

BOROUGH OF HAWORTH
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2016

BOROUGH OF HAWORTH

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BOROUGH OF HAWORTH
BERGEN COUNTY, NEW JERSEY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2016



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Haworth
Haworth, 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 Haworth, as of December 31, 2016 and 2015, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2016, 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 Haworth 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 Haworth as of December 31, 2016 and 2015, or changes in financial position, or, where applicable, cash flows for the years 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 years ended December 31, 2016 and 2015. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 44 percent and 44 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2016 and 2015.

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 Haworth as of December 31, 2016 and 2015, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2016 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 Haworth 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 Haworth.

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 23, 2017 on our consideration of the Borough of Haworth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Haworth's internal control over financial reporting and compliance.

LERCH, VINCI & HIGGINS, LLP

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



Jeffrey C. Bliss
Registered Municipal Accountant
RMA Number CR00429

Fair Lawn, New Jersey
May 23, 2017

BOROUGH OF HAWORTH
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2016 AND 2015

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Cash	A-4	\$ 2,901,286	\$ 2,677,948
Cash - Change Funds	A-5	300	300
Grants Receivable	A-7	207,662	239,988
FEMA Reimbursements Receivable	A-12	-	45,373
		<u>3,109,248</u>	<u>2,963,609</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes Receivable	A-8	160,047	160,091
Tax Title Liens	A-9	63,516	59,035
Property Acquired for Taxes - Assessed Valuation	A-10	42,335	42,335
Revenue Accounts Receivable	A-11	3,818	4,467
Other Accounts Receivable	A-13	1,823	1,823
Due from Animal Control Fund	B-2	6,078	6,078
Due from Other Trust Fund	B-6	2,099	
Due from Unemployment Insurance Trust Fund	B-14	7,095	-
		<u>286,811</u>	<u>273,829</u>
Deferred Charges			
Emergency Authorizations	A-14	52,159	1,508
		<u>\$ 3,448,218</u>	<u>\$ 3,238,946</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,A-15	\$ 299,642	\$ 181,146
Encumbrances Payable	A-17	307,537	434,641
Accounts Payable	A-18	18,670	20,179
Due to State of NJ - Senior Citizens' and Veterans' Deductions	A-16	27,398	28,349
Prepaid Taxes	A-19	102,753	67,188
Fees Payable	A-21	2,117	4,623
Tax Anticipation Note	A-22	1,720,000	1,701,000
Emergency Notes Payable	A-23	52,159	
County Taxes Payable	A-27	7,644	10,579
Due to Other Trust Fund	B-6	-	745
Due to Unemployment Insurance Trust Fund	B-14	-	5
Due to Length of Service Award Program Fund	B	20,300	23,900
Due to General Capital Fund	C-5	39,176	5,434
Due to Swim Pool Utility Operating Fund	D-20	415	415
Due to Swim Pool Utility Capital Fund	D-11	8,966	8,966
Reserve for Sale of Assets	A-20	-	17,500
Reserve for Tax Appeals	A-24	65,000	65,000
Reserve for State and Federal Grants:			
Unappropriated	A-25	11,095	9,933
Appropriated	A-26	155,157	49,421
		<u>2,838,029</u>	<u>2,629,024</u>
Reserve for Receivables	A	286,811	273,829
Fund Balance	A-1	323,378	336,093
		<u>\$ 3,448,218</u>	<u>\$ 3,238,946</u>

Total Liabilities, Reserves and Fund Balance

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWORTH
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
REVENUE AND OTHER INCOME			
Fund Balance Utilized	A-2	\$ 262,000	\$ 238,000
Miscellaneous Revenues Anticipated	A-2	1,387,934	1,358,903
Receipts from Delinquent Taxes	A-2	160,091	189,893
Receipts from Current Taxes	A-2	22,962,498	22,029,427
Nonbudget Revenues	A-2	63,280	36,682
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-15	77,890	103,178
Cancelled Appropriated Grant Reserves	A-1	-	5,700
Interfunds Returned	A-1	-	359
		<u>24,913,693</u>	<u>23,962,142</u>
Total Income			
EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	2,967,077	2,841,069
Other Expenses	A-3	2,819,833	2,700,221
Deferred Charges and Statutory Expenditures -			
Municipal	A-3	603,599	574,503
Capital Improvements	A-3	199,023	243,080
Municipal Debt Service	A-3	1,047,023	980,412
Judgements	A-3	7,018	8,000
County Taxes Payable	A-27	2,244,406	2,273,846
County Added Taxes	A-27	7,644	10,579
Local District School Taxes	A-28	9,096,778	8,404,213
Regional High School Taxes	A-29	5,713,452	5,658,492
Refund of Prior Year Revenue	A-4	1,520	4,384
Prior Year Sr. Cit. and Vets. Deductions Disallowed	A-1		250
Interfund and Other Receivable Advances	A	9,194	1
		<u>24,716,567</u>	<u>23,699,050</u>
Total Expenditures			
Excess in Revenues		197,126	263,092
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-14	52,159	1,508
Statutory Excess to Fund Balance		249,285	264,600
FUND BALANCE, JANUARY 1	A	<u>336,093</u>	<u>309,493</u>
		585,378	574,093
Decreased by:			
Utilized as Anticipated Revenues	A-1,A-2	262,000	238,000
FUND BALANCE, DECEMBER 31	A	<u>\$ 323,378</u>	<u>\$ 336,093</u>

BOROUGH OF HAWORTH
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Reference</u>	<u>Budget</u>	Special Added by: <u>40A:4-87</u>	<u>Realized</u>	Excess (<u>Deficit</u>)
FUND BALANCE ANTICIPATED	A-1	\$ 262,000	-	\$ 262,000	-
MISCELLANEOUS REVENUES					
Licenses					
Alcoholic Beverages	A-11	2,114		2,114	-
Other	A-2	2,623		2,488	\$ (135)
Fees and Permits	A-2	11,051		12,295	1,244
Fines and Costs					
Municipal Court	A-11	26,667		55,154	28,487
Interest and Costs on Taxes	A-11	43,444		39,961	(3,483)
Interest on Deposits	A-2	13,279		10,831	(2,448)
Energy Receipts Taxes	A-11	617,495		617,495	-
Watershed Moratorium Offset Aid	A-11	19,270		19,270	-
Uniform Construction Code Fees	A-11	58,000		47,761	(10,239)
Special Items of General Revenue Anticipated With Prior Written Consent of Director of Local Government Services					
Senior Citizen Van - Harrington Park	A-11	11,500		5,155	(6,345)
Municipal Alliance on Alcohol and Drug Abuse	A-7	9,520		9,520	-
Clean Communities Grant - Unappropriated	A-25	8,423		8,423	-
Recycling Tonnage Grant	A-7	8,718		8,718	-
BCCD - Senior Citizen Program/Van Driver	A-7	6,000		6,000	-
BCCD - Senior Citizen Activities	A-7	4,500		4,500	-
Body Armor Fund - Unappropriated	A-25	1,510		1,510	-
BCCD- Handicapped Bathrooms	A-7	12,000		12,000	-
DOT-Maple Street Improvements	A-7		\$ 155,500	155,500	-
Rental Use of DPW Salt Dome by United Water-2015	A-11	6,437		6,437	-
Rental Use of DPW Salt Dome by United Water-2016	A-11	12,000		5,563	(6,437)
Composting Fees - Latz	A-11	20,900		31,350	10,450
Cell Tower Lease Agreements	A-11	159,104		159,058	(46)
Cable Franchise Fee	A-11	47,513		51,628	4,115
General Capital Fund Balance (Surplus)	C-5	27,076		27,076	-
FEMA- Sandy Reimbursement	A-11	30,627		30,627	-
Reserve for Sale of Assets	A-20	17,500		17,500	-
Police Outside Duty Fee	B-6	40,000	-	40,000	-
Total Miscellaneous Revenues	A-1	<u>1,217,271</u>	<u>155,500</u>	<u>1,387,934</u>	<u>15,163</u>
RECEIPTS FROM DELINQUENT TAXES	A-1, A-8	<u>159,000</u>	<u>-</u>	<u>160,091</u>	<u>1,091</u>
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET					
Local Tax for Municipal Purposes		5,685,654		5,788,189	102,535
Minimum Library Tax		312,029	-	312,029	-
	A-2	<u>5,997,683</u>	<u>-</u>	<u>6,100,218</u>	<u>102,535</u>
Total General Revenues	A-3	<u>\$ 7,635,954</u>	<u>\$ 155,500</u>	7,910,243	<u>\$ 118,789</u>
Nonbudget Revenue	A-1,A-2			<u>63,280</u>	
				<u>\$ 7,973,523</u>	

BOROUGH OF HAWORTH
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Reference</u>	<u>2016</u>
ANALYSIS OF REALIZED REVENUE		
Allocation of Current Tax Collection		
Revenue from Collections	A-1,A-8	\$ 22,962,498
Less Allocated to School and County Taxes	A-27,A-28,A-29	<u>17,062,280</u>
Balance for Support of Municipal Budget Appropriations		5,900,218
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>200,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 6,100,218</u>
Licenses - Other		
Borough Clerk	A-11	\$ 140
Board of Health/Registrar	A-11	<u>2,348</u>
	A-2	<u>\$ 2,488</u>
Fees and Permits		
Borough Clerk	A-11	\$ 10,822
Tax Department	A-11	10
Board of Adjustment/Planning Board	A-11	937
Board of Health/Registrar	A-11	149
Police Department	A-11	<u>377</u>
	A-2	<u>\$ 12,295</u>
Interest on Deposits		
Revenue Accounts Receivable	A-11	\$ 9,882
Due from Other Trust Fund	B-6	438
Due from Animal Control Fund	B-2	24
Due from Unemployment Insurance Trust Fund	B-14	14
Due from General Capital Fund	C-5	<u>473</u>
	A-2	<u>\$ 10,831</u>
ANALYSIS OF NON-BUDGET REVENUE		
LEA Rebate		\$ 2,983
Duplicate Tax Bills		131
Administration Fee-Sr. Cit. and Vets		401
Fire Inspections/Permits		2,100
Certificate of Occupancy		4,050
UFSC Permits		2,236
Miscellaneous		28,713
Spectrum Payment in Lieu of Taxes (PILOT)		5,314
FEMA - Severe Winter Storm		<u>17,352</u>
	A-2	<u>\$ 63,280</u>
Cash Receipts	A-4	62,671
Due From Other Trust Fund	B-6	<u>609</u>
		<u>\$ 63,280</u>

BOROUGH OF HAWORTH
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<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"					
GENERAL GOVERNMENT					
Mayor and Council					
Salaries & Wages	\$ 28,959	\$ 29,109	\$ 28,986	\$ 123	
Other Expenses	6,900	6,800	4,856	1,944	
Publications	3,600	3,600	570	3,030	
Public Information				-	
Municipal Clerk					
Salaries & Wages	190,371	189,621	189,620	1	
Other Expenses	15,850	15,850	14,302	1,548	
Elections	3,000	3,000	2,925	75	
Financial Administration					
Salaries & Wages	85,805	64,405	64,362	43	
Other Expenses	35,013	60,013	59,350	663	
Computer Maintenance					
Other Expenses	15,000	21,500	20,057	1,443	
Audit Services					
Other Expenses	22,900	22,900		22,900	
Fixed Asset Inventory Appraisal					
Other Expenses	1,800	1,800	1,800	-	
Revenue Administration					
Salaries & Wages	58,828	55,328	55,238	90	
Other Expenses	6,510	6,510	5,598	912	
Tax Assessment Administration					
Salaries & Wages	24,291	24,291	24,291	-	
Other Expenses	11,600	11,600	10,898	702	
Legal Services & Costs					
Other Expenses	28,000	34,550	31,812	2,738	
Engineering Services & Costs					
Other Expenses	13,000	37,950	22,846	15,104	
Planning Board					
Salaries & Wages	2,405	2,405	718	1,687	
Other Expenses	4,000	2,500	1,860	640	
Board of Adjustment					
Salaries & Wages	2,405	2,405	1,673	732	
Other Expenses	2,500	3,500	2,571	929	
Insurance					
Employee Group Health	414,768	399,768	370,067	29,701	
General Liability	96,895	96,895	96,895	-	
Workers Compensation	119,916	119,916	119,059	857	
Employee Flexible Spending	1,000	1,000		1,000	
Unemployment Insurance	15,000	15,000	15,000	-	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWORTH
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

	<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" (Cont'd)					
PUBLIC SAFETY					
Police					
Salaries & Wages	\$ 1,559,564	\$ 1,564,564	\$ 1,557,188	\$ 7,376	
Other Expenses	59,535	59,535	54,411	5,124	
Purchase of Police Vehicle	18,696	18,696	18,696	-	
Police Reserves					
Other Expenses	2,500	2,500	2,500	-	
Police Dispatch/911					
Salaries & Wages	55,430	55,430	53,054	2,376	
Contractual	41,651	41,651	41,651	-	
Fire					
Salaries & Wages	6,500	7,000	7,000	-	
Other Expenses	65,550	70,550	70,317	233	
Fire Hydrant Service	75,336	77,336	77,019	317	
Uniform Fire Safety Code					
Fire Prevention					
Salaries & Wages	5,243	5,643	5,638	5	
Other Expenses	400	400	385	15	
Aid to Volunteer Ambulance Company					
Other Expenses	43,892	43,892	43,892	-	
Emergency Management Services					
Other Expenses	1,000	1,000		1,000	
Prosecutor's Office					
Salaries & Wages	4,176	5,176	4,850	326	
Other Expenses	200	200	200	-	
DEPARTMENT OF PUBLIC WORKS					
Streets and Roads					
Salaries & Wages	757,165	733,165	705,314	27,851	
Other Expenses	68,850	68,850	68,126	724	
Snow Removal					
Salaries & Wages	25,000	25,000	9,308	15,692	
Shade Tree Committee					
Other Expenses	20,000	20,000	19,124	876	
Emergency Trees					
Other Expenses	20,000	20,000	18,000	2,000	
Tree Farm					
Other Expenses	1,000	1,000		1,000	
Water Pollution Control					
Salaries & Wages	2,461	2,461	2,460	1	
Recycling Program					
Contractual	45,474	57,474	52,492	4,982	
Garbage and Trash Removal					
Contractual	284,508	264,508	260,799	3,709	

BOROUGH OF HAWORTH
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Unexpended</u>
		<u>Modification</u>	<u>Charged</u>	<u>Balance</u>
			<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)				
DEPARTMENT OF PUBLIC WORKS (Cont'd)				
Public Buildings & Grounds				
Other Expenses	\$ 14,500	\$ 15,500	\$ 15,451	\$ 49
Vehicle Maintenance				
Other Expenses	28,500	28,500	27,645	855
HEALTH & WELFARE				
Public Health Services				
Salaries & Wages	9,650	9,650	8,922	728
Other Expenses	8,450	8,450	8,071	379
Environmental Health Services				
Other Expenses	500	500	89	411
Animal Control Services				
Other Expenses	2,378	178		178
OSHA Hepatitis B Program				
Other Expenses	2,600	2,600	882	1,718
PARK AND RECREATION FUNCTIONS				
Parks Department				
Other Expenses	28,500	28,500	27,824	676
Parks & Playground Committee				
Other Expenses	8,000	8,000	6,872	1,128
Tennis Committee				
Other Expenses	10,300	10,300	8,069	2,231
Senior Citizens - Committee				
Salaries & Wages	3,200	3,200		3,200
Other Expenses	1,000	1,000	482	518
Senior Citizens - Publications				
Other Expenses	150	150		150
OTHER COMMON OPERATING FUNCTIONS				
Celebration of Public Event, Anniversary or Holiday	1,500	1,500	231	1,269
Accumulated Leave Compensation (Termial Leave)		52,159	52,159	

BOROUGH OF HAWORTH
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

	<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" (Cont'd)					
MUNICIPAL COURT FUNCTIONS					
Municipal Court Administration					
Salaries and Wages	\$ 60,775	\$ 60,775	\$ 58,887	\$ 1,888	
Other Expenses	4,950	4,950	4,898	52	
Public Defender					
Other Expenses	2,000	2,000	500	1,500	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED					
REVENUES (N.J.A.C. 5:23-4-17)					
Building Inspector					
Salaries & Wages	34,200	34,950	34,948	2	
Other Expenses	5,975	3,975	1,473	2,502	
Subcode Officials					
Plumbing Inspector					
Salaries & Wages	9,718	9,718	9,718	-	
Fire Prevention					
Salaries & Wages	5,872	5,872	5,872	-	
Electrical Inspector					
Salaries & Wages	5,250	5,350	5,250	100	
UTILITY EXPENSES AND BULK PURCHASES					
Street Lighting	65,000	65,000	62,292	2,708	
Electricity	45,000	46,000	41,408	4,592	
Telephone	38,000	39,600	39,333	267	
Water	13,000	13,000	10,742	2,258	
Gas (natural or propane)	18,000	18,000	12,569	5,431	
Gasoline	40,000	40,000	31,572	8,428	
Total Operations Within "CAPS"	<u>4,841,415</u>	<u>4,897,624</u>	<u>4,693,937</u>	<u>203,687</u>	<u>-</u>
Detail:					
Salaries & Wages	2,937,268	2,947,677	2,885,456	62,221	-
Other Expenses (Including Contingent)	<u>1,904,147</u>	<u>1,949,947</u>	<u>1,808,481</u>	<u>141,466</u>	<u>-</u>

BOROUGH OF HAWORTH
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

	<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>	
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"					
STATUTORY CHARGES					
Social Security System (O.A.S.I.)	\$ 141,000	\$ 135,000	\$ 125,465	\$ 9,535	
Public Employees Retirement System	152,773	152,773	152,773	-	
Police and Firemans Retirement System	312,518	312,518	312,518	-	
Defined Contribution Retirement Program	1,800	1,800	349	1,451	-
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>608,091</u>	<u>602,091</u>	<u>591,105</u>	<u>10,986</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>5,449,506</u>	<u>5,499,715</u>	<u>5,285,042</u>	<u>214,673</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library (Chap. 82, 541 PL 85)	345,000	345,000	331,172	13,828	
Sanitation (Chap. 74 PL 87)					
Bergen County Utilities Authority Flow Charges					
Sewer - Contractual	451,517	451,517	451,517	-	
Borough of Oradell Flow Charges					
Sewer - Contractual	13,298	13,298	7,150	6,148	
LOSAP - Fire and Ambulance					
Other Expenses	27,400	27,400	20,300	7,100	-
Total Other Operations Excluded from "CAPS"	<u>837,215</u>	<u>837,215</u>	<u>810,139</u>	<u>27,076</u>	<u>-</u>
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS					
Senior Van Harrington Park					
Salaries and Wages	9,500	11,400	11,360	40	
Other Expenses	2,000	2,000	-	2,000	-
Total Interlocal Municipal Service Agreements	<u>11,500</u>	<u>13,400</u>	<u>11,360</u>	<u>2,040</u>	<u>-</u>

BOROUGH OF HAWORTH
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

	<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>	
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
BCCD - Senior Citizen Activities-Other Expenses	\$ 4,500	\$ 4,500	\$ 4,168	\$ 332	
BCCD - Senior Citizen Program-Van Driver	6,000	6,000	3,831	2,169	
Body Armor Fund	1,510	1,510		1,510	
Municipal Alliance on Alcohol and Drug Abuse	9,520	9,520	5,924	3,596	
Recycling Tonnage Grant	8,718	8,718		8,718	
Clean Communities Grant					
Salaries & Wages	2,000	2,000		2,000	
Other Expenses	6,423	6,423	3,689	2,734	-
Total Public and Private Programs Offset by Revenues	<u>38,671</u>	<u>38,671</u>	<u>17,612</u>	<u>21,059</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>887,386</u>	<u>889,286</u>	<u>839,111</u>	<u>50,175</u>	<u>-</u>
Detail:					
Salaries & Wages	17,500	19,400	15,191	4,209	-
Other Expenses (Including Contingent)	869,886	869,886	823,920	45,966	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	31,523	31,523	31,523	-	-
BCCD Handicapped Bathrooms	12,000	12,000	-	12,000	-
DOT - Maple Street Improvements	-	155,500	132,706	22,794	-
Total Capital Improvements - Excluded from "CAPS"	<u>43,523</u>	<u>199,023</u>	<u>164,229</u>	<u>34,794</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	760,000	760,000	760,000		
Interest on Bonds	123,101	123,101	123,101		
Interest on Notes	11,864	11,864	11,864		
Payment of Bond Anticipation Notes	81,000	81,000	81,000		
Preservation Trust Loan Program:					
Loan Repayments for Principal & Interest	71,048	71,098	71,058	-	\$ 40
Total Municipal Debt Service - Excluded from "CAPS"	<u>1,047,013</u>	<u>1,047,063</u>	<u>1,047,023</u>	<u>-</u>	<u>40</u>

BOROUGH OF HAWORTH
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"					
Emergency Authorization	\$ 1,508	\$ 1,508	\$ 1,508	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>1,508</u>	<u>1,508</u>	<u>1,508</u>	-	-
Judgements	<u>7,018</u>	<u>7,018</u>	<u>7,018</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>1,986,448</u>	<u>2,143,898</u>	<u>2,058,889</u>	\$ 84,969	\$ 40
Subtotal General Appropriations	7,435,954	7,643,613	7,343,931	299,642	40
Reserve for Uncollected Taxes	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	-	-
Total General Appropriations	<u>\$ 7,635,954</u>	<u>\$ 7,843,613</u>	<u>\$ 7,543,931</u>	<u>\$ 299,642</u>	<u>\$ 40</u>
<u>Reference</u>	A-2		A-1	A,A-1	
Budget as Adopted	A-3	\$ 7,635,954			
Appropriation by 40A: 4-87	A-2	155,500			
Emergency Authorization	A-14	<u>52,159</u>			
		<u>\$ 7,843,613</u>			
Cash Disbursements	A-4		\$ 6,897,135		
Encumbrances Payable	A-17		307,537		
Due to Length of Service Awards Program Fund	B		20,300		
Due to General Capital Fund	C-5		117,451		
Deferred Charge- Emergency Authorization	A-14		1,508		
Reserve for Uncollected Taxes	A-2		<u>200,000</u>		
			<u>\$ 7,543,931</u>		

**BOROUGH OF HAWORTH
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-1	\$ 7,272	\$ 10,764
OTHER TRUST FUND			
Cash	B-1	523,997	446,029
Due from Current Fund	B-6	-	745
Due from General Capital Fund	B-9	11,575	12,000
		<u>535,572</u>	<u>458,774</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	7,093	6,099
Due from Current Fund	B-14	-	5
Due from Other Trust Fund	B-15	5,093	5,093
		<u>12,186</u>	<u>11,197</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Investments	B	409,924	336,383
Due from Current Fund	B	20,300	23,900
Other Receivables	B	-	20,950
		<u>430,224</u>	<u>381,233</u>
Total Assets		<u>\$ 985,254</u>	<u>\$ 861,968</u>

**BOROUGH OF HAWORTH
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to Current Fund	B-2	\$ 6,078	\$ 6,078
Due to Swim Pool Utility Operating Fund	B-3	3,115	
Reserve for Animal Control Expenditures (Deficit)	B-4	<u>(1,921)</u>	<u>4,686</u>
		<u>7,272</u>	<u>10,764</u>
OTHER TRUST FUND			
Accounts Payable	B-11	12,305	12,305
Due to Current Fund	B-6	2,099	
Due to Unemployment Insurance Trust Fund	B-15	5,093	5,093
Escrow Deposits	B-7	109,470	126,449
Miscellaneous Reserves and Deposits	B-8	387,977	293,638
Payroll Deductions Payable	B-10	<u>18,628</u>	<u>21,289</u>
		<u>535,572</u>	<u>458,774</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Due to State of New Jersey	B-12	-	7,153
Due to Current Fund	B-14	7,095	
Reserve for Unemployment Insurance Benefits	B-13	<u>5,091</u>	<u>4,044</u>
		<u>12,186</u>	<u>11,197</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Reserve for LOSAP Benefits	B	<u>430,224</u>	<u>381,233</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 985,254</u>	<u>\$ 861,968</u>

BOROUGH OF HAWORTH
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2016 AND 2015

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Cash (Overdraft)	C-2, C-3	\$ (3,760)	\$ 383,137
Grants Receivable	C-4	49,056	12,056
Due from Current Fund	C-5	39,176	5,434
Due from Swim Pool Utility Operating Fund	D-21	34,654	17,391
Deferred Charges to Future Taxation			
Funded	C-6	4,301,015	5,126,302
Unfunded	C-7	<u>1,930,850</u>	<u>1,478,250</u>
 Total Assets		 <u>\$ 6,350,991</u>	 <u>\$ 7,022,570</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-13	\$ 4,062,000	\$ 4,822,000
Preservation Trust Fund Loan	C-12	239,015	304,302
Bond Anticipation Notes	C-14	1,397,250	1,478,250
Contracts Payable	C-9	319,953	86,506
Due to Other Trust Fund	B-9	11,575	12,000
Due to Swim Pool Utility Capital Fund	D-7	9,555	9,555
Improvement Authorizations			
Funded	C-8	131,334	151,490
Unfunded	C-8	160,662	116,587
Capital Improvement Fund	C-10	15,647	10,804
Reserve for Improvements	C-11	4,000	4,000
Fund Balance	C-1	<u>-</u>	<u>27,076</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 6,350,991</u>	 <u>\$ 7,022,570</u>

There were bonds and notes authorized but not issued on December 31, 2016 and 2015 amounting to \$533,600 and \$0 respectively (Exhibit C-15).

BOROUGH OF HAWORTH
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Balance, January 1	C	\$ 27,076	\$ 13,868
Increased by:			
Funded Improvement Authorizations Cancelled	C-1	-	25,708
		27,076	39,576
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-1	-	12,500
Due to Current Fund as Anticipated Budget Revenue	C-5	27,076	-
Balance, December 31	C	<u>\$ -</u>	<u>\$ 27,076</u>

BOROUGH OF HAWORTH
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SWIM POOL UTILITY FUND
AS OF DECEMBER 31, 2016 AND 2015

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
ASSETS			
OPERATING FUND			
Cash	D-5	\$ 141,499	\$ 104,938
Due from Current Fund	D-20	415	415
Due from Animal Control Fund	B-3	3,115	
Due from Swim Pool Utility Capital Fund	D-17	<u>-</u>	<u>18,029</u>
Total Operating Fund		<u>145,029</u>	<u>123,382</u>
CAPITAL FUND			
Cash	D-5,D-6	4,712	4,712
Due from Current Fund	D-11	8,966	8,966
Due from General Capital Fund	D-7	9,555	9,555
Due from Swim Pool Utility Operating Fund	D-17	1,971	
Fixed Capital	D-8	569,904	565,148
Fixed Capital Authorized and Uncompleted	D-9	<u>1,436</u>	<u>1,436</u>
Total Capital Fund		<u>596,544</u>	<u>589,817</u>
Total Assets		<u>\$ 741,573</u>	<u>\$ 713,199</u>
LIABILITIES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-4,D-10	\$ 8,837	\$ 924
Encumbrances Payable	D-12	10,450	2,041
Accounts Payable	D-13	1,001	391
Accrued Interest on Notes	D-14	1,837	1,837
Due to General Capital Fund	D-21	34,654	17,391
Due to Swim Pool Utility Capital Fund	D-17	<u>1,971</u>	<u>-</u>
Fund Balance	D-1	<u>58,750</u> <u>86,279</u>	<u>22,584</u> <u>100,798</u>
Total Operating Fund		<u>145,029</u>	<u>123,382</u>
CAPITAL FUND			
Bond Anticipation Notes	D-18	358,585	373,661
Due to Swim Pool Utility Operating Fund	D-17	-	18,029
Improvement Authorizations			
Unfunded	D-15	1,436	1,436
Capital Improvement Fund	D-16	3,000	3,000
Reserve for Amortization	D-19	232,755	192,923
Fund Balance	D-2	<u>768</u>	<u>768</u>
Total Capital Fund		<u>596,544</u>	<u>589,817</u>
Total Liabilities and Fund Balance		<u>\$ 741,573</u>	<u>\$ 713,199</u>

There were no bonds and notes authorized but not issued on December 31, 2016 and 2015.

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF HAWORTH
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING
FUND BALANCE-REGULATORY BASIS
SWIM POOL UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

REVENUE AND OTHER INCOME REALIZED	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Fund Balance Utilized	D-3	\$ 20,000	
Swim Pool Fees	D-3	205,676	\$ 208,598
Miscellaneous Revenue	D-3	2,949	3,880
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	D-10	<u>684</u>	<u>289</u>
Total Income		<u>229,309</u>	<u>212,767</u>
 EXPENDITURES			
Budget Appropriations			
Operating	D-4	169,700	161,650
Capital Improvements	D-4	9,750	
Debt Service	D-4	17,274	17,090
Deferred Charges and Statutory Expenditures	D-4	<u>27,104</u>	<u>6,761</u>
Total Expenditures		<u>223,828</u>	<u>185,501</u>
Excess in Revenue		5,481	27,266
FUND BALANCE, JANUARY 1	D	<u>100,798</u>	<u>73,532</u>
		106,279	100,798
Decreased by:			
Utilized as Anticipated Revenues	D-1,D-3	<u>20,000</u>	<u>-</u>
FUND BALANCE, DECEMBER 31	D	<u>\$ 86,279</u>	<u>\$ 100,798</u>

BOROUGH OF HAWORTH
COMPARATIVE STATEMENT OF CHANGES IN FUND BALANCE - REGULATORY BASIS
SWIM POOL UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Balance, January 1	D	\$ <u>768</u>	\$ <u>768</u>
Balance, December 31	D	\$ <u>768</u>	\$ <u>768</u>

BOROUGH OF HAWORTH
STATEMENT OF REVENUES - REGULATORY BASIS
SWIM POOL UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	D-1	\$ 20,000	\$ 20,000	
Swim Pool Fees	D-1; D-3	200,828	205,676	\$ 4,848
Miscellaneous Revenues	D-1; D-3	<u>3,000</u>	<u>2,949</u>	<u>(51)</u>
	D-4	<u>\$ 223,828</u>	<u>\$ 228,625</u>	<u>\$ 4,797</u>
Analysis of Revenues Realized				
Swim Pool Fees:				
Membership Fees			\$ 193,615	
Guest Fees			11,166	
Swim Team Program Fees			<u>895</u>	
	D-3		<u>\$ 205,676</u>	
Cash Receipts	D-5		\$ 202,561	
Due from Animal Control Fund	B-3		<u>3,115</u>	
			<u>\$ 205,676</u>	
Miscellaneous Revenues:				
Snack Stand Concession Fee			\$ 2,000	
Miscellaneous Fees and Reimbursements			520	
Interest on Deposits			<u>429</u>	
	D-3		<u>\$ 2,949</u>	
Cash Receipts	D-5		\$ 2,937	
Due from Swim Pool Utility Capital Fund	D-17		<u>12</u>	
			<u>\$ 2,949</u>	

BOROUGH OF HAWORTH
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SWIM POOL UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<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>	
OPERATING					
Salaries	\$ 93,000	\$ 89,000	\$ 88,752	\$ 248	-
Other Expenses	76,700	80,700	78,004	2,696	-
Total Operating	<u>169,700</u>	<u>169,700</u>	<u>166,756</u>	<u>2,944</u>	<u>-</u>
CAPITAL OUTLAY					
Capital Improvement Fund	250	250	-	250	-
Capital Outlay	9,500	9,500	4,756	4,744	-
Total Capital Outlay	<u>9,750</u>	<u>9,750</u>	<u>4,756</u>	<u>4,994</u>	<u>-</u>
DEBT SERVICE					
Payment on Bond Anticipation Notes	15,065	15,076	15,076	-	-
Interest on Notes	2,198	2,198	2,198	-	-
Total Debt Service	<u>17,263</u>	<u>17,274</u>	<u>17,274</u>	<u>-</u>	<u>-</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Deferred Charges					
Cost of Improvements - Ord. 993	20,000	20,000	20,000	-	-
Statutory Expenditures					
Contribution to Social Security System (O.A.S.I.)	7,115	7,104	6,205	899	-
Total Deferred Charges and Statutory Expenditures	<u>27,115</u>	<u>27,104</u>	<u>26,205</u>	<u>899</u>	<u>-</u>
	<u>\$ 223,828</u>	<u>\$ 223,828</u>	<u>\$ 214,991</u>	<u>\$ 8,837</u>	<u>\$ -</u>

<u>Reference</u>	D-3	D-4	D-1	D, D-1
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Cash Disbursements	D-5	\$ 167,278
Encumbrances Payable	D-12	10,450
Due to General Capital Fund	D-21	15,065
Due to Swim Pool Utility Capital Fund	D-17	20,000
Accrued Interest on Notes	D-14	2,198
		<u>\$ 214,991</u>

**BOROUGH OF HAWORTH
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Land and Land Improvements	\$ 51,800,444	\$ 51,786,594
Buildings & Building Improvements	2,962,783	2,957,794
Vehicles and Equipment	<u>5,017,511</u>	<u>4,862,743</u>
	<u>\$ 59,780,738</u>	<u>\$ 59,607,131</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 59,780,738</u>	<u>\$ 59,607,131</u>

NOTES TO FINANCIAL STATEMENTS

BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Haworth (the "Borough") was incorporated in 1904 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, provides leadership in the development of community projects and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department and volunteer ambulance corp, 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 Haworth 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 HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

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

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

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

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

Swim Pool Utility Fund - This fund is used to account for the revenues and expenditures for operation of the Borough's swimming and recreational facilities and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the swim pool utility is accounted for in the capital section of the fund.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough, other than those accounted for in the Swim Pool Utility Fund. The Borough's infrastructure is not reported in the account group.

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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 have been made to the December 31, 2015 balances to conform to the December 31, 2016 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 Haworth follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division (“regulatory basis of accounting”) differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

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

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

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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. 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).

Swim Pool Utility Revenues/Receivables - Swim pool utility charges are based upon a flat fee by membership type (i.e., family, single, senior, etc.) or service type (i.e. guest fees, swim lessons, etc.). Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's swim pool utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

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

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

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

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 unmaturing 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 Haworth has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years.

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

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

General Fixed Assets purchased after December 31, 2014 are stated at cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

General Fixed Assets purchased prior to December 31, 2014 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

Accounting for utility fund "fixed capital" remains unchanged under NJAC 5:30-5.6.

Property and equipment purchased by the Swim Pool Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Swim Pool Utility Capital Fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

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

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

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

Trust Funds
General Capital Fund
Swim Pool Utility Capital Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2016 and 2015 the Borough Council increased the original budget by \$207,659 and \$227,908. The Swim Pool Utility Operating budget was not increased in either year. The increase in the Current Fund budget for 2016 was funded by additional aid allotted to the Borough of \$155,500 and an emergency appropriation for terminal leave to a retired employee of \$52,159. In 2015, the increase was funded by additional aid allotted to the Borough of \$226,400 and an emergency appropriation for emergency removal of trees and branches for \$1,508. In addition, the governing body approved several budget transfers during 2016 and 2015.

B. **Deficit Fund Reserve Balance**

The Borough has an accumulated deficit of \$1,921 in the Animal Control Fund. The Borough expects to eliminate this deficit through normal operations in 2017.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. **Cash Deposits**

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

BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

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 \$3,582,399 and \$3,633,927 and bank and brokerage firm balances of the Borough's deposits amounted to \$3,701,186 and \$3,742,259, 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>2016</u>	<u>2015</u>
Insured	\$ 3,641,671	\$ 3,682,984
Uninsured and Collateralized	<u>59,515</u>	<u>59,275</u>
	<u>\$ 3,701,186</u>	<u>\$ 3,742,259</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, 2016 and 2015, the Borough's bank balances of \$59,515 and \$59,275 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>2016</u>	<u>2015</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department not in the Borough's name	<u>\$ 59,515</u>	<u>\$ 59,275</u>
	<u>\$ 59,515</u>	<u>\$ 59,275</u>

BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments

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

As of December 31, 2016 and 2015, the Borough had the following investments:

	Fair Value	
	(LOSAP-Unaudited)	
	<u>2016</u>	<u>2015</u>
Investment:		
Lincoln Financial LOSAP Investment Fund	\$ 409,924	\$ 336,383
	<u>\$ 409,924</u>	<u>\$ 336,383</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2016 and 2015, \$409,924 and \$336,383 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value	
	(LOSAP- Unaudited)	
	<u>2016</u>	<u>2015</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution’s trust department but not in the Borough’s name	\$ 409,924	\$ 336,383
	<u>\$ 409,924</u>	<u>\$ 336,383</u>

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Borough has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments are limited to a maturity of not more than one year unless a longer term is permitted by applicable federal or state regulations.

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, 2016 and 2015, the Borough’s investment in Lincoln Financial, a subsidiary to Lincoln National Corporation was rated Baal, respectively by Moody’s Investor Service.

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 LOSAP Investment Fund. 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. Interest earned in the Swim Pool Utility Capital Fund is assigned to the Swim Pool Utility Operating Fund in accordance with the regulatory basis of accounting.

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
<u>Current</u>		
Property Taxes	\$160,047	\$160,091
Tax Title Liens	<u>63,516</u>	<u>59,035</u>
	<u>\$223,563</u>	<u>\$219,126</u>

In 2016 and 2015, the Borough collected \$160,091 and \$189,893 from delinquent taxes, which represented 73% and 78%, respectively of the prior year delinquent taxes receivable balance.

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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>2016</u>		<u>2015</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	15,272	68,857	\$ 6,078	\$ 39,465
Trust Fund:				
Animal Control		9,193		6,078
Other Trust	11,575	7,192	12,745	5,093
Unemployment	5,093	7,095	5,098	
LOSAP Trust Fund	20,300		23,900	
General Capital Fund	73,830	21,130	22,825	21,555
Swim Pool Utility Fund:				
Operating	3,530	36,625	18,444	17,391
Capital	<u>20,492</u>	<u>-</u>	<u>18,521</u>	<u>18,029</u>
Total	<u>\$ 150,092</u>	<u>\$ 150,092</u>	<u>\$ 107,611</u>	<u>\$ 107,611</u>

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

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

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 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>2016</u>			
Current Fund			
Emergency Authorization	\$52,159	\$52,159	-
<u>2015</u>			
Current Fund			
Emergency Authorization	\$1,508	\$1,508	-

BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 7 FUND BALANCES APPROPRIATED

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

	<u>2016</u>		<u>2015</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	\$ 115,716	\$ 115,000	\$ 49,224	\$ 30,000
Non-Cash Surplus	<u>207,662</u>	<u>147,000</u>	<u>286,869</u>	<u>232,000</u>
	<u>\$ 323,378</u>	<u>\$ 262,000</u>	<u>\$ 336,093</u>	<u>\$ 262,000</u>
Swim Pool Utility Operating Fund				
Cash Surplus	\$ 86,279	\$ 22,000	\$ 100,798	\$ 20,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 86,279</u>	<u>\$ 22,000</u>	<u>\$ 100,798</u>	<u>\$ 20,000</u>

BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

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, 2016 and 2015.

	Balance December 31, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
Land and Land Improvements	\$ 51,786,594	\$ 13,850		\$ 51,800,444
Buildings and Building Improvements	2,957,794	4,989		2,962,783
Vehicles and Equipment	<u>4,862,743</u>	<u>154,768</u>	\$ -	<u>5,017,511</u>
	<u>\$ 59,607,131</u>	<u>\$ 173,607</u>	<u>\$ -</u>	<u>\$ 59,780,738</u>
	Balance December 31, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2015</u>
<u>2015</u>				
Land and Land Improvements	\$ 51,827,200	\$ 9,394	\$ (50,000)	\$ 51,786,594
Buildings and Building Improvements	2,109,475	848,319		2,957,794
Vehicles and Equipment	<u>4,713,701</u>	<u>\$ 149,042</u>	<u>-</u>	<u>4,862,743</u>
	<u>\$ 58,650,376</u>	<u>\$ 1,006,755</u>	<u>\$ (50,000)</u>	<u>\$ 59,607,131</u>

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 8 FIXED ASSETS (Continued)

B. Swim Pool Utility Fund Fixed Assets

The following is a summary of changes in the swim pool utility fund fixed assets for the years ended December 31, 2016 and 2015.

Swim Pool Utility Fund	Balance December 31, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
Fixed Capital				
Building Improvements	\$ 271,006	\$ 4,756		\$ 275,762
Swim Pool Improvements	242,645			242,645
Furniture and Equipment	51,497	-	-	51,497
	<u>\$ 565,148</u>	<u>\$ 4,756</u>	<u>\$ -</u>	<u>\$ 569,904</u>
	Balance December 31, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2015</u>
<u>2015</u>				
Fixed Capital				
Building Improvements	\$ 271,006			\$ 271,006
Swim Pool Improvements	242,645			242,645
Furniture and Equipment	51,497	-	-	51,497
	<u>\$ 565,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 565,148</u>

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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 both general capital and swim pool utility 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>2016</u>	<u>2015</u>
Issued		
General		
Bonds, Notes and Loans	\$ 5,698,265	\$ 6,604,552
Swim Pool Utility		
Notes	<u>358,585</u>	<u>373,661</u>
	6,056,850	6,978,213
Less Funds Temporarily Held to Pay Bonds and Notes	<u>20,000</u>	<u>-</u>
Net Debt Issued	6,036,850	6,978,213
Authorized But Not Issued		
General		
Bonds and Notes	<u>533,600</u>	<u>-</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 6,570,450</u>	<u>\$ 6,978,213</u>

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

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 .668% and .705% at December 31, 2016 and 2015, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2016</u>			
General Debt	\$ 6,231,865		\$ 6,231,865
School Debt	3,873,816	\$ 3,873,816	-
Utility Debt	<u>358,585</u>	<u>358,585</u>	<u>-</u>
Total	<u>\$ 10,464,266</u>	<u>\$ 4,232,401</u>	<u>\$ 6,231,865</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2015</u>			
General Debt	\$ 6,604,552		\$ 6,604,552
School Debt	3,363,858	\$ 3,363,858	-
Utility Debt	<u>373,661</u>	<u>373,661</u>	<u>-</u>
Total	<u>\$ 10,342,071</u>	<u>\$ 3,737,519</u>	<u>\$ 6,604,552</u>

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>2016</u>	<u>2015</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 32,643,467	\$ 32,807,526
Less: Net Debt	<u>6,231,865</u>	<u>6,604,552</u>
Remaining Borrowing Power	<u>\$ 26,411,602</u>	<u>\$ 26,202,974</u>

BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 9 MUNICIPAL DEBT (Continued)

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>2016</u>	<u>2015</u>
\$1,730,000, 2006 Bonds, due in annual installments of \$195,000 to \$200,000 through February 15, 2019, interest at 3.75 to 4.00%	\$ 595,000	\$ 790,000
\$2,469,000, 2009 Bonds, due in annual installments of \$350,000 to \$364,000 through August 1, 2019, interest at 2.50% to 3.00%	1,069,000	1,419,000
\$2,998,000, 2013 Bonds, due in annual installments of \$215,000 to \$350,000 through December 15, 2024, interest at 2.00 to 2.50%	<u>2,398,000</u>	<u>2,613,000</u>
Total	<u>\$ 4,062,000</u>	<u>\$ 4,822,000</u>

General Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the New Jersey Department of Environmental Protection Agency for the financing relating to the acquisition of real property for open space. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2016</u>	<u>2015</u>
\$1,142,565, 2000 Loans, due in semi-annual installments of \$5,460 to \$20,410 through May 16, 2020, interest at 2.00%	<u>\$ 239,015</u>	<u>\$ 304,302</u>
	<u>\$ 239,015</u>	<u>\$ 304,302</u>

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

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

Calendar Year	General Bonds		General Loans		Total
	Principal	Interest	Principal	Interest	
2017	\$ 765,000	\$ 102,739	\$ 66,599	\$ 4,449	\$ 938,787
2018	780,000	80,183	67,938	3,112	931,233
2019	794,000	57,033	69,304	1,745	922,082
2020	325,000	37,513	35,174	352	398,039
2021	350,000	31,013			381,013
2022-2024	1,048,000	49,288	-	-	1,097,288
Total	\$ 4,062,000	\$ 357,769	\$ 239,015	\$ 9,658	\$ 4,668,442

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2016 and 2015 were as follows:

	Balance, December 31, 2015	Additions	Reductions	Balance, December 31, 2016	Due Within One Year
2016					
General Capital Fund					
Bonds Payable	\$ 4,822,000		\$ 760,000	\$ 4,062,000	\$ 765,000
Intergovernmental Loans Payable	304,302	-	65,287	239,015	66,599
General Capital Fund Long-Term Liabilities	\$ 5,126,302	\$ -	\$ 825,287	\$ 4,301,015	\$ 831,599
2015					
General Capital Fund					
Bonds Payable	\$ 5,577,000		\$ 755,000	\$ 4,822,000	\$ 760,000
Intergovernmental Loans Payable	368,303	-	64,001	304,302	65,287
General Capital Fund Long-Term Liabilities	\$ 5,945,303	\$ -	\$ 819,001	\$ 5,126,302	\$ 825,287

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2016 and 2015 was as follows:

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2015</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2016</u>
<u>2016</u>						
<u>General Capital Fund</u>						
Various Public Improvements	0.87%	2/24/2017	\$ 496,700	\$ 496,700	\$ 496,700	\$ 496,700
Various Capital Improvements	0.87%	2/24/2017	381,550	381,550	381,550	381,550
Refunding Bonds- Tax Appeals	0.87%	2/24/2017	600,000	519,000	600,000	519,000
Total General Capital Fund			<u>\$ 1,478,250</u>	<u>\$ 1,397,250</u>	<u>\$ 1,478,250</u>	<u>\$ 1,397,250</u>
<u>Swim Pool Utility Capital Fund</u>						
Various Capital Improvements	0.87%	2/24/2017	\$ 373,661	\$ 358,585	\$ 373,661	\$ 358,585
Total Swim Pool Utility Capital Fund			<u>\$ 373,661</u>	<u>\$ 358,585</u>	<u>\$ 373,661</u>	<u>\$ 358,585</u>
			<u>Balance, December 31, 2014</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2015</u>
<u>2015</u>						
<u>General Capital Fund</u>						
Various Public Improvements	0.59%	2/26/2016	-	\$ 496,700	-	\$ 496,700
Various Capital Improvements	0.62%	2/26/2016	-	381,550	-	381,550
Refunding Bonds- Tax Appeals	0.62%	2/26/2016	-	600,000	-	600,000
Total General Capital Fund			<u>\$ -</u>	<u>\$ 1,478,250</u>	<u>\$ -</u>	<u>\$ 1,478,250</u>
<u>Swim Pool Utility Capital Fund</u>						
Various Capital Improvements	0.59%	2/26/2016	\$ 388,726	\$ 373,661	\$ 388,726	\$ 373,661
Total Swim Pool Utility Capital Fund			<u>\$ 388,726</u>	<u>\$ 373,661</u>	<u>\$ 388,726</u>	<u>\$ 373,661</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. The amounts issued for the swim pool utility activities are accounted for in the Swim Pool Utility Capital Fund.

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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 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 years 2016 and 2015 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, December 31, 2015</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2016</u>
<u>2016</u>						
Terminal Leave Pay	0.90%	2/15/2017	\$ -	\$ 52,159	\$ -	\$ 52,159
Total Emergency Notes			\$ -	\$ 52,159	\$ -	\$ 52,159

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Tax Anticipation Notes

In any fiscal year in anticipation of the collection of taxes for such year, whether levied or to be levied in such year, or in anticipation of other revenues for such year, the Borough may borrow money in the form of tax anticipation notes. The amount of tax anticipation notes of any fiscal year outstanding at any one time shall not exceed an amount certified as the gross borrowing power. Tax anticipation notes may be renewed from time to time, but all such notes and any renewals shall mature within 120 days after the beginning of the succeeding fiscal year.

<u>Purpose</u>	<u>Rate</u> (%)	<u>Maturity</u> <u>Date</u>	<u>Balance,</u> <u>December 31,</u> <u>2015</u>	<u>Renewed/</u> <u>Issued</u>	<u>Retired/</u> <u>Redeemed</u>	<u>Balance,</u> <u>December 31,</u> <u>2016</u>
<u>2016</u>						
Property Tax Collections	0.49%	2/14/2016	\$ 1,701,000		\$ 1,701,000	
Property Tax Collections	0.88%	2/14/2017	<u>-</u>	<u>\$ 1,720,000</u>	<u>-</u>	<u>\$ 1,720,000</u>
Total Tax Anticipation Notes			<u>\$ 1,701,000</u>	<u>\$ 1,720,000</u>	<u>\$ 1,701,000</u>	<u>\$ 1,720,000</u>
<u>2015</u>						
Property Tax Collections	0.60%	2/23/2015	\$ 2,200,000		\$ 2,200,000	
Property Tax Collections	0.49%	2/14/2016	<u>-</u>	<u>\$ 1,701,000</u>	<u>-</u>	<u>\$ 1,701,000</u>
Total Tax Anticipation Notes			<u>\$ 2,200,000</u>	<u>\$ 1,701,000</u>	<u>\$ 2,200,000</u>	<u>\$ 1,701,000</u>

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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 Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
2016		
Whitman Street Resurfacing	\$222,705	2017
Maple Street Improvements	132,705	2017
Emergency Generator	75,900	2017
Downtown Improvements – Stevens Place	33,912	2017
2015		
Downtown Improvements – Stevens Place	\$752,200	2017

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 sick leave and 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 \$523,227 and \$594,397 at December 31, 2016 and 2015, 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 \$169,402 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 (at 7.90% effective July 1, 2012 and 8.25% prior to July 1, 2012) at December 31, 2016 and 2015 is \$160,231 and \$173,477, respectively.

During the years ended December 31, 2016, 2015 and 2014 the Borough was required to contribute for the deferred pension obligation the following amounts which equaled the required contribution for each respective year.

<u>Year Ended December 31,</u>	<u>PFRS</u>	<u>PERS</u>
2016	\$18,803	\$6,832
2015	18,747	6,790
2014	18,381	6,638

BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities

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

The Borough's changes in other long-term liabilities for the years ended December 31, 2016 and 2015 were as follows:

	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>					
Compensated Absences	\$ 594,397		\$ 71,170	\$ 523,227	
Deferred Pension Obligation	173,477	\$ 12,389	25,635	160,231	\$ 25,894
Net Pension Liability - PERS	4,084,486	1,902,541	174,355	5,812,672	
Net Pension Liability - PFRS	<u>6,018,654</u>	<u>1,429,360</u>	<u>304,885</u>	<u>7,143,129</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>\$ 10,871,014</u>	<u>\$ 3,344,290</u>	<u>\$ 576,045</u>	<u>\$ 13,639,259</u>	<u>\$ 25,894</u>
	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<u>2015</u>					
Compensated Absences	\$ 558,789	\$ 35,608		\$ 594,397	\$ 59,312
Deferred Pension Obligation	185,088	13,926	\$ 25,537	173,477	25,635
Net Pension Liability - PERS	3,672,255	568,662	156,431	4,084,486	
Net Pension Liability - PFRS	<u>4,262,792</u>	<u>2,049,577</u>	<u>293,715</u>	<u>6,018,654</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>\$ 8,678,924</u>	<u>\$ 2,667,773</u>	<u>\$ 475,683</u>	<u>\$ 10,871,014</u>	<u>\$ 84,947</u>

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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.

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 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.

BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Basis of Accounting

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

Investment Valuation

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

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

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, which was rolled forward to June 30, 2016, the aggregate funded ratio for all the State administered retirement systems, including CPFPPF, local PERS and local PFRS is 45.7 percent with an unfunded actuarial accrued liability of \$50.3 billion. The CPFPPF system is 19.15 percent funded with an unfunded actuarial accrued liability of \$8.0 million. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 40.14 percent and \$29.6 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 52.01 percent and \$20.7 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, 2015 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) 7.65% for investment rate of return for all the retirement systems except CPFPPF (2.85%) 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 HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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, 7.06% for PERS and 5.50% for DCRP of employee's annual compensation for fiscal year 2016.

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 CPFPP, 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, 2016, 2015 and 2014, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS (1)</u>	<u>DCRP</u>
2016	\$ 293,715	\$ 156,431	\$ 349
2015	260,283	161,694	715
2014	264,317	151,518	670

(1) Includes Library's portion of the pension contribution.

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, 2016 and 2015, the Borough reported a liability of \$5,812,672 and \$4,084,486, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, 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, 2016, the Borough's proportionate share was .01963 percent, which was an increase of .00143 percent from its proportionate share measured as of June 30, 2015 of .01820 percent.

BOROUGH OF HAWORTH
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2016 and 2015, the pension system has determined the Borough's pension expense to be \$543,532 and \$205,506, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$156,431 and \$161,694, respectively. At December 31, 2016 and 2015, 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:

	2016		2015	
	<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	\$ 108,098		\$ 97,441	
Changes of Assumptions	1,204,075		438,641	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	221,642			\$ 65,671
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>233,159</u>	<u>\$ 228,148</u>	<u>-</u>	<u>290,584</u>
Total	<u>\$ 1,766,974</u>	<u>\$ 228,148</u>	<u>\$ 536,082</u>	<u>\$ 356,255</u>

At December 31, 2016 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>
2017	\$ 332,579
2018	332,579
2019	387,290
2020	346,175
2021	<u>140,203</u>
	<u>\$ 1,538,826</u>

**BOROUGH OF HAWORTH
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

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, 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. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2016</u>	<u>2015</u>
Inflation Rate	3.08%	3.04%
Salary Increases:		
2012-2021		2.15-4.40%
Through 2026	1.65-4.15%	Based on Age
Thereafter	2.65-5.15%	3.15-5.40%
	Based on Age	Based on Age
Investment Rate of Return	7.65%	7.90%
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, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial study for the period July 1, 2008 to June 30, 2011.

**BOROUGH OF HAWORTH
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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, 2016 and 2015, as reported for the years ended December 31, 2016 and 2015, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2016</u>		<u>2015</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>
Cash	5.00%	0.87%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad US Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%

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>
2016	June 30, 2016	3.98%
2015	June 30, 2015	4.90%

**BOROUGH OF HAWORTH
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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, 2034
Municipal Bond Rate *	From July 1, 2034 and Thereafter

* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, 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, 2016 and 2015 calculated using the discount rate of 3.98% and 4.90%, 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 (2.98% and 3.90%, respectively) or 1-percentage-point higher (4.98% and 5.90%, respectively) than the current rate:

	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	\$ 7,122,751	\$ 5,812,672	\$ 4,731,088
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
<u>2015</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ 5,076,516	\$ 4,084,486	\$ 3,252,775

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2016 and 2015. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

BOROUGH OF HAWORTH
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, the Borough reported a liability of \$7,143,129 and \$6,018,654, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, 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, 2016, the Borough's proportionate share was .03739 percent, which was an increase of .00126 percent from its proportionate share measured as of June 30, 2015 of .03613 percent.

For the years ended December 31, 2016 and 2015, the pension system has determined the Borough pension expense to be \$799,878 and \$523,286, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$293,715 and \$260,283, respectively. At December 31, 2016 and 2015, 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:

	2016		2015	
	<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		\$ 46,824		\$ 51,913
Changes of Assumptions	\$ 989,382		\$ 1,111,193	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	500,505			104,749
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>336,877</u>	<u>159,879</u>	<u>246,361</u>	<u>210,314</u>
Total	<u>\$ 1,826,764</u>	<u>\$ 206,703</u>	<u>\$ 1,357,554</u>	<u>\$ 366,976</u>

**BOROUGH OF HAWORTH
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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, 2016 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 December 31,	Total
2017	\$ 416,571
2018	416,571
2019	416,571
2020	336,854
2021	33,494
	<u>\$ 1,620,061</u>

Actuarial Assumptions

The Borough’s 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. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2016</u>	<u>2015</u>
Inflation Rate	3.08%	3.04%
Salary Increases: 2012-2021		2.60-9.48%
Through 2026	2.10-8.98%	Based on Age
Thereafter	3.10-9.98%	3.60-10.48%
	Based on Age	Based on Age
Investment Rate of Return	7.65%	7.90%
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, 2015 and July 1, 2014 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**BOROUGH OF HAWORTH
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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, 2016 and 2015, as reported for the years ended December 31, 2016 and 2015, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2016</u>		<u>2015</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>
Cash	5.00%	0.87%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad US Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%

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>
2016	June 30, 2016	5.55%
2015	June 30, 2015	5.79%

BOROUGH OF HAWORTH
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

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, 2050

Municipal Bond Rate * From July 1, 2050
and Thereafter

* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, 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, 2016 and 2015 calculated using the discount rate of 5.55% and 5.79%, 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 (4.55% and 4.79%, respectively) or 1-percentage-point higher (6.55 % and 6.79%, respectively) than the current rate:

	1% Decrease <u>(4.55%)</u>	Current Discount Rate <u>(5.55%)</u>	1% Increase <u>(6.55%)</u>
<u>2016</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ 9,210,541	\$ 7,143,129	\$ 5,457,279
	1% Decrease <u>(4.79%)</u>	Current Discount Rate <u>(5.79%)</u>	1% Increase <u>(6.79%)</u>
<u>2015</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ 7,934,497	\$ 6,018,654	\$ 4,456,455

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2016 and 2015. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF HAWORTH
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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 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, 2016 and 2015, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$599,846 and \$527,816, respectively. For the years ended December 31, 2016 and 2015, 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 \$76,614 and \$65,837, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$22,984 and \$27,476, 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 Haworth 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 HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

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</u> <u>December 31</u>	<u>Borough</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2016	\$ 15,000	\$ 3,987	\$ 17,940	\$ 5,091
2015	None	4,308	27,778	4,044
2014	None	8,883	18,780	27,514

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, 2016 and 2015. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2016 and 2015, the Borough reserved \$65,000 and \$65,000 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, from fund balance or through the issuance of debt.

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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, 2016 and 2015, 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, 2016 and 2015, 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 Haworth Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on August 2, 2000 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 Haworth approved the adoption of the Plan at the general election held on November 7, 2000.

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

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

The Borough of Haworth has contributed between \$700 per year for the first year of eligibility to \$1,150 per year for the fourth year and thereafter of eligibility for 2016 and 2015 for each eligible volunteer fire department and volunteer ambulance corps member into the Plan. The total Borough contributions were \$20,300 and \$23,900 for 2016 and 2015, 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.

The LOSAP is presented in the Borough of Haworth's financial statements as a Trust Fund. In accordance with NJAC 5:30-14.26 all amounts awarded under the plan remain the assets of the Borough. Plan Funds are subject to the claims of the Borough's general creditors until distributed to vested plan participants.

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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. The Borough has applied for reimbursement from FEMA, the total amount to be received in conjunction with this event as approved by FEMA is approximately \$240,000 and therefore has been recognized in the financial statements in prior years. In 2016, the Borough received the balance due of \$45,373 in FEMA reimbursements relating to Hurricane Sandy which have been reflected in the financial statements.

NOTE 18 TAX ABATEMENTS

For the years ended December 31, 2016 and 2015, the Borough provided property tax abatements through a program authorized under State statutes. This program was the New Jersey Housing and Mortgage Financing Act (NJHMFA).

The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the years ended December 31, 2016 and 2015 the Borough abated property taxes totaling \$20,373 and \$19,568, respectively, under the NJHMFA program. The Borough received \$5,314 and \$5,104 in PILOT payments under this program for the years ended December 31, 2016 and 2015, respectively

**BOROUGH OF HAWORTH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 19 SUBSEQUENT EVENTS

Tax Anticipation Notes

On February 14, 2017, the Borough renewed \$1,720,000 of tax anticipation notes to temporarily finance the Borough's operating expenditures. The Borough has awarded the sale of said notes to Bank of New Jersey at an interest rate of 1.25%. These notes dated February 14, 2017 matured on April 30, 2017.

On March 28, 2017, the Borough authorized the Chief Financial Officer to issue \$1,455,000 of tax anticipation notes to temporarily finance the Borough's operating expenditures. The Borough has awarded the sale of said notes to Oppenheimer & Co. at an interest rate of 2.25%. These notes dated April 28, 2017 will mature on April 27, 2018

Bond Anticipation Notes

On February 23, 2017, the Borough issued bond anticipation notes in the amount of \$2,189,000 to temporarily finance expenditures related to various capital projects. The Borough awarded the sale of said notes to Jefferies LLC at an interest rate of 2.25%. These notes dated February 23, 2017 will mature on February 23, 2018.

SUPPLEMENTARY SCHEDULES

CURRENT FUND

**BOROUGH OF HAWORTH
STATEMENT OF CURRENT CASH**

Balance, December 31, 2015		\$ 2,677,948
Increased by Receipts:		
Taxes Receivable	\$ 23,034,401	
Miscellaneous Revenue Not Anticipated	62,671	
Revenue Accounts Receivable	1,096,238	
Grants Receivable	228,564	
FEMA Reimbursements Receivable	45,373	
Prepaid Taxes	102,753	
State of NJ Senior Citizens' and Veterans' Deductions	20,049	
Petty Cash	500	
Tax Anticipation Note	1,720,000	
Special Emergency Note	52,159	
Fees Payable	6,710	
Reserve for State and Federal Grants - Unappropriated	11,095	
Receipts from Animal Control Fund	24	
Receipts from Other Trust Fund	38,203	
Receipts from Unemployment Trust Fund	14	
Receipts from General Capital Fund	<u>363</u>	
		<u>26,419,117</u>
		29,097,065
Decreased by Disbursements:		
2016 Budget Appropriations	6,897,135	
2015 Appropriation Reserves	48,495	
Encumbrances Payable	383,316	
Accounts Payable	1,509	
Tax Anticipation Note	1,701,000	
Local District School Tax	9,096,778	
Regional High School Tax	5,713,452	
County Tax	2,254,985	
Refund of Prior Year Revenue	1,520	
Petty Cash	500	
Fees Payable	9,216	
Appropriated Grant Reserves	350	
Payments to Unemployment Trust Fund	7,100	
Payments to LOSAP Fund	23,900	
Payments to General Capital Fund	<u>56,523</u>	
		<u>26,195,779</u>
Balance, December 31, 2016		<u>\$ 2,901,286</u>

**BOROUGH OF HAWORTH
STATEMENT OF CHANGE FUNDS**

Balance, December 31, 2015	\$ <u>300</u>
Balance, December 31, 2016	\$ <u>300</u>

STATEMENT OF PETTY CASH

<u>Office</u>	<u>Advance From Treasurer</u>	<u>Returned To Treasurer</u>
Borough Clerk	\$ <u>500</u>	\$ <u>500</u>

STATEMENT OF GRANTS RECEIVABLE

	Balance, December 31, <u>2015</u>	Awards <u>Accrued</u>	Cash <u>Receipts</u>	Balance, December 31, <u>2016</u>
BCCD - Senior Citizen Program/Van Driver	\$ 7,400	\$ 6,000	\$ 7,269	\$ 6,131
BCCD - Senior Citizen Activities	4,500	4,500	4,500	4,500
Municipal Alliance on Alcohol and Drug Abuse	4,088	9,520	5,647	7,961
Recycling Tonnage		8,718	8,718	-
BCCD- Handicapped Bathrooms		12,000		12,000
FEMA - DPW Generator	75,000	-	-	75,000
DOT - Haworth Downtown Revitalization- Stevens Place	149,000	-	102,900	46,100
DOT-Maple Street Improvements	-	155,500	99,530	55,970
	<u>\$ 239,988</u>	<u>\$ 196,238</u>	<u>\$ 228,564</u>	<u>\$ 207,662</u>

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

Year	Balance, December 31,	2016 Levy	Senior Citizens' and Veterans' Deductions Disallowed	Cash Receipts		Senior Citizens' and Veterans' Deductions Allowed	Transferred to Tax Title Liens	Cancelled	Balance, December 31,
	2015			2015	2016				2016
2015	\$ 160,091	-	-	-	\$ 160,091	-	-	-	-
	160,091	-	-	-	160,091	-	-	-	-
2016	-	\$ 23,135,302	\$ 250	\$ 67,188	22,874,310	\$ 21,250	\$ 4,481	\$ 8,276	\$ 160,047
	\$ 160,091	\$ 23,135,302	\$ 250	\$ 67,188	\$ 23,034,401	\$ 21,250	\$ 4,481	\$ 8,276	\$ 160,047

Analysis of 2016 Property Tax Levy

Tax Yield		
General Purpose Tax	\$ 23,057,002	
Added Taxes (54:4-63.1 et seq.)	78,300	
	<u>\$ 23,135,302</u>	
Tax Levy		
Local District School Tax	\$ 9,096,778	
Regional High School Tax	5,713,452	
County Taxes		\$ 2,220,943
County Open Space Preservation		23,463
Due County for Added Taxes (54:63.1 et seq.)		<u>7,644</u>
	2,252,050	
Local Tax for Municipal Purposes		5,685,654
Minimum Library Tax		312,029
Add Additional Tax Levied		<u>75,339</u>
	<u>6,073,022</u>	
	\$ 23,135,302	

**BOROUGH OF HAWORTH
STATEMENT OF TAX TITLE LIENS**

Balance, December 31, 2015	\$ 59,035
Increased by:	
Transfer from Taxes-2016	4,481
Balance, December 31, 2016	\$ 63,516

EXHIBIT A-10

STATEMENT OF PROPERTY ACQUIRED FOR TAXES (AT ASSESSED VALUATION)

Balance, December 31, 2015	\$ 42,335
Balance, December 31, 2016	\$ 42,335

EXHIBIT A-11

STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2015</u>	Accrued in <u>2016</u>	<u>Collected</u>	Balance, December 31, <u>2016</u>
Borough Clerk				
Licenses - Alcoholic Beverages		\$ 2,114	\$ 2,114	
Licenses - Other		140	140	
Fees and Permits		10,822	10,822	
Board of Health/Registrar				
Licenses - Other		2,348	2,348	
Fees and Permits		149	149	
Tax Department				
Fees and Permits		10	10	
Interest and Costs on Taxes		39,961	39,961	
Police				
Fees and Permits		377	377	
Board of Adjustment/Planning Board				
Fees and Permits		937	937	
Municipal Court				
Fines and Costs	\$ 4,467	54,505	55,154	\$ 3,818
Construction Code Official				
Uniform Construction Code Fees		47,761	47,761	
Interest on Deposits		9,882	9,882	
Energy Receipts Taxes		617,495	617,495	
Watershed Moratorium Offset Aid		19,270	19,270	
Senior Citizen Van - Harrington Park		5,155	5,155	
Rental Use of Salt Dome		12,000	12,000	
FEMA- Sandy Reimbursement		30,627	30,627	
Composting Fees-Latz		31,350	31,350	
Cable Franchise Fee		51,628	51,628	
Cell Tower Lease Agreements	-	159,058	159,058	-
	\$ 4,467	\$ 1,095,589	\$ 1,096,238	\$ 3,818

**BOROUGH OF HAWORTH
STATEMENT OF FEMA REIMBURSEMENTS RECEIVABLE**

Balance, December 31, 2015	\$	45,373
Decreased by:		
Cash Reimbursements Received		<u>45,373</u>

STATEMENT OF OTHER ACCOUNTS RECEIVABLE

Balance, December 31, 2015	\$	<u>1,823</u>
Balance, December 31, 2016	\$	<u>1,823</u>

**STATEMENT OF DEFERRED CHARGES
EMERGENCY AUTHORIZATIONS**

	Balance, December 31, <u>2015</u>	Authorized in <u>2016</u>	Budgeted in <u>2016</u>	Balance, December 31, <u>2016</u>
Emergency Authorization (40A:4-47)	<u>\$ 1,508</u>	<u>\$ 52,159</u>	<u>\$ 1,508</u>	<u>\$ 52,159</u>

BOROUGH OF HAWORTH
STATEMENT OF 2015 APPROPRIATION RESERVES

	Balance, December 31, 2015	Transfers	Encumbrances Payable Canceled	Balance After Modification	Total Paid or Charged	Balance Lapsed
Salaries and Wages:						
Mayor & Council	\$ 1			\$ 1		\$ 1
Municipal Clerk	1,345	\$ (190)		1,155	\$ 193	962
Financial Administration	199			199	154	45
Planning Board	235		\$ 2	237	237	-
Board of Adjustment			240	240		240
Police	6,246	(1,833)		4,413	3,512	901
UFSC Fire Prevention	1			1		1
Prosecutor's Office	1			1		1
Streets and Roads	11,504	(5,025)		6,479	1,220	5,259
Snow Removal	2,435			2,435	277	2,158
Municipal Court	861			861	220	641
Building Inspector	219			219	193	26
Plumbing Inspector	1			1		1
Electrical Inspector	1			1		1
Senior Van Harrington Park	1,898		334	2,232	748	1,484
Clean Communities	2,000	-	-	2,000	2,000	-
	<u>26,947</u>	<u>(7,048)</u>	<u>576</u>	<u>20,475</u>	<u>8,754</u>	<u>11,721</u>
Other Expenses:						
Mayor & Council	159	(150)		9	-	9
Municipal Clerk						
Miscellaneous	347		210	557		557
Publications	1			1		1
Financial Administration						
Other Expenses	2,167			2,167	1,345	822
Computer Maintenance	3,148			3,148	3,148	-
Revenue Administration	471			471		471
Tax Assessment Administration	378		10,622	11,000		11,000
Legal Services and Costs	5,492			5,492	5,370	122
Engineering Services and Costs	890			890	115	775
Planning Board	97	916	-	1,013	1,013	-
Board of Adjustment	240	565		805	805	-
General Liability	6,620	(1,479)		5,141	1	5,140
Employee Flexible Spending	1,000			1,000		1,000
Fire						
Other Expenses	710		296	1,006		1,006
LOSAP			1,856	1,856		1,856
Police						
Other Expenses	30	437	27	494		494

BOROUGH OF HAWORTH
STATEMENT OF 2015 APPROPRIATION RESERVES

	Balance, December 31, <u>2015</u>	<u>Transfers</u>	Encumbrances Payable <u>Canceled</u>	Balance After <u>Modification</u>	Total Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Other Expenses (Continued)						
Streets and Roads	\$ 870		\$ 145	\$ 1,015		\$ 1,015
Recycling		\$ 4,366	2	4,368	\$ 4,366	2
Public Buildings and Grounds	460			460	282	178
Vehicle Maintenance	2,009			2,009		2,009
Public Health Services	48			48		48
Parks Department	3,785		4,551	8,336		8,336
Parks and Playground Committee	84			84		84
Tennis Committee	4		400	404		404
Senior Citizens-Committee	53			53		53
Senior Citizens-Publications	150			150		150
Building Inspector	181			181	106	75
Street Lighting	967			967		967
Electricity	641			641	308	333
Telephone	563			563	118	445
Water	4	29	9	42		42
Gas (natural or propane)	4,408			4,408	2,458	1,950
Gasoline	16,403			16,403		16,403
Social Security System	2,030			2,030	375	1,655
Defined Contribution Retirement System	1,785			1,785	603	1,182
Municipal Court	41			41		41
Public Defender	1,125			1,125		1,125
Maintenance of Free Public Library	4,000			4,000	4,000	-
Borough of Oradell Flow Charges	2,153	2,364		4,517	4,517	-
Recycling Tax	4,500			4,500		4,500
Senior Van Harrington Park	2,000		1,919	3,919	2,000	1,919
Senior Citizen Activities-Other Expenses	1,150			1,150	1,150	-
Alcohol Education and Rehab	177			177	177	-
Body Armor Fund	491			491	491	-
Municipal Alliance	3,694			3,694	3,694	-
FEMA- DPW Generator	73,740			73,740	73,740	-
NJDOT- Downtown Revitalization			30,712	30,712	30,712	-
Clean Communities	4,933	-	-	4,933	4,933	-
	<u>154,199</u>	<u>7,048</u>	<u>50,749</u>	<u>211,996</u>	<u>147,827</u>	<u>66,169</u>
	<u>\$ 181,146</u>	<u>\$ -</u>	<u>\$ 51,325</u>	<u>\$ 232,471</u>	<u>\$ 156,581</u>	<u>\$ 77,890</u>

Cash Disbursements	\$ 50,495
Transferred to Reserve for Grants - Appropriated	<u>106,086</u>
	<u>\$ 156,581</u>

**BOROUGH OF HAWORTH
STATEMENT OF DUE TO STATE OF NEW JERSEY
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, December 31, 2015		\$ 28,349
Increased by:		
Cash Received from State of New Jersey	\$ 20,049	
Senior Citizens and Veterans' Deductions Disallowed by Tax Collector - 2016	<u>250</u>	
		<u>20,299</u>
Decreased by:		
		48,648
Senior Citizens' Deductions Per Tax Billings	1,250	
Veterans' Deductions Per Tax Billings	19,500	
Senior Citizens' Deductions Allowed per Tax Collector	<u>500</u>	
		<u>21,250</u>
Balance, December 31, 2016		<u>\$ 27,398</u>

EXHIBIT A-17

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, December 31, 2015		\$ 434,641
Increased by:		
Charges to 2016 Budget Appropriations		<u>307,537</u>
		742,178
Decreased by:		
Cash Disbursements	\$ 383,316	
Cancellations Restored to 2015 Appropriation Reserves	<u>51,325</u>	
		<u>434,641</u>
Balance, December 31, 2016		<u>\$ 307,537</u>

EXHIBIT A-18

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2015		\$ 20,179
Decreased by:		
Cash Disbursements		<u>1,509</u>
Balance, December 31, 2016		<u>\$ 18,670</u>

**BOROUGH OF HAWORTH
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2015	\$	67,188
Increased by:		
Cash Receipts - 2017 Taxes		<u>102,753</u>
		169,941
Decreased by:		
Application to 2016 Taxes		<u>67,188</u>
Balance, December 31, 2016	\$	<u>102,753</u>

STATEMENT OF RESERVE FOR SALE OF ASSETS

Balance, December 31, 2015	\$	17,500
Decreased by:		
Anticipated as Current Fund Revenue		<u>17,500</u>

STATEMENT OF FEES PAYABLE

	Balance, December 31, <u>2015</u>	Cash <u>Receipts</u>	Cash <u>Disbursement</u>	Balance, December 31, <u>2016</u>
State Training Fees	\$ 3,373	\$ 5,310	\$ 7,316	\$ 1,367
Marriage License Fees	50	400	400	50
Driveway Permits	<u>1,200</u>	<u>1,000</u>	<u>1,500</u>	<u>700</u>
	<u>\$ 4,623</u>	<u>\$ 6,710</u>	<u>\$ 9,216</u>	<u>\$ 2,117</u>

**BOROUGH OF HAWORTH
STATEMENT OF TAX ANTICIPATION NOTE**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2015</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2016</u>
Anticipated Tax Collections	3/24/2015	2/14/2016	0.49%	\$ 1,701,000		\$ 1,701,000	
	4/14/2016	2/14/2017	0.88%	-	\$ 1,720,000	-	\$ 1,720,000
				<u>\$ 1,701,000</u>	<u>\$ 1,720,000</u>	<u>\$ 1,701,000</u>	<u>\$ 1,720,000</u>

EXHIBIT A-23

STATEMENT OF EMERGENCY NOTE PAYABLE

<u>Purpose</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Increased</u>	<u>Balance, December 31, 2016</u>
Terminal Leave Pay		12/30/2016	2/15/2017	0.90%	\$ 52,159
					<u>\$ 52,159</u>

EXHIBIT A-24

RESERVE FOR TAX APPEALS

Balance, December 31, 2015	<u>\$ 65,000</u>
Balance, December 31, 2016	<u>\$ 65,000</u>

EXHIBIT A-25

STATEMENT OF RESERVE FOR STATE AND FEDERAL GRANTS - UNAPPROPRIATED

	<u>Balance, December 31, 2015</u>	<u>Cash Receipts</u>	<u>Anticipated as Budget Revenue</u>	<u>Balance, December 31, 2016</u>
Clean Communities Grant	\$ 8,423	\$ 9,633	\$ 8,423	\$ 9,633
Body Armor Fund	<u>1,510</u>	<u>1,462</u>	<u>1,510</u>	<u>1,462</u>
	<u>\$ 9,933</u>	<u>\$ 11,095</u>	<u>\$ 9,933</u>	<u>\$ 11,095</u>

BOROUGH OF HAWORTH
STATEMENT OF RESERVE FOR STATE AND FEDERAL GRANTS - APPROPRIATED

	Balance, December 31, <u>2015</u>	Transferred from Approp <u>Reserves</u>	Cash <u>Disbursed</u>	Balance, December 31, <u>2016</u>
Alcohol Education and Rehabilitation	\$ 1,383	\$ 177	\$ 350	\$ 1,210
DWI Program	11,065			11,065
Body Armor Fund	4,916	491		5,407
ANJEC	260			260
Bergen County Mini Grant	1,399	-		1,399
Stormwater Management Grant	5,172			5,172
Cool Cities - State Share	16,568			16,568
Cool Cities - Local Share	1,120			1,120
Clean Communities Grant	1,752	2,382		4,134
FEMA Generator Grant		68,630		68,630
Downtown Revitalization Grant		30,712		30,712
BCCD - Sr. Van Driver	3			3
Recycling Tonnage Grant	4,330			4,330
Municipal Alliance on Alcohol and Drug Abuse	1,453	3,694	-	5,147
	<u>\$ 49,421</u>	<u>\$ 106,086</u>	<u>\$ 350</u>	<u>\$ 155,157</u>

EXHIBIT A-27

STATEMENT OF COUNTY TAXES PAYABLE

Balance, December 31, 2015		\$ 10,579
Increased by:		
County Tax - General	\$ 2,220,943	
County Open Space Preservation	<u>23,463</u>	
		\$ 2,244,406
County Tax for Added Taxes		<u>7,644</u>
		<u>2,252,050</u>
		2,262,629
Decreased by:		
Cash Disbursements		<u>2,254,985</u>
Balance, December 31, 2016		<u>\$ 7,644</u>

BOROUGH OF HAWORTH
STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Increased by:	
Levy - Calendar Year 2016	\$ 9,096,778
Decreased by:	
Cash Disbursements	<u>\$ 9,096,778</u>

STATEMENT OF REGIONAL HIGH SCHOOL DISTRICT TAXES PAYABLE

Increased by:	
Levy - Calendar Year 2016	\$ 5,713,452
Decreased by:	
Cash Disbursements	<u>\$ 5,713,452</u>

TRUST FUND

**BOROUGH OF HAWORTH
STATEMENT OF TRUST CASH**

	<u>Animal Control</u>	<u>Other Trust</u>	<u>Unemployment Insurance</u>
Balance, December 31, 2015	\$ 10,764	\$ 446,029	\$ 6,099
Increased by:			
Dog License Fees	\$ 2,471		
Cat License Fees	312		
Late Fees	1,665		
Fees Due to State Dept. of Health	484		
Interest Earned	24	\$ 438	\$ 14
Budget Appropriation- Unemployment Ins.			15,000
Cash Receipts for Current Fund		609	-
Cash Receipts from Current Fund			7,100
Cash Receipts for General Capital Fund		425	
Cash Receipts for Swim Pool Operating Fund	3,115		
Escrow Deposits		22,018	
Miscellaneous Reserves		333,656	
Payroll Deductions/Deposits	-	<u>3,983,307</u>	<u>3,987</u>
	<u>8,071</u>	<u>4,340,453</u>	<u>26,101</u>
	18,835	4,786,482	32,200
Decreased by Disbursements:			
Expenditures Under R.S. 4:19-15.1	11,055		
Due to State Dept. of Health	484		
Payments to Current Fund	24	38,203	14
Payroll Disbursements		3,985,968	
Unemployment Insurance Claims			25,093
Escrow Disbursements		38,997	
Miscellaneous Reserves	-	<u>199,317</u>	<u>-</u>
	<u>11,563</u>	<u>4,262,485</u>	<u>25,107</u>
Balance, December 31, 2016	<u>\$ 7,272</u>	<u>\$ 523,997</u>	<u>\$ 7,093</u>

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

Balance, December 31, 2015	\$ 6,078
Increased by:	
Interest Earned on Deposits	24
	6,102
Decreased by:	
Payments to Current Fund	24
	24
Balance, December 31, 2016	\$ 6,078

**STATEMENT OF DUE TO SWIM POOL OPERATING FUND
ANIMAL CONTROL FUND**

Increased by:	
Swim Pool Utility Operating Fund Receipts Deposited in Animal Control Fund	\$ 3,115
Balance, December 31, 2016	\$ 3,115

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

Balance, December 31, 2015	\$ 4,686
Increased by:	
Dog License Fees Collected	\$ 2,471
Cat License Fees Collected	312
Late Fees Collected	1,665
	4,448
	9,134
Decreased by:	
Expenditures Under R.S. 4:19-15.1	11,055
	11,055
Balance (Deficit), December 31, 2016	\$ (1,921)

**BOROUGH OF HAWORTH
STATEMENT OF DUE TO STATE DEPARTMENT OF HEALTH
ANIMAL CONTROL FUND**

Increased by:		
State Fees Collected	\$	484
Decreased by:		
Payments to State	\$	<u>484</u>

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

Balance, December 31, 2015 (Due from)	\$	745
Increased by:		
Payments to Current Fund		<u>38,203</u>
		38,948
Decreased by:		
Police Outside Duty Fees Anticipated as Budget Revenues	\$	40,000
Interest Earned on Deposits		438
Current Fund Receipts Deposited in Other Trust Fund		<u>609</u>
		<u>41,047</u>
Balance, December 31, 2016 (Due to)	\$	<u>2,099</u>

**STATEMENT OF ESCROW DEPOSITS
OTHER TRUST FUND**

Balance, December 31, 2015	\$	126,449
Increased by:		
Cash Receipts		<u>22,018</u>
		148,467
Decreased by:		
Cash Disbursements		<u>38,997</u>
Balance, December 31, 2016	\$	<u>109,470</u>

BOROUGH OF HAWORTH
STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS
OTHER TRUST FUND

	Balance, December 31, <u>2015</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2016</u>
Municipal Drug and Alcohol Alliance Program Donations	\$ 140	\$ 5,804	\$ 6,151	\$ (207)
Senior Van Donations	430			430
Shade Tree Program Donations	990			990
POAA Fees	232	8		240
COAH Developer Fees	165,672	49,816	14,651	200,837
Employee Scholarship Fund	2,462	6		2,468
Outside Police Employment Fees	65,140	201,001	140,681	125,460
Centennial Fund Donations	190	100	11	279
Municipal Donations-Variou s	4,322	4,079	100	8,301
Recreation Commission Fees	47,304	66,754	72,145	41,913
Public Defender	350	900	1,250	-
Other Deposits	2,153			2,153
Disposal of Forfeited Funds	2,193	-	1,806	387
Flexible Spending Account Deposits	2,060	2,413	1,919	2,554
Flag Replacements		625	428	197
Haworth Seniors	-	2,150	175	1,975
	<u>\$ 293,638</u>	<u>\$ 333,656</u>	<u>\$ 239,317</u>	<u>\$ 387,977</u>
Cash Receipts		\$ 333,656		
Due to Current Fund			\$ 40,000	
Cash Disbursements		-	<u>199,317</u>	
		<u>\$ 333,656</u>	<u>\$ 239,317</u>	

EXHIBIT B-9

STATEMENT OF DUE FROM GENERAL CAPITAL FUND
OTHER TRUST FUND

Balance, December 31, 2015	\$ 12,000
Decreased by:	
General Capital Fund Receipt deposited in Other Trust Fund	<u>425</u>
Balance, December 31, 2016	<u>\$ 11,575</u>

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

Balance, December 31, 2015	\$ 21,289
Increased by:	
Payroll Deposits	<u>3,983,307</u>
	4,004,596
Decreased by:	
Payroll Disbursements	<u>3,985,968</u>
Balance, December 31, 2016	<u>\$ 18,628</u>

EXHIBIT B-11

**STATEMENT OF ACCOUNTS PAYABLE
OTHER TRUST FUND**

Balance, December 31, 2015	<u>\$ 12,305</u>
Balance, December 31, 2016	<u>\$ 12,305</u>

EXHIBIT B-12

**STATEMENT OF DUE TO STATE - UNEMPLOYMENT CLAIMS
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, December 31, 2015	\$ 7,153
Increased by:	
Unemployment Claims Due to State	<u>17,940</u>
	25,093
Decreased by:	
Payment of Unemployment Claims	<u>25,093</u>
Balance, December 31, 2016	<u>\$ -</u>

BOROUGH OF HAWORTH
STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE BENEFITS
UNEMPLOYMENT INSURANCE TRUST FUND

Balance, December 31, 2015		\$	4,044
Increased by:			
Budget Appropriation		\$	15,000
Employee Payroll Deductions			<u>3,987</u>
			<u>18,987</u>
			23,031
Decreased by:			
Unemployment Claims Due to State			<u>17,940</u>
			<u>5,091</u>
Balance, December 31, 2016		\$	<u>5,091</u>

EXHIBIT B-14

STATEMENT OF DUE TO/FROM CURRENT FUND
UNEMPLOYMENT INSURANCE TRUST FUND

Balance, December 31, 2015 (Due from)		\$	5
Increased by:			
Payments to Current Fund			<u>14</u>
			19
Decreased by:			
Interest Earned		\$	14
Cash Receipts from Current Fund			<u>7,100</u>
			<u>7,114</u>
			<u>7,095</u>
Balance, December 31, 2016 (Due to)		\$	<u>7,095</u>

EXHIBIT B-15

STATEMENT OF DUE FROM OTHER TRUST FUND
UNEMPLOYMENT INSURANCE TRUST FUND

Balance, December 31, 2015		\$	<u>5,093</u>
Balance, December 31, 2016		\$	<u>5,093</u>

GENERAL CAPITAL FUND

**BOROUGH OF HAWORTH
STATEMENT OF GENERAL CAPITAL CASH**

Balance, December 31, 2015		\$ 383,137
Increased by Receipts:		
Interest on Investments	\$ 473	
Received from Current Fund	<u>56,523</u>	
		<u>56,996</u>
		440,133
Decreased by Disbursements:		
Improvement Authorizations	253,833	
Contracts Payable	86,506	
Payments to Current Fund	363	
Payment for Current Fund	85,928	
Payment for Swim Pool Utility Operating Fund	<u>17,263</u>	
		<u>443,893</u>
Balance (Overdraft), December 31, 2016		<u>\$ (3,760)</u>

**BOROUGH OF HAWORTH
ANALYSIS OF GENERAL CAPITAL CASH**

	Balance, December 31, <u>2016</u>
Grants Receivable	\$ (49,056)
Due from Current Fund	(39,176)
Due from Swim Pool Utility Operating Fund	(34,654)
Capital Improvement Fund	15,647
Contracts Payable	319,953
Due to Other Trust Fund	11,575
Due to Swim Pool Utility Capital Fund	9,555
Reserve for Improvements	4,000

Improvement Authorizations:

Ord. <u>No.</u>	<u>Improvement Description</u>	
910	Various Capital Improvements	10
934	Various Public Improvements	40
944	Acquisition of New Equipment and Machinery	1,313
956	2007 Road Improvement Program	6,055
963	Various Capital Improvements	409
971	Various Public Improvements	468
978	Various Public Improvements	6,565
11-12	Acquisition of Various Equipment	37,795
12-07	Refunding Bond Ordinance - Irene Emergency	8,645
12-18	2012 Road Improvement Program	14,658
12-19	Resurfacing of Sunset Avenue	19,106
13-05	2013 Road Improvement Program	8,261
13-08	Various Capital Improvements	22,541
13-09	Acquisition of Computers and Office Equipment	449
14-09	Various Public Improvements	24,327
15-08	Various Public Improvements	31,134
15-09	Various Improvements and Acquisition of Various Equipment	5,019
16-04	Various Public Improvements	<u>(428,399)</u>
		<u>\$ (3,760)</u>

**BOROUGH OF HAWORTH
STATEMENT OF GRANTS RECEIVABLE**

Ord. No.	<u>Grantor Agency</u>	Balance, December 31, <u>2015</u>	Grants <u>Awarded</u>	Balance, December 31, <u>2016</u>	<u>Balance Pledged to Improvement Authorization</u>
12-19	Department of Transportation	\$ 12,056		\$ 12,056	\$ 12,056
16-04	Bergen County Open Space		\$ 25,000	25,000	25,000
16-04	Bergen County Community Development	<u>-</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>
		<u>\$ 12,056</u>	<u>\$ 37,000</u>	<u>\$ 49,056</u>	<u>\$ 49,056</u>

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

Balance, December 31, 2015		\$ 5,434
Increased by:		
2016 Budget Appropriation - Capital Improvement Fund	\$ 31,523	
Current Fund Expenditures Paid by General Capital Fund	85,928	
Payments to Current Fund	<u>363</u>	
		<u>117,814</u>
		123,248
Decreased by:		
Interest on Deposits	473	
Anticipated as Current Fund Revenue-General Capital Surplus	27,076	
Receipts from Current Fund	<u>56,523</u>	
		<u>84,072</u>
Balance, December 31, 2016		<u>\$ 39,176</u>

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2015		\$ 5,126,302
Decreased by:		
2016 Budget Appropriations		
Serial Bonds	\$ 760,000	
EDA Loan	<u>65,287</u>	
		<u>825,287</u>
Balance, December 31, 2016		<u>\$ 4,301,015</u>

**BOROUGH OF HAWORTH
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2015	\$	86,506
Increased by:		
Charges to Improvement Authorizations		<u>319,953</u>
		406,459
Decreased by:		
Cash Disbursements		<u>86,506</u>
Balance, December 31, 2016	\$	<u><u>319,953</u></u>

EXHIBIT C-10

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2015	\$	10,804
Increased by:		
2016 Budget Appropriations Due from Current Fund		<u>31,523</u>
		42,327
Decreased by:		
Appropriated to Finance Improvement Authorization		<u>26,680</u>
Balance, December 31, 2016	\$	<u><u>15,647</u></u>

EXHIBIT C-11

STATEMENT OF RESERVE FOR IMPROVEMENTS

Balance, December 31, 2015	\$	<u>4,000</u>
Balance, December 31, 2016	\$	<u><u>4,000</u></u>

EXHIBIT C-12

STATEMENT OF PRESERVATION TRUST FUND LOAN PAYABLE

Ord. No.	Improvement Description	Interest Rate	Balance, December 31, <u>2015</u>	Loan Paydown	Balance, December 31, <u>2016</u>
866	Acq. of Real Property for Open Space	2.00%	\$ <u>304,302</u>	\$ <u>65,287</u>	\$ <u>239,015</u>
				Paid by Budget Appropriations	\$ <u><u>65,287</u></u>

**BOROUGH OF HAWORTH
STATEMENT OF GENERAL SERIAL BONDS**

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturity of Bonds Outstanding December 31, 2016</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2015</u>	<u>Decreased</u>	<u>Balance, December 31, 2016</u>
			<u>Date</u>	<u>Amount</u>				
General Improvement Bonds	2/15/2006	\$ 1,730,000	2/15/2017	\$ 195,000	3.75 %	\$ 790,000	\$ 195,000	\$ 595,000
			2/15/2018	200,000	4.00			
			2/15/2019	200,000	4.00			
68 General Improvement Bonds	8/1/2009	2,469,000	8/1/2017	350,000	3.000 %	1,419,000	350,000	1,069,000
			8/1/2018	355,000	3.000			
			8/1/2019	364,000	3.000			
General Improvement Bonds	12/15/2013	2,998,000	12/15/2017	220,000	2.000 %	2,613,000	215,000	2,398,000
			12/15/2018	225,000	2.000			
			12/15/2019	230,000	2.000			
			12/15/2020	325,000	2.000			
			12/15/2021	350,000	2.000			
			12/15/2022	350,000	2.125			
			12/15/2023	350,000	2.250			
			12/15/2024	348,000	2.500			
						<u>\$ 4,822,000</u>	<u>\$ 760,000</u>	<u>\$ 4,062,000</u>
Paid by Budget Appropriation							<u>\$ 760,000</u>	

**BOROUGH OF HAWORTH
STATEMENT OF BOND ANTICIPATION NOTES**

Ord. No.	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2015	Increased	Decrease	Balance, December 31, 2016
14-09	Various Public Improvements	2/27/2015	2/27/2015 2/25/2016	2/26/2016 2/24/2017	0.59 % 0.87	\$ 496,700	\$ 496,700	\$ 496,700	\$ 496,700
15-08	Various Capital Improvements	10/28/2015	2/27/2015 2/25/2016	2/26/2016 2/24/2017	0.62 0.87	381,550	381,550	381,550	381,550
15-13	Refunding Bonds - Tax Appeals	10/28/2015	2/27/2015 2/25/2016	2/26/2016 2/24/2017	0.62 0.87	600,000 -	519,000	600,000 -	519,000
						<u>\$ 1,478,250</u>	<u>\$ 1,397,250</u>	<u>\$ 1,478,250</u>	<u>\$ 1,397,250</u>
					Renewals Paid by Budget Appropriations		\$ 1,397,250 -	\$ 1,397,250 81,000	
							<u>\$ 1,397,250</u>	<u>\$ 1,478,250</u>	

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STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

No.	Improvement Description	Balance December 31, 2015	2016 Authorizations	Balance December 31, 2016
16-04	Various Public Improvements and Acquisitions	\$ -	\$ 533,600	\$ 533,600
		<u>\$ -</u>	<u>\$ 533,600</u>	<u>\$ 533,600</u>

SWIM POOL UTILITY FUND

**BOROUGH OF HAWORTH
STATEMENT OF SWIM POOL UTILITY CASH**

	<u>Operating</u>	<u>Capital</u>
Balance, December 31, 2015	\$ 104,938	\$ 4,712
Increased by Receipts:		
Swim Pool Fees	\$ 202,561	
Miscellaneous Revenues	2,937	\$ 12
Received from Swim Pool Capital Fund	<u>12</u>	<u>-</u>
	<u>205,510</u>	<u>12</u>
	310,448	4,724
Decreased by Disbursements:		
2016 Appropriations	167,278	
2015 Appropriations	240	
Encumbrances Payable	1,431	
Payments to Swim Pool Operating Fund	<u>-</u>	<u>12</u>
	<u>168,949</u>	<u>12</u>
Balance, December 31, 2016	<u>\$ 141,499</u>	<u>\$ 4,712</u>

**BOROUGH OF HAWORTH
ANALYSIS OF SWIM POOL UTILITY CAPITAL CASH**

	Balance, December 31, <u>2016</u>
Fund Balance	\$ 768
Due from Current Fund	(8,966)
Due from General Capital Fund	(9,555)
Due to Swim Pool Utility Operating Fund	(1,971)
Capital Improvement Fund	3,000
Excess Proceeds	20,000

Improvement Authorizations:

Ord. <u>No.</u>	<u>Improvement Description</u>	
11-05	Various Capital Improvements	453
12-11	Various Capital Improvements	983
		4,712
		\$ 4,712

**BOROUGH OF HAWORTH
STATEMENT OF DUE FROM GENERAL CAPITAL
SWIM POOL UTILITY CAPITAL FUND**

Balance, December 31, 2015	\$ 9,555
Balance, December 31, 2016	\$ 9,555

**STATEMENT OF FIXED CAPITAL
SWIM POOL UTILITY CAPITAL FUND**

<u>Description</u>	Balance, December 31, 2015	Increased by: Capital Outlay	Balance, December 31, 2016
Building Improvements	\$ 271,006	\$ 4,756	\$ 275,762
Reconstruction of Wading Pool	149,500		149,500
Replace Diving Boards, Slides and Patio Expansion	79,314		79,314
Pumps, Filters and Heating Units	13,831		13,831
Tables, Chairs and Other Furnishing	28,750		28,750
Playground Equipment	22,747	-	22,747
	<u>\$ 565,148</u>	<u>\$ 4,756</u>	<u>\$ 569,904</u>

**STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
SWIM POOL UTILITY CAPITAL FUND**

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	Balance, December 31, 2015	Balance, December 31, 2016
11-05	Various Capital Improvements	\$ 453	\$ 453
12-11	Various Capital Improvements	983	983
		<u>\$ 1,436</u>	<u>\$ 1,436</u>

BOROUGH OF HAWORTH
STATEMENT OF 2015 APPROPRIATION RESERVES
SWIM POOL UTILITY OPERATING FUND

	Balance, December 31, <u>2015</u>	Encumbrances Payable <u>Restored</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating					
Salaries	\$ 629		\$ 629		\$ 629
Other Expenses	<u>295</u>	<u>\$ 610</u>	<u>905</u>	<u>\$ 850</u>	<u>55</u>
	<u>\$ 924</u>	<u>\$ 610</u>	<u>\$ 1,534</u>	<u>\$ 850</u>	<u>\$ 684</u>
		Cash Disbursements		\$ 240	
		Transfer to Accounts Payable		<u>610</u>	
				<u>\$ 850</u>	

EXHIBIT D-11

STATEMENT OF DUE FROM CURRENT FUND
SWIM POOL UTILITY CAPITAL FUND

Balance, December 31, 2015	<u>\$ 8,966</u>
Balance, December 31, 2016	<u>\$ 8,966</u>

EXHIBIT D-12

STATEMENT OF ENCUMBRANCES PAYABLE
SWIM POOL UTILITY OPERATING FUND

Balance, December 31, 2015	\$ 2,041
Increased by:	
Charges to 2016 Budget Appropriations	<u>10,450</u>
	12,491
Decreased by:	
Cash Disbursements	\$ 1,431
Cancelled Encumbrances Restored to Appropriation Reserves	<u>610</u>
	<u>2,041</u>
Balance, December 31, 2016	<u>\$ 10,450</u>

**BOROUGH OF HAWORTH
STATEMENT OF ACCOUNTS PAYABLE
SWIM POOL UTILITY OPERATING FUND**

Balance, December 31, 2015	\$ 391
Increased by:	
Transfer from 2015 Budget Appropriations	<u>610</u>
Balance, December 31, 2016	<u>\$ 1,001</u>

**STATEMENT OF ACCRUED INTEREST ON NOTES
SWIM POOL UTILITY OPERATING FUND**

Balance, December 31, 2015	\$ 1,837
Increased by:	
Budget Appropriation for Interest on Notes	<u>2,198</u>
	4,035
Decreased by:	
Interest Paid by General Capital Fund	<u>2,198</u>
Balance, December 31, 2016	<u>\$ 1,837</u>

**BOROUGH OF HAWORTH
STATEMENT OF IMPROVEMENT AUTHORIZATIONS
SWIM POOL UTILITY CAPITAL FUND**

Ord. No.	Improvement Description	Ordinance Amount	Balance	
			<u>December 31, 2015</u> <u>Unfunded</u>	<u>December 31, 2016</u> <u>Unfunded</u>
11-05	Various Capital Improvements	166,000	\$ 453	\$ 453
12-11	Various Capital Improvements	93,000	<u>983</u>	<u>983</u>
			<u>\$ 1,436</u>	<u>\$ 1,436</u>

**BOROUGH OF HAWORTH
STATEMENT OF CAPITAL IMPROVEMENT FUND
SWIM POOL UTILITY CAPITAL FUND**

Balance, December 31, 2015	\$ <u>3,000</u>
Balance, December 31, 2016	\$ <u>3,000</u>

**STATEMENT OF DUE TO SWIM POOL UTILITY OPERATING FUND
SWIM POOL UTILITY CAPITAL FUND**

Balance, December 31, 2015 (Due to)		\$ 18,029
Increased by:		
Interest on Deposits		<u>12</u>
		18,041
Decreased by:		
Budget Appropriation- Deferred Charge- Cost of Improvements	\$ 20,000	
Payments to Swim Pool Utility Operating Fund	<u>12</u>	
		<u>20,012</u>
Balance, December 31, 2016 (Due from)		\$ <u>1,971</u>

**BOROUGH OF HAWORTH
STATEMENT OF BOND ANTICIPATION NOTES
SWIM POOL UTILITY CAPITAL FUND**

Ord. No.	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2015	Increase	Decrease	Balance, December 31, 2016
993	Various Capital Improvements	7/9/2010	2/27/2015 2/25/2016	2/26/2016 2/24/2017	0.59 % 0.87	\$ 233,102	\$ 224,136	\$ 233,102	\$ 224,136
11-05	Various Capital Improvements	7/8/2011	2/27/2015 2/25/2016	2/26/2016 2/24/2017	0.59 0.87	86,016	82,374	86,016	82,374
12-11	Various Capital Improvements	7/6/2012	2/27/2015 2/25/2016	2/26/2016 2/24/2017	0.59 0.87	54,543 -	52,075	54,543 -	52,075
						<u>\$ 373,661</u>	<u>\$ 358,585</u>	<u>\$ 373,661</u>	<u>\$ 358,585</u>
					Renewals		\$ 358,585	358,585	
					Paid by Budget Appropriation		-	\$ 15,076	
							<u>\$ 358,585</u>	<u>\$ 373,661</u>	

**BOROUGH OF HAWORTH
STATEMENT OF RESERVE FOR AMORTIZATION
SWIM POOL UTILITY CAPITAL FUND**

Balance, December 31, 2015		\$ 192,923
Increased by:		
Notes Paid by Operating Budget	\$ 15,076	
Budget Appropriation- Capital Outlay	4,756	
Budget Appropriation- Deferred Charge- Cost of Improvement	<u>20,000</u>	
		<u>39,832</u>
Balance, December 31, 2016		<u>\$ 232,755</u>

**STATEMENT OF DUE FROM CURRENT FUND
SWIM POOL UTILITY OPERATING FUND**

Balance, December 31, 2015		<u>\$ 415</u>
Balance, December 31, 2016		<u>\$ 415</u>

**STATEMENT OF DUE TO GENERAL CAPITAL FUND
SWIM POOL UTILITY OPERATING FUND**

Balance, December 31, 2015		\$ 17,391
Increased by:		
Bond Anticipation Note Principal Paid by General Capital Fund	\$ 15,065	
Bond Anticipation Note Interest Paid by General Capital Fund	<u>2,198</u>	
		<u>17,263</u>
Balance, December 31, 2016		<u>\$ 34,654</u>

BOROUGH OF HAWORTH
BERGEN COUNTY, NEW JERSEY

PART II
GOVERNMENT AUDITING STANDARDS
YEAR ENDED DECEMBER 31 2016



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
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GARY W. HIGGINS, CPA, RMA, PSA
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MARK SCAO, CPA
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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 Haworth
Haworth, 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 Haworth, as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated May 23, 2017. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Haworth’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 Haworth’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Haworth’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 2016-001 and 2016-002 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 Haworth'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 2016-001 and 2016-002.

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 Haworth in Part III of this report of audit entitled; "Letter of Comments and Recommendations".

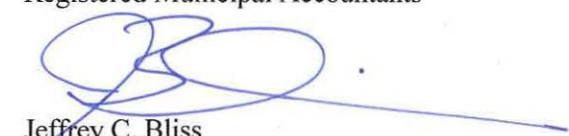
Borough of Haworth's Responses to Findings

The Borough of Haworth's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Borough of Haworth'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 Haworth'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 Haworth's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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


Jeffrey C. Bliss
Registered Municipal Accountant
RMA Number CR00429

Fair Lawn, New Jersey
May 23, 2017

**BOROUGH OF HAWORTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Grant Program</u>	<u>State Account Number</u>	<u>Federal CFDA Number</u>	<u>Grant Period</u>	<u>2016 Grant Receipts</u>	<u>Grant Award Amount</u>	<u>Balance, January 1, 2016</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance, December 31, 2016</u>	<u>(Memo) Cumulative Expenditures</u>
U.S. Department of Housing and Urban Development (Passed Through Bergen County Dept. of Community Development)										
Community Development Block Grant	N/A	14.218								
Senior Citizen Van Driver			2013/14		\$ 6,000	\$ 3			\$ 3	\$ 5,997
Senior Citizen Van Driver			2014/15	\$ 7,269	7,400					7,400
Senior Citizen Van Driver			2015/16		6,000		\$ 6,000	3,831	2,169	3,831
Senior Citizen Activities			2015/16		4,500		4,500	4,168	332	4,168
Senior Citizen Activities			2014/15	4,500	4,500	1,150		1,150	-	4,500
Handicapped Bathrooms			2015/16		12,000		12,000		12,000	
U.S. Department of Homeland Security										
Hazard Mitigation Grant Program - FEMA- DPW Generator	4086-NJ-0312-F	97.039	2015		75,000	73,740		5,110	68,630	6,370
Public Assistance Grants (Passed Thru State Department of Law and Public Safety)										
FEMA Reimbursement-Hurricane Sandy	066-1200-100-A92			76,000	76,000		76,000	76,000		76,000
FEMA Reimbursement-Severe Winter Storm	066-1200-100-880			17,352	17,352	-	17,352	17,352	-	17,352
						<u>\$ 74,893</u>	<u>\$ 115,852</u>	<u>\$ 107,611</u>	<u>\$ 83,134</u>	

Note: This schedule was not subject to a single audit under U.S. Uniform Guidance

**BOROUGH OF HAWORTH
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>Grant Award Amount</u>	<u>2016 Grant Receipts</u>	<u>Balance, January 1, 2016</u>	<u>Revenue</u>	<u>Expended</u>	<u>Encumbrances Restored</u>	<u>Balance, December 31, 2016</u>	<u>(Memo) Cumulative Expenditures</u>
Drunk Driving Enforcement Fund	1110-448-031020-22	2005	\$ 5,172		\$ 2,223				\$ 2,223	\$ 2,949
		2006	1,862		804				804	1,058
		2008	5,064		5,064				5,064	
		2009	2,974		2,974				2,974	
Body Armor Fund	N/A	2010	2,185		1,080				1,080	1,105
		2010	935		935				935	
		2011	1,438		1,438				1,438	
		2012	1,463		1,463				1,463	
		2014	1,512		491				491	
		2015	1,510			\$ 1,510			1,510	
		2016	1,462	\$ 1,462						
Alcohol Education and Rehabilitation	4250-760-050000-63-26	2005	568		289		\$ 289		-	279
		2006	118		118		61		57	61
		2007	507		507				507	
		2008	54		54				54	
		2009	93		93				93	
		2010	200		162				162	38
		2012	54		54				54	
		2013	106		106				106	
		2015			177				177	
		2016								
Clean Communities Grant	4900-765-178900	2011	6,410		574				574	5,836
		2013	7,391		1,178				1,178	6,213
		2014	6,933		6,933				2,382	4,551
		2015	8,423			8,423	4,551		4,734	3,689
		2016	9,633	9,633						
		2016								
Municipal Stormwater Grant Program	100-042-4940-091-5750	2005	3,412		1,762				1,762	1,650
		2006	3,410		3,410				3,410	
Municipal Alliance Program	N/A	2014	9,520		1,453				1,453	8,067
		2015	9,520	4,088	3,694				3,694	5,826
		2016	9,520	1,559		9,520	5,924		3,596	5,924
Recycling Tonnage Grant	752-042-4900-004-178840	2012	6,292		4,330				4,330	1,962
		2016	8,718	8,718		8,718			8,718	
ANJEC	N/A	2012	5,000		260			260	4,740	
Cool Cities CSIP Tree Planting Grant	N/A	2007	25,000		9,885				9,885	15,115
		2008	22,450		6,683				6,683	15,767
Department of Transportation										
Resurfacing of Sunset Avenue	078-6320-480-ALC	2012	135,000		12,056				12,056	122,944
Downtown Revitalization Grant	078-6320-480-xxx	2015	149,000	102,900	-	-	-	\$ 30,712	30,712	118,288
Maple Street		2016	155,500	99,530	-	155,500	132,706	-	22,794	132,706
					<u>\$ 70,250</u>	<u>\$ 183,671</u>	<u>\$ 147,220</u>	<u>\$ 30,712</u>	<u>\$ 137,413</u>	

Note: This schedule was not subject to a single audit under New Jersey OMB 15-08

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

**BOROUGH OF HAWORTH
 NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
 YEAR ENDED DECEMBER 31, 2016**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Borough of Haworth. 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	\$ 115,852	\$ 183,671	\$ 299,523
Total Financial Awards	<u>\$ 115,852</u>	<u>\$ 183,671</u>	<u>\$ 299,523</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 HAWORTH
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2016**

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2016, which are not required to be reported on the schedule of expenditures of state financial assistance, are as follows:

<u>Loan Program</u>	<u>Federal CFDA Number/ State Account Number</u>	<u>Total</u>
Preservation Trust Fund Loan	4800-545-899200-60	\$ <u>239,015</u>

NOTE 6 DE MINIMIS INDIRECT COST RATE

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

**BOROUGH OF HAWORTH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Part I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued on financial statements Modified - Unaudited LOSAP Fund

Internal control over financial reporting:

1) Material weakness(es) identified yes X no

2) Significant deficiency(ies) that are not considered to be material weakness(es)? X yes none

Noncompliance material to the financial statements noted? X yes no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF HAWORTH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 2016-001 – Our audit revealed that general ledger account balances were not in agreement with subsidiary ledgers and supporting documentation for the various funds.

Criteria and Specific Requirement – Division of Local Government Services Technical Accounting Directive 85-3.

Condition – Numerous adjusting journal entries were required to reconcile the various fund general ledger account balances to subsidiary ledgers and supporting documentation (i.e., tax account status reports, revenue and budget account status reports, etc.). The various funds included the Current Fund, General Capital Fund, Swim Pool Utility and Other Trust Funds.

Cause – Current year tax levy, anticipated revenue and appropriated budget accounts and reserve account balances required adjusting entries to reconcile the various Funds' general ledger account balances and transactions with their respective subsidiary ledgers and supporting documentation. In addition, certain reclassification of cash receipts and disbursements were required to classify amounts to the proper accounts.

Effect – The accuracy of the Borough's financial statements could be compromised due to unposted or misposted transactions which are not reconciled between the general ledger accounts and subsidiary reports and supporting documentation.

Recommendation – Continued efforts be made to ensure the general ledger accounts are reconciled to their respective subsidiary ledgers and supporting documentation on a monthly basis for all funds.

Views of Responsible Officials and Planned Corrective Action Plan – Management has reviewed this finding and has indicated corrective action will be developed and implemented in 2017 to address this finding.

**BOROUGH OF HAWORTH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 2016-002 – We noted certain unrecorded contract awards and recurring operating expenditures that were not properly encumbered at year end.

Criteria or Specific Requirement – Encumbrance Accounting System N.J.A.C. 5:30-5.3.

Condition – Certain capital contracts were not issued a purchase order and encumbered when the contract was awarded. In addition, purchase orders were not always issued for certain recurring expenditures.

Context – Capital contracts of \$208,608 in the Current Fund and \$222,705 in the General Capital Fund were recorded by audit adjustment. In addition, recurring expenditures of \$64,821 were not encumbered for year-end expenses in the Current Fund.

Effect – Commitments may exist and not be recorded in the financial statements. Audit adjustments have been made for material unrecorded liabilities.

Cause – Purchase orders were not created upon award of contracts and recurring expenditures were not properly encumbered at year end.

Recommendation – The encumbrance system be enhanced to ensure purchase orders are issued and appropriations encumbered for recurring expenditures and capital contract awards.

Views of Responsible Officials and Planned Corrective Action Plan – Management has reviewed this finding and indicated corrective action will be developed and implemented in 2017 to address this finding.

**BOROUGH OF HAWORTH
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

STATUS OF PRIOR YEAR FINDINGS

Finding 2015-001

Condition

Numerous adjusting journal entries were required to reconcile the various fund general ledger account balances to subsidiary ledgers and supporting documentation (i.e., tax account status reports, revenue and budget account status reports). The various funds included the Current Fund, General Capital Fund, Swim Pool Utility and Other Trust Funds.

Current Status – See Finding 2016-001.

Finding 2015-002

Condition

Bank reconciliations were not being completed on a monthly basis and verified to the supporting records. In addition, several bank reconciliations contained reconciling items were not properly recorded.

Current Status – Corrective action has been taken.

BOROUGH OF HAWORTH
BERGEN COUNTY, NEW JERSEY

PART III

SUPPLEMENTARY DATA
LETTER OF COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31 2016

**BOROUGH OF HAWORTH
SUPPLEMENTARY DATA**

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE - CURRENT FUND

	<u>Year 2016</u>		<u>Year 2015</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 262,000	1.05% %	\$ 238,000	0.99% %
Miscellaneous - From Other Than Local				
Property Tax Levies	1,387,934	5.57%	1,395,585	5.82%
Collection of Delinquent Taxes and Tax Title Liens	160,091	0.64%	189,893	0.79%
Collection of Current Tax Levy	22,962,498	92.17%	22,029,427	91.94%
Other Credits	<u>141,170</u>	<u>0.57%</u>	<u>109,237</u>	<u>0.46%</u>
Total Income	<u>24,913,693</u>	<u>100.00%</u> %	<u>23,962,142</u>	<u>100.00%</u> %
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	7,643,573	30.93%	7,347,285	31.00% %
County Taxes	2,252,050	9.11%	2,284,425	9.64%
Local and Regional School Taxes	14,810,230	59.92%	14,062,705	59.34%
Other Expenditures	<u>10,714</u>	<u>0.04%</u>	<u>4,635</u>	<u>0.02%</u>
Total Expenditures	<u>24,716,567</u>	<u>100.00%</u> %	<u>23,699,050</u>	<u>100.00%</u> %
Less: Expenditures to be Raised by Future Revenue	<u>52,159</u>		<u>1,508</u>	
Total Adjusted Expenditures	<u>24,664,408</u>		<u>23,697,542</u>	
Excess in Revenue	249,285		264,600	
Fund Balance, January 1	<u>336,093</u>		<u>309,493</u>	
	585,378		574,093	
Less Utilization as Anticipated Revenue	<u>262,000</u>		<u>238,000</u>	
Fund Balance, December 31	<u>\$ 323,378</u>		<u>\$ 336,093</u>	

**BOROUGH OF HAWORTH
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE – SWIM POOL
UTILITY OPERATING FUND**

	<u>Year 2016</u>			<u>Year 2015</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 20,000	8.72 %	\$ -	-	
Swim Pool Fees	205,676	89.69	208,598	98.04 %	
Miscellaneous Revenues	2,949	1.29	3,880	1.82	
Other Credits to Income	684	0.30	289	0.14	
	<u>229,309</u>	<u>100.00 %</u>	<u>212,767</u>	<u>100.00 %</u>	
EXPENDITURES					
Budget Expenditures					
Operations	169,700	83.34 %	161,650	87.14 %	
Capital Improvements	9,750	0.13	-	-	
Debt Service	17,274	5.68	17,090	9.21	
Deferred Charges and Statutory Expenditures	27,104	10.85	6,761	3.65	
	<u>223,828</u>	<u>100.00 %</u>	<u>185,501</u>	<u>100.00 %</u>	
Excess in Revenue	5,481		27,266		
Fund Balance, January 1	<u>100,798</u>		<u>73,532</u>		
	106,279		100,798		
Less: Utilized as Anticipated Revenue	<u>20,000</u>		<u>-</u>		
Fund Balance, December 31	<u>\$ 86,279</u>		<u>\$ 100,798</u>		

**BOROUGH OF HAWORTH
SUPPLEMENTARY DATA**

Comparative Schedule Of Tax Rate Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Tax Rate</u>	<u>\$2.910</u>	<u>\$2.795</u>	<u>\$2.752</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.717	.689	.675
Library	.039	.040	.039
County	.281	.285	.270
County Open Space	.003	.003	.003
Local District School	1.149	1.063	1.074
Regional High School	.721	.715	.691
<u>Assessed Valuation</u>			
2016	<u>\$792,336,833</u>		
2015		<u>\$790,989,278</u>	
2014			<u>\$793,725,005</u>

Comparison Of Tax Levies And Collection Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2016	\$ 23,135,302	\$ 22,962,498	99.25%
2015	22,210,862	22,029,427	99.18%
2014	21,923,622	21,729,357	99.11%

**BOROUGH OF HAWORTH
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>Amount of Delinquent Taxes</u>	<u>Amount of Tax Title Liens</u>	<u>Total</u>	<u>Percentage of Tax Levy</u>
2016	\$ 160,047	\$ 63,516	\$ 223,563	0.97%
2015	160,091	59,035	219,126	0.99%
2014	189,643	54,731	244,374	1.11%

Property Acquired By Tax Title Lien Liquidation

No properties have been acquired in 2016 by foreclosure or deed, as a result of liquidation of tax title liens.

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

<u>Year</u>	<u>Amount</u>
2016	\$42,335
2015	42,335
2014	42,335

Comparative Schedule Of Fund Balance

	<u>Year</u>	<u>Fund Balance, December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2016	\$323,378	\$262,000
	2015	336,093	262,000
	2014	309,493	238,000
	2013	458,596	382,000
	2012	311,975	260,000
Swim Pool Utility	2016	\$86,279	\$22,000
	2015	100,798	20,000
	2014	73,532	-0-
	2013	50,921	27,576
	2012	31,861	8,000

**BOROUGH OF HAWORTH
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>Corporate Surety</u>
John W. Smart	Mayor		
Michael Bain	Council Member		
Regina Duffy	Council Member		
Glen Poosikian	Council Member		
Andrew Rosenberg	Council Member		
Lawrence Weiss	Council Member		
Anthony Volpe	Council Member		
Ann Fay	Borough Administrator, Borough Clerk, School Elections Assessment Search Officer, Registrar	(1)	(1)
Margaret Celotto	Assistant Administrator, Deputy Borough Clerk, School Elections, Deputy Registrar	(1)	(1)
Dawn Wheeler	Chief Financial Officer - (1/1/16-7/8/16)	(1)	(1)
Michael Mariniello	Interim Temporary Chief Financial Officer- (7/9/16-12/31/16)	(1)	(1)
Diane Holden	Tax Collector	(1)	(1)
Neil Rubenstein	Assessor		
Paul Renaud	Construction Code Official	(1)	(1)
Alan Silverman	Fire Sub-Code Official/Fire Inspector	(1)	(1)
Leonard Herman	Plumbing Sub-Code Official	(1)	(1)
Frank Dyer	Electrical Sub-Code Official	(1)	(1)
John J. Ryan, Jr.	Judge	(1)	(1)
Kenneth Rush	Prosecutor		
Janet Gallagher	Court Administrator	(1)	(1)
Robert T. Regan	Attorney		
CP Statile	Engineer		
Boswell McClave	Engineer		
Christopher Campbell	Police Chief - (1/1/16-11/30/16)		
Michael Gracey	Police Chief - (12/1/16-12/31/16)		
Robert Hennion	Fire Chief	(1)	(1)
Thomas Kelly	Superintendent of Public Works	(1)	(1)
David Marks	Library Director - (1/1/16-8/6/16)	(1)	(1)
Shinae Hyun	Library Director - (8/7/16-12/31/16)	(1)	(1)

(1) Public Employee Dishonesty Coverage of \$1,000,000 as part of a policy with the Municipal Excess Liability Joint Insurance Fund.

**BOROUGH OF HAWORTH
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS

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.

Prior Year Comments

Our audit of the Borough's fixed assets revealed \$173,607 of current year additions and \$83,732 of prior year additions that were not reflected on the Borough's fixed asset inventory report. It is recommended that the Borough's fixed asset report be properly updated for all current and prior year additions.

Current Year Comments

Our audit of the outside police duty found that an accounting ledger of billings and collections is not being maintained. It is recommended that an accounting ledger by vendor of amounts billed, paid and balances due be maintained for outside police duty activity.

Our audit of escrow deposits indicated numerous deposits that were not entered into the internal accounting records but rather were maintained separately by manual ledgers. In addition, numerous inactive deposits were noted at year end. It is recommended that efforts be made to consolidate escrow deposit accounting records and that old inactive escrow account deposits be reviewed and cleared of record.

Our audit revealed that certain purchases in excess of the bid threshold made through the use of a state contract were not approved by resolution. It is recommended that all purchases in excess of the bid threshold made through the use of state contracts be approved by resolution.

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 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 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 Counsel's opinion should be sought before a commitment is made.

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

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

**BOROUGH OF HAWORTH
LETTER OF COMMENTS AND RECOMMENDATIONS**

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

Our examination of expenditures did not reveal payments, contracts or agreements in excess of the bid threshold, where bids had not been previously sought by public advertisement or where a resolution had not been previously adopted under the provisions of N.J.S. 40A:11-6, except as previously noted.

Collection of Interest on Delinquent Taxes and Assessments

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

The Governing Body on January 3, 2016, adopted the following resolution authorizing interest to be charged on delinquent taxes:

"BE IT RESOLVED, by the Mayor and Council of the Borough of Haworth, New Jersey, County of Bergen, that the interest on delinquent taxes shall be charged at the rate of 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500.

BE IT FURTHER RESOLVED, that no interest shall be charged if payment of any installment is made within ten days after the date upon which the same is payable, and

BE IT FURTHER RESOLVED, that in any case where the tax is not paid within those extended days the full penalty from this date due attaches."

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

Delinquent Taxes and Tax Title Liens

The Borough had a tax sale on October 20, 2016.

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>
2016	12
2015	12
2014	12

**BOROUGH OF HAWORTH
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS (Continued)

Management Suggestions

- Appropriated grant reserves and improvement authorization account balances be reviewed and appropriate action be taken to clear inactive accounts of record.
- Reconciling items on all bank account reconciliations be reviewed and cleared of record.

APPRECIATION

We desire to express our appreciation to the Borough Administrator, Chief Financial Officer, Tax Collector and other Borough Staff who assisted us during the course of our audit.

**BOROUGH OF HAWORTH
LETTER OF COMMENTS AND RECOMMENDATIONS**

RECOMMENDATIONS

It is recommended that:

- * 1. Continued efforts be made to ensure the general ledger accounts are reconciled to their respective subsidiary ledgers and supporting documentation on a monthly basis for all funds.
- 2. The encumbrance system be enhanced to ensure purchase orders are issued and appropriations encumbered for recurring expenditures and capital contract awards.
- * 3. The Borough's fixed asset report be properly updated for all current and prior year additions.
- 4. An accounting ledger by vendor of amounts billed, paid and balances due be maintained for outside police duty activity.
- 5. Efforts be made to consolidate escrow deposit accounting records and that old inactive escrow account deposits be reviewed and cleared of record.
- 6. All purchases in excess of the bid threshold made through the use of state contracts be approved by resolution.

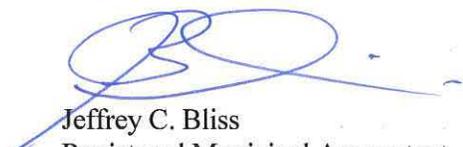
* * * * *

A review was performed on all prior year's recommendations. The Borough has taken corrective action on all prior year's recommendations except those denoted with an asterisk.

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

Should any questions arise as to our comments, please do not hesitate to contact us.

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


Jeffrey C. Bliss
Registered Municipal Accountant
RMA Number CR00429