25	25
Dog/Registrar	25	25
	<u>\$ 375</u>	<u>\$ 375</u>

EXHIBIT A-6

STATEMENT OF PETTY CASH FUND

Balance, December 31, 2016	\$ <u>8,736</u>
Balance, December 31, 2017	\$ <u>8,736</u>

EXHIBIT A-7

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

Balance, December 31, 2016	\$ 4,297
Increased by:	
Senior Citizen Deductions per Tax Billing	\$ 8,750
Veterans Deductions per Tax Billing	53,000
Veterans Deductions Allowed by Collector- 2017	250
Veterans Deductions Allowed by Collector- 2016	250
	<u>62,250</u>
	66,547
Decreased by:	
Senior Citizen Deductions Dis-Allowed by Collector	1,033
Veterans Deductions Dis-Allowed by Collector	500
Veterans Deductions Dis-Allowed by Collector- 2016	3,683
State Share of Senior Citizens and Veteran Deductions Received in Cash	<u>60,248</u>
	<u>65,464</u>
Balance, December 31, 2017	\$ <u>1,083</u>

**BOROUGH OF TENAFLY
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

<u>Year</u>	<u>Balance December 31, 2016</u>	<u>2017 Levy</u>	<u>Added Taxes</u>	<u>Senior Citizens' and Veterans' Deductions Disallowed</u>	<u>Collected in</u>		<u>Homestead Benefit Credit</u>	<u>Senior Citizens' and Veterans' Deductions Allowed</u>	<u>Cancelled</u>	<u>Balance, December 31, 2017</u>
2016	\$ 693,143		\$ 47,209	\$ 3,683		\$ 743,785		\$ 250		
2017	<u>-</u>	\$ 99,657,692	<u>947,647</u>	<u>1,533</u>	\$ 1,085,385	<u>98,051,000</u>	\$ 390,263	<u>62,000</u>	\$ 293,699	\$ 724,525
	<u>\$ 693,143</u>	<u>\$ 99,657,692</u>	<u>\$ 994,856</u>	<u>\$ 5,216</u>	<u>\$ 1,085,385</u>	<u>\$ 98,794,785</u>	<u>\$ 390,263</u>	<u>\$ 62,250</u>	<u>\$ 293,699</u>	<u>\$ 724,525</u>

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Analysis of 2017 Property Tax Levy

Tax Yield	
General Property Tax	\$ 99,657,692
Added Tax (R.S. 54:4-63.1 et seq.)	<u>947,647</u>
	<u>\$ 100,605,339</u>
Tax Levy	
Local District School Tax	\$ 64,304,678
County Tax - General	10,981,136
County Tax - Open Space	455,368
Added County Taxes	114,232
Municipal Open Space	<u>398,944</u>
	76,254,358
Local Tax for Municipal and Library	23,519,967
Additional Taxes	<u>831,014</u>
	<u>24,350,981</u>
	<u>\$ 100,605,339</u>

BOROUGH OF TENAFLY
STATEMENT OF PROPERTY ACQUIRED FOR TAXES (AT ASSESSED VALUATION)

Balance, December 31, 2016	\$ <u>18,200</u>
Balance, December 31, 2017	\$ <u><u>18,200</u></u>

STATEMENT OF TAX TITLE LIENS RECEIVABLE

Balance, December 31, 2016	\$ <u>887</u>
Balance, December 31, 2017	\$ <u><u>887</u></u>

**BOROUGH OF TENAFLY
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, December 31, <u>2016</u>	Accrued in <u>2017</u>	<u>Realized</u>	Balance, December 31, <u>2017</u>
Borough Clerk				
Liquor Licenses		\$ 27,100	\$ 27,100	
Licenses - Other		5,555	5,555	
Fees and Permits - Other		45,100	45,100	
Board of Health				
Fees and Permits		2,760	2,760	
Licenses - Other		11,385	11,385	
Police Department				
Fees and Permits		3,213	3,213	
Alarm System Fees		57,750	57,750	
Planning Board/Board of Adjustment				
Fees and Permits		19,995	19,995	
Tax Collector				
Fees and Permits		1,143	1,143	
Fire Prevention				
Fees and Permits		44,706	44,706	
Municipal Court				
Fines and Costs		139,729	139,729	
Uniform Construction Code				
Fees and Permits		625,843	625,843	
Fees and Permits- Other		32,896	32,896	
Interest and Costs on Taxes		204,394	204,394	
Energy Receipts Taxes		1,119,801	1,119,801	
Rental of Borough Owned Property		82,723	82,723	
Uniform Fire Safety Act (Life Hazard Use)		12,283	12,283	
Interest on Investments and Deposits		116,947	116,947	
Tax Exempt Sewer Fees		28,265	28,265	
Cable TV Franchise Fee		190,148	190,148	
Cell Tower/Monopole Lease		146,931	146,931	
Hotel Occupancy Fee (P.L. 2003, c. 114)		104,741	104,741	
Payment in Lieu of Taxes - Tenafly House		27,804	27,804	
Use of Sewer System Agreements	-	43,692	43,692	-
	<u>\$ -</u>	<u>\$ 3,094,904</u>	<u>\$ 3,094,904</u>	<u>\$ -</u>

EXHIBIT A-12

STATEMENT OF GRANTS RECEIVABLE

	Balance, December 31, <u>2016</u>	<u>Accrued</u>	Cash <u>Receipts</u>	<u>Cancellation</u>	Balance, December 31, <u>2017</u>
Recycling Tonnage Grant		\$ 22,573	\$ 22,573		
Municipal Alliance	\$ 53,853	4,938	-	\$ 42,672	\$ 16,119
	<u>\$ 53,853</u>	<u>\$ 27,511</u>	<u>\$ 22,573</u>	<u>\$ 42,672</u>	<u>\$ 16,119</u>

**BOROUGH OF TENAFLY
STATEMENT OF 2016 APPROPRIATION RESERVES**

	Balance, January 1, 2017	Budget After Modification	Expended	Transfer to Reserves	Balance Lapsed
Salaries and Wages					
General Administration	\$ 3,201	\$ 3,201			\$ 3,201
Mayor and Council	12,350	12,350	\$ 300		12,050
Municipal Clerk	557	557			557
Financial Administration	-	3,934	3,934		-
Revenue Administration	16,066	7,436	92		7,344
Tax Assessment Administration	1,000	1,000	92		908
Building Department	2,571	2,571	1,840		731
Planning Board	2,054	2,054			2,054
Zoning Board	1,500	1,500			1,500
Police	9,856	37,107	37,107		-
Volunteer Ambulance	949	949	749		200
Fire Department	3,161	161			161
Fire Prevention	5,839	5,839	3,063		2,776
Prosecutor	8	8			8
Streets & Roads	144,702	136,175	8,227		127,948
Recycling	-	334	334		-
Buildings & Grounds	26,017	26,018	1,303		24,715
Recreation	131	1,104	1,104		-
Youth Center	2,052	2,052	479		1,573
Senior Citizens	13,940	13,940	1,111		12,829
Municipal Court	7,544	7,544	1,178		6,366
Municipal Library	-	6,826	6,826		-
Municipal Library-Building Maintenance	8,772	-	-		-
Payroll Adjustment/Terminal Leave	153,000	153,000	103,000	\$ 50,000	-
Other Expenses					
General Administration	11,785	11,785	3,213		8,572
Municipal Clerk	10,235	10,235	7,132		3,103
Postage	17,258	17,258	672		16,586
Photocopy Expense	1,013	1,013	460		553
Mayor & Council	1,431	1,704	1,004		700
Elections	2,500	2,660	160		2,500
Financial Administration	6,960	8,900	8,900		-
Audit	-	2,175	2,175		-
Revenue Administration	9,163	9,163	7,924		1,239
Tax Assessment Administration	12,547	14,945	4,219		10,726
Legal Services & Costs	68,397	68,397	4,362		64,035
Engineering	10,663	18,128	1,027	6,500	10,601
Historic Preservation	6,304	6,304	1,706		4,598
Buildings Department	2,850	2,850	199		2,651
Planning Board	19,397	19,397	6,405		12,992
Zoning Board of Adjustment	4,927	4,967	85		4,882
Insurance- Liability	207,795	207,795	180,097		27,698
Insurance- Surety Bond Premiums	1,471	1,471			1,471
Insurance - Volunteer Firemen		1,500			1,500
Municipal Court	3,937	3,936	862		3,074
Public Defender	3,500	3,500	1,000		2,500

**BOROUGH OF TENAFLY
STATEMENT OF 2016 APPROPRIATION RESERVES**

	Balance, January 1, <u>2017</u>	Total Modified <u>Budget</u>	<u>Expended</u>	Transfer to <u>Reserves</u>	Balance <u>Lapsed</u>
Other Expenses (Continued)					
Emergency Management Services	\$ 354	\$ 3,764	\$ 3,764		
Aid to Volunteer Ambulance Corp	13,313	19,104	10,080		\$ 9,024
Police	54,152	113,820	104,932		8,888
Emergency Response Team	1,579	7,387	5,921		1,466
Fire Department	28,195	40,697	33,626		7,071
Fire Prevention	4,906	6,591	2,546		4,045
Fire Hydrant Service	41,999	42,162	40,621		1,541
Streets & Roads	8,231	76,672	72,672		4,000
Recycling	22,126	51,406	21,551		29,855
Solid Waste Contract Collections	130,833	130,833	126,923		3,910
Solid Waste Disposal - Tipping Fees	105,674	115,683	61,111		54,572
Building & Grounds	1,418	18,452	15,558		2,894
Public Health	5,668	5,668	165		5,503
Environmental Commission	761	761	-		761
Animal Control	221	221			221
Recreation	9,883	11,026	3,124		7,902
Youth Center	4,217	4,217	287		3,930
Senior Citizens	2,807	3,026	715		2,311
Construction Code Official	4,263	4,263	71		4,192
Electricity	28,040	30,836	26,527		4,309
Street Lighting	38,343	38,343	27,854		10,489
Telephone	7,310	8,596	4,694		3,902
Natural Gas	28,349	32,066	7,745		24,321
Gasoline	138,826	157,509	15,535		141,974
Leases	429	429			429
Social Security System (O.A.S.I.)	29,575	29,575			29,575
DCRP	-	581	581		-
Library Building Maintenance	16,560	7,505	7,505		-
Maintenance of Free Public Library	106,795	121,649	121,649		-
Recycling Tax	5,051				
LOSAP	71,343	71,343	48,336	-	23,007
Reserve for Tax Appeals	<u>145,000</u>	<u>145,000</u>	<u>-</u>	<u>\$ 145,000</u>	<u>-</u>
	<u>\$ 1,873,624</u>	<u>\$ 2,142,928</u>	<u>\$ 1,166,434</u>	<u>\$ 201,500</u>	<u>\$ 774,994</u>

Appropriation Reserves	\$ 1,873,625
Prior Year Encumbrances	<u>269,303</u>
	<u>2,142,928</u>

Cash Disbursed \$ 1,166,434

Analysis

Transfer to Accounts Payable	\$ 6,500
Transfer to Terminal Leave	50,000
Transfer to Reserve for Tax Appeals	<u>145,000</u>
	<u>\$ 201,500</u>

**BOROUGH OF TENAFLY
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2016	\$ 269,303
Increased by:	
Charged to 2017 Budget Appropriations	696,339
	965,642
Decreased by:	
Transferred to Appropriation Reserves	269,303
Balance, December 31, 2017	\$ 696,339

EXHIBIT A-15

STATEMENT OF PREPAID TAXES

Balance, December 31, 2016	\$ 1,085,385
Increased by:	
Collection of 2018 Taxes	17,345,219
	18,430,604
Decreased by:	
Applied to 2017 Taxes	1,085,385
Balance, December 31, 2017	\$ 17,345,219

**BOROUGH OF TENAFLY
STATEMENT OF LOCAL DISTRICT SCHOOL TAX**

Increased by:		
Levy - Calendar Year 2017		<u>\$ 64,304,678</u>
Decreased by:		
Payments		<u>\$ 64,304,678</u>

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:		
Levy- General County - 2017	\$ 10,981,136	
Levy- Open Space Preservation - 2017	<u>455,368</u>	
		<u>\$ 11,436,504</u>
Decreased by:		
Payments		<u>\$ 11,436,504</u>

STATEMENT OF DUE TO COUNTY FOR ADDED AND OMITTED TAXES

Balance, December 31, 2016		\$ 59,857
Increased by:		
County Share of Added and Omitted Taxes		<u>114,232</u>
		174,089
Decreased by:		
Payments		<u>59,858</u>
Balance, December 31, 2017		<u>\$ 114,231</u>

**BOROUGH OF TENAFLY
STATEMENT OF DUE TO MUNICIPAL OPEN SPACE TRUST FUND**

Balance, December 31, 2016		\$ 394,294
Increased by:		
Tax Levy- 2017	\$ 394,997	
Added and Omitted Taxes	<u>3,947</u>	
		<u>398,944</u>
		793,238
Decreased by:		
Cash Disbursed		<u>793,238</u>
Balance, December 31, 2017		<u>\$ -</u>

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2016		\$ 56,038
Increased by:		
Cash Receipts		<u>260,574</u>
		316,612
Decreased by:		
Cash Disbursements		<u>186,504</u>
Balance, December 31, 2017		<u>\$ 130,108</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2016		\$ 67,581
Increased by:		
Transfer from Appropriation Reserves- Engineering Fees		<u>6,500</u>
		74,081
Decreased by:		
Cash Disbursed		<u>67,581</u>
Balance, December 31, 2017		<u>\$ 6,500</u>

BOROUGH OF TENAFLY
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance, December 31, <u>2016</u>	<u>Cancellation</u>	Cash <u>Disbursed</u>	Balance, December 31, <u>2017</u>
Body Armor Replacement Grant	\$ 1,368			\$ 1,368
Recycling Tonnage Grant	70,414		\$ 7,562	62,852
Clean Communities Grant	12,021		12,021	-
Click It or Ticket	48			48
U.S. Department of Justice - COPS Universal - Local Share	55,856			55,856
Green Communities	3,000			3,000
U.S. Department of Justice - COPS More - Local Share	9			9
Municipal Alliance on Alcoholism and County Share	42,672	\$ 42,672		-
Local Share	9,047			9,047
Bergen County Department of Parks - Arts Grant County Share	2			2
NJLM Sustainable Jersey Small Cities Grant	5,000	-	-	5,000
	<u>\$ 199,437</u>	<u>\$ 42,672</u>	<u>\$ 19,583</u>	<u>\$ 137,182</u>
Grant Receivable		<u>\$ 42,672</u>		

SCHEDULE OF UNAPPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance, December 31, <u>2016</u>	Realized as Budgeted <u>Revenue</u>	Cash <u>Receipts</u>	Balance, December 31, <u>2017</u>
Green Communities	\$ 2,000	\$ 2,000		
Clean Communities	33,551	33,551	\$ 28,504	\$ 28,504
Environmental Grant	500	500		-
Police- County DWI Grant	6,079	6,079		-
DOJ- Bullet Proof Vest Grant	2,625	2,625		-
Recycling Tonnage Grant			23,115	23,115
Drunk Driving Enforcement Fund			3,799	3,799
Body Armor Replacement Grant	3,227	3,227	3,232	3,232
Click It or Ticket	5,000	5,000	-	-
	<u>\$ 52,982</u>	<u>\$ 52,982</u>	<u>\$ 58,650</u>	<u>\$ 58,650</u>

**BOROUGH OF TENAFLY
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2016</u>	Transfer From Current <u>Collections</u>	Transfer From Appropriation <u>Reserves</u>	Cash <u>Receipts</u>	Cash <u>Disbursed</u>	Balance, December 31, <u>2017</u>
Reserve for:						
State Library Aid	\$ 6,303			\$ 6,288	\$ 6,310	\$ 6,281
Tax Appeals	<u>662,299</u>	<u>\$ 300,000</u>	<u>\$ 145,000</u>	<u>-</u>	<u>130,297</u>	<u>977,002</u>
	<u>\$ 668,602</u>	<u>\$ 300,000</u>	<u>\$ 145,000</u>	<u>\$ 6,288</u>	<u>\$ 136,607</u>	<u>\$ 983,283</u>

TRUST FUNDS

**BOROUGH OF TENAFLY
STATEMENT OF CASH - TREASURER**

	Animal Control <u>Fund</u>	Other Trust <u>Fund</u>	Unemployment <u>Compensation Trust Fund</u>	Recreation Activities <u>Trust Fund</u>	Municipal Open Space Preservation <u>Trust Fund</u>
Balance, December 31, 2016	\$ 25,598	\$ 4,912,925	\$ 25,193	\$ 270,009	\$ 1,707,860
Increased by Receipts:					
Animal License Fees - Borough Share	\$ 16,882				
Dog License Fees - State Share	1,163				
Miscellaneous Reserves		\$ 1,657,741			
Employee Contributions			\$ 14,859		
Budget Appropriation			30,000		
Municipal Open Space Tax Levy					\$ 398,944
Affordable Housing Trust		562,546			
Escrow Deposits- Construction Fees		238,246			
Payroll Deductions Payable		5,370,829			
Net Payroll		7,765,383			
Recreation Activities				\$ 547,621	
Receipts from Current Fund					394,294
Interest on Deposits	304	1,213	187	3,057	14,204
	<u>43,947</u>	<u>20,508,883</u>	<u>70,239</u>	<u>820,687</u>	<u>2,515,302</u>
	43,947	20,508,883	70,239	820,687	2,515,302
Decreased by:					
Reserve for Animal Expenditures	12,593				
State Share - Dog Licenses	1,163				
Miscellaneous Reserves		1,451,514			
Payroll Deductions Payable		5,371,887			
Net Payroll		7,765,383			
Affordable Housing Trust		805,665			
Reserve for Unemployment			50,624		
Recreation Activities				486,821	
Reserve for Municipal Open Space					661,000
Escrow Deposits- Construction Fees		182,669			
Payments to General Capital Fund					100,000
Payments to Current Fund	304	2,614	-	7,058	-
	<u>14,060</u>	<u>15,579,732</u>	<u>50,624</u>	<u>493,879</u>	<u>761,000</u>
	14,060	15,579,732	50,624	493,879	761,000
Balance, December 31, 2017	<u>\$ 29,887</u>	<u>\$ 4,929,151</u>	<u>\$ 19,615</u>	<u>\$ 326,808</u>	<u>\$ 1,754,302</u>

**BOROUGH OF TENAFLY
STATEMENT OF RESERVE FOR ANIMAL LICENSE EXPENDITURES
ANIMAL CONTROL TRUST FUND**

Balance, December 31, 2016		\$ 25,564
Increased by:		
Animal License Fees	\$ 13,642	
Cat License Fees	1,758	
Miscellaneous Fees	<u>1,482</u>	
		<u>16,882</u>
		42,446
Decreased by:		
Expenditures Under R.S. 4:19-15.11		
Cash Disbursements		<u>12,593</u>
Balance, December 31, 2017		<u>\$ 29,853</u>

Animal License Fees Collected

<u>Year</u>	
2015	\$ 15,436
2016	<u>17,296</u>
	<u>\$ 32,732</u>

**STATEMENT OF AMOUNT DUE FROM STATE OF NEW JERSEY -
ANIMAL CONTROL TRUST FUND**

Balance, December 31, 2016		\$ 2
Increased by:		
Payments		<u>1,163</u>
		1,165
Decreased by:		
State Fees Collected		<u>1,163</u>
Balance, December 31, 2017		<u>\$ 2</u>

**BOROUGH OF TENAFLY
STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL TRUST FUND**

Balance, December 31, 2016	\$	36
Increased by:		
Interest on Deposits		304
340		
Decreased by:		
Payments to Current Fund		304
304		
Balance, December 31, 2017	\$	36

**STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION INSURANCE
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, December 31, 2016	\$	25,201
Increased by:		
Employee Deductions	\$ 14,859	
Interest on Deposits	187	
Budget Appropriation	30,000	
45,046		
70,247		
Decreased by:		
Unemployment Claims		50,624
50,624		
Balance, December 31, 2017	\$	19,623

**BOROUGH OF TENAFLY
STATEMENT OF DUE FROM CURRENT FUND
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, December 31, 2016	\$	<u>8</u>
Balance, December 31, 2017	\$	<u><u>8</u></u>

**STATEMENT OF DUE FROM CURRENT FUND
OTHER TRUST FUND**

Balance, December 31, 2016	\$	497,604
Increased by:		
Transfer from Appropriation Reserves- Terminal Leave	\$	50,000
FEMA Proceeds Received in Current Fund- Due to Storm Trust		52,628
Payments to Current Fund		<u>1,531</u>
		<u>104,159</u>
Balance, December 31, 2017	\$	<u><u>601,763</u></u>

**BOROUGH OF TENAFLY
STATEMENT OF DUE TO CURRENT FUND
OTHER TRUST FUND - PAYROLL AGENCY**

Balance, December 31, 2016	\$	28,455
Increased by:		
Interest on Deposits		1,083
		29,538
Decreased by:		
Payments to Current Fund		1,083
Balance, December 31, 2017	\$	28,455

**STATEMENT OF ACCRUED SALARY AND WAGES
OTHER TRUST FUND**

Balance, December 31, 2016	\$	4,393
Increased by:		
Cash Receipts		7,765,383
		7,769,776
Decreased by:		
Cash Disbursements		7,765,383
Balance, December 31, 2017	\$	4,393

**BOROUGH OF TENAFLY
STATEMENT OF PAYROLL DEDUCTIONS PAYABLE
OTHER TRUST FUND**

Balance, December 31, 2016	\$	12,789
Increased by:		
Cash Receipts		<u>5,370,829</u>
		5,383,618
Decreased by:		
Cash Disbursements		<u>5,371,887</u>
Balance, December 31, 2017	\$	<u><u>11,731</u></u>

**STATEMENT OF ESCROW DEPOSITS - CONSTRUCTION FEES
OTHER TRUST FUND**

Balance, December 31, 2016	\$	335,266
Increased by:		
Cash Receipts		<u>238,246</u>
		573,512
Decreased by:		
Cash Disbursements		<u>182,669</u>
Balance, December 31, 2017	\$	<u><u>390,843</u></u>

**BOROUGH OF TENAFLY
STATEMENT OF MISCELLANOUS RESERVES
OTHER TRUST FUND**

	<u>Balance,</u> <u>December 31, 2016</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance,</u> <u>December 31, 2017</u>
Shade Tree Trust Fund	\$ 82,408	\$ 10,500	\$ 26,532	\$ 66,376
Hazmat Recovery	422			422
Safety Committee	5,568		1,513	4,055
Tree Bond	305,505	149,193	124,466	330,232
Street Opening	6,000	5,250		11,250
Tenaflly Presents	25			25
Security Deposits/Refundable Deposits	11,330			11,330
Davis Johnson Park	114,806	9,210	26,896	97,120
Marriage License/Domestic Partners Trust	1,150	650	775	1,025
Burial Permits	1,915	2,100		4,015
Tax Title Lien Redemptions	6,696	310,183	310,183	6,696
Police Donations	14,330	13,578	13,329	14,579
State Training Fees	10,496	37,127	37,127	10,496
Home Rehabilitation Inspection Fee	50			50
Teen Center/Teen Camp	16,461	79,276	85,191	10,546
Public Defender Fees	2,500			2,500
Alcohol Education and Rehabilitation	18,439	1,029		19,468
Lost Money - Found	1,085	1,426		2,511
Tenaflly Welcome	194	239	389	44
HPC	1,252	30	196	1,086
Donations Huyler Park Gazebo	3,018			3,018
Fire Penalty Fund	4,009	1,250		5,259
Uniform Construction Code Penalties	18,045	1,250		19,295
Donations All Abilities Playground	342			342
Snow Removal Trust	188,779	52,628	57,020	184,387
Parking Permit Trust	4,500		75	4,425
POAA	4,496	260		4,756
Premium on Tax Sale	736,908	597,400	444,300	890,008

BOROUGH OF TENAFLY
STATEMENT OF MISCELLANOUS RESERVES (CONTINUED)
OTHER TRUST FUND

	Balance, December 31, 2016	Increased	Decreased	Balance, December 31, 2017
Planning Board / Board of Adjustment Fees	\$ 241,795	\$ 264,134	\$ 113,764	\$ 392,165
Reserve for Terminal Leave	833,910	50,000	49,835	834,075
Confiscated Funds	2,912	48		2,960
Municipal Alliance CCAP	14,715	6,931	6,870	14,776
Mayor's Wellness Campaign	490			490
Tenafly Community Night	5,403	2,200	5,308	2,295
Police Outside Duty	15,069	131,952	128,180	18,841
Police Video Cameras	800	350		1,150
Environmental Trust	73	375		448
Borough "Events"	3,245	31,800	19,565	15,480
	<u>\$ 2,679,141</u>	<u>\$ 1,760,369</u>	<u>\$ 1,451,514</u>	<u>\$ 2,987,996</u>
Cash Receipts		\$ 1,657,741		
Due from Current Fund		102,628		
Cash Disbursements		<u>-</u>	<u>\$ 1,451,514</u>	
		<u>\$ 1,760,369</u>	<u>\$ 1,451,514</u>	

EXHIBIT B-15

STATEMENT OF RESERVE FOR MUNICIPAL OPEN SPACE TRUST
OPEN SPACE PRESERVATION TRUST FUND

Balance, December 31, 2016	\$ 2,002,154
Increased by:	
Tax Levy - 2017	\$ 394,997
Added and Omitted Taxes	3,947
Interest Earned on Deposits	<u>14,204</u>
	413,148
	2,415,302
Decreased by:	
Appropriated to Finance Improvement Authorization #17-19	<u>661,000</u>
Balance, December 31, 2017	<u>\$ 1,754,302</u>

**BOROUGH OF TENAFLY
STATEMENT OF RESERVE FOR AFFORDABLE HOUSING TRUST
OTHER TRUST FUND**

Balance, December 31, 2016	\$	2,350,515
Increased by:		
Cash Receipts		562,546
		2,913,061
Decreased by:		
Cash Disbursement		805,665
Balance, December 31, 2017	\$	2,107,396

**STATEMENT OF RESERVE FOR RECREATION EXPENDITURES
RECREATION ACTIVITIES TRUST FUND**

Balance, December 31, 2016	\$	269,854
Increased by:		
Cash Receipts		547,621
		817,475
Decreased by:		
Cash Disbursements	486,821	
Prior Year Interest Paid to Current Fund	4,694	
		491,515
Balance, December 31, 2017	\$	325,960

**BOROUGH OF TENAFLY
STATEMENT OF DUE TO OTHER TRUST-PAYROLL
RECREATION ACTIVITIES TRUST FUND**

Balance, December 31, 2016	\$ <u>30</u>
Balance, December 31, 2017	\$ <u><u>30</u></u>

**STATEMENT OF DUE TO CURRENT FUND
RECREATION ACTIVITIES TRUST FUND**

Balance, December 31, 2016	\$ 125
Increased by:	
Interest Earnings	<u>3,057</u>
	3,182
Decreased by:	
Payments to Current Fund	<u>2,364</u>
Balance, December 31, 2017	\$ <u><u>818</u></u>

**STATEMENT OF DUE TO CURRENT FUND
OTHER TRUST FUND- ESCROW DEPOSITS**

Increased by:	
Interest Earnings	\$ <u>130</u>
Balance, December 31, 2017	\$ <u><u>130</u></u>

GENERAL CAPITAL FUND

**BOROUGH OF TENAFLY
STATEMENT OF GENERAL CAPITAL CASH - TREASURER**

Balance, December 31, 2016		\$ 1,133,515
Increased by Receipts:		
Interest Earnings	\$ 15,766	
Capital Improvement Fund	150,000	
Unfunded Grants Raised in the Current Fund Budget	83,830	
Bond Proceeds	8,526,000	
Premium on the Sale of Bonds	179,084	
Receipts from Municipal Open Space Trust Fund	761,000	
Excess Grant Proceeds	52,755	
Grant Receipts	<u>618,752</u>	
		<u>10,387,187</u>
		11,520,702
Decreased by Disbursements:		
Improvement Authorizations	1,890,361	
Contracts Payable	1,524,575	
Payments to Current Fund	912	
Bond Anticipation Notes	<u>6,119,000</u>	
		<u>9,534,848</u>
Balance, December 31, 2017		<u>\$ 1,985,854</u>

BOROUGH OF TENAFLY
ANALYSIS OF GENERAL CAPITAL CASH AND INVESTMENTS

		Balance, December 31, <u>2017</u>
Fund Balance		\$ 262,323
Grant / Other Receivables		(105,906)
Contracts Payable		1,539,779
Due from Current Fund		(184,629)
Capital Improvement Fund		32,712
Reserve for Debt Service		65,527
Improvement Authorizations:		
<u>Ord. No.</u>	<u>Description</u>	
12-08	Various Capital Improvements	1
13-22	Basketball court improvements	1,449
13-27	Improvements to Froggy Park	4,547
13-11/13-14	Various Capital Improvements	56,598
14-08/14-12/15/13	Various Capital Improvements	22,110
15-06	Cooperative Ramp Program	31,219
15-08	Various Capital Improvements	380,721
16-07	Various Capital Improvements	471,897
16-11	Development of Sgt. Nicholas Oresko Memorial Park	100,000
17-09	Various Capital Improvements	(1,348,114)
17-14	Police Communication Equipment	5,395
17-19	Pfister's Pond Restoration	661,000
17-23	Tenakill/Tenafly Swim Club Parking Lot Paving Project	<u>(10,775)</u>
		 <u>\$ 1,985,854</u>

**BOROUGH OF TENAFLY
SCHEDULE OF GRANT / OTHER RECEIVABLES
GENERAL CAPITAL FUND**

	<u>Pledged</u>	Balance, December 31, 2016	Grants Awards	Collected	Funded by Budget Appropriation	Balance, December 31, 2017
<u>New Jersey Transportation Trust Fund:</u>						
Ord. 15-08 Road Improvements	Ord.	\$ 149,000		\$ 149,000		
Ord. 16-07 Road Resurfacing	Ord.	149,000		149,000	-	
Ord. 17-09 Road Resurfacing	Reserve	-	\$ 81,000	-	-	\$ 81,000
		<u>298,000</u>	<u>81,000</u>	<u>298,000</u>	<u>-</u>	<u>81,000</u>
<u>Bergen County/County Open Space Trust</u>						
Ord. 07-24 - Phase I Improvements to Huyler Park	Reserve	9,941				9,941
Ord. 09-21 - Drainage Improvements	Reserve	119,000				119,000
Ord. 10-08 - Improvements to Davis-Johnson Park	Ord.	83,830			\$ 83,830	-
Ord. 13-22 Basketball Court Improvements	Ord.	11,886				11,886
Ord. 13-27 Improvements to Froggy Park	Ord.	47,750				47,750
Ord. 15-06 Cooperative Curb Ramp Program	Ord.	135,447		\$ 102,335		33,112
Ord. 16-07 Upper Portion of Griffin Park	Ord.	49,000		49,000		-
Ord. 16-07 Roosevelt Common Tennis Court Lighting	Ord.	63,075		49,917		13,158
Ord. 16-07 Johnson Park Handicapped Access Ramp	Ord.	19,500		19,500	-	-
Ord. 17-09 Park and Field Improvements	Reserve	-	46,325	-	-	46,325
		<u>539,429</u>	<u>46,325</u>	<u>220,752</u>	<u>83,830</u>	<u>281,172</u>
<u>Due from Tenafly Chamber of Commerce</u>						
Ord. 07-24 - Phase I Improvements Huyler Park	Reserve	15,900	-	-	-	15,900
<u>State of New Jersey Office of Emergency Management</u>						
Ord. #15-13 Purchase of Generators	Ord.	100,000	-	100,000	-	-
<u>Bergen County Community Development</u>						
Ord. 07-23 - Construct Barrier Free Doors	Reserve	2,890	-	-	-	2,890
		<u>2,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,890</u>
		<u>\$ 956,219</u>	<u>\$ 127,325</u>	<u>\$ 618,752</u>	<u>\$ 83,830</u>	<u>\$ 380,962</u>
				Cash Receipts		<u>\$ 618,752</u>

		<u>Analysis of Balance</u>
Offset by Reserve:		
Ord. 07-23	\$ 2,890	
Ord. 07-24	25,841	
Ord. 09-21	119,000	
Ord. 17-09	127,325	
		\$ 275,056
Unfunded		<u>105,906</u>
		<u>\$ 380,962</u>

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

Balance, December 31, 2016	\$ 12,262,000
Increased by:	
Bonds Issued	<u>8,526,000</u>
	20,788,000
Decreased by:	
Budget Appropriations to Pay Bonds	<u>2,572,000</u>
Balance, December 31, 2017	<u>\$ 18,216,000</u>

**BOROUGH OF TENAFLY
STATEMENT OF GENERAL SERIAL BONDS**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturity of Bonds Outstanding December 31, 2017</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2016</u>	<u>Issued</u>	<u>Decreased</u>	<u>Balance, December 31, 2017</u>
			<u>Date</u>	<u>Amount</u>					
2005 General Improvement Bonds	11-01-05	\$ 6,562,000	11-01-2017	\$ 822,000	3.700%	\$ 822,000		\$ 822,000	
2007 General Improvement Bonds	12-01-07	8,614,000	12/1/2017	1,150,000	3.875%	1,050,000		1,050,000	
2012 General Improvement Bonds	10/1/2012	6,260,000	10-01-2018 10-01-2019-2022	735,000 750,000	1.000% .375%-2.00%	4,435,000		700,000	\$ 3,735,000
2015 General Improvement Refunding Bonds	12/2/2015	5,955,000	12/1/2018 12/1/2019 12/1/2020 12/1/2021 12/1/2022	1,130,000 1,165,000 1,190,000 1,230,000 1,240,000	3.000% 4.000% 4.000% 4.000% 4.000%	5,955,000		-	5,955,000
2017 General Improvement Bonds	5/1/2017	8,526,000	5/1/2018-2022 5/1/2023-2025 5/1/2026 5/1/2027	575,000 1,125,000 1,130,000 1,146,000	2.000% 2.000% 2.000% 3.000%	-	\$ 8,526,000	-	8,526,000
						<u>\$ 12,262,000</u>	<u>\$ 8,526,000</u>	<u>\$ 2,572,000</u>	<u>\$ 18,216,000</u>
					Budget Appropriation			<u>\$ 2,572,000</u>	

**BOROUGH OF TENAFLY
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. Number	Improvement Description	Ordinance Date	Amount	Balance, December 31, 2016		2017 Authorizations	Contracts Cancelled	Canceled	Paid or Charged	Balance, December 31, 2017	
				Funded	Unfunded					Funded	Unfunded
92-06/96-08	Railroad Station Renovation	04-23-96	\$ 55,000	\$ 9,309				\$ 9,309			
04-28	Restoration of the Tenafly Railroad Station	10-26-04	188,000	1,502				352	\$ 1,150		
06-08	Road Resurfacing and Sidewalk Replacement Prog.	04-11-06	320,000	1,124		\$ (1,124)					
06-20	Supp. To Restoration of the Tenafly Railroad Station	08-08-06	217,500	1,709				1,709			
08-15	Improvement to Engle Street Phase IV	05-27-08	110,000	711		(711)					
08-23	Various Capital Improvements	10-14-08	343,400	5,044		(5,044)					
10-08	Improvements to Davis-Johnson Park	03-09-10	171,300				\$ 9,006		9,006		
11-07	Various Capital Improvements	06-21-11	794,500	3,676		(3,676)					
12-05	Various Capital Improvements	4/10/12	1,057,154	92,993		(92,993)					
12-08	Various Capital Improvements- Re-Appropriate	6/19/12	188,861	1			9,745		9,745	\$ 1	
12-09	Improvements to Columbus Drive	6/19/12	150,000	7,781		(7,781)					
13-11/13-14/15-07	Various Capital Improvements	4/30/13-4/28/15	2,437,100		\$ 70,598				14,000	56,598	
13-22	Basketball Court Improvements	9/24/13	85,550	1,449						1,449	
13-27	Improvements to Froggy Park	11/26/13	106,902	4,547						4,547	
14-08/14-12/15/13	Various Capital Improvements	4/29/14-5/27/14	2,068,122		347,645	(301,550)	213,976		237,961	22,110	
15-01/15-02	Construction of DPW Building	2/24/15	1,665,573				19,305		19,305		
15-06	Cooperative Curb Ramp Program	4/28/15	139,247	31,219						31,219	
15-08	Various Capital Improvements	4/28/15	1,601,113		401,051		51,823		72,153	380,721	
15-09	Improvements to Griffin Park	7/13/15	100,500				7,141		7,141		
16-02	Supplemental to #14-08 New Public Works Bldg	1/26/16	50,000				30,999		30,999		
16-07	Various Capital Improvements	4/12/16	2,808,624		1,158,029		431,371		1,117,503	471,897	
16-11	Development of Sgt. Nicholas Oresko Memorial Park	7/11/16	100,000	100,000						100,000	
17-09	Various Capital Improvements	4/20/17	2,620,817			2,620,817			1,472,918		\$ 1,147,899
17-14	Police Communication Equipment- Reappropriation	8/14/17	412,879			412,879			407,484	5,395	
17-19	Pfister's Pont Restoration	10/24/17	661,000			661,000				661,000	
17-23	Tenakill/Tenafly Swim Club Parking Lot Paving Project	10/24/17	400,000	-	-	400,000			30,775		369,225
				<u>\$ 261,065</u>	<u>\$ 1,977,323</u>	<u>\$ 3,681,817</u>	<u>\$ 773,366</u>	<u>\$ 11,370</u>	<u>\$ 3,430,140</u>	<u>\$ 1,734,937</u>	<u>\$ 1,517,124</u>
						Capital Improvement Fund	\$ 144,804				
						Deferred Charges Unfunded	2,876,013				
						Municipal Open Space Trust	661,000				
						<u>\$ 3,681,817</u>					
									Cash Disbursements	\$ 1,890,361	
									Due to Current fund		
									Contracts Payable	<u>1,539,779</u>	
									<u>\$ 3,430,140</u>		

**BOROUGH OF TENAFLY
STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, December 31, 2016	\$	27,516
Increased by:		
Budget Appropriation		<u>150,000</u>
		177,516
Decreased by:		
Appropriation to Finance Improvement Authorizations		<u>144,804</u>
Balance, December 31, 2017	\$	<u><u>32,712</u></u>

STATEMENT OF DUE FROM CURRENT FUND

Balance, December 31, 2016	\$	209,764
Increased by:		
Payments Made to Current Fund		<u>912</u>
		210,676
Decreased by:		
Interest Earnings	\$	15,766
Reserve for Payment of Debt Service- Realized as		
Current Fund Budgeted Revenue		<u>10,281</u>
		<u>26,047</u>
Balance, December 31, 2017	\$	<u><u>184,629</u></u>

**BOROUGH OF TENAFLY
STATEMENT OF RESERVE FOR DEBT SERVICE**

Balance, December 31, 2016		\$	13,096
Increased by:			
Excess Bond Proceeds - Ord. #14-08		\$	9,957
Excess Grant Proceeds - Ord. #16-07			<u>52,755</u>
			<u>62,712</u>
			75,808
Decreased by:			
Realized as Current Fund Budgeted Revenue			<u>10,281</u>
Balance, December 31, 2017		\$	<u><u>65,527</u></u>

Analysis of Balance

Ordinance #10-10		2,564	
Ordinance #10-22		251	
Ordinance #14-08		9,957	
Ordinance #16-07		<u>52,755</u>	
			<u><u>\$ 65,527</u></u>

**BOROUGH OF TENAFLY
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2016		\$ 2,297,941
Increased by:		
Contract Awards		<u>1,539,779</u>
		3,837,720
Decreased by:		
Payments	\$ 1,524,575	
Contract Payable Cancelled	<u>773,366</u>	
		<u>2,297,941</u>
Balance, December 31, 2017		<u>\$ 1,539,779</u>

STATEMENT OF DUE FROM MUNICIPAL OPEN SPACE TRUST FUND

Balance, December 31, 2016		\$ 100,000
Increased by:		
Appropriated to Finance Improvement Authorization #17-19		<u>661,000</u>
		761,000
Decreased by:		
Cash Received		<u>761,000</u>
Balance, December 31, 2017		<u>\$ -</u>

BOROUGH OF TENAFLY
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2016</u>	2017 <u>Authorizations</u>	Transfer to Deferred <u>Charges Funded</u>	Balance, December 31, <u>2017</u>
	<u>General Improvements</u>				
16-07	Various Capital Improvements	\$ 2,407,000		\$ 2,407,000	
17-09	Various Capital Improvements		\$ 2,496,013		\$ 2,496,013
17-23	Tenakil/Tenafly Swim Club Parking Lot Paving Project	-	380,000	-	380,000
		<u>\$ 2,407,000</u>	<u>\$ 2,876,013</u>	<u>\$ 2,407,000</u>	<u>\$ 2,876,013</u>

BOROUGH OF TENAFLY
COUNTY OF BERGEN, NEW JERSEY



PART II
GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
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DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
ADWOA BOACHIE, CPA

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

INDEPENDENT AUDITOR’S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Tenafly as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2018. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

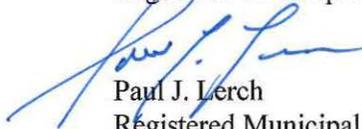
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Tenafly in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

Purpose of this Report

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



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



Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457

Fair Lawn, New Jersey
June 29, 2018

**BOROUGH OF TENAFLY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Federal Grant Program</u>	<u>Grant Year</u>	<u>CFDA Number</u>	<u>Award Amount</u>	<u>2017 Grant Receipts</u>	<u>Balance December 31, 2016</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance December 31, 2017</u>	*	<u>(Memo) Cumulative Expenditures</u>
<u>Law and Public Safety</u>										
Hazardouse Mitigation Grant Ord. #15-13	2016	97.039	\$ 100,000	\$ 100,000		\$ 100,000	\$ 100,000		*	\$ 100,000
Public Assistance Grants	2016	97.036		52,628					*	52,628
<u>Division of Highway Safety- Occupant Protection Incentive</u>										
Click-it or Ticket		20.616							*	
	2014		3,955		\$ 48			\$ 48	*	3,907
	2016		4,000	5,000		5,000	-	5,000	*	
<u>U.S. Department of Justice</u>										
Bulletproof Vest Partnership Program	2017	16.607	2,625	-	-	2,625	2,625	-	*	2,625
					<u>\$ 48</u>	<u>\$ 107,625</u>	<u>\$ 102,625</u>	<u>\$ 5,048</u>	*	

Note: This schedule was not subject to an audit in accordance with Federal Uniform Guidance.

**BOROUGH OF TENAFLY
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2017**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 7,625	\$ 72,868	\$ 80,493
General Capital Fund	<u>100,000</u>	<u>-</u>	<u>100,000</u>
	<u>\$ 107,625</u>	<u>\$ 72,868</u>	<u>\$ 180,493</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

**BOROUGH OF TENAFLY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Part 2 – Schedule of Financial Statement Findings

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

There are none.

**BOROUGH OF TENAFLY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Part 3 – Schedule of Federal and State Award Findings and Responses

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

Not Applicable.

CURRENT YEAR STATE AWARDS

Not Applicable.

**BOROUGH OF TENAFLY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

STATUS OF PRIOR YEAR FINDINGS

There were none.

**BOROUGH OF TENAFLY
BERGEN COUNTY, NEW JERSEY**

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

**BOROUGH OF TENAFLY
SUPPLEMENTARY DATA**

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

	<u>Year 2017</u>		<u>Year 2016</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,900,000	1.79 %	\$ 1,750,000	1.70 %
Miscellaneous - From Other Than Local				
Property Tax Levies	3,314,162	3.13	3,097,252	3.02
Collection of Delinquent Taxes and Tax Title Liens	743,785	0.70	558,170	0.54
Collection of Current Tax Levy	99,287,115	93.65	96,645,590	94.09
Other Credits	774,994	0.73	663,751	0.65
	<u>106,020,056</u>	<u>100.00</u> %	<u>102,714,763</u>	<u>100.00</u> %
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	27,251,458	26.33 %	26,564,073	26.40 %
County Taxes	11,550,736	11.16	10,950,548	10.88
Local District School Taxes	64,304,678	62.12	62,722,401	62.33
Municipal Open Space Taxes	398,944	0.39	394,229	0.39
Other Expenditures	4,256	0.00	1,833	0.00
	<u>103,510,072</u>	<u>100.00</u> %	<u>100,633,084</u>	<u>100.00</u> %
Excess to Fund Balance	2,509,984		2,081,679	
Fund Balance, January 1	<u>4,061,055</u>		<u>3,729,376</u>	
	6,571,039		5,811,055	
Less Utilization as Anticipated Revenue	<u>1,900,000</u>		<u>1,750,000</u>	
Fund Balance, December 31	<u>\$ 4,671,039</u>		<u>\$ 4,061,055</u>	

**BOROUGH OF TENAFLY
SUPPLEMENTARY DATA**

Comparative Schedule Of Fund Balances

	<u>Year</u>	<u>Balance, December 31st</u>	<u>Utilized in Budget of Succeeding Year</u>
<u>Current Fund</u>	2017	\$ 4,671,039	\$ 2,100,000
	2016	4,061,055	1,900,000
	2015	3,729,376	1,750,000

Comparative Schedule Of Tax Rate Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	<u>\$ 2.523</u>	<u>\$ 2.473</u>	<u>\$ 2.418</u>

Apportionment of Tax Rate

Municipal (Including Municipal Library)	\$ 0.595	\$ 0.585	\$ 0.578
Municipal Open Space	0.010	0.010	0.010
County (Including Open Space)	0.290	0.278	0.263
Local School	1.628	1.600	1.567

Assessed Valuation

2017	<u>\$3,949,967,900</u>
2016	<u>\$3,920,745,000</u>
2015	<u>\$3,882,419,347</u>

**BOROUGH OF TENAFLY
SUPPLEMENTARY DATA**

Comparison Of Levies And Collection Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2017	\$ 100,605,339	\$ 99,587,115	98.99%
2016	97,492,546	96,645,590	99.13%
2015	94,470,750	93,725,859	99.21%

Delinquent Taxes And Tax Title Liens

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

<u>December 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2017	\$ 887	\$ 724,525	\$ 725,412	0.72%
2016	887	693,143	694,030	0.71%
2015	887	634,074	634,961	0.67%

**BOROUGH OF TENAFLY
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Peter S. Rustin	Mayor	None
Shama Haider	Council member	None
Anthony Barzelatto	Council member	None
Daniel Park	Council member	None
Maxim Basch	Council member	None
Mark Zinna	Council member	None
Paul Stefanowicz	Council member	None
Lisette Aportela	Borough Clerk	None
Jewel Thompson-Chin	Borough Administrator	None
Susan Corrado	Chief Financial Officer/Treasurer	\$ 1,000,000
William R. McClure, Esq.	Attorney	None
Allen M. Bell	Municipal Court Judge	1,000,000
Dawn Curatola	Municipal Court Administrator	1,000,000
Robert Byrnes	Construction Code Official	None
Carol C. Byrne 1/1/17-6/30/17	Assessor	None
Janet Ridenhour 7/1/17-12/31/17	Assessor	None
Kathy Soule	Deputy Treasurer	None

**BOROUGH OF TENAFLY
LETTER OF COMMENTS AND RECOMMENDATION**

GENERAL COMMENTS

Prior Year Comment Unresolved

Our audit of the cash disbursement/purchasing cycle revealed that the purchase orders are being issued after the goods and/or services have been received and/or rendered. It was noted that efforts have been made to reduce the instances of purchase orders being issued after the goods and/or services have been received or rendered. It is recommended that continued efforts are maintained to reduce the amount of purchase orders being issued after the goods and/or services have been received or rendered.

Current Year Comment

Our audit of the contracts awarded revealed that there was contract awarded in excess of the bid threshold for police communication equipment that was not approved in the official minutes of the Borough. In addition, there were certain change orders that were not approved in the official minutes of the Borough. It is recommended that all contract awards in excess of the bid threshold be approved in the official minutes of the Borough and all contract change orders be approved in the official minutes of the Borough.

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

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$40,000, except by contract or agreement".

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

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

Mack Dump Truck	Maintenance and Repair of Traffic Signals
Repair and Maintenance of Police Vehicles	Roosevelt Commons Tennis Court Lighting
2016 Road Resurfacing Project	Project
Davis Johnson Park ADA Ramp	Senior Mini bus

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

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

Our examination of expenditures did reveal an exception (see general comment) for any individual payments, contracts or agreements in excess of \$40,000 effective July 1, 2015 other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJS 40A:11-6.

**BOROUGH OF TENAFLY
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS (Continued)

Collection of Interest on Delinquent Taxes and Assessments

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

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

“BE IT RESOLVED, by the Mayor and Council of the Borough of Tenaflly that the rate of interest to be charged for the non-payment of taxes or assessments shall be 8% per annum on the first \$1,500 of any delinquency and eighteen (18%) percent on any amount in excess of \$1,500. There should be a grace period of ten days as permitted by the State Statutes.”

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

Delinquent Taxes and Tax Title Liens

The date of the last tax sale was November 30, 2017.

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

<u>Year</u>	<u>Number of Liens</u>
2017	1
2016	1
2015	1

**BOROUGH OF TENAFLY
SUPPLEMENTARY DATA**

RECOMMENDATIONS

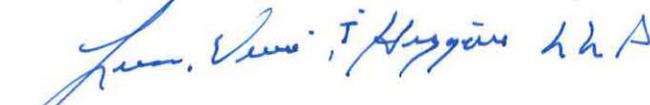
It is recommended that:

- * 1. Continued efforts be maintained to reduce the amount of purchase orders being issued after the goods and/or services have been received or rendered.
- 2. All contract awards in excess of the bid threshold be approved in the official minutes of the Borough and all contract change orders be approved in the official minutes of the Borough.

A review was performed on all prior year's recommendations and corrective action has been taken on all, except those marked with an asterisk (*).

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

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


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


Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457