

BOROUGH OF UPPER SADDLE RIVER
BERGEN COUNTY, NEW JERSEY
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

**BOROUGH OF UPPER SADDLE RIVER
TABLE OF CONTENTS**

<u>Exhibits</u>		<u>Page</u>
<u>PART I – Report on Audit of Financial Statements and Supplementary Schedules</u>		
	Independent Auditor’s Report	1-3
	Financial Statements	
A	Comparative Balance Sheets – Regulatory Basis - Current Fund	4-5
A-1	Comparative Statements of Operations and Changes in Fund Balance - Regulatory Basis – Current Fund	6
A-2	Statement of Revenues – Regulatory Basis – Current Fund	7-9
A-3	Statement of Expenditures – Regulatory Basis – Current Fund	10-14
B	Comparative Balance Sheets – Regulatory Basis - Trust Funds	15-16
C	Comparative Balance Sheets – Regulatory Basis - General Capital Fund	17
C-1	Comparative Statements of Changes in Fund Balance – Regulatory Basis	18
D	Comparative Balance Sheets – Regulatory Basis – Public Assistance	19
E	Comparative Balance Sheets – Regulatory Basis - General Fixed Assets Account Group	20
	Notes to Financial Statements	21-55
	Supplementary Schedules	
	<u>Current Fund</u>	
A-4	Statement of Cash - Treasurer	56
A-5	Statement of Petty Cash Fund	57
A-6	Statement of Change Funds	57
A-7	Statement of Tax Title Liens Receivable	57
A-8	Statement of Grants Receivable	58
A-9	Statement of Due to State of New Jersey Senior Citizens’ and Veterans’ Deductions	59
A-10	Statement of Taxes Receivable and Analysis of Property Tax Levy	60
A-11	Statement of Deferred Charges Emergency Authorizations	61
A-12	Statement of Revenue Accounts Receivable	62
A-13	Statement of 2016 Appropriation Reserves	63-64
A-14	Statement of Encumbrances Payable	65
A-15	Statement of Accounts Payable	65
A-16	Statement of Prepaid Taxes	65
A-17	Statement of Tax Overpayments	66
A-18	Statement of County Taxes Payable	66
A-19	Statement of Local District School Taxes Payable	67
A-20	Statement of Regional School Taxes	67
A-21	Statement of Reserve for Appropriated Grants	68
A-22	Statement of Unappropriated Grant Reserves	69
A-23	Statement of Due to Borough of Saddle River	69
A-24	Statement of Due to State of New Jersey – DCA Training Fees	70
A-25	Statement of Reserve for Reassessment of Real Property	70

BOROUGH OF UPPER SADDLE RIVER
TABLE OF CONTENTS
(Continued)

<u>Exhibits</u>		<u>Page</u>
Supplementary Schedules (Continued)		
<u>Current Fund (Continued)</u>		
A-26	Statement of Reserve for 100 th Anniversary Celebration	70
A-27	Statement of Emergency Note Payable	71
<u>Trust Funds</u>		
B-1	Schedule of Trust Fund Cash - Treasurer	72
B-2	Statement of Due to State of New Jersey – Animal Control Trust Fund	73
B-3	Statement of Reserve for Animal Control Expenditures – Animal Control Trust Fund	73
B-4	Statement of Due to Current Fund – Other Trust Fund	73
B-5	Statement of Escrow Deposits and Miscellaneous Reserves-Other Trust Fund	74
B-6	Statement of Due from General Capital Fund-Other Trust Fund	75
B-7	Statement of Due to General Capital Fund-CDBG Account-Other Trust Fund	75
B-8	Statement of Due from Current Fund-LOSAP Account-Other Trust Fund	75
B-9	Statement of Due to Current Fund-CDBG Account-Other Trust Fund	75
B-10	Statement of Due to Current Fund-DARE Account-Other Trust Fund	76
B-11	Statement of Due from Current Fund-Other Trust Account-Other Trust Fund	76
B-12	Statement of Due from Current Fund-Payroll Agency Account-Other Trust Fund	76
B-13	Statement of Reserve for Accrued Payroll-Other Trust Fund	77
B-14	Statement of Reserve for Payroll Deductions Payable-Other Trust Fund	77
B-15	Statement of Reserve for Unemployment Compensation Trust Expenditures- Unemployment Insurance Trust Fund	78
B-16	Statement of Due to State of New Jersey-Unemployment Insurance Trust Fund	78
B-17	Statement of Due from Other Trust Fund-Payroll Agency Account-Unemployment Insurance Trust Fund	78
B-18	Statement of Reserve for Open Space Expenditures-Open Space Trust Fund	79
B-19	Statement of Due from Current Fund-Open Space Trust Fund	79
<u>General Capital Fund</u>		
C-2	Statement of General Capital Cash and Cash Equivalents	80
C-3	Analysis of General Capital Cash and Cash Equivalents	81
C-4	Statement of Due from Bergen County	82
C-5	Statement of Due from Current Fund	82
C-6	Statement of Deferred Charges to Future Taxation – Funded	83
C-7	Statement of Deferred Charges to Future Taxation – Expenditure Without Ordinance Appropriations	83
C-8	Statement of Deferred Charges to Future Taxation – Unfunded	84
C-9	Statement of Bond Anticipation Notes	85
C-10	Statement of General Serial Bonds	86
C-11	Statement of Reserve for Payment of Debt	87
C-12	Statement of Contracts Payable	87
C-13	Statement of Improvement Authorizations	88
C-14	Statement of Down Payment of Improvements	89
C-15	Statement of Capital Improvement Fund	89
C-16	Statement of Bonds and Notes Authorized But Not Issued	90

**BOROUGH OF UPPER SADDLE RIVER
TABLE OF CONTENTS
(Continued)**

Exhibits

Page

Supplementary Schedules (Continued)

Public Assistance Fund

D-1	Statement of Public Assistance Fund Cash	91
D-2	Statement of Reserve for Public Assistance Expenditures	92
D-3	Statement of Due from Current Fund	92

Part II – Government Auditing Standards

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	93-94
Schedules of Expenditures of Federal Awards, Schedule A	95
Schedule of Expenditures of State Financial Assistance, Schedule B	96-97
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	98
Schedule of Findings and Responses	99-101
Summary Schedule of Prior Year Audit Findings	102

Part III – Supplementary Data, Letter of Comments and Recommendations

Comparative Statement of Operations and Changes in Fund Balance - Current Fund	103
Comparative Schedule of Tax Rate Information	104
Comparison of Tax Levies and Collection	104
Delinquent Taxes and Tax Title Liens	105
Comparative Schedule of Fund Balance	105
Officials in Office and Surety Bonds	106
General Comments	107-109
Suggestion to Management	109
Recommendations	110

BOROUGH OF UPPER SADDLE RIVER

COUNTY OF BERGEN

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Upper Saddle River
Upper Saddle River, 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 Upper Saddle River, as of December 31, 2017 and the related statements of operations and changes in fund balance - regulatory basis for the year then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Current Fund 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 Upper Saddle River 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 Upper Saddle River as of December 31, 2017 or changes in financial position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 16 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 year ended December 31, 2017. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 22 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2017.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Upper Saddle River as of December 31, 2017 and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the Current Fund for the year ended December 31, 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 Upper Saddle River 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 Upper Saddle River.

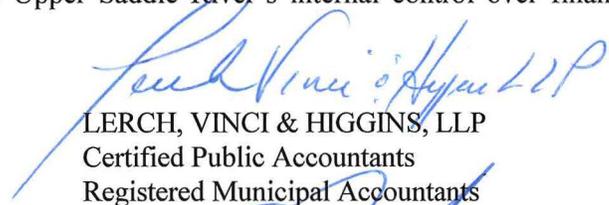
The financial statements of the Borough of Upper Saddle River as of and for the year ended December 31, 2016 were audited by other auditors whose report dated February 23, 2017 expressed an adverse opinion on the financial statements because they were not prepared in accordance with accounting principles generally accepted in the United States of America but rather the regulatory basis of accounting, 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. Their report also expressed a modified opinion on those financial statements – regulatory basis prepared in accordance with the regulatory basis of accounting due to the presentation of the unaudited LOSAP Trust Fund.

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 May 10, 2018 on our consideration of the Borough of Upper Saddle River’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 Upper Saddle River’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 Upper Saddle River’s internal control over financial reporting and compliance.



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



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

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

ASSETS	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Cash - Treasurer	A-4	\$ 11,784,598	\$ 2,962,868
Cash - Change Fund	A-6	150	150
Grant Receivable	A-8	<u>6,828</u>	<u>185,558</u>
		<u>11,791,576</u>	<u>3,148,576</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-10	304,169	279,960
Tax Title Liens	A-7		151,572
Revenue Accounts Receivable	A-12	6,399	7,772
Due from Other Trust Fund - CDBG Acct.	B-9	2	
Due from Animal Control Trust Fund	B-4	6,316	8,546
Due from Other Trust Fund - DARE Trust Acct.	B-10	<u>-</u>	<u>2,420</u>
		<u>316,886</u>	<u>450,270</u>
Deferred Charges			
Overexpenditure of 2015 Appropriation Reserves	A-11		2,371
Emergency Authorizations	A-11	<u>600,000</u>	<u>347,000</u>
		<u>600,000</u>	<u>349,371</u>
Total Assets		<u><u>12,708,462</u></u>	<u><u>3,948,217</u></u>

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

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Current Fund:			
Appropriation Reserves	A-3,A-13	\$ 678,424	\$ 335,444
Encumbrances Payable	A-14	98,845	90,826
Accounts Payable	A-15	1,754	
Prepaid Taxes	A-16	8,740,917	451,147
Tax Overpayments	A-17	286,921	384,553
County Taxes Payable	A-18		27,484
Local School Taxes Payable	A-19	119,336	
Due to Open Space Trust Fund	B-19		4,058
Due to Other Trust Fund - LOSAP Acct	B-8		2,500
Due to Other Trust Fund - Payroll Agency Acct	B-12		30,600
Due to Other Trust Fund - Other Trust Acct	B-11	73,600	33,691
Due to General Capital Fund	C-5	385,859	1,034,256
Due to Public Assistance Fund	D-3		19
Due to the Borough of Saddle River	A-23		7,015
Due to State of NJ-Senior Citizens Deductions	A-9	20,287	19,037
Due to the State of NJ - DCA Fees	A-24	6,305	6,189
Emergency Note Payable	A-27	600,000	
Reserve for Appropriated Grants	A-21	31,475	198,497
Reserve for Unappropriated Grants	A-22	10,883	26,615
Reserve for Assessment Program	A-25	1,185	1,185
Reserve for 100th Anniversary Celebration	A-26	1,143	1,143
		<u>11,056,934</u>	<u>2,654,259</u>
Reserve for Receivables	A	316,886	450,270
Fund Balance	A-1	<u>1,334,642</u>	<u>843,688</u>
 Total Liabilities, Reserves and Fund Balance		 <u>12,708,462</u>	 <u>3,948,217</u>

BOROUGH OF UPPER SADDLE RIVER
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>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 494,317	\$ 1,000,000
Miscellaneous Revenue Anticipated	A-2	2,850,090	3,009,994
Receipts from Delinquent Taxes	A-2	275,283	305,944
Receipts from Current Taxes	A-2	51,665,605	50,341,661
Nonbudget Revenue	A-2	261,077	134,381
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-13	313,748	537,916
Statutory Excess of Animal License Reserve	B-4	6,316	5,234
Cancellation of Due to Borough of Saddle River	A-23	7,015	
Interfunds Returned	A	<u>10,966</u>	<u>2,034</u>
 Total Revenues and Other Income		 <u>55,884,417</u>	 <u>55,337,164</u>
EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	4,630,305	4,721,478
Other Expenses	A-3	4,915,315	4,111,637
Capital Improvements	A-3	50,600	161,694
Municipal Debt Services	A-3	1,149,054	2,467,164
Deferred Charges and Statutory Expenditures	A-3	1,483,406	1,175,961
Local District School Tax	A-19	22,460,827	22,014,107
Regional School Taxes	A-20	13,769,864	13,353,097
County Taxes	A-18	7,000,332	6,821,074
Other Debits to Income			
Interfund Advances	A	6,318	
Reserve for Tax Overpayments - Judgments	A-1		13,318
Prior Year Senior Deductions Disallowed	A-9	250	
Cancellation of Grants Receivable	A-8	32,875	
Prior Year Revenue Refunds	A	<u>-</u>	<u>3,968</u>
 Total Expenditures		 <u>55,499,146</u>	 <u>54,843,498</u>
 Excess of Revenues and Other Income Over Expenditures		 385,271	 493,666
 Adjustments to Income Before Fund Balance - Expenditures			
Included Above Which are by Statute Deferred Charges to Budget of the Succeeding Year	A-11	<u>600,000</u>	<u>347,000</u>
 Regulatory Excess to Fund Balance		 985,271	 840,666
 Fund Balance, Beginning of Year	A	 <u>843,688</u>	 <u>1,003,022</u>
		1,828,959	1,843,688
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>494,317</u>	<u>1,000,000</u>
 Fund Balance, December 31	A	 <u>\$ 1,334,642</u>	 <u>\$ 843,688</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	Reference	2017 Budget	Added by N.J.S.A. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 494,317	-	\$ 494,317	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-12	1,300		1,505	\$ 205
Other	A-2	5,400		8,700	3,300
Fees and Permits					
Other	A-2	2,300		3,330	1,030
Fines and Costs					
Municipal Court	A-12	119,000		137,842	18,842
Interest and Costs on Taxes	A-12	92,000		60,397	(31,603)
Interest on Investments and Deposits	A-2	10,000		11,334	1,334
Energy Receipts Tax	A-12	858,614		858,614	-
Construction Code Official	A-12	383,000		393,969	10,969
Upper Saddle River Board of Education - Reverse 911	A-12	1,980			(1,980)
Public and Private Programs					
Offset with Appropriations					
Municipal Alliance on Alcoholism and Drug Abuse	A-8	9,876		9,876	-
Body Armor Replacement Grant - Reserve	A-22	1,864	\$ 1,866	3,730	-
Alcohol Education Rehab Grant - Reserve	A-22	242		242	-
Drunk Driving Enforcement Fund	A-8,A-22	1,501	2,500	4,001	-
Clean Communities Grant - Reserve	A-22	24,509	20,822	45,331	-
Recycling Tonnage Grant	A-22		4,999	4,999	-
Green Community Grant	A-22		2,150	2,150	-
Other Special Items					
Uniform Fire Safety Act	A-12	38,500		40,004	1,504
Sewer Flow Charges	A-12	24,510		22,711	(1,799)
Verizon - Franchise Fees	A-12	70,589		70,589	-
Upper Saddle River Library - Payment of Services	A-12	72,536		72,537	1
Hotel Tax	A-12	3,600		22,552	18,952
Rental Income	A-12	15,600		15,600	-
Cable Television Franchise Fees	A-12	65,302		65,302	-
Health Department Fees	A-12	40,000		20,775	(19,225)
Reserve for Environmental Cleanup	A-12	96,000		96,000	-
Reserve for Payment of Debt	C-5	55,000		55,000	-
Anticipated General Capital Fund Surplus	C-5	350,000		350,000	-
Reserve for Tax Overpayments	A-17	350,000		350,000	-
Reserve for Building Permit Deposits	A-12	123,000	-	123,000	-
Total Miscellaneous Revenues	A-1	<u>2,816,223</u>	<u>32,337</u>	<u>2,850,090</u>	<u>1,530</u>
Receipts from Delinquent Taxes	A-7	<u>230,000</u>	-	<u>275,283</u>	<u>45,283</u>
Amount to be Raised by Taxes for Support of Municipal Budget -					
Local Tax for Municipal Purposes	A-2	7,578,911		7,956,847	377,936
Minimum Library Tax	A-2	930,735	-	930,735	-
		<u>8,509,646</u>	-	<u>8,887,582</u>	<u>377,936</u>
Total Budget Revenues	A-3	<u>\$ 12,050,186</u>	<u>\$ 32,337</u>	<u>12,507,272</u>	<u>\$ 424,749</u>
Nonbudget Revenue	A-1,A-2			<u>261,077</u>	
				<u>\$ 12,768,349</u>	

BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-1, A-10	\$ 51,665,605
Less: Allocated to School and County Taxes	A-18, A-19, A-20	<u>43,231,023</u>
		8,434,582
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>453,000</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u>\$ 8,887,582</u>
Licenses - Other		
Borough Clerk	A-12	\$ 4,650
Health Officer	A-12	<u>4,050</u>
	A-2	<u>\$ 8,700</u>
Fees and Permits		
Borough Clerk	A-12	\$ 2,235
Tax Assessor	A-12	140
Police Department	A-12	<u>955</u>
	A-2	<u>\$ 3,330</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-12	\$ 11,332
Due from Other Trust - CDBG Acct.	B-9	<u>2</u>
	A-2	<u>\$ 11,334</u>

BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

Reference

Nonbudget Revenue		
Sale of Assets	\$	63,123
Administration Fee - Senior's & Veteran's		655
Police Outside Duty		12,266
Water Connection Charge		2,993
DMV Fines		525
Planning Board Fees		55,092
Zoning Board Fees		650
Reimbursement of Prior Years Expenditure		7,030
Tree Removal Fees		4,650
FEMA		66,144
Transfer of Reserve Balance from Recreation Trust		25,000
Inspection Fines		9,200
Tax Court Counter Claims		500
Administration Fee - Homestead Benefit Program		187
Miscellaneous		<u>13,062</u>
	A-2,A-4	<u>\$ 261,077</u>

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
Administrative and Executive:					
Salaries and Wages	\$ 207,289	\$ 230,289	\$ 228,902	\$ 1,387	
Other Expenses	68,500	70,500	69,743	757	
Municipal Clerk:					
Salaries and Wages	104,000	104,000	103,916	84	
Other Expenses	2,500	2,500	300	2,200	
Financial Administration					
Salaries and Wages	110,900	116,900	114,789	2,111	
Other Expenses	103,000	108,000	104,935	3,065	
Revenue Administration					
Salaries and Wages	68,000	53,000	52,548	452	
Other Expenses	2,000	2,000	1,788	212	
Tax Assessment Administration					
Salaries and Wages	85,743	86,743	84,787	1,956	
Other Expenses	9,200	10,200	9,196	1,004	
Legal Services and Costs					
Other Expenses	161,734	741,734	445,980	295,754	
Engineering Services					
Other Expenses	27,000	32,000	24,894	7,106	
LAND USE ADMINISTRATION					
Planning Board					
Salaries and Wages	13,005	10,005	9,720	285	
Other Expenses	8,000	8,000	7,668	332	
Zoning Board Adjustment					
Salaries and Wages	5,645	6,645	5,900	745	
Other Expenses	1,900	1,900	1,800	100	
INSURANCE					
General Liability	162,331	22,331	14,558	7,773	
Workers Compensation	167,669	331,669	329,501	2,168	
Employee Group Health	818,308	788,308	768,021	20,287	
Health Benefit Waiver	20,000	-	-	-	
Police Department					
Salaries and Wages	2,802,580	2,780,580	2,732,189	48,391	
Other Expenses	204,250	204,250	193,516	10,734	
Office of Emergency Management					
Other Expenses	2,700	2,700	-	2,700	
Ambulance Corps					
Salaries and Wages	108,000	108,000	105,683	2,317	
Other Expenses	5,000	5,000	4,691	309	
Fire Department					
Other Expenses	35,000	39,000	37,336	1,664	
Fire Hydrant Services	50,000	53,000	52,177	823	

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS					
Fire Prevention					
Salaries and Wages	\$ 47,393	\$ 30,393	\$ 29,508	\$ 885	
Other Expenses	4,100	4,100	3,908	192	
Municipal Prosecutor					
Salaries and Wages	10,200	13,200	11,504	1,696	
PUBLIC WORKS FUNCTIONS					
Streets and Roads Maintenance					
Salaries and Wages	562,000	607,000	604,351	2,649	
Other Expenses	210,000	189,000	164,717	24,283	
Shade Tree Commission					
Salaries and Wages	5,010	5,010	4,739	271	
Other Expenses	4,000	4,000	737	3,263	
Solid Waste Collection					
Other Expenses - Sanitation - Contractual	546,000	646,000	622,890	23,110	
Other Expenses - Recycling	166,000	124,000	123,612	388	
Public Buildings and Grounds					
Other Expenses	48,750	33,750	20,815	12,935	
HEALTH AND HUMAN SERVICES					
Board of Health					
Other Expenses	65,000	71,000	50,227	20,773	
Bloodborne Pathogens					
Other Expenses	2,600	2,600	1,134	1,466	
Occupational Safety and Health Act					
Other Expenses	11,000	11,000	3,239	7,761	
PARKS AND RECREATION FUNCTIONS					
Maintenance of Parks					
Salaries and Wages	71,300	71,300	70,721	579	
Other Expenses	30,700	30,700	29,543	1,157	
Contribution to Senior Citizens Center	6,000	6,000	2,583	3,417	
OTHER COMMON OPERATING					
Celebration of Public Events					
Other Expenses	18,000	18,000	16,082	1,918	
MUNICIPAL COURT					
Salaries and Wages	96,000	91,000	90,876	124	
Other Expenses	18,550	18,550	12,018	6,532	
Public Defender (P.L. 1997.C.256)					
Other Expenses	3,500	5,500	4,365	1,135	

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
UNIFORM CONSTRUCTION CODE					
ADMINISTRATION					
Salaries and Wages	\$ 192,622	\$ 182,622	\$ 182,348	\$ 274	
Other Expenses	20,000	20,000	10,559	9,441	
OTHER CODE ENFORCEMENT FUNCTIONS					
Plumbing Sub-Code Officials					
Salaries and Wages	32,618	33,618	31,714	1,904	
OPERATIONS - WITHIN "CAPS" (Continued)					
UTILITY EXPENSES AND BULK					
PURCHASES					
Electricity	52,000	52,000	48,638	3,362	
Street Lighting	26,000	26,000	12,054	13,946	
Telephone	42,000	44,000	39,759	4,241	
Water	6,000	6,000	4,247	1,753	
Gas (Natural or Propane)	14,000	16,000	12,776	3,224	
Gasoline	46,000	55,000	54,469	531	
Reserve for Accumulated Absences	<u>100,000</u>	<u>100,000</u>	<u>33,074</u>	<u>66,926</u>	<u>-</u>
Total Operations Within "CAPS"	<u>7,811,597</u>	<u>8,436,597</u>	<u>7,801,745</u>	<u>634,852</u>	<u>-</u>
Detail:					
Salaries and Wages	4,622,305	4,630,305	4,497,269	133,036	-
Other Expenses	<u>3,189,292</u>	<u>3,806,292</u>	<u>3,304,476</u>	<u>501,816</u>	<u>-</u>
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
Deferred Charges					
Emergency Authorizations	346,808	346,808	346,808		
Overexpenditure of 2015 Appropriation Reserves	2,371	2,371	2,371		
Statutory Charges					
Social Security System (O.A.S.I.)	331,000	306,000	292,235	13,765	
Police and Firemen's Retirement System of N.J.	605,540	605,540	605,540	-	
Public Employees' Retirement System	211,495	211,495	211,495	-	
Unemployment Compensation	3,000	3,000	1,828	1,172	
Defined Contribution Retirement Program	<u>8,000</u>	<u>8,000</u>	<u>4,547</u>	<u>3,453</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>1,508,214</u>	<u>1,483,214</u>	<u>1,464,824</u>	<u>18,390</u>	<u>-</u>
Total General Appropriations for Municipal Purposes - Within "CAPS"	<u>9,319,811</u>	<u>9,919,811</u>	<u>9,266,569</u>	<u>653,242</u>	<u>-</u>

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
OPERATIONS - EXCLUDED FROM "CAPS"					
EDUCATION FUNCTIONS					
Municipal Library					
Maintenance of Free Public Library	\$ 930,735	\$ 930,735	\$ 930,735	-	
UTILITY EXPENSES AND BULK PURCHASES					
Sewerage Processing and Disposal					
Borough of Montvale - Sewer Flow Charge Fees	18,610	18,610	18,610	-	
Borough of Woodcliff Lake - Sewer Flow Charge Fees	5,900	5,900	5,488	\$ 412	
Borough of Ramsey - Sewer Flow Charge Fees	2,000	2,000	-	2,000	
PUBLIC SAFETY					
LOSAP	52,000	52,000	52,000	-	
Reserve for Tax Appeals	25,000	25,000	4,210	20,790	
SHARED SERVICES AGREEMENTS					
Upper Saddle River Board of Education					
Reverse 911-Other Expenses	1,980	1,980	-	1,980	-
Total Other Operations Excluded from "CAPS"	<u>1,036,225</u>	<u>1,036,225</u>	<u>1,011,043</u>	<u>25,182</u>	<u>-</u>
PUBLIC AND PRIVATE REVENUES OFF-SET BY REVENUES					
Municipal Alliance on Alcoholism and Drug Abuse					
State Share	9,876	9,876	9,876	-	
Local Share	2,469	2,469	2,469	-	
Recycling Tonnage Grant		4,999	4,999	-	
Clean Communities Grant	24,509	45,331	45,331	-	
State Forestry Services - Green Comm Grant		2,150	2,150	-	
Body Amor Replacement Program	1,864	3,730	3,730	-	
Alcohol Education and Rehabilitation	242	242	242	-	
Drunk Driving Enforcement Fund	1,501	4,001	4,001	-	-
Total Public and Private Programs Offset by Revenues	<u>40,461</u>	<u>72,798</u>	<u>72,798</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>1,076,686</u>	<u>1,109,023</u>	<u>1,083,841</u>	<u>25,182</u>	<u>-</u>
Detail:					
Salaries and Wages	-	-	-	-	-
Other Expenses	1,076,686	1,109,023	1,083,841	25,182	-

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

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	Balance <u>Cancelled</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 50,600	\$ 50,600	\$ 50,600	-	-
Total Capital Improvements Excluded from "CAPS"	<u>50,600</u>	<u>50,600</u>	<u>50,600</u>	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	695,000	695,000	695,000		
Payment of Bond Anticipation and Capital Notes	285,878	285,878	285,878		
Interest on Bonds	108,119	108,119	108,119		
Interest on Notes	60,900	60,900	60,057	-	\$ 843
Total Municipal Debt Service Excluded from "CAPS"	<u>1,149,897</u>	<u>1,149,897</u>	<u>1,149,054</u>	-	<u>843</u>
Deferred Charges:					
Emergency Authorization	<u>192</u>	<u>192</u>	<u>192</u>	-	-
Total Deferred Charges	<u>192</u>	<u>192</u>	<u>192</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>2,277,375</u>	<u>2,309,712</u>	<u>2,283,687</u>	25,182	<u>843</u>
Subtotal General Appropriations	11,597,186	12,229,523	11,550,256	678,424	843
Reserve for Uncollected Taxes	<u>453,000</u>	<u>453,000</u>	<u>453,000</u>	-	-
Total General Appropriations	<u>\$ 12,050,186</u>	<u>\$ 12,682,523</u>	<u>\$ 12,003,256</u>	<u>\$ 678,424</u>	<u>\$ 843</u>
	<u>Reference</u>				
Budget as Adopted	A-3	\$ 12,050,186			
Emergency Appropriation 40A:4-47	A-12	600,000			
Added by N.J.S.A. 40A:4-87	A-2	<u>32,337</u>			
		<u>\$ 12,682,523</u>			
Cash Disbursed	A-4		\$ 10,635,176		
Encumbrances Payable	A-14		96,376		
Transferred to Appropriated Grant Reserves	A-21		72,798		
Deferred Charges - Emergency Authorization	A-11		347,000		
Deferred Charges - Overexpenditure of 2015 Appropriation Reserves	A-11		2,371		
Capital Improvement Fund	C-15		50,600		
Payment of Bond Anticipation and Capital Notes	C-5		285,878		
Payment of Interest on Notes	C-5		60,057		
Reserve for Uncollected Taxes	A-2		<u>453,000</u>		
			<u>\$ 12,003,256</u>		

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF UPPER SADDLE RIVER
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-1	\$ 15,882	\$ 20,186
		<u>15,882</u>	<u>20,186</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	16,145	11,763
Due from Payroll Agency	B-17	<u>5,471</u>	<u>5,471</u>
		<u>21,616</u>	<u>17,234</u>
OPEN SPACE TRUST FUND			
Cash	B-1	117,456	213,310
Due from Current Fund	B-19	<u>-</u>	<u>4,058</u>
		<u>117,456</u>	<u>217,368</u>
OTHER TRUST FUND			
Cash	B-1	4,445,064	4,106,128
Due from General Capital Fund - Other Trust Acct	B-6		50,000
Due from Current Fund - LOSAP Acct	B-8		2,500
Due from Current Fund - Payroll Agency Acct	B-12		30,600
Due from Current Fund - Other Trust Acct	B-11	<u>73,600</u>	<u>33,691</u>
		<u>4,518,664</u>	<u>4,222,919</u>
EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PROGRAM (UNAUDITED)			
Investments	B	1,254,859	1,046,349
Contribution Receivable	B	<u>59,711</u>	<u>51,402</u>
		<u>1,314,570</u>	<u>1,097,751</u>
Total Assets		<u>\$ 5,988,188</u>	<u>\$ 5,575,458</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
LIABILITIES AND RESERVES			
ANIMAL CONTROL TRUST FUND			
Due to State of New Jersey	B-2	\$ 13	\$ 3
Due to Current Fund	B-4	6,316	8,546
Reserve for Animal Control Expenditures	B-3	<u>9,553</u>	<u>11,637</u>
		<u>15,882</u>	<u>20,186</u>
UNEMPLOYMENT COMPENSATION FUND			
Reserve for Unemployment Expenditures	B-15	<u>21,616</u>	<u>17,234</u>
		<u>21,616</u>	<u>17,234</u>
OPEN SPACE FUND			
Reserve for Expenditures	B-18	<u>117,456</u>	<u>217,368</u>
OTHER TRUST FUND			
Due to General Capital Fund - CDBG Acct	B-7		1,346
Due to Current Fund - CDBG Acct	B-9	2	
Due to Current Fund - DARE Trust Acct	B-10		2,420
Due to Unemployment Trust Account - Payroll Agency Acct	B-17	5,471	5,471
Reserve for Accrued Payroll	B-13	30,956	33,883
Reserve for Payroll Deductions Payable	B-14	58,486	36,957
Reserve for Escrow and Miscellaneous Reserves	B-5	<u>4,423,749</u>	<u>4,142,842</u>
		<u>4,518,664</u>	<u>4,222,919</u>
EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PROGRAM (UNAUDITED)			
Net Assets Available for Benefits	B	<u>1,314,570</u>	<u>1,097,751</u>
Total Liabilities and Reserves		<u>\$ 5,988,188</u>	<u>\$ 5,575,458</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF UPPER SADDLE RIVER
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	\$ 2,482,539	\$ 2,237,459
Due from Bergen County	C-4	1,031	1,031
Due from Other Trust Fund - CDBG Acct.	B-7		1,346
Due from Current Fund	C-5	385,859	1,034,256
Deferred Charges to Future Taxation:			
Funded	C-6	4,775,000	5,470,000
Unfunded	C-8	9,166,796	8,544,674
Expenditure Without Ordinance Appropriations	C-7	33,230	-
		<u> </u>	<u> </u>
Total Assets		<u>\$ 16,844,455</u>	<u>\$ 17,288,766</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Bond Anticipation Notes	C-9	\$ 8,589,203	\$ 7,929,831
General Serial Bonds	C-10	4,775,000	5,470,000
Due to Trust Fund	B-6		50,000
Reserve for:			
Payment of Debt	C-11	58,096	113,096
Contracts Payable	C-12	561,283	119,893
Improvement Authorizations:			
Funded	C-13	24,223	104,292
Unfunded	C-13	2,694,374	3,083,076
Down Payment on Improvements	C-14	6,350	6,350
Capital Improvement Fund	C-15	850	
Fund Balance	C-1	135,076	412,228
		<u> </u>	<u> </u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 16,844,455</u>	<u>\$ 17,288,766</u>

There were bonds and notes authorized but not issued on December 31, 2017 and 2016 in the amount of \$614,843 and \$614,843, respectively (Exhibit C-16).

BOROUGH OF UPPER SADDLE RIVER
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, January 1, 2017	C	\$ 412,228	\$ 412,228
Increased by:			
Premiums on Notes Issued	C-2	<u>72,848</u>	<u>-</u>
		485,076	412,228
Decreased by:			
Anticipated Revenue in Current Fund	C-5	<u>350,000</u>	<u>-</u>
Balance, December 31, 2017	C	<u>\$ 135,076</u>	<u>\$ 412,228</u>

**BOROUGH OF UPPER SADDLE RIVER
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Cash	D-1	\$ 5,279	\$ 5,260
Due from Current Fund	D-3	<u>-</u>	<u>19</u>
TOTAL ASSETS		<u>5,279</u>	<u>5,279</u>
 <u>LIABILITIES</u>			
Reserve for Public Assistance	D-2	<u>\$ 5,279</u>	<u>\$ 5,279</u>
TOTAL LIABILITIES		<u>\$ 5,279</u>	<u>\$ 5,279</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF UPPER SADDLE RIVER
COMPARATIVE BALANCE SHEETS OF GENERAL FIXED ASSETS - REGULATORY BASIS
AS OF DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Land and Land Improvements	\$ 11,989,510	\$ 11,973,800
Buildings and Building Improvements	3,335,120	3,312,640
Machinery and Equipment	<u>5,235,720</u>	<u>4,802,485</u>
TOTAL ASSETS	<u>\$ 20,560,350</u>	<u>\$ 20,088,925</u>
 <u>RESERVES</u>		
Reserve for Fixed Assets	<u>\$ 20,560,350</u>	<u>\$ 20,088,925</u>

The Accompanying Notes are an Integral Part of these Financial Statements

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF UPPER SADDLE RIVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Upper Saddle River (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, volunteer ambulance squad, or redevelopment agency, 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 Upper Saddle River 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 UPPER SADDLE RIVER
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.

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.

Open Space Trust Fund - This fund is used to account for the receipts and disbursements relating to taxes raised to reserve open space.

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.

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

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

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

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

**BOROUGH OF UPPER SADDLE RIVER
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 Upper Saddle River 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 UPPER SADDLE RIVER
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.

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.

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

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

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

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Upper Saddle River 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.

**BOROUGH OF UPPER SADDLE RIVER
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 purchased after December 31, 1989 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, 1989 are stated as follows except as noted:

Land and Buildings - 2017	Assessed Value - 2017
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

GAAP requires that capital assets be recorded in 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:

- Animal Control Trust Fund
- Unemployment Insurance Trust Fund
- Other Trust Fund
- Length of Service Award Program Trust Fund
- General Capital Fund

**BOROUGH OF UPPER SADDLE RIVER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Accounting (Continued)

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2017 and 2016 the Borough Council increased the original budget by \$632,337 and \$347,000. The 2017 increase was funded by additional aid allotted to the Borough in the amount of \$32,337 and emergency resolutions for \$600,000. The 2016 increase was funded by an emergency resolution for \$347,000. In addition, the governing body approved several budget transfers during 2017 and 2016.

B. Excess Expenditures Over Appropriations

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

<u>2017</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Expenditures without Ordinance Appropriations	\$ <u> -</u>	<u>\$33,230</u>	<u>\$33,230</u>
 <u>2016</u>			
Current Fund			
2015 Appropriation Revenues			
Police-Other Expenses	\$49,841	\$52,112	\$2,271
Reserve for Tax Appeals	<u> 321</u>	<u> 421</u>	<u> 100</u>
	<u>\$50,162</u>	<u>\$52,533</u>	<u>\$2,371</u>

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

**BOROUGH OF UPPER SADDLE RIVER
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, 2016 and 2015, the book value of the Borough's deposits were \$18,867,113 and \$9,557,124 and bank and brokerage firm balances of the Borough's deposits amounted to \$16,454,540 and \$9,858,579, 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	\$ 16,454,540	\$ 9,858,579
	<u>\$ 16,454,540</u>	<u>\$ 9,858,579</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, none of the Borough's bank balances were exposed to custodial credit risk, respectively.

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.

**BOROUGH OF UPPER SADDLE RIVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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

	Fair Value (Unaudited)	
	<u>2017</u>	<u>2016</u>
Investment:		
Length of Service Award Program	\$ 1,254,859	\$ 1,046,349

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, \$1,254,859 and \$1,046,349 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value (LOSAP - Unaudited)	
	<u>2017</u>	<u>2016</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 1,254,859	\$ 1,046,349

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 Baa1 by Moody’s Investor Services, respectively.

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 investment was 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 UPPER SADDLE RIVER
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	\$ 304,169	\$ 279,960
Tax Title Liens	<u>-</u>	<u>151,572</u>
	<u>\$ 304,169</u>	<u>\$ 431,532</u>

In 2017 and 2016, the Borough collected \$275,283 and \$305,944 from delinquent taxes, which represented 99% and 69%, 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	\$ 6,318	\$ 459,459	\$ 10,966	\$ 1,105,124
General Capital Fund	385,859		1,035,602	50,000
Animal Control Trust Fund		6,316		8,546
Unemployment Trust Fund	5,471		5,471	
Open Space Trust Fund			4,058	
Other Trust Fund:				
CDBG Acct.		2		1,346
DARE Trust Acct.				2,420
LOSAP Acct.			2,500	
Other Trust Acct.	73,600		83,691	
Payroll Agency Acct.		5,471	30,600	5,471
Public Assistance Fund	<u>-</u>	<u>-</u>	<u>19</u>	<u>-</u>
 Total	 <u>\$ 471,248</u>	 <u>\$ 471,248</u>	 <u>\$ 1,172,907</u>	 <u>\$ 1,172,907</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or to cover cash balances which were in an overdraft position.

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

**BOROUGH OF UPPER SADDLE RIVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2017</u>			
Current Fund			
Emergency Authorizations	\$ 600,000	\$ 600,000	
General Capital Fund			
Expenditure without Ordinance Appropriations	<u>33,230</u>	<u>33,230</u>	\$ -
	<u>\$ 633,230</u>	<u>\$ 633,230</u>	<u>\$ -</u>
<u>2016</u>			
Current Fund			
Emergency Authorizations	\$ 347,000	\$ 347,000	
Overexpenditure of Appropriation Reserves	<u>2,371</u>	<u>2,371</u>	\$ -
	<u>\$ 349,371</u>	<u>\$ 349,371</u>	<u>\$ -</u>

NOTE 7 FUND BALANCES APPROPRIATED

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

	<u>2017</u>		<u>2016</u>	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 1,327,814	\$ 1,000,000	\$ 308,759	\$ 494,317
Non-Cash Surplus	<u>6,828</u>	<u>-</u>	<u>534,929</u>	<u>-</u>
	<u>\$ 1,334,642</u>	<u>\$ 1,000,000</u>	<u>\$ 843,688</u>	<u>\$ 494,317</u>

**BOROUGH OF UPPER SADDLE RIVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 8 FIXED ASSETS

A. General Fixed Assets

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

	Balance January 1, <u>2017</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Land and Land Improvements	\$ 11,973,800	\$ 15,710		\$ 11,989,510
Buildings and Building Improvements	3,312,640	22,480		3,335,120
Machinery and Equipment	4,802,485	794,230	\$ 360,995	5,235,720
	<u>\$ 20,088,925</u>	<u>\$ 832,420</u>	<u>\$ 360,995</u>	<u>\$ 20,560,350</u>
	Balance January 1, <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
Land and Land Improvements	\$ 11,973,800			\$ 11,973,800
Buildings and Building Improvements	3,312,640			3,312,640
Machinery and Equipment	4,552,582	\$ 319,698	\$ 69,795	4,802,485
	<u>\$ 19,839,022</u>	<u>\$ 319,698</u>	<u>\$ 69,795</u>	<u>\$ 20,088,925</u>

**BOROUGH OF UPPER SADDLE RIVER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 9 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2017</u>	<u>2016</u>
Issued		
General		
Bonds and Notes	\$ 13,364,203	\$ 13,399,831
Net Debt Issued	13,364,203	13,399,831
Authorized But Not Issued		
General		
Bonds and Notes	614,843	614,843
Net Bonds and Notes Issued and Authorized But Not Issued	\$ 13,979,046	\$ 14,014,674

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 .504% and .507% at December 31, 2017 and 2016, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General Debt	\$ 13,979,046	\$ 95,346	\$ 13,883,700
Total	\$ 13,979,046	\$ 95,346	\$ 13,883,700
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2016</u>			
General Debt	\$ 14,014,674	\$ 113,096	\$ 13,901,578
Total	\$ 14,014,674	\$ 113,096	\$ 13,901,578

**BOROUGH OF UPPER SADDLE RIVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Borrowing Power

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

	<u>2017</u>	<u>2016</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 96,757,118	\$ 96,661,962
Net Debt	<u>13,883,700</u>	<u>13,901,528</u>
Remaining Borrowing Power	<u>\$ 82,873,418</u>	<u>\$ 82,760,434</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>
\$4,475,000, 2003 Bonds		\$ 400,000
\$6,130,000, 2012 Bonds, due in annual installments of \$350,000 to \$490,000 through June 1, 2028 interest at 2.0% to 2.375%	<u>\$ 4,775,000</u>	<u>5,070,000</u>
	<u>\$ 4,775,000</u>	<u>\$ 5,470,000</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2016 is as follows:

Calendar Year	Serial Bonds		Total
	Principal	Interest	
2018	\$ 350,000	\$ 95,669	\$ 445,669
2019	370,000	88,469	458,469
2020	390,000	80,869	470,869
2021	410,000	72,869	482,869
2022	425,000	64,519	489,519
2023-2027	2,340,000	185,520	2,525,520
2028	<u>490,000</u>	<u>5,819</u>	<u>495,819</u>
	<u>\$ 4,775,000</u>	<u>\$ 593,734</u>	<u>\$ 5,368,734</u>

**BOROUGH OF UPPER SADDLE RIVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

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

	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
General Capital Fund Bonds Payable	\$ 5,470,000	\$ -	\$ 695,000	\$ 4,775,000	\$ 350,000
General Capital Fund Long-Term Liabilities	<u>\$ 5,470,000</u>	<u>\$ -</u>	<u>\$ 695,000</u>	<u>\$ 4,775,000</u>	<u>\$ 350,000</u>
	Balance, January 1, <u>2016</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	\$ 6,145,000	\$ -	\$ 675,000	\$ 5,470,000	\$ 695,000
General Capital Fund Long-Term Liabilities	<u>\$ 6,145,000</u>	<u>\$ -</u>	<u>\$ 675,000</u>	<u>\$ 5,470,000</u>	<u>\$ 695,000</u>

**BOROUGH OF UPPER SADDLE RIVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 9 MUNICIPAL DEBT (Continued)

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>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2017</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2017</u>
<u>2017</u>						
<u>General Capital Fund</u>						
Various Capital Improvements	0.70%	2/17/2017	\$ 3,483,388		\$ 3,483,388	
	2.00%	2/16/2018		\$ 3,235,266		\$ 3,235,266
Various Capital Improvements and Acquisition of Equipment	0.70% and 1.50%	2/17/2017	4,446,443		4,446,443	
	2.00%	2/16/2018		4,408,687		4,408,687
Various Capital Improvements and Acquisition of Equipment, Furnishings and Vehicles	2.25%	2/16/2018	-	945,250	-	945,250
Total Bond Anticipation Notes Payable			<u>\$ 7,929,831</u>	<u>\$ 8,589,203</u>	<u>\$ 7,929,831</u>	<u>\$ 8,589,203</u>
<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2016</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2016</u>
<u>2016</u>						
<u>General Capital Fund</u>						
Acquisition of Property (Affordable Housing)		2/19/2016	\$ 930,184		\$ 930,184	
Acquisition of Land (Affordable Housing)		2/19/2016	427,792		427,792	
Various Capital Improvements	0.70%	2/19/2016 2/17/2017	3,731,510	\$ 3,483,388	3,731,510	\$ 3,483,388
Various Capital Improvements and Acquisition of Equipment	0.70% and 1.50%	2/19/2016 2/17/2017	1,373,750 -	4,446,443	1,373,750 -	4,446,443
Total Bond Anticipation Notes Payable			<u>\$ 6,463,236</u>	<u>\$ 7,929,831</u>	<u>\$ 6,463,236</u>	<u>\$ 7,929,831</u>

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

**BOROUGH OF UPPER SADDLE RIVER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

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

In addition to the debt shown in the above schedule, municipalities may issue debt to finance emergency or special emergency appropriations or to meet cash flow needs (Tax Anticipation Notes) to temporarily finance operating expenditures. This debt which is not included in the Borough's statutory debt limit calculation is reported in the Current Fund for the year 2017 as follows:

Emergency Notes

Any local unit may borrow money and issue its negotiable notes to meet an emergency appropriation. All emergency notes, and any renewals thereof, shall mature not later than the last day of the fiscal year following the fiscal year in which the notes were issued and the emergency appropriation authorized.

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2016</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2016</u>
<u>2017</u> Legal Services	1.50%	12/21/2018	\$ -	\$ 600,000	\$ -	\$ 600,000

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Projects</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2017</u>		
DPW Tandem Dump Truck with Plow Equipment	\$ 227,575	2018
Police - Chevy Tahoe	34,719	2018
DPW - F-550 Truck	63,433	2018
Improvements to Carlough Road - Section 5	169,019	2018
	<u>\$ 494,746</u>	
<u>2016</u>		
Road Program - Sparrowbush Road Improvement	\$ 73,922	2017
	<u>\$ 73,922</u>	

**BOROUGH OF UPPER SADDLE RIVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused vacation benefits, personal, sick leave and compensation time in lieu of overtime over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$1,455,295 and \$1,152,839 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.

B. Deferred Pension Obligation

During the year ended December 31, 2009 the Borough elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$273,826 and will be paid back with interest over 15 years beginning in the 2012 year. The Borough is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (7.65% effective July 1, 2016 and 7.90% effective July 1, 2012 through June 30, 2016) at December 31, 2017 and 2016 is \$227,951 and \$251,745, respectively.

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, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
Compensated Absences	\$ 1,152,839	\$ 335,530	\$ 33,074	\$ 1,455,295	
Deferred Pension Obligation	251,745	17,136	41,820	227,061	\$ 42,267
Net Pension Liability - PERS	6,712,202		1,029,733	5,682,469	
Net Pension Liability - PFRS	<u>13,427,940</u>	<u>-</u>	<u>3,300,291</u>	<u>10,127,649</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 21,544,726</u>	<u>\$ 352,666</u>	<u>\$ 4,404,918</u>	<u>\$ 17,492,474</u>	<u>\$ 42,267</u>

**BOROUGH OF UPPER SADDLE RIVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

B. Deferred Pension Obligation (Continued)

Changes in Other Long-Term Liabilities (Continued)

	Balance, January 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>					
Compensated Absences	\$ 1,061,098	\$ 91,741		\$ 1,152,839	
Deferred Pension Obligation	273,938	19,211	\$ 41,404	251,745	\$ 41,820
Net Pension Liability - PERS	5,164,206	1,749,333	201,337	6,712,202	
Net Pension Liability - PFRS	<u>11,356,991</u>	<u>2,644,084</u>	<u>573,135</u>	<u>13,427,940</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 17,856,233</u>	<u>\$ 4,504,369</u>	<u>\$ 815,876</u>	<u>\$ 21,544,726</u>	<u>\$ 41,820</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.

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.

**BOROUGH OF UPPER SADDLE RIVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. 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 PFRS 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 PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

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

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

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.

**BOROUGH OF UPPER SADDLE RIVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 CPFPPF, 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 CPFPPF (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 UPPER SADDLE RIVER
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, 2016 and 2015 for CPFPPF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. 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, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2017	\$ 605,540	\$ 211,495	\$ 4,547
2016	586,322	207,095	
2015	524,155	199,731	

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 \$5,682,469 and \$6,712,202, 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 .02441 percent, which was an increase of .00175 percent from its proportionate share measured as of June 30, 2016 of .02266 percent.

**BOROUGH OF UPPER SADDLE RIVER
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 \$441,076 and \$602,507, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$202,080 and \$197,783, 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	\$ 133,803		\$ 124,827	
Changes of Assumptions	1,144,822	\$ 1,140,625	1,390,410	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	38,694		255,942	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>311,495</u>	<u>108,225</u>	<u>-</u>	<u>\$ 146,546</u>
Total	<u>\$ 1,628,814</u>	<u>\$ 1,248,850</u>	<u>\$ 1,771,179</u>	<u>\$ 146,546</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	\$ 158,254
2019	222,704
2020	161,182
2021	(86,567)
2022	(75,609)
Thereafter	<u>-</u>
	<u>\$ 379,964</u>

**BOROUGH OF UPPER SADDLE RIVER
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 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

**BOROUGH OF UPPER SADDLE RIVER
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 UPPER SADDLE RIVER
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>\$ 7,049,488</u>	<u>\$ 5,682,469</u>	<u>\$ 4,543,572</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>\$ 8,225,020</u>	<u>\$ 6,712,202</u>	<u>\$ 5,463,239</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 UPPER SADDLE RIVER
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 \$10,127,649 and \$13,427,940, 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 .06560 percent, which was a decrease of .00469 percent from its proportionate share measured as of June 30, 2016 of .07029 percent.

For the years ended December 31, 2017 and 2016, the pension system has determined the Borough pension expense to be \$1,016,457 and \$1,662,646, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough’s financial statements of \$573,135 and \$554,230, 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	\$ 65,702	\$ 59,441		\$ 88,022
Changes of Assumptions	1,248,852	1,658,613	\$ 1,859,880	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	193,259		940,869	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>600,737</u>	<u>587,293</u>	<u>826,637</u>	<u>-</u>
Total	<u>\$ 2,108,550</u>	<u>\$ 2,305,347</u>	<u>\$ 3,627,386</u>	<u>\$ 88,022</u>

**BOROUGH OF UPPER SADDLE RIVER
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	\$ 276,485
2019	340,931
2020	55,169
2021	(576,118)
2022	(293,264)
Thereafter	-
	<u>\$ (196,797)</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 UPPER SADDLE RIVER
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 UPPER SADDLE RIVER
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>\$ 13,344,012</u>	<u>\$ 10,127,649</u>	<u>\$ 7,485,041</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>\$ 17,314,344</u>	<u>\$ 13,427,940</u>	<u>\$ 10,258,811</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 UPPER SADDLE RIVER
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 \$1,134,382 and \$1,127,614, 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 \$138,761 and \$144,023 respectively, which is more than the actual contributions the State made on behalf of the Borough of \$56,724 and \$43,207, 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.

NOTE 13 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 Upper Saddle River 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.

**BOROUGH OF UPPER SADDLE RIVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 13 RISK MANAGEMENT (Continued)

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

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

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

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

<u>Year Ended December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017		\$ 5,161	\$ 794	\$ 21,616
2016		4,972	157	17,234
2015		4,886	4,972	12,419

NOTE 14 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 or immaterial. As of December 31, 2017 and 2016, the Borough reserved \$0 and \$0, 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.

**BOROUGH OF UPPER SADDLE RIVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 14 CONTINGENT LIABILITIES (Continued)

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.

NOTE 15 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 estimated arbitrage earnings due to the IRS, if any.

NOTE 16 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

The Borough of Upper Saddle River Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on October 10, 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 Upper Saddle River approved the adoption of the Plan at the general election held on November 6, 2001.

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

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

The Borough of Upper Saddle River has contributed \$1,329 and \$1,318 for 2017 and 2016, respectively, for each eligible volunteer fire department and volunteer ambulance corp. member into the Plan. The total Borough contributions were \$50,485 and \$51,402 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.

**BOROUGH OF UPPER SADDLE RIVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 16 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

Vesting and Benefits

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

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

Reporting Requirements

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

NOTE 17 HURRICANE SANDY

On October 29, 2012 Hurricane Sandy, the largest Atlantic hurricane on record made landfall in New Jersey and resulted in severe damage in numerous communities and a federal disaster was declared throughout the State. The Borough has incurred significant costs in the clean up and recovery from this federal disaster. The Federal Emergency Management Agency ("FEMA") provides emergency grant assistance (voluntary nonexchange transaction) to help government's cope with losses. Although the Borough has applied for reimbursement from FEMA, the total amount to be received in conjunction with this event is not considered to be measurable with sufficient reliability and therefore has not been recognized in the financial statements as of December 31, 2017. As of December 31, 2017, the Borough has received \$66,144 in FEMA reimbursements relating to Hurricane Sandy which have been reflected in the financial statements.

NOTE 18 SUBSEQUENT EVENTS

Serial Bonds

On April 5, 2018 the Borough adopted a resolution for the issuance of \$260,000 General Improvement Bonds for the purpose of funding various capital improvements of the Borough. On April 4, 2018, the Borough awarded the sale of said bonds to Columbia Bank at an interest rate of 2.40%. These bonds dated May 1, 2018 will mature over 4 years with the first maturity due February 15, 2019.

Bond Anticipation Notes

On February 16, 2018 the Borough issued bond anticipation notes in the amount of \$7,863,849 to temporarily finance expenditures related to various capital projects. The Borough has awarded the sale of said notes to Cede & Co. at an interest rate of 2.5%. These notes dated February 16, 2018 will mature on February 15, 2019.

**BOROUGH OF UPPER SADDLE RIVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 18 SUBSEQUENT EVENTS (Continued)

Bond Anticipation Notes

On February 16, 2018 the Borough issued bond anticipation notes in the amount of \$435,000 to temporarily finance expenditures related to various capital projects. The Borough has awarded the sale of said notes to Columbia Bank at an interest rate of 1.65%. These notes dated February 16, 2018 will mature on May 1, 2018.

Debt Authorized

On April 5, 2018 the Borough adopted a bond ordinance authorizing the issuance \$726,750 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 UPPER SADDLE RIVER
STATEMENT OF CASH - TREASURER**

Balance, January 1, 2017		\$	2,962,868
Increased by Cash Receipts:			
Taxes Receivable	51,400,047		
Petty Cash Returned	1,000		
2018 Prepaid Taxes	8,734,149		
Tax Overpayments	317,080		
Revenue Accounts Receivable	2,024,759		
Non-Budget Revenue	261,077		
Due from State of NJ - Senior Citizens and Veterans Deductions	32,750		
Grant Receivable	9,826		
Unappropriated Grants	43,220		
Emergency Note Proceeds	600,000		
Receipts from General Capital Fund	24,629		
Receipts due to General Capital Fund	37,250		
Receipts from Other Trust Fund - DARE Account	2,420		
Receipts from Other Trust Fund - Other Trust Account	73,600		
Receipts from Animal Control Trust Fund	8,546		
Due to State of New Jersey - DCA Fees	21,080		
	63,591,433		63,591,433
			66,554,301
Decreased by Cash Disbursements:			
2017 Budget Appropriation	10,635,176		
2016 Appropriation Reserves	110,768		
Petty Cash Received	1,000		
Local District School Taxes Payable	22,341,491		
Regional School Taxes Payable	13,769,864		
County Taxes Payable	7,027,816		
Reserve for Appropriated Grants	89,945		
Due to State of New Jersey - DCA Fees	20,964		
Disbursements to Other Trust Fund - LOSAP Account	2,500		
Disbursements to Other Trust Fund - Other Trust Account	33,691		
Disbursements to Other Trust Fund - Payroll Agency Account	30,600		
Disbursements to Public Assistance Fund	19		
Disbursements to Open Space Trust Fund	4,058		
Disbursements to General Capital Fund	701,811		
	54,769,703		54,769,703
Balance, December 31, 2017		\$	11,784,598

EXHIBIT A-5

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF PETTY CASH**

Increased by:	
Petty Cash Received	<u>\$ 1,000</u>
Decreased by:	
Petty Cash Returned	<u>\$ 1,000</u>

EXHIBIT A-6

SCHEDULE OF CHANGE FUNDS

Balance, January 1, 2017	<u>\$ 150</u>
Balance, December 31, 2017	<u> 150</u>

EXHIBIT A-7

SCHEDULE OF TAX TITLE LIENS RECEIVABLE

Balance, January 1, 2017	<u>\$ 151,572</u>
Decreased by:	
Cancellations	<u>\$ 151,572</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF GRANTS RECEIVABLE**

	Balance January 1, <u>2017</u>	Realized As Revenues <u>2017 Budget</u>	<u>Collected</u>	<u>Cancelled</u>	Balance, December 31, <u>2017</u>
Drunk Driving Enforcement Fund	\$ 1,216	\$ 1,501			\$ 2,717
State of New Jersey Aggressive Drivers	5,792			\$ 5,792	
Municipal Alliance	9,619			9,619	
Municipal Alliance - 2012	500			500	
Municipal Alliance - 2013	4,806			4,806	
Municipal Alliance - 2014	9,800			9,800	
Municipal Alliance - 2015	1			1	
Municipal Alliance - 2016	4,061				4,061
Municipal Alliance - 2017		9,876	\$ 9,826		50
2009 Business Stimulus Grant	3,510			3,510	
State of New Jersey DOT - Municipal Aid	3,394			3,394	
Bergen County Prosecutor's Office - Forfeited Funds:					
Consultant for CALEA Accreditation	2,562			2,562	
Purchase of Rifles	3,801			3,801	
NJLM Educational Foundation : Small Grant Award	7,286			7,286	
Community Development Block Grant - Barrier Free Imps	28,204			28,204	
Domestic Violence	10			10	
Northwest Bergen Regional Health Commission	3,125			3,125	
NJ Dept. of Agriculture - Hurricane Sandy	97,871	-	-	97,871	-
	<u>185,558</u>	<u>11,377</u>	<u>9,826</u>	<u>180,281</u>	<u>6,828</u>

Fund Balance	\$ 32,875
Appropriated Grant Reserve	<u>147,406</u>
	<u>\$ 180,281</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF DUE TO STATE OF NEW JERSEY
SENIOR CITIZENS AND VETERANS DEDUCTIONS**

Balance, January 1, 2017		\$	19,037
Increased by:			
2017 Veterans' and Senior Citizen Deductions Disallowed by Tax Collector	\$	1,250	
2016 Veterans' and Senior Citizen Deductions Disallowed by Tax Collector		250	
Cash Receipts		<u>32,750</u>	
			<u>34,250</u>
			53,287
Decreased by:			
2017 Veterans' and Senior Citizen Deductions Allowed by Tax Duplicate		32,750	
2017 Veterans' and Senior Citizen Deductions Allowed by Tax Collector		<u>250</u>	
			<u>33,000</u>
Balance, December 31, 2017		\$	<u><u>20,287</u></u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

<u>Year</u>	<u>Balance January 1, 2017</u>	<u>2017 Levy</u>	<u>Senior Citizens' and Veterans' Deductions Disallowed</u>	<u>Collected in</u>		<u>Overpayments Applied</u>	<u>Senior Citizens' and Veterans' Deductions Allowed</u>	<u>Remitted or Cancelled</u>	<u>Balance, December 31, 2017</u>
				<u>2016</u>	<u>2017</u>				
2016	\$ 279,960	-	-	-	\$ 275,283	-	-	\$ 2,678	\$ 1,999
2017	-	\$ 52,015,704	\$ 1,250	\$ 451,147	51,124,764	\$ 57,944	\$ 33,000	47,929	302,170
	<u>\$ 279,960</u>	<u>\$ 52,015,704</u>	<u>\$ 1,250</u>	<u>\$ 451,147</u>	<u>\$ 51,400,047</u>	<u>\$ 57,944</u>	<u>\$ 33,000</u>	<u>\$ 50,607</u>	<u>\$ 304,169</u>

Analysis of 2017 Property Tax Levy

Tax Yield	
General Purpose	\$ 51,716,280
Added Taxes (R.S. 54:4-63.1 et seq).	299,424
	<u>\$ 52,015,704</u>
Tax Levy	
Regional High School Tax (Abstract)	\$ 13,769,864
Local District School Tax (Abstract)	22,460,827
County Tax (Abstract)	\$ 6,682,383
County Tax for Open Space Preservation	277,675
County Tax for Added and Omitted Taxes (R.S. 54:4-63.1 et seq.)	40,274
	7,000,332
Local Tax for Municipal Purposes (Abstract)	7,578,911
Minimum Library Tax Levy (Abstract)	930,735
Add Additional Tax Levied	15,885
Added Taxes (54:4-63.1 et seq.)	259,150
	8,784,681
	<u>\$ 52,015,704</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF DEFERRED CHARGES
EMERGENCY AUTHORIZATIONS**

	Balance, January 1, <u>2017</u>	Added in <u>2017</u>	Reduced by <u>2017 Budget</u>	Balance, December 31, <u>2017</u>
Emergency Authorizations (40A:4-47)	\$ 347,000	\$ 600,000	\$ 347,000	\$ 600,000
Overexpenditure of 2015 Appropriations Reserves	<u>2,371</u>	<u>-</u>	<u>2,371</u>	<u>-</u>
	<u>\$ 349,371</u>	<u>\$ 600,000</u>	<u>\$ 349,371</u>	<u>\$ 600,000</u>

BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, January 1, <u>2017</u>	Accrued in <u>2017</u>	Received in <u>2017</u>	Balance, December 31, <u>2017</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 1,505	\$ 1,505	
Other		4,650	4,650	
Fees and Permits		2,235	2,235	
Health Officer				
Licenses - Other		4,050	4,050	
Tax Assessor				
Fees and Permits		140	140	
Police Department				
Fees and Permits		955	955	
Construction Code Official				
Fees and Permits		393,969	393,969	
Municipal Court-Fines and Costs	\$ 7,749	136,492	137,842	\$ 6,399
Energy Receipts Tax		858,614	858,614	
Health Department	23	20,752	20,775	
Interest and Cost on Taxes		60,397	60,397	
Interest on Investments		11,332	11,332	
Uniform Fire Safety Act		40,004	40,004	
Sewer Flow Charges		22,711	22,711	
Verizon - Franchise Fees		70,589	70,589	
Upper Saddle River Library		72,537	72,537	
Hotel Tax		22,552	22,552	
Rental Income		15,600	15,600	
Cable Television Franchise Fees		65,302	65,302	
Reserve for Environmental Cleanup		96,000	96,000	
Reserve for Building Permit Deposits	-	123,000	123,000	-
	<u>\$ 7,772</u>	<u>\$ 2,023,386</u>	<u>\$ 2,024,759</u>	<u>\$ 6,399</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF 2016 APPROPRIATION RESERVES**

	Balance, January 1, <u>2017</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Salaries and Wages				
Legal Services and Costs	\$ 148	\$ 148		\$ 148
Planning Board	14	14		14
Zoning Board of Adjustment	476	476		476
Police	9,926	9,926		9,926
Municipal Prosecutor	300	300		300
Road Repairs and Maintenance	12,337	12,337		12,337
Shade Tree Commission	566	566		566
Board of Health	1,019	1,019		1,019
Parks and Playgrounds	141	141		141
Municipal Court	4,582	4,582		4,582
State Uniform Construction Code	1,161	1,161		1,161
Other Expenses				
Administrative and Executive - Other Expenses	7,294	8,338	\$ 1,044	7,294
Administrative and Executive - Office Equipment, Supplies and Maintenance	1,497	2,132	635	1,497
Financial Administration	4,911	7,789	3,242	4,547
Revenue Administration - Collection of Taxes	1,166	1,571	405	1,166
Assessment of Taxes	405	405	173	232
Legal Services and Costs	29,222	36,814	7,592	29,222
Engineering Services and Costs	6,125	7,898	2,473	5,425
Planning Board	1,691	2,464	955	1,509
Zoning Board of Adjustment	1,357	1,357		1,357
Other Insurance Premiums	6,516	6,516		6,516
Employee Group Health	36,825	36,825		36,825
Police	9,586	24,868	16,525	8,343
Emergency Management Services	2,560	2,560		2,560
Ambulance Corp	3,844	3,844		3,844
Fire Dept	2,314	5,846	5,116	730
Fire Prevention Bureau	1,884	1,884		1,884
Road Repair and Maintenance	71,673	84,216	18,998	65,218
Garbage and Trash Removal - Contractual	24,850	41,989	24,499	17,490
Public Buildings and Grounds	1,899	5,601	3,725	1,876
Sewer Maintenance Fee Contracts				
Borough of Woodcliff Lake	390	390		390
Sewer Charges				
Borough of Ramsey	2,000	2,000		2,000
Shade Tree Commission	3,362	3,604	338	3,266
Board of Health	7,811	11,893	4,082	7,811
Contribution to Senior Citizen Center		2,436	2,436	
Parks and Playgrounds	1,954	1,954		1,954
Celebration of Public Events	1,904	2,204	300	1,904
Municipal Court	7,385	8,307	749	7,558
Bloodborne Pathogens	2,258	2,600	342	2,258
Fire - Occupational Safety and Health Act		5,443	5,443	-
Public Defender	625	875	250	625
State Uniform Construction Code	1,583	2,374	1,169	1,205

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF 2016 APPROPRIATION RESERVES**

	Balance, January 1, <u>2017</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Other Expenses (continued)				
Utilities:				
Electricity	\$ 4,098	\$ 4,098		\$ 4,098
Street Lighting	1,046	1,046	\$ 371	675
Telephone	29	723	694	29
Water	4,025	4,114	2,959	1,155
Natural Gas	3,570	4,669	1,099	3,570
Fire Hydrants	684	684		684
Gasoline	7,657	13,805	6,148	7,657
Social Security System (O.A.S.I.)	16,124	16,124		16,124
Police and Fireman's Retirement System of N.J.	10	10		10
Unemployment Compensation	1,186	1,186		1,186
LOSAP	11,346	11,346		11,346
Reserve for Tax Appeals	8,128	8,818	760	8,058
9-1-1 Interlocal Agreement	1,980	1,980	-	1,980
	<u>\$ 335,444</u>	<u>\$ 426,270</u>	<u>\$ 112,522</u>	<u>\$ 313,748</u>
Appropriation Reserves		\$ 335,444		
Encumbrances Payable		<u>90,826</u>		
		<u>\$ 426,270</u>		
Transferred to Accounts Payable			\$ 1,754	
Cash Disbursements			<u>110,768</u>	
			<u>\$ 112,522</u>	

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2017		\$ 90,826
Increased by:		
Charges to 2017 Appropriations	\$ 96,376	
Charges to Appropriated Grant Reserves	<u>2,469</u>	
		<u>98,845</u>
		189,671
Decreased by:		
Restored to 2016 Appropriation Reserves		<u>90,826</u>
Balance, December 31, 2017		<u><u>\$ 98,845</u></u>

EXHIBIT A-15

STATEMENT OF ACCOUNTS PAYABLE

Increased by:		
Transferred from 2016 Appropriation Reserves		<u>\$ 1,754</u>
Balance, December 31, 2017		<u><u>\$ 1,754</u></u>

EXHIBIT A-16

STATEMENT OF PREPAID TAXES

Balance, January 1, 2017		\$ 451,147
Increased by:		
Overpayments Applied	\$ 6,768	
Collection - 2018 Taxes	<u>8,734,149</u>	
		<u>8,740,917</u>
		9,192,064
Decreased by:		
Application to 2017 Taxes Receivable		<u>451,147</u>
Balance, December 31, 2017		<u><u>\$ 8,740,917</u></u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2017		\$ 384,553
Increased by:		
Cash Receipts		317,080
		701,633
Decreased by:		
Applied to Prepaid Taxes	\$ 6,768	
Applied to Taxes Receivable - 2017	57,944	
Revenue Realized in 2017 Budget	350,000	
		414,712
Balance, December 31, 2017		\$ 286,921

SCHEDULE OF COUNTY TAXES PAYABLE

Balance, January 1, 2017		\$ 27,484
Increased by:		
County Share of 2017 Levy	\$ 6,682,383	
County Open Space Preservation	277,675	
County Share of 2017 Levy - Added Taxes	40,274	
		7,000,332
		7,027,816
Decreased by:		
Cash Disbursements		\$ 7,027,816

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE**

Increased by:	
Local School Share of 2017 Levy	\$ 22,460,827
Decreased by:	
Payments	<u>22,341,491</u>
Balance, December 31, 2017	<u>\$ 119,336</u>

STATEMENT OF REGIONAL SCHOOL TAXES

Increased by:	
Local School Share of 2017 Levy	<u>\$ 13,769,864</u>
Decreased by:	
Payment	<u>\$ 13,769,864</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS**

<u>Grant</u>	Balance, January 1, 2017	Transferred from 2017 Budget Appropriations	Expended	Cancelled	Balance, December 31, 2017
Counter Measure Grant	\$ 1,862				\$ 1,862
Bergen County - Hurricane Floyd Grant	1,914			\$ 1,914	
Drunk Driving Enforcement Fund	6,001	\$ 4,001			10,002
GIS Grant	1,200			1,200	
NJLM Educational Foundation: Small Grants Award	2,000			2,000	
Bergen County 200 Club	4,300				4,300
Municipal Alliance:					
County Share	3,284	9,876	\$ 13,160		
Local Share	4,919	2,469	4,373		3,015
Body Armor	3,566	3,730	2,497		4,799
Business Stimulus Fund Grant	3,510			3,510	
New Jersey Department of Transportation - Municipal Aid Program - Union Avenue	10,166			10,166	
Bergen Co. Prosecutor's Office - Forfeited Funds:					
Consultant for CALEA Accreditation	2,011			2,011	
Purchase of Rifles	529			529	
Alcohol Education Rehabilitation Fund	106	242			348
Clean communities	21,431	45,331	66,762		
Recycling Tonnage Grant	5,622	4,999	5,622		4,999
NJ Dept. of Agriculture - Hurricane Sandy	97,871			97,871	
State Forestry Service		2,150			2,150
Bergen County Open Space - Lion's Park	28,205	-	-	28,205	-
	<u>\$ 198,497</u>	<u>\$ 72,798</u>	<u>\$ 92,414</u>	<u>\$ 147,406</u>	<u>\$ 31,475</u>
			Cash Disbursements \$ 89,945		
			Encumbrances Payable <u>2,469</u>		
			<u>\$ 92,414</u>		

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF UNAPPROPRIATED GRANT RESERVES**

<u>Grant</u>	Balance, January 1, 2017	Transferred to 2017 Budget	Cash Receipts	Balance, December 31, 2017
Body Armor	\$ 1,864	\$ 3,730	\$ 1,866	
Clean Communities	24,509	45,331	20,822	
Recycling Tonnage	-	4,999	10,540	\$ 5,541
State Forestry Service		2,150	2,150	
Drunk Driving Enforcement Fund		2,500	2,500	
Alcohol Education & Rehabilitation Grant	242	242	-	-
Distracted Driving Incentive	-	-	5,342	5,342
	<u>\$ 26,615</u>	<u>\$ 58,952</u>	<u>\$ 43,220</u>	<u>\$ 10,883</u>

STATEMENT OF DUE TO BOROUGH OF SADDLE RIVER

Balance, January 1, 2017	<u>\$ 7,015</u>
Decreased by:	
Cancelled	<u>\$ 7,015</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF DUE TO STATE OF NEW JERSEY - DCA TRAINING FEES**

Balance, January 1, 2017	\$ 6,189
Increased by:	
Cash Receipts	<u>21,080</u>
	27,269
Decreased by:	
Cash Disbursements	<u>20,964</u>
Balance, December 31, 2017	<u>\$ 6,305</u>

STATEMENT OF RESERVE FOR REASSESSMENT OF REAL PROPERTY

Balance, January 1, 2017	<u>\$ 1,185</u>
Balance, December 31, 2017	<u>\$ 1,185</u>

STATEMENT OF RESERVE FOR 100TH ANNIVERSARY CELEBRATION

Balance, January 1, 2017	<u>\$ 1,143</u>
Balance, December 31, 2017	<u>\$ 1,143</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF EMERGENCY NOTE PAYABLE**

<u>Description</u>	<u>Date of Original Note</u>	<u>Amount of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, January 1, 2017</u>	<u>Increased</u>	<u>Balance, December 31, 2017</u>
Emergency - Legal Services	12/22/2017	\$ 600,000	12/22/2017	12/21/2018	1.50 %	\$ -	\$ 600,000	\$ 600,000
						<u>\$ -</u>	<u>\$ 600,000</u>	<u>\$ 600,000</u>
					Issued for Cash		<u>\$ 600,000</u>	

TRUST FUND

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF TRUST FUND CASH - TREASURER**

	<u>Animal Control Trust Fund</u>	<u>Other Trust Fund</u>	<u>Open Space Trust Fund</u>	<u>Unemployment Insurance Trust Fund</u>
Balance, January 1, 2017	\$ 20,186	\$ 4,106,128	\$ 213,310	\$ 11,763
Increased by Receipts:				
Animal Control Fees	\$ 4,333			
Late and Other Fees	264			
State Fees	458			
Interest on Deposits	15	\$ 2	\$ 171	\$ 15
Open Space Receipts			10,545	
Receipts from Current Fund - Open Space Fund			4,058	
Receipts from Current Fund - LOSAP Account		2,500		
Receipts from Current Fund - Other Trust Account		33,691		
Receipts from Current Fund - Payroll Agency Account		30,600		
Receipts from General Capital Fund - Other Trust Account		50,000		
Employee Contributions				5,161
Payroll Deposits		3,088,310		
Payroll Deductions Payable		3,058,550		
Escrow Deposits and Miscellaneous Reserves	-	1,853,140	-	
	<u>5,070</u>	<u>8,116,793</u>	<u>14,774</u>	<u>-</u>
	25,256	12,222,921	228,084	16,939
Decreased by Disbursements:				
Expenditures Under R.S 4:19-15.11	380			
Payments to State of New Jersey	448			794
Payments to Current Fund - Animal Control Fund	8,546			
Payments to Current Fund - DARE Account		2,420		
Payments to Current Fund - Other Trust Account		73,600		
Payments to General Capital Fund - CDBG Account		1,346		
Payroll Deposits		3,066,781		
Payroll Deductions Payable		3,061,477		
Open Space Disbursements			110,628	
Escrow Deposits and Miscellaneous Reserves	-	1,572,233	-	-
	<u>9,374</u>	<u>7,777,857</u>	<u>110,628</u>	<u>794</u>
Balance, December 31, 2017	<u>\$ 15,882</u>	<u>\$ 4,445,064</u>	<u>\$ 117,456</u>	<u>\$ 16,145</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF DUE TO STATE OF NEW JERSEY
ANIMAL CONTROL TRUST FUND**

Balance, January 1, 2017	\$	3
Increased by:		
State Fees Collected		458
		461
Decreased by:		
Paid to State of New Jersey		448
Balance, December 31, 2017	\$	13

EXHIBIT B-3

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

Balance, January 1, 2017	\$	11,637
Increased by:		
Animal Control Fees	\$	4,333
Interest on Deposits		15
Late and Other Fees		264
		4,612
		16,249
Decreased by:		
Statutory Excess		6,316
Disbursements		380
		6,696
Balance, December 31, 2017	\$	9,553

EXHIBIT B-4

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

Balance, January 1, 2017	\$	8,546
Increased by:		
Statutory Excess		6,316
		14,862
Decreased by:		
Cash Disbursements		8,546
Balance, December 31, 2017	\$	6,316

BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF ESCROW DEPOSITS AND MISCELLANEOUS RESERVES - OTHER TRUST FUND
OTHER TRUST FUND

	Balance, January 1, <u>2017</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2017</u>
Shade Tree Commission Deposits	\$ 274,415		\$ 25,181	\$ 249,234
Building Permit Security Deposits	123,000		123,000	-
Planning/Zoning Escrow Deposits	1,063,015		49,637	1,013,378
Easement Vacation	418			418
Recreation Commission Expenditures	65,611		44,150	21,461
Builder's Escrow Deposits	505,539	\$ 1,391,077	760,549	1,136,067
Rental Deposits	475			475
Parking Offense Adjudication Act	1,424			1,424
Police Recruit Fees	8			8
Filming Permits	3,000		1,000	2,000
Environmental Clean-Up	260,000		96,000	164,000
LOSAP	30,184	52,000	42,176	40,008
Drug Awareness Resistance Education	82,259	29,679	32,956	78,982
Affordable Housing	48,007	264,531	83,055	229,483
Discretionary Fire Penalties	15,495			15,495
Public Defender	456	851	750	557
Tax Title Lien Premiums	184,628		100,100	84,528
Tax Title Lien Redemptions	240,885	73,600	129,285	185,200
Tax Sale Premium	383,100			383,100
Construction Code Escrow	348,780		44,630	304,150
Performance bond	428,798			428,798
Inspection Fees	33,645			33,645
Storm Drain Escrow	38,305			38,305
Health		41,402	39,764	1,638
Miscellaneous	11,395	-	-	11,395
	<u>\$ 4,142,842</u>	<u>\$ 1,853,140</u>	<u>\$ 1,572,233</u>	<u>\$ 4,423,749</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF DUE FROM GENERAL CAPITAL FUND - OTHER TRUST ACCOUNT
OTHER TRUST FUND**

Balance, January 1, 2017	<u>\$ 50,000</u>
Decreased by:	
Cash Receipts	<u>\$ 50,000</u>

EXHIBIT B-7

**STATEMENT OF DUE TO GENERAL CAPITAL FUND - CDBG ACCOUNT
OTHER TRUST FUND**

Balance, January 1, 2017	<u>\$ 1,346</u>
Decreased by:	
Cash Disbursements	<u>\$ 1,346</u>

EXHIBIT B-8

**STATEMENT OF DUE FROM CURRENT FUND - LOSAP ACCOUNT
OTHER TRUST FUND**

Balance, January 1, 2017	<u>\$ 2,500</u>
Decreased by:	
Cash Receipts	<u>\$ 2,500</u>

EXHIBIT B-9

**STATEMENT OF DUE TO CURRENT FUND - CDBG ACCOUNT
OTHER TRUST FUND**

Increased by:	
Interest on Deposits	<u>\$ 2</u>
Balance, December 31, 2017	<u>\$ 2</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF DUE TO CURRENT FUND - DARE ACCOUNT
OTHER TRUST FUND**

Balance, January 1, 2017	\$ <u>2,420</u>
Decreased by:	
Cash Disbursements	\$ <u>2,420</u>

EXHIBIT B-11

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

Balance, January 1, 2017	\$ 33,691
Increased by:	
Cash Disbursements	<u>73,600</u>
	107,291
Decreased by:	
Cash Receipts	<u>33,691</u>
Balance, December 31, 2017	\$ <u>73,600</u>

EXHIBIT B-12

**STATEMENT OF DUE FROM CURRENT FUND - PAYROLL AGENCY ACCOUNT
OTHER TRUST FUND**

Balance, January 1, 2017	\$ <u>30,600</u>
Decreased by:	
Cash Receipts	\$ <u>30,600</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF RESERVE FOR ACCRUED PAYROLL
OTHER TRUST FUND**

Balance, January 1, 2017	\$	33,883
Increased by:		
Cash Receipts		3,058,550
		3,092,433
Decreased by:		
Cash Disbursements		3,061,477
Balance, December 31, 2017	\$	30,956

**STATEMENT OF RESERVE FOR PAYROLL DEDUCTIONS PAYABLE
OTHER TRUST FUND**

Balance, January 1, 2017	\$	36,957
Increased by:		
Cash Receipts		3,088,310
		3,125,267
Decreased by:		
Cash Disbursements		3,066,781
Balance, December 31, 2017	\$	58,486

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION TRUST EXPENDITURES
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, January 1, 2017		\$ 17,234
Increased by:		
Interest on Deposits	\$ 15	
Employee Contributions	<u>5,161</u>	
		<u>5,176</u>
		22,410
Decreased by:		
Unemployment Compensation Claims		<u>794</u>
Balance, December 31, 2017		<u>\$ 21,616</u>

EXHIBIT B-16

**STATEMENT OF DUE TO STATE OF NEW JERSEY
UNEMPLOYMENT INSURANCE TRUST FUND**

Increased by:		
Unemployment Compensation Claims		<u>\$ 794</u>
Decreased by:		
Cash Disbursements		<u>\$ 794</u>

EXHIBIT B-17

**STATEMENT OF DUE FROM OTHER TRUST FUND - PAYROLL AGENCY ACCOUNT
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, January 1, 2017		<u>\$ 5,471</u>
Balance, December 31, 2017		<u>\$ 5,471</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF RESERVE FOR OPEN SPACE EXPENDITURES
OPEN SPACE TRUST FUND**

Balance, January 1, 2017		\$ 217,368
Increased by:		
Cash Receipts	\$ 10,545	
Interest on Deposits	<u>171</u>	
		<u>10,716</u>
		228,084
Decreased by:		
Expenditures		<u>110,628</u>
Balance, December 31, 2017		<u>\$ 117,456</u>

**STATEMENT OF DUE FROM CURRENT FUND
OPEN SPACE TRUST FUND**

Balance, January 1, 2017		<u>\$ 4,058</u>
Decreased by:		
Cash Receipts		<u>\$ 4,058</u>

GENERAL CAPITAL FUND

BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF GENERAL CAPITAL CASH AND CASH EQUIVALENTS

Balance, January 1, 2017		\$	2,237,459
Increased by Receipts:			
Bond Anticipation Notes Issued - Principal	\$		945,250
Bond Anticipation Notes Issued - Premiums			72,848
Cash Receipts from Other Trust Fund - CDBG Account			1,346
Cash Receipts from Current Fund			<u>701,811</u>
			<u>1,721,255</u>
			3,958,714
Decreased by Disbursements:			
Improvement Authorizations			902,488
Contracts Payable			119,893
Expenditure without Ordinance Appropriations			33,230
Bond Anticipated Notes Paydowns			285,878
Bond Anticipated Notes Interest Payments			60,057
Cash Disbursements to Other Trust Fund - Other Trust Account			50,000
Cash Disbursements to Current Fund			<u>24,629</u>
			<u>1,476,175</u>
Balance, December 31, 2017		\$	<u>2,482,539</u>

BOROUGH OF UPPER SADDLE RIVER
ANALYSIS OF GENERAL CAPITAL CASH AND CASH EQUIVALENTS

	Balance December 31, <u>2017</u>
Fund Balance	\$ 135,076
Contracts Payable	561,283
Down Payment on Improvements	6,350
Capital Improvement Fund	850
Reserve for Payment of Debt	58,096
Due from Bergen County	(1,031)
Due from Current Fund	(385,859)
Deferred Charge - Overexpenditure	(33,230)
Excess Note Proceeds Ord 04-2016	37,250
Ord.	
<u>No.</u>	
	<u>Improvement Description</u>
14-1990	1990 Road Resurfacing Program (485)
18-2002	Acquisition of Light Weight Dump Truck (745)
16-2003	Watermain Extension (271,758)
17-2004/14-2005	Improvements to Municipal Building (1,855)
08-2005	Acquisition of Land (Affordable Housing 1016/6) 21,622
08-2006/11-2006	2006 Road resurfacing Program 2,601
05-2007	Various Capital Improvements 196,648
09-2008	Improvements to Lions Memorial Park, Acquisition of New Fire Engine Including Apparatus and Equipment (69,420)
04-2009	Refunding Bond Ordinance (17,752)
11-2010	Various Public Improvements 45,416
05-2011	Various Public Improvements 27,721
05-2015	Various Public Improvements, Acq. Of Equipment/ Communication Equipment/New Vehicles 351
04-2016	Various Public Improvements, Acq. Of Equipment & Machinery, New Comm. & Signal Sys. Equip. 1,830,528
09-2017	Various Public Improvements and the Acquisition of Equipment, Furnishings and Vehicles <u>340,882</u>
	 <u>\$ 2,482,539</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF DUE FROM BERGEN COUNTY**

Balance, January 1, 2017	<u>\$ 1,031</u>
Balance, December 31, 2017	<u><u>\$ 1,031</u></u>

STATEMENT OF DUE FROM CURRENT FUND

Balance, January 1, 2017	\$ 1,034,256
Increased by:	
Budget Appropriation - Paydown of Notes	\$ 285,878
Budget Appropriation - Interest on Notes	60,057
Budget Appropriation - Capital Improvement Fund	50,600
Cash Receipt in Current Fund Related to General Capital Fund	37,250
Current Fund Payments	<u>24,629</u>
	<u>458,414</u>
	1,492,670
Decreased by:	
Anticipated Revenue in Current Fund - General Capital Fund Balance	350,000
Anticipated Revenue in Current Fund - Reserve for Payment of Debt	55,000
Cash Receipts	<u>701,811</u>
	<u>1,106,811</u>
Balance, December 31, 2017	<u><u>\$ 385,859</u></u>

BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, January 1, 2017	\$ 5,470,000
Decreased by:	
Serial Bond Principal Paid	<u>695,000</u>
Balance, December 31, 2017	<u>\$ 4,775,000</u>

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION -
EXPENDITURE WITHOUT ORDINANCE APPROPRIATIONS

Increased by:	
Expenditure without Ordinance Appropriations	<u>\$ 33,230</u>
Balance, December 31, 2017	<u>\$ 33,230</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

Ord. No.	Improvement Description	Balance January 1, 2017	2017 Authorizations	Grant Receipt	Notes Paid by Budget Appropriation	Balance December 31, 2017	Analysis of Balance - Dec. 31, 2017		
							Financed by Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
14-1990	1990 Road Resurfacing Program	\$ 485				\$ 485		\$ 485	
18-2002	Acquisition of Light Weight Dump Truck	745				745		745	
16-2003	Watermain Extension	271,758				271,758		271,758	
17-2004/14-2005	Improvements to Municipal Building	1,855				1,855		1,855	
05-2007	Various Capital Improvements	470,780			\$ 33,374	437,406	\$ 437,406		
09-2008	Improvements to Lion's Memorial Park, Acquisition of New Fire Engine including Apparatus and Equipment	75,000				75,000		69,420	\$ 5,580
04-2009	Refunding Bond Ordinance	265,000				265,000		17,752	247,248
11-2010	Various Public Improvements	514,808			37,798	477,010	477,010		
05-2011	Various Public Improvements	731,416			46,528	684,888	684,888		
03-2012	Various Public Improvements	976,759			86,747	890,012	890,012		
05-2013	Various Public Improvements	789,625			43,675	745,950	745,950		
05-2014	Various Public Improvements, Acq. Of Equipment/Communication Equipment/Furniture	666,000			37,756	628,244	628,244		
05/2015	Various Public Improvements & Acq. Of Equip.	707,750				707,750	707,750		
04/2016	Various Public Improvements & Acq. Of Equip.	3,072,693		\$ 37,250		3,035,443	3,035,443		
09-2017	Various Public Improvements and the Acquisition of Equipment, Furnishings and Vehicles	-	\$ 945,250	-	-	945,250	945,250	-	-
		<u>\$ 8,544,674</u>	<u>\$ 945,250</u>	<u>\$ 37,250</u>	<u>\$ 285,878</u>	<u>\$ 9,166,796</u>	<u>\$ 8,551,953</u>	<u>\$ 362,015</u>	<u>\$ 252,828</u>
							\$ 8,589,203		
							Less: Excess Note Proceeds Ord. 04-2016	37,250	
							<u>\$ 8,551,953</u>		
							Improvement Authorizations - Unfunded		\$ 2,694,374
							Less: Unexpended Proceeds of Bond Anticipation Notes Issued:		
							Ord. No. 05-2007	\$ 196,648	
							Ord. No. 11-2010	45,416	
							Ord. No. 05-2011	27,721	
							Ord. No. 05-2015	351	
							Ord. No. 04-2016	1,830,528	
							Ord. No. 09-2017	340,882	
									<u>2,441,546</u>
									<u>\$ 252,828</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF BOND ANTICIPATION NOTES**

Ord. No.	Improvement Description	Date of Issuance of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance January 1, 2017	Increased	Decreased	Balance December 31, 2017
05-2007	Various Capital Improvements	7/26/2007	2/19/2016 2/17/2017	2/17/2017 2/16/2018	0.70% 2.00%	\$ 470,780	\$ 437,406	\$ 470,780	\$ 437,406
11-2010	Various Capital Improvements	10/21/2010	2/19/2016 2/17/2017	2/17/2017 2/16/2018	0.70% 2.00%	514,808	477,010	514,808	477,010
05-2011	Various Capital Improvements	9/20/2011	2/19/2016 2/17/2017	2/17/2017 2/16/2018	0.70% 2.00%	731,416	684,888	731,416	684,888
03-2012	Various Capital Improvements	7/18/2012	2/19/2016 2/17/2017	2/17/2017 2/16/2018	0.70% 2.00%	976,759	890,012	976,759	890,012
05-2013	Various Capital Improvements	7/17/2013	2/19/2016 2/17/2017	2/17/2017 2/16/2018	0.70% 2.00%	789,625	745,950	789,625	745,950
05-2014	Various Capital Improvements & Acq. Of Equip.	8/13/2014	2/19/2016 2/17/2017	2/17/2017 2/16/2018	0.70% 2.00%	666,000	628,244	666,000	628,244
05-2015	Various Capital Improvements & Acq. Of Equip.	6/25/2015	2/19/2016 2/17/2017	2/17/2017 2/16/2018	0.70% 2.00%	707,750	707,750	707,750	707,750
04-2016	Various Capital Improvements & Acq. Of Equip.	7/22/2016	7/22/2016 2/17/2017	2/17/2017 2/16/2018	1.50% 2.00%	3,072,693	3,072,693	3,072,693	3,072,693
09-2017	Various Public Improvements and the Acquisition of Equipment, Furnishings and Vehicles	7/14/2017	7/14/2017	2/16/2018	2.25%	-	945,250	-	945,250
						<u>\$ 7,929,831</u>	<u>\$ 8,589,203</u>	<u>\$ 7,929,831</u>	<u>\$ 8,589,203</u>

Issued for Cash	\$ 945,250	
Paid by Budget Appropriation		\$ 285,878
Renewals of BAN	<u>7,643,953</u>	<u>7,643,953</u>
	<u>\$ 8,589,203</u>	<u>\$ 7,929,831</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF GENERAL SERIAL BONDS**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2017</u>			<u>Interest Rate</u>	<u>Balance, January 1, 2017</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2017</u>
			<u>Date</u>	<u>Amount</u>						
General Improvement Bonds	6/17/2003	\$ 4,475,000					\$ 400,000		\$ 400,000	
General Improvement Bonds	6/1/2012	6,130,000	06/01/18	\$ 350,000	2.00%					
			06/01/19	370,000	2.00%					
			06/01/20	390,000	2.00%					
			06/01/21	410,000	2.00%					
			06/01/22	425,000	2.00%					
			06/01/23	440,000	2.00%					
			06/01/24	450,000	2.00%					
			06/01/25	475,000	2.00%					
			06/01/26	485,000	2.125%					
			06/01/27	490,000	2.250%					
			06/01/28	490,000	2.375%					
							<u>5,070,000</u>	<u>\$ -</u>	<u>295,000</u>	<u>\$ 4,775,000</u>
							<u>\$ 5,470,000</u>	<u>\$ -</u>	<u>\$ 695,000</u>	<u>\$ 4,775,000</u>
									<u>\$ 695,000</u>	
										<u>Paid by Budget Appropriation</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF RESERVE FOR PAYMENT OF DEBT**

Balance, January 1, 2017	\$ 113,096
Decreased by:	
Anticipated Revenue in Current Fund	<u>55,000</u>
Balance, December 31, 2017	<u>\$ 58,096</u>

STATEMENT OF CONTRACTS PAYABLE

Balance, January 1, 2017	\$ 119,893
Increased by:	
Encumbrances - Improvements Authorizations	<u>561,283</u>
	681,176
Decreased by:	
Cash Disbursement	<u>119,893</u>
Balance, December 31, 2017	<u>\$ 561,283</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF DOWN PAYMENT OF IMPROVEMENTS**

Balance, January 1, 2017	<u>\$ 6,350</u>
Balance, December 31, 2017	<u><u>\$ 6,350</u></u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Increased by:	
Budget Appropriation	\$ 50,600
Decreased by:	
Appropriation to Finance	
Improvement Authorizations	<u>49,750</u>
Balance, December 31, 2017	<u><u>\$ 850</u></u>

BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. No.	<u>Improvement Description</u>	Balance, January 1, <u>2017</u>	2017 Capital <u>Authorizations</u>	Bond Anticipation Notes <u>Issued</u>	Balance, December 31, <u>2017</u>
14-1990	1990 Road Resurfacing Program	\$ 485			\$ 485
18-202	Acquisition of Light Weight Dump Truck	745			745
16-2003	Watermain Extension	271,758			271,758
14-2005	Supp. To 17-2004: Improvements to Municipal Building	1,855			1,855
09-2008	Improvements to Lions Memorial Park, Acquisition of New Fire Engine including Apparatus and Equipment	75,000			75,000
04-2009	Refunding Bond Ordinance	265,000			265,000
09-2017	Various Public Improvements and the Acquisition of Equipment, Furnishings and Vehicles	-	\$ 945,250	\$ 945,250	-
		<u>\$ 614,843</u>	<u>\$ 945,250</u>	<u>\$ 945,250</u>	<u>\$ 614,843</u>

PUBLIC ASSISTANCE FUND

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF PUBLIC ASSISTANCE FUND CASH**

P.A.T.F.
Account #1

Balance, January 1, 2017	\$ 5,260
Increased by Receipts:	
Cash Receipts from Current Fund	<u>19</u>
Balance, December 31, 2017	<u>\$ 5,279</u>

**BOROUGH OF UPPER SADDLE RIVER
STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES**

	P.A.T.F. <u>Account #1</u>
Balance, January 1, 2017	\$ <u>5,279</u>
Balance, December 31, 2017	\$ <u><u>5,279</u></u>

STATEMENT OF DUE FROM CURRENT FUND

	P.A.T.F. <u>Account #1</u>
Balance, January 1, 2017	\$ <u>19</u>
Decreased by:	
Cash Receipts	<u>19</u>
Balance, December 31, 2017	\$ <u><u>-</u></u>

BOROUGH OF UPPER SADDLE RIVER

PART II

GOVERNMENT AUDITING STANDARDS

YEAR ENDED DECEMBER 31, 2017



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Upper Saddle River
Upper Saddle River, 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 Upper Saddle River, 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 May 10, 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 Upper Saddle River’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 Upper Saddle River’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Upper Saddle River’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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002 that we consider to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Upper Saddle River'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 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 and which are described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002.

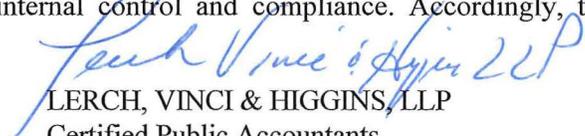
We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Upper Saddle River in Part III of this report of audit entitled; "Letter of Comments and Recommendations".

Borough of Upper Saddle River's Responses to Findings

The Borough of Upper Saddle River's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Borough of Upper Saddle River's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 Upper Saddle River'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 Upper Saddle River'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



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
May 10, 2018

**BOROUGH OF UPPER SADDLE RIVER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Grant Program</u>	<u>State Account Number</u>	<u>CFDA Number</u>	<u>Grant Year</u>	<u>Grant Receipts</u>	<u>Grant Award</u>	<u>Balance, January 1, 2017</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance, December 31, 2017</u>	<u>(Memo) Cumulative Expenditures</u>
U.S. Department of Transportation (Passed Through State Department of Transportation)											
Highway Planning and Construction - Improvements to Union Avenue		20.205	2010		\$ 200,000	\$ 6,773			\$ 6,773		\$ 189,834
Highway Planning and Construction - Improvements to Sparrowbush Rd. (Ord. # 2015-078-6320-480-AL5)		20.205	2016	\$ 37,250	150,000	-	\$ 37,250	\$ 37,250	-	-	149,000
Total Highway Planning and Construction						<u>6,773</u>	<u>37,250</u>	<u>37,250</u>	<u>6,773</u>	<u>-</u>	<u>338,834</u>
U.S. Department of Environmental Protection (Passed Through State Department of Environmental Protection)											
Consolidated Forest Management - State Forestry Service	2013-042-4870-100-038	10.664	2013	2,150	2,150	-	2,150	-	-	\$ 2,150	-
U.S. Department of Homeland Security (Passed Through State Department of Law and Public Safety)											
FEMA - Hurricane Sandy - Public Assistance Grant	2013-066-1200-100-A92	97.036	2013	4,845	4,845		4,845	4,845			4,845
FEMA - Hurricane Sandy - Hazard Mitigation Grant	2013-066-1200-100-B07	97.039	2013	61,299	61,299	-	61,299	61,299	-	-	61,299
Total Federal Assistance						<u>\$ 6,773</u>	<u>\$ 105,544</u>	<u>\$ 103,394</u>	<u>\$ 6,773</u>	<u>\$ 2,150</u>	<u>\$ 404,978</u>

N/A = Not Available

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

**BOROUGH OF UPPER SADDLE RIVER
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Year</u>	<u>Grant Receipts</u>	<u>Grant Award</u>	<u>Balance, January 1, 2017</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Adjustment (1)</u>	<u>Cancelled</u>	<u>Balance, December 31, 2017</u>	<u>Cumulative Expenditures</u>
Counter Measure		2014		\$ 1,862	\$ 1,862	-	-	-	-	\$ 1,862	-
Alcohol Education and Rehabilitation	9735-760-098-Y900	2013		106	106	-	-	-	-	106	-
	9735-760-098-Y900	2016		242	242	-	-	-	-	242	-
					348	-	-	-	-	348	-
Body Armor	1020-718-066-1020-001-YCIS	Prior Years		8,312	1,635		\$ 1,635			-	\$ 8,312
	1020-718-066-1020-001-YCIS	2015		1,931	1,931		862			1,069	862
	1020-718-066-1020-001-YCIS	2016		1,864		\$ 1,864				1,864	
	1020-718-066-1020-001-YCIS	2016		1,864	1,864			\$ (1,864)		-	
	1020-718-066-1020-001-YCIS	2017	\$ 1,866	1,866	-	1,866	-	-	-	1,866	-
					5,430	3,730	2,497	(1,864)	-	4,799	9,174
Drunk Driving Enforcement Fund	6400-100-078-6400	Prior Years		16,887	4,211					4,211	12,676
	6400-100-078-6400	2015		1,790	574			1,216		1,790	
	6400-100-078-6400	2016		1,501		1,501				1,501	
	6400-100-078-6400	2017	2,500	2,500	-	2,500	-	-	-	2,500	-
					4,785	4,001	-	1,216	-	10,002	12,676
Aggressive Driver Awareness Program		1997		6,195	(5,793)	-	-	5,793	-	-	-
Clean Communities Act	4900-765-042-4900-004	2015		21,431	21,431		21,431				21,431
	4900-765-042-4900-004	2016		21,509	21,509			(21,509)			
	4900-765-042-4900-004	2016		24,509		24,509	24,509				24,509
	4900-765-042-4900-004	2017	20,822	20,822	-	20,822	20,822			-	20,822
					42,940	45,331	66,762	(21,509)	-	-	66,762
Recycling Tonnage Grant		2014		5,887	5,622		5,622				5,887
		2017	4,999	4,999	-	4,999	-	-	-	4,999	-
					5,622	4,999	5,622	-	-	4,999	5,887

**BOROUGH OF UPPER SADDLE RIVER
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Year</u>	<u>Grant Receipts</u>	<u>Grant Award</u>	<u>Balance, January 1, 2017</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Adjustment (1)</u>	<u>Cancelled</u>	<u>Balance, December 31, 2017</u>	<u>Cumulative Expenditures</u>
Domestic Violence Grant		2005		\$ 3,250	\$ (10)	-	-	\$ 10	-	-	\$ 3,250
					(10)	-	-	10	-	-	3,250
Municipal Alliance on Alcoholism and Drug Abuse		2005		11,500	(2,897)			2,897			11,500
		2009		11,017	(1,922)			1,922			11,017
		2010		10,356	(500)			500			10,356
		2011		10,356	(4,300)			4,300			10,356
		2012		10,356	(500)			500			10,356
		2013		9,876	(4,806)			4,806			9,876
		2014		9,800	(8,229)			8,229			9,800
		2014 Match		2,450	2,450			(2,450)			-
		2015		9,876	(1)			1			9,876
		2016		9,876	(2,348)		\$ 3,284	5,632			9,876
		2016 Match		2,469	2,469			(2,469)			-
		2017	\$ 9,826	9,876	-	\$ 9,876	9,876	-	-	-	9,876
					(20,584)	9,876	13,160	23,868	-	-	102,889
Hurricane Floyd Grant		2001		24,000	1,914	-	-	-	\$ 1,914	\$ -	22,086
					\$ 36,514	\$ 67,937	\$ 88,041	\$ 7,514	\$ 1,914	\$ 22,010	\$ 222,724

97

(1) - To adjust beginning balance at January 1, 2017

Note: This schedule was not subject to an audit in accordance with N.J. OMB 15-08

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

**BOROUGH OF UPPER SADDLE RIVER
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 Upper Saddle River. 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	\$ 105,544	\$ 67,937	\$ 173,481
	<u>\$ 105,544</u>	<u>\$ 67,937</u>	<u>\$ 173,481</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 UPPER SADDLE RIVER
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Part 1 – Summary of Auditors' Results

Financial Statements Section

Type of auditors' report issued on financial statements

Modified-Unaudited LOSAP

Internal control over financial reporting:

1) Material weakness(es) identified?

 yes X no

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

 X yes none reported

Noncompliance material to basic financial statements noted?

 X yes no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF UPPER SADDLE RIVER
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2017**

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*.

Finding 2017-001 – Our audit of the general ledger accounting system maintained for the various funds revealed the following:

- General ledger control account balances were not reconciled to the revenue, appropriation and reserve accounts subsidiary reports and other supporting records on a monthly basis.
- Numerous cash transactions were either misposted or not posted to the general ledger and subsidiary records during the year.
- Numerous interfund transactions were not posted to the respective fund's general ledger and subsidiary records during the year.

Criteria or Specific Requirement – Maintaining General Ledger Accounting System – N.J.A.C. 5:30-5.7.

Condition – The general ledger account balances were not reviewed and reconciled with the subsidiary revenue, appropriation and reserve account reports, bank reconciliation balances and other records on a timely basis. Cash transactions related to receipt and disbursement activities of the various funds were misposted or not posted to the respective fund's accounting records. In addition, numerous interfund transactions between funds were not recorded in the accounting records of the reciprocal fund.

Context – General ledger account balances for the Current Fund was not reconciled to the subsidiary revenue and appropriation status reports and monthly bank reconciliation balances. In addition other trust reserve balances were not reconciled to the detail trust balances or monthly bank reconciliation balances for each reserve account. Also, General Capital Fund was not reviewed and reconciled to improvement authorization account status subsidiary reports and monthly bank reconciliation balances.

Effect – General ledger balances may not be in agreement with balances per the subsidiary supporting reports and records.

Cause – General ledger account balances were not reviewed and reconciled in a timely manner with account balances reported in the subsidiary revenue, appropriation and reserve account reports and other supporting records.

Recommendation – Internal control procedures over the general ledger accounting system be reviewed and enhanced to ensure general ledger account balances are reconciled on a monthly basis to the respective fund's subsidiary reports and supporting records and that transactions are accurately recorded during the year.

View of Responsible Official and Planned Corrective Action – Management has reviewed this finding and has indicated corrective action will be developed and implemented in 2018 to address this finding.

**BOROUGH OF UPPER SADDLE RIVER
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2017**

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*.

Finding 2017-002 – Our audit of bank reconciliations in the various funds revealed the following:

- Bank reconciliations prepared at year end were incomplete.
- Numerous reconciling items and old outstanding checks exist at year end in the various accounts.

Criteria or Specific Requirement – Internal controls over financial reporting.

Condition – Bank reconciliations prepared by the Borough did not include all reconciling items or included invalid reconciling items at year end. In addition, various reconciling items existed at year end as a result of numerous interfund adjustments and old prior year checks that remained outstanding.

Context – Several bank reconciliations prepared at December 31, 2017 did not include all outstanding items (i.e. deposit in transit and outstanding checks) or included items that were deemed invalid at year end. In addition, numerous reconciling items existed on the various bank reconciliations that were old and invalid.

Effect – Reconciled cash balances were not available to support general ledger cash account balances and transactions recorded in the internal accounting records.

Cause – Bank reconciliations were not completed accurately and reconciled to the general ledger cash account balances.

Recommendation – Monthly bank reconciliations for all the Borough accounts be completed accurately and in a timely manner. In addition, reconciling items and old outstanding checks be reviewed and cleared of record.

View of Responsible Official and Planned Corrective Action – Management has reviewed this finding and has indicated corrective action will be developed and implemented in 2018 to address this finding.

**BOROUGH OF UPPER SADDLE RIVER
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
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*, U.S. Uniform Guidance and New Jersey OMB's Circular 15-08

STATUS OF PRIOR YEAR FINDINGS

Finding 2016-001

Tax adjustments/percentages are being made incorrectly.

Current Status

Corrective action was taken.

Finding 2016-002

Budget revenue anticipated, cash receipts, appropriations and other expenditures of Current, Trust and Capital Funds are not being posted correctly.

Current Status

See Finding 2017-1

Finding 2016-003

Our audit revealed overexpenditures in excess of available appropriations in the Current Fund.

Current Status

Corrective action was taken.

BOROUGH OF UPPER SADDLE RIVER

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

**BOROUGH OF UPPER SADDLE RIVER
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES 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>
REVENUES AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 494,317	0.88 %	\$	1,000,000	1.81 %
Miscellaneous - From Other Than Local					
Property Tax Levies	3,111,167	5.56		3,144,375	5.68
Collection of Delinquent Taxes and Tax Title Liens	275,283	0.49		305,944	0.55
Collection of Current Tax Levy	51,665,605	92.45		50,341,661	90.97
Other Credits to Income	<u>338,045</u>	<u>0.60</u>		<u>545,184</u>	<u>0.99</u>
Total Revenues and Other Income	<u>55,884,417</u>	<u>100.00 %</u>		<u>55,337,164</u>	<u>100.00 %</u>
EXPENDITURES					
Budget Expenditures					
Municipal Purposes	12,228,680	22.03 %		12,637,934	23.04 %
County Taxes	7,000,332	12.61		6,821,074	12.44
Local School Taxes	22,460,827	40.47		22,014,107	40.14
Regional School Taxes	13,769,864	24.81		13,353,097	24.35
Other Expenditures	<u>39,443</u>	<u>0.07</u>		<u>17,286</u>	<u>0.03</u>
Total Expenditures	<u>55,499,146</u>	<u>100.00 %</u>		<u>54,843,498</u>	<u>100.00 %</u>
Excess of Revenues and Other Income Over Expenditures	385,271			493,666	
Adjustments to Income Before Fund Balance: Expenditures Included Above Which are by Statute Deferred Charges to Budgets of Succeeding Years	<u>600,000</u>			<u>347,000</u>	
Statutory Excess to Fund Balance	985,271			840,666	
Fund Balance, January 1	<u>843,688</u>			<u>1,003,022</u>	
	1,828,959			1,843,688	
Decreased by: Utilization as Anticipated Revenue	<u>494,317</u>			<u>1,000,000</u>	
Fund Balance, December 31	<u>\$ 1,334,642</u>			<u>\$ 843,688</u>	

**BOROUGH OF UPPER SADDLE RIVER
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	<u>\$2.342</u>	<u>\$2.271</u>	<u>\$2.238</u>
 <u>Apportionment of Tax Rate</u>			
Municipal	.343	.334	.332
Library	.042	.041	.042
County	.303	.303	.296
County Open Space	.012	.003	.003
Local School	1.018	.990	.975
Regional School	.624	.600	.590

Assessed Valuation

2017	<u>\$2,208,210,100</u>	
2016		<u>\$2,224,571,900</u>
2015		<u>\$2,214,253,300</u>

Comparison of Tax Levies and Collection

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	\$ 52,015,704	\$ 51,665,605	99.32%
2016	50,724,005	50,341,661	99.24%
2015	49,714,570	49,314,599	99.19%

**BOROUGH OF UPPER SADDLE RIVER
SUPPLEMENTARY DATA**

Delinquent Taxes and Tax Title Liens

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

<u>December 31 Year</u>	<u>Delinquent Taxes</u>	<u>Tax Title Liens</u>	<u>Total</u>	<u>Percentage of Tax Levy</u>
2017	\$ 304,169	\$ -	\$ 304,169	0.58%
2016	279,960	151,572	431,532	0.85%
2015	305,944	136,077	442,021	0.89%

Comparative Schedule of Fund Balance

	<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2017	\$1,334,642	\$1,000,000
	2016	843,688	494,317
	2015	1,003,022	1,000,000

**BOROUGH OF UPPER SADDLE RIVER
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Type of Bond</u>
Joanne Minichetti	Mayor		
Steven DiMartino	Councilman		
Vincent Durante	Councilman		
Joanne Florio	Councilwoman		
Roger DeBerardine	Councilman		
Jonathan Ditkoff	Councilman		
Thomas Hafner	Councilman		
Theodore F. Preusch	Borough Administrator		
Gene Leporiere	Chief Financial Officer/Tax Collector	1,000,000.00	(A)
Rose Vido	Borough Clerk		
Boswell Engineering	Borough Engineer		
James Dougherty	Construction Code Official		
Harry D. Norton Jr.	Magistrate	1,000,000.00	(A)
Sherri D'Alessandro	Court Clerk/Violations Clerk	1,000,000.00	(A)
Marie Merolla	Tax Assessor (1/1/17 to 3/28/18)		
Anthony Rinaldi	Tax Assessor (4/1/18 to Present)		
Gina DeMott	Secretary-Construction Code Official		

Note A – All officials handling cash were insured for public employee dishonesty and faithful performance issued by the Bergen County Municipal Joint Insurance Fund and Municipal Excess Liability Joint Insurance Fund in the total amount of \$1,000,000.

BOROUGH OF UPPER SADDLE RIVER SUPPLEMENTARY DATA

Our comments with respect to the examination and any error, omission, irregularity, violation of law, discrepancy or other nonconformity to the law or regulation found during the examination are herewith set forth.

GENERAL COMMENTS

Current Year Findings

Our audit of health benefits disbursements revealed checks were issued and subsequently voided for payments made by wire transfers. It is recommended that the practice of issuing voided checks for payments made by wire transfers be discontinued.

Our audit of the various trust fund reserve balances at year end were not supported by a detail analysis. It is recommended that a detail analysis be maintained for all escrow deposits and performance bonds.

Our audit of the Trust Fund payroll accounts indicated that an excess balance exists at year end. In addition, a detail payroll deduction ledger is not being maintained on a monthly basis. It is recommended that the excess balance relating to the Trust Fund payroll accounts be reviewed and cleared of record and a detail analysis be maintained for payroll deductions on a monthly basis.

Our audit of the improvement authorization status report in the General Capital Fund did not reflect the actual balance relating to the various ordinance appropriations at year end. As a result, certain General Capital Fund expenditures were made without ordinance appropriation. It is recommended that the improvement authorization status report be reviewed and adjusted to agree with the audit balances relating to the various ordinance appropriations at year end and that all General Capital Fund expenditures be made only if ordinance appropriation exists.

Our audit of the health benefit withholdings indicated that certain employee's health benefit contributions were not calculated in accordance with Chapter 78 of the Public Laws of 2011. It is recommended that in all instances, employee contributions toward health benefits be calculated and withheld in accordance with Chapter 78 of the Public Laws of 2011.

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

N.J.S. 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or 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 by the governing body of the contracting unit 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 the bid threshold, except by contract or agreement."

The threshold permitted by the State of New Jersey is \$17,500 unless the Borough has a qualified purchasing agent. If the Borough's purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (c.40A:11-9), the Borough may establish a bid threshold up to \$40,000. The Borough approved the bid threshold to be \$40,000. The Borough Administrator was appointed as the qualified purchasing agent effective June 2, 2011.

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

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

- 2017-2018 Turf Program
- Solid Waste Collection Service and Collection of Recyclable Material
- Improvements to Carlough Road, Section 5

**BOROUGH OF UPPER SADDLE RIVER
SUPPLEMENTARY DATA**

GENERAL COMMENTS (Continued)

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4 (Continued)

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 furnishings 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 violations existed.

Our examination of expenditures did not reveal individual payments, contracts or agreements in excess of the bid threshold "for the performance of any work, or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJS 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

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

The Governing Body on January 5, 2017, adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED, by the Mayor and Council of the Borough of Upper Saddle River, County of Bergen, State of New Jersey, that the penalty upon delinquent taxes and assessments be fixed at the rate of eight (8) per centum per annum on the first \$1,500.00 of the delinquency and eighteen (18%) per cent per annum on any amount in excess of \$1,500 will be added from payable date to date of payment received; and that no penalty be imposed if payment upon taxes or assessments become due and payable and the Collector is hereby authorized and empowered to waive any penalty for interest provided said taxes and assessments are paid before the expiration of ten (10) days after each quarterly payment of taxes and assessments become due. A penalty of up to 6% may be charged on any delinquency in excess of \$10,000 if not paid by the end of the fiscal year.

BE IT FURTHER RESOLVED, that this resolution shall be effective immediately and that the penalty rate herein fixed for assessments shall not apply where there is a specific ordinance fixing a penalty rate for a specific assessment.

**BOROUGH OF UPPER SADDLE RIVER
SUPPLEMENTARY DATA**

GENERAL COMMENTS (Continued)

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 27, 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	-
2016	-
2015	-

BOROUGH OF UPPER SADDLE RIVER

RECOMMENDATIONS

It is recommended that:

1. Internal control procedures over the general ledger accounting system be reviewed and enhanced to ensure general ledger account balances are reconciled on a monthly basis to the respective fund's subsidiary reports and supporting records and that transactions are accurately recorded during the year.
2. Monthly bank reconciliations for all the Borough accounts be completed accurately and in a timely manner. In addition, reconciling items and old outstanding checks be reviewed and cleared of record.
3. The practice of issuing voided checks for payments made by wire transfers be discontinued.
4. A detail analysis be maintained for all escrow deposits and performance bonds.
5. The excess balance relating to the Trust Fund payroll accounts be reviewed and cleared of record and a detail analysis be maintained for payroll deductions on a monthly basis.
6. The improvement authorization status report be reviewed and adjusted to agree with the audit balances relating to the various ordinance appropriations at year end and that all General Capital Fund expenditures be made only if ordinance appropriation exists.
7. In all instances, employee contributions toward health benefits be calculated and withheld in accordance with Chapter 78 of Public Laws of 2011.

* * * * *

A review was performed on all prior year's recommendations. The Borough has taken corrective action on all prior year recommendations.

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


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


Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398