

BOROUGH OF OLD TAPPAN
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2012

BOROUGH OF OLD TAPPAN

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BOROUGH OF OLD TAPPAN
BERGEN COUNTY, NEW JERSEY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Old Tappan
Old Tappan, 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 Old Tappan, as of December 31, 2012 and 2011, 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, 2012, 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 principles 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. 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 of material misstatement.

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared and presented by the Borough of Old Tappan on the basis of financial accounting and reporting principles 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 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 requirement that the Borough of Old Tappan prepare and present its financial statements on the regulatory basis of accounting as discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph above, 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 Old Tappan as of December 31, 2012 and 2011, 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 15 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, 2012 and 2011. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 32.4 percent and 32.2 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2012 and 2011.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the 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 Old Tappan as of December 31, 2012 and 2011, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2012 in accordance with the basis of financial accounting and reporting principles 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

Required Supplementary Information

The Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. A management discussion and analysis is not required by the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to supplement the regulatory basis financial statements and therefore it has not been presented by management. Our opinion on the financial statements – regulatory basis is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Old Tappan as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, schedule of expenditures of state financial assistance as required by NJ OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid and the 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 Old Tappan.

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 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*

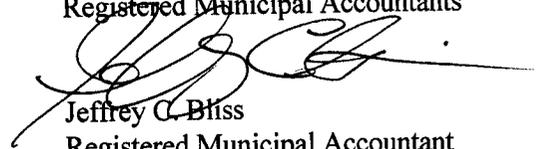
In accordance with Government Auditing Standards, we have also issued our report dated April 26, 2013 on our consideration of the Borough of Old Tappan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 Old Tappan'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
April 26, 2013

BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2012 AND 2011

ASSETS	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Cash	A-4	\$ 4,634,318	\$ 4,030,098
Cash - Change Funds	A-5	255	255
Cash - Petty Cash	A-6	100	100
Due from State-Senior Citizens and Veteran's Deductions	A-8	4,286	4,706
Grants Receivable	A-11	<u>13,994</u>	<u>178,486</u>
		<u>4,652,953</u>	<u>4,213,645</u>
RECEIVABLES AND OTHER ASSETS			
WITH FULL RESERVES			
Delinquent Property Taxes Receivable	A-7	358,829	309,957
Tax Title Liens Receivable	A-9	20,956	17,263
Property Acquired for Taxes - Assessed Valuation	A-10	278,485	278,485
Revenue Accounts Receivable	A-12	20,055	4,242
Due from Other Trust Fund	B-9	-	4,887
Due from Sewer Utility Operating Fund	D-24	-	1,259
Due from Sewer Utility Assessment Trust Fund	D-12	<u>390</u>	<u>-</u>
		<u>678,715</u>	<u>616,093</u>
DEFERRED CHARGES			
Emergency Authorizations	A-14	86,795	94,200
Special Emergency Authorizations (40A:4-55)	A-13	<u>28,000</u>	<u>56,000</u>
		<u>114,795</u>	<u>150,200</u>
Total Assets		<u>\$ 5,446,463</u>	<u>\$ 4,979,938</u>

**BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Appropriation Reserves	A-3,A-15	\$ 204,353	\$ 241,724
Encumbrances Payable	A-20	217,929	187,876
Accounts Payable	A-21	9,445	5,606
Due to State - Sales Tax Payable	A-16	1,401	1,441
Due to State-DCA Training Fees	A-16	2,110	4,882
Prepaid Revenues	A-17	4,425	5,160
Prepaid Taxes	A-18	217,771	263,956
Tax Overpayments	A-19	212	7
County Taxes Payable	A-24	6,589	14,783
Local District School Taxes Payable	A-22	2,635,401	2,511,671
Due to Other Trust Fund	B-9	1,970	-
Due to Sewer Utility Assessment Trust Fund	D-12	-	83
Reserve for Tax Appeals	A-28	50,000	50,000
Miscellaneous Reserves	A-27	2,060	19,410
Reserve for Grants - Appropriated	A-25	15,073	102,064
Reserve for Grants - Unappropriated	A-26	<u>31,919</u>	<u>34,802</u>
		3,400,658	3,443,465
Reserve for Receivables and Other Assets	A	678,715	616,093
Fund Balance	A-1	<u>1,367,090</u>	<u>920,380</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 5,446,463</u>	<u>\$ 4,979,938</u>

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized			
Miscellaneous Revenue Anticipated	A-2	\$ 532,500	\$ 532,500
Receipts from Delinquent Taxes	A-2	3,157,355	3,194,520
Receipts from Current Taxes	A-2	310,584	334,418
Non-Budget Revenue	A-2	29,853,223	28,801,110
Other Credits to Income	A-2	274,946	143,996
Unexpended Balances of Appropriation Reserves	A-15	109,079	132,259
Accounts Payable Cancelled	A-21	1,423	4,168
Prior Year Outstanding Checks Voided	A-1		1,230
Appropriated Grant Reserves Cancelled	A-25	9,179	-
Escrow Balances Cancelled	A-4	143,537	-
Prior Year Interfunds Returned	A	6,146	-
		<hr/>	<hr/>
Total Income		34,397,972	33,144,201
EXPENDITURES			
Operations			
Salaries and Wages	A-3	3,194,541	3,160,661
Other Expenses	A-3	2,875,875	2,883,121
Capital Improvements	A-3	90,000	60,563
Municipal Debt Service	A-3	860,675	868,328
Deferred Charges and Statutory Expenditures	A-3	904,352	898,366
County Taxes	A-24	3,896,460	3,718,488
Due County for Added and Omitted Taxes	A-24	6,589	14,783
Local District School Taxes	A-22	12,903,066	12,672,362
Regional High School District Taxes	A-23	8,671,670	8,084,417
Municipal Open Space Taxes	A-4	173,229	173,758
Other Debits to Income			
Prior Year Senior Citizen Deductions Disallowed	A-8	750	312
Refund of Prior Year Revenue	A-4	6,338	41,851
Grants Receivable Cancelled	A-11	11,622	1,714
Interfunds Advanced	A	390	2,852
		<hr/>	<hr/>
Total Expenditures		33,595,557	32,581,576
Excess in Revenue		802,415	562,625
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-14	86,795	94,200
Expenditures included Above Which were Funded by Bond Ordinance	A-14	90,000	-
		<hr/>	<hr/>
Statutory Excess to Fund Balance		979,210	656,825
Fund Balance, January 1	A	920,380	796,055
		<hr/>	<hr/>
		1,899,590	1,452,880
Less Utilization as Anticipated Revenue	A-1,A-2	532,500	532,500
		<hr/>	<hr/>
Fund Balance, December 31	A	\$ 1,367,090	\$ 920,380

See Accompanying Notes to Financial Statements

BOROUGH OF OLD TAPPAN
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Ref.</u>	<u>Budget</u>	<u>Anticipated Special Added by 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	A-1	\$ 532,500	-	\$ 532,500	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-12	10,800		11,040	\$ 240
Other	A-2	7,725		6,664	(1,061)
Fees and Permits	A-2	21,000		26,243	5,243
Fines and Costs - Municipal Court	A-12	46,000		69,680	23,680
Interest and Costs on Taxes	A-12	86,000		89,505	3,505
Uniform Fire Safety Act	A-12	6,590		6,830	240
Interest on Investments and Deposits	A-2	15,000		13,150	(1,850)
Golf Course Fees	A-12	577,000		589,028	12,028
Uniform Construction Code Fees	A-12	150,000		268,897	118,897
Energy Receipts Tax	A-12	1,463,986		1,463,986	-
Watershed Moratorium Offset Aid-2012	A-12	38,540		38,540	-
River Vale Fuel Reimbursement	A-12	125,000		124,893	(107)
Public and Private Revenues Offset with Appropriations					
Reserve for Recycling Tonnage Grant	A-26	22,099		22,099	-
Reserve for Drunk Driving Enforcement Fund	A-26	1,123		1,123	-
Drive Sober or Get Pulled Over	A-11		\$ 4,400	3,886	(514)
Reserve for Clean Communities Program	A-26	9,972		9,972	-
Municipal Alliance on Alcoholism and Drug Abuse	A-11	10,356		10,356	-
Reserve for Body Armor Fund	A-26	1,608		1,608	-
Community Development Block Grants					
Senior Citizens' Programs	A-11		3,638	3,638	-
Special Items of Revenue:					
Cell Tower Leases	A-12	135,000		149,169	14,169
Police Outside Duty Admin Fee	A-12	18,000		18,000	-
Library Contribution - Municipal Services	A-12	65,921		65,921	-
Reserve for Debt Service	A-4	50,000		50,000	-
Golf Concession , Rent and Utilities	A-12	19,000		14,265	(4,735)
Library Debt Service Reimbursement	A-12	82,412		82,412	-
FEMA Hurricane Irene	A-27	16,450	-	16,450	-
Total Miscellaneous Revenues	A-1	<u>2,979,582</u>	<u>8,038</u>	<u>3,157,355</u>	<u>169,735</u>
Receipts from Delinquent Taxes	A-1,A-7	<u>310,000</u>	<u>-</u>	<u>310,584</u>	<u>584</u>
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes	A-2	<u>4,634,042</u>	<u>-</u>	<u>4,917,209</u>	<u>283,167</u>
	A-3	<u>\$8,456,124</u>	<u>\$ 8,038</u>	<u>8,917,648</u>	<u>\$ 453,486</u>
Non-Budget Revenue	A-1,A-2			<u>274,946</u>	
				<u>\$9,192,594</u>	

See Accompanying Notes to Financial Statements

BOROUGH OF OLD TAPPAN
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

ANALYSIS OF REALIZED REVENUES	<u>Reference</u>	<u>2012</u>
Allocation of Current Tax Collections		
Revenue from Current Taxes	A-7	\$ 29,903,223
Less: Transferred to Reserve Tax Appeals	A-28	<u>50,000</u>
Revenue Realized	A-1	29,853,223
Allocated to School, County , Municipal Open Space Taxes	A-22,A-23,A-24,A-4	<u>25,651,014</u>
Balance for Support of Municipal Budget Appropriation		4,202,209
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>715,000</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u>\$ 4,917,209</u>
Licenses - Other		
Borough Clerk	A-12	\$ 5,241
Health Officer	A-12	<u>1,423</u>
	A-2	<u>\$ 6,664</u>
Fees and Permits		
Planning Board	A-12	\$ 6,562
Police	A-12	13,669
Tax Collector	A-12	110
Health Officer	A-12	125
Zoning Board	A-12	5,720
Registrar	A-12	<u>57</u>
	A-2	<u>\$ 26,243</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-12	\$ 10,152
Due from Other Trust Fund	B-9	741
Due from Sewer Utility Assessment Trust Fund	D-12	<u>2,257</u>
	A-2	<u>\$ 13,150</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Reference</u>	
ANALYSIS OF NON-BUDGET REVENUE		
Miscellaneous Fees and Reimbursements		\$ 68,138
FEMA Reimbursement		86,602
Verizon Franchise Fee		16,135
Cablevision Franchise Fee		63,208
Smoke Detector Compliance		6,225
User Fees- Harrington Park		9,349
LEA Reimbursement		6,029
Street Excavation Fees		3,500
Senior Citizen and Veterans Administrative Fees		910
Stone Point Park Usage Fees		3,250
GIS Fees		3,200
Soil Moving Fees		<u>8,400</u>
	A-2,A-4	<u>\$ 274,946</u>

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<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					
Administrative and Executive					
Salaries and Wages	\$ 157,757	\$ 157,757	\$ 152,893	\$ 4,864	
Other Expenses	65,000	63,764	61,141	2,623	
Mayor and Council					
Salaries and Wages	35,625	35,625	35,625	-	
Other Expenses	600	600	400	200	
Grant Professional - Other Expense				-	
Financial Administration					
Salaries and Wages	87,042	87,042	86,141	901	
Other Expenses	39,340	38,340	28,443	9,897	
Audit Services					
Other Expenses	18,800	18,800	18,200	600	
Assessment of Taxes					
Salaries and Wages	100,342	100,342	100,342	-	
Other Expenses	3,195	3,195	3,047	148	
Collection of Taxes					
Salaries and Wages	15,450	15,450	15,450	-	
Other Expenses	8,530	8,530	7,826	704	
Legal Services and Costs					
Other Expenses	60,000	54,000	45,116	8,884	
Engineering Services & Costs					
Other Expenses	15,000	13,000	5,575	7,425	
Open Space Advisory					
Other Expenses	80	-	-	-	
Senior Advisory					
Other Expenses	7,950	7,950	5,953	1,997	
Municipal Land Use Law (NJSA 40:55D-1)					
Planning Board					
Salaries and Wages	21,325	21,325	21,099	226	
Other Expenses	12,000	12,000	5,969	6,031	
Insurance					
General Liability	106,389	106,389	106,037	352	
Workers Compensation	110,445	110,445	110,444	1	
Employee Group Health	561,091	561,091	557,887	3,204	
Health Benefit Waiver	10,000	10,000		10,000	
Unemployment Insurance	13,000	13,000	13,000	-	

See Accompanying Notes to Financial Statements

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd.)					
GENERAL GOVERNMENT (Cont'd.)					
PUBLIC SAFETY					
Fire					
Salaries and Wages	\$ 29,000	\$ 29,006	\$ 28,906	\$ 100	
Other Expenses	24,800	24,794	24,785	9	
Rent	10,338	10,338	10,338	-	
Fire Hydrant Services	122,000	122,238	122,238	-	
Uniform Fire Safety Act (PL 1983, C.383)					
Fire Official					
Salaries and Wages	12,651	12,651	12,151	500	
Other Expenses	4,000	4,000	2,919	1,081	
Police					
Salaries and Wages	1,766,290	1,759,581	1,719,521	40,060	
Other Expenses	56,345	56,345	55,362	983	
Purchase of Police Vehicles/Equipment	9,012	9,012	9,012	-	
Police Dispatch/911					
Contractual	110,937	110,937	109,237	1,700	
First Aid Organization - Contribution	28,880	28,880	28,880	-	
Emergency Management Services					
Salaries and Wages	708	708	708	-	
Other Expenses	500	500	418	82	
Municipal Prosecutor					
Salaries and Wages	5,057	5,057	4,937	120	
PUBLIC WORKS FUNCTIONS					
Road Repairs & Maintenance					
Salaries and Wages	441,164	488,164	481,148	7,016	
Other Expenses	27,915	27,915	26,776	1,139	
Shade Tree Commission					
Other Expenses	20,195	43,895	30,443	13,452	
Recycling					
Salaries and Wages	2,800	2,800	2,080	720	
Other Expenses	31,850	37,201	37,132	69	
Solid Waste Collection					
Other Expenses	5,500	5,700	5,688	12	
Public Buildings and Grounds					
Other Expenses	22,435	25,260	22,050	3,210	
Contractual	16,400	16,720	16,720	-	
Vehicle Maintenance					
Other Expenses	53,820	53,820	53,131	689	

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Appropriated</u>		<u>Expended</u>		Unexpended Balance Cancelled
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd.)					
HEALTH & HUMAN SERVICES					
Board of Health					
Other Expenses	\$ 31,712	\$ 31,712	\$ 31,582	\$ 130	
O.S.H.A.					
Hepatitis B Program	660	666	666		
Other Expenses				-	
Environmental Commission					
Salaries and Wages	1,314	1,314	1,314	-	
Other Expenses	170	170	150	20	
Administration of Public Assistance					
Salaries and Wages	6,780	6,780	6,779	1	
Other Expenses	846	846	822	24	
Aid to Community Center for Mental Health (NJSA 40:4-2-9)	2,000	2,000	2,000	-	
PARKS AND RECREATION FUNCTIONS					
Parks and Playgrounds					
Salaries and Wages	29,817	29,817	29,804	13	
Other Expenses	14,985	14,985	14,911	74	
Golf Course					
Salaries and Wages	312,974	312,974	307,103	5,871	
Other Expenses	90,000	106,095	105,224	871	
Recreation Program Fees					
Other Expenses	1,300	1,300	495	805	
OTHER COMMON OPERATING FUNCTIONS					
Celebration of Public Events					
Other Expenses	1,000	-	-	-	
Municipal Court Administration					
Salaries and Wages	12,099	12,099	10,636	1,463	-
Other Expenses	2,000	2,100	1,996	104	-
Public Defender					
Other Expenses	300	300	100	200	

**BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd.)					
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
State Uniform Construction Code					
(NJSA 52:27D-120, et seq.)					
Construction Code Official					
Salaries and Wages	\$ 97,300	\$ 97,300	\$ 96,890	\$ 410	
Other Expenses	14,800	12,050	10,510	1,540	
Unclassified					
Utilities					
Electricity	121,000	121,000	103,314	17,686	
Street Lighting	11,500	12,600	11,110	1,490	
Telephone	20,400	20,450	20,162	288	
Water	18,500	23,700	22,387	1,313	
Gasoline	48,000	48,805	45,403	3,402	
Interlocal Service Agreement					
Harrington Park Service Fee	<u>8,500</u>	<u>9,350</u>	<u>9,349</u>	<u>1</u>	<u>-</u>
Total Operations Within "CAPS"	5,099,515	5,182,580	5,017,875	164,705	-
Contingent	<u>7,500</u>	<u>7,500</u>	<u>125</u>	<u>7,375</u>	<u>-</u>
Total Operations including Contingent Within "CAPS"	<u>5,107,015</u>	<u>5,190,080</u>	<u>5,018,000</u>	<u>172,080</u>	<u>-</u>
Detail:					
Salaries and Wages	3,135,495	3,175,792	3,113,527	62,265	-
Other Expenses	<u>1,971,520</u>	<u>2,014,288</u>	<u>1,904,473</u>	<u>109,815</u>	<u>-</u>
Deferred Charges and Statutory Expenditures					
- Municipal Within "CAPS"					
Statutory Expenditures:					
Social Security System (O.A.S.I.)	230,000	230,000	227,236	2,764	
Public Employees Retirement System	166,589	167,679	167,660	19	
Police and Firemen's Retirement System	<u>384,473</u>	<u>384,473</u>	<u>384,473</u>	<u>-</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>781,062</u>	<u>782,152</u>	<u>779,369</u>	<u>2,783</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>5,888,077</u>	<u>5,972,232</u>	<u>5,797,369</u>	<u>174,863</u>	<u>-</u>

See Accompanying Notes to Financial Statements

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<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 - EXCLUDED FROM "CAPS"					
Aid to Public Library (NJSA 40:54-35)	\$ 592,321	\$ 592,321	\$ 592,320	\$ 1	
Insurance					
Employee Group Health	2,409	2,409	2,409		
Stormwater Management					
Other Expenses	11,550	11,550	8,678	2,872	
Fire					
LOSAP	80,000	80,000	63,250	16,750	-
Total Other Operations Excluded from "CAPS"	<u>686,280</u>	<u>686,280</u>	<u>666,657</u>	<u>19,623</u>	<u>-</u>
Interlocal Municipal Service Agreements					
River Vale Fuel Reimbursement					
Gasoline	125,000	127,634	127,634		
Emerson - Municipal Court Administration					
Salaries and Wages	13,734	13,740	13,740	-	-
Total Interlocal Municipal Service Agreements	<u>138,734</u>	<u>141,374</u>	<u>141,374</u>	<u>-</u>	<u>-</u>
Public and Private Programs Offset by Revenues					
Drunk Driving Enforcement Fund	1,123	1,123	-	1,123	
Drive Sober or get Pulled Over Grant		4,400	3,886	-	\$ 514
Municipal Alliance Program	10,356	10,356	7,335	3,021	
Clean Communities Grant	9,972	9,972	8,500	1,472	
Body Armor Replacement	1,608	1,608	-	1,608	
Recycling Tonnage Grant	22,099	22,099	22,099	-	
Community Development-Senior Citizen Program	-	3,638	995	2,643	-
Total Public and Private Programs Offset by Revenues	<u>45,158</u>	<u>53,196</u>	<u>42,815</u>	<u>9,867</u>	<u>514</u>
Total Operations Excluded from "CAPS"	<u>870,172</u>	<u>880,850</u>	<u>850,846</u>	<u>29,490</u>	<u>514</u>
Detail:					
Salaries and Wages	14,857	14,863	17,626	1,123	514
Other Expenses	855,315	861,587	833,220	28,367	-

See Accompanying Notes to Financial Statements

**BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS" (Cont'd.)					
CAPITAL IMPROVEMENTS					
Purchase DPW Equipment - Chipper	-	\$ 90,000	\$ 90,000	-	-
Total Capital Improvements Excluded from "CAPS"	-	90,000	90,000	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	\$ 635,000	635,000	635,000	-	-
Interest on Bonds	225,675	225,675	225,675	-	-
Total Municipal Debt Service Excluded from "CAPS"	860,675	860,675	860,675	-	-
DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"					
Emergency Authorizations	94,200	94,200	94,200	-	-
Special Emergency Authorizations - 5 Years (NJS 40A:4-55.1 & 40A:4-55.13)	28,000	28,000	28,000	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	122,200	122,200	122,200	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	1,853,047	1,953,725	1,923,721	\$ 29,490	\$ 514
Subtotal General Appropriations	7,741,124	7,925,957	7,721,090	204,353	514
Reserve for Uncollected Taxes	715,000	715,000	715,000	-	-
Total General Appropriations	<u>\$ 8,456,124</u>	<u>\$ 8,640,957</u>	<u>\$ 8,436,090</u>	<u>\$ 204,353</u>	<u>\$ 514</u>
	<u>Reference</u>	A-2	A-1	A, A-1	
Budget as Adopted	A-3	\$ 8,456,124			
Appropriation by 40A:4-87	A-2	8,038			
Emergency Appropriations	A-14	176,795			
		<u>\$ 8,640,957</u>			
Cash Disbursements	A-4		\$ 7,380,961		
Encumbrances Payable	A-20		217,929		
Deferred Charges					
Emergency Authorizations	A-14		94,200		
Special Emergency Authorization	A-13		28,000		
Reserve for Uncollected Taxes	A-2		715,000		
			<u>\$ 8,436,090</u>		

See Accompanying Notes to Financial Statements

**BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-3	\$ <u>2,522</u>	\$ <u>3,073</u>
OTHER TRUST FUND			
Cash	B-3	1,491,683	1,279,628
Loan Receivable - Affordable Housing	B-6	6,699	9,154
Due from Current Fund	B-9	<u>1,970</u>	<u>-</u>
		<u>1,500,352</u>	<u>1,288,782</u>
UNEMPLOYMENT COMPENSATION INSURANCE FUND			
Cash	B-3	<u>32,459</u>	<u>27,534</u>
OPEN SPACE PRESERVATION TRUST FUND			
Cash	B-3	<u>360,809</u>	<u>316,513</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND - (UNAUDITED)			
Investments	B	842,353	709,878
Contributions Receivable	B	<u>66,700</u>	<u>66,700</u>
		<u>909,053</u>	<u>776,578</u>
Total Assets		<u>\$ 2,805,195</u>	<u>\$ 2,412,480</u>

**BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to State of New Jersey	B-4	\$ 5	\$ 6
Reserve for Animal Control Expenditures	B-5	<u>2,517</u>	<u>3,067</u>
		<u>2,522</u>	<u>3,073</u>
OTHER TRUST FUND			
Due to State of New Jersey			
Department of Human Services	B-7	400	350
Payroll Deductions Payable/(Deficit)	B-8	(2,558)	(4,180)
Due to Current Fund	B-9	-	4,887
Escrow Deposits Payable	B-10	484,115	606,229
Miscellaneous Reserves and Deposits	B-11	1,011,696	672,342
Reserve for Loan Receivable	B-6	<u>6,699</u>	<u>9,154</u>
		<u>1,500,352</u>	<u>1,288,782</u>
UNEMPLOYMENT COMPENSATION INSURANCE FUND			
Due to State of New Jersey	B-13	173	164
Reserve for Unemployment Compensation			
Insurance Claims	B-12	<u>32,286</u>	<u>27,370</u>
		<u>32,459</u>	<u>27,534</u>
OPEN SPACE PRESERVATION TRUST FUND			
Reserve for Open Space Preservation	B-14	<u>360,809</u>	<u>316,513</u>
		<u>360,809</u>	<u>316,513</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND - (UNAUDITED)			
Intergovernmental Payable - Other	B	-	1,150
Reserve for Length of Service Awards Program	B	<u>909,053</u>	<u>775,428</u>
		<u>909,053</u>	<u>776,578</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,805,195</u>	<u>\$ 2,412,480</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF REVENUES-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Reference</u>	Anticipated Budget (Memo)	<u>Realized</u>	Excess or <u>Deficit</u>
Amount to be Raised by Taxation	B-14	\$ 172,937	\$ 173,229	\$ 292
	B-2	\$ 172,937	173,229	\$ 292
Non-Budget Revenue	B-14		417	
			<u>\$ 173,646</u>	

EXHIBIT B-2

**STATEMENT OF APPROPRIATIONS-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Appropriated (Memo)</u>		<u>Expended</u>	
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>
Maintenance of Lands for Recreation and Conservation:				
Salaries and Wages	\$ 67,000	\$ 67,000	\$ 67,000	
Other Expenses	19,000	25,254	20,830	\$ 4,424
Debt Service:				
Payment of Bond Principal	35,235	35,235	35,234	1
Interest on Bonds	6,287	6,287	6,286	1
Reserve for Future Use	45,415	39,161	-	39,161
	<u>\$ 172,937</u>	<u>\$ 172,937</u>	<u>\$ 129,350</u>	<u>\$ 43,587</u>
Reference	B-1	B-1	B-14	

**BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Cash	C-2,C-3	\$ 1,522,358	\$ 396,875
Grants Receivable	C-4	536,733	587,702
Other Receivables	C-5	20,000	40,000
Deferred Charges to Future Taxation			
Funded	C-6	8,033,840	6,924,074
Unfunded	C-7	<u>1,000,306</u>	<u>1,449,412</u>
Total Assets		<u>\$ 11,113,237</u>	<u>\$ 9,398,063</u>
LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-15	\$ 7,746,000	\$ 6,601,000
Green Trust Loan Payable	C-14	287,840	323,074
Contracts Payable	C-8	74,987	285,462
Improvement Authorizations:			
Funded	C-10	961,359	339,544
Unfunded	C-10	1,221,974	543,937
Capital Improvement Fund	C-9	101,576	191,249
Reserve for Sidewalk Improvements	C-11	200,921	163,786
Reserve for Capital Improvements	C-12	36,498	106,498
Reserve for Payment of Debt	C-13	105,904	155,904
Reserve for Grants Receivable	C-4	251,512	561,122
Reserve for Other Receivables	C-5	20,000	40,000
Fund Balance	C-1	<u>104,666</u>	<u>86,487</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 11,113,237</u>	<u>\$ 9,398,063</u>

There were bonds and notes authorized but not issued as of December 31, 2012 and 2011 of \$1,000,306 and \$1,449,412 respectively (Exhibit C-16).

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Balance, January 1	C	\$ 86,487	\$ 18,771
Increased by:			
Premium on Sale of Bonds	C-2	18,179	-
Funded Improvement Authorizations Cancelled	C-1	-	59,616
Proceeds from Sale of Asset	C-1	-	8,100
		<hr/>	<hr/>
Balance, December 31	C	<u>\$ 104,666</u>	<u>\$ 86,487</u>

**BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SEWER UTILITY FUND
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
OPERATING FUND			
Cash	D-8	\$ 447,246	\$ 449,377
Receivables With Full Reserves Consumer Accounts Receivable	D-11	<u>47,066</u>	<u>46,541</u>
		<u>494,312</u>	<u>495,918</u>
ASSESSMENT TRUST FUND			
Cash	D-8,D-9	2,109,600	2,206,770
Assessment Receivable	D-13	3,740,814	4,398,210
Due from Current Fund	D-12	-	83
Due from Sewer Utility Operating Fund	D-18	15,767	4,724
Deferred Charge			
Utility Share of Assessment Debt Issued	D-15	<u>92,663</u>	<u>92,663</u>
		<u>5,958,844</u>	<u>6,702,450</u>
CAPITAL FUND			
Cash	D-8,D-10	154,163	154,163
Grants Receivable	D-14	-	80,220
Fixed Capital	D-16	18,393,534	18,386,111
Fixed Capital Authorized and Uncompleted	D-17	<u>-</u>	<u>332,352</u>
		<u>18,547,697</u>	<u>18,952,846</u>
Total Assets		<u>\$ 25,000,853</u>	<u>\$ 26,151,214</u>

BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SEWER UTILITY FUND
AS OF DECEMBER 31, 2012 AND 2011

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2012</u>	<u>2011</u>
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-3, D-19	\$ 6,239	\$ 6,323
Encumbrances Payable	D-20	34,315	11,994
Accounts Payable	D-21	-	17,200
Accrued Interest on Bonds and Loans	D-22	66,401	73,704
Sewer Fee Overpayments	D-23	795	8,724
Due to Sewer Utility Assessment Fund	D-18	15,767	4,724
Due to Current Fund	D-24	-	1,259
		<u>123,517</u>	<u>123,928</u>
Reserve for Receivables	D	47,066	46,541
Fund Balance	D-1	<u>323,729</u>	<u>325,449</u>
		<u>494,312</u>	<u>495,918</u>
ASSESSMENT TRUST FUND			
Assessment Serial Bonds	D-31	1,545,000	1,725,000
Environmental Infrastructure Loan Payable	D-30	4,235,236	4,799,232
Due to Current Fund	D-12	390	
Reserve for Assessments Receivable	D-28	95,641	95,641
Fund Balance	D-4	<u>82,577</u>	<u>82,577</u>
		<u>5,958,844</u>	<u>6,702,450</u>
CAPITAL FUND			
Wastewater Treatment Loans Payable	D-32	85,199	166,153
Improvement Authorizations			
Funded	D-25	-	68,938
Unfunded	D-25	-	262,500
Reserve for Sewer Assessment Debt	D-27	171,968	181,827
Reserve for Amortization	D-26	18,290,530	18,202,153
Deferred Reserve for Amortization	D-29	-	69,852
Fund Balance	D-7	<u>-</u>	<u>1,423</u>
		<u>18,547,697</u>	<u>18,952,846</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 25,000,853</u>	<u>\$ 26,151,214</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2012 and 2011 of \$17,805 and \$280,305, respectively (Exhibit D-33).

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE -
REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	D-2	\$ 55,000	\$ 55,000
Sewer User Fees	D-2	1,020,560	1,055,551
Interest on Assessments	D-2	151,207	173,348
United Properties Group - Reimbursement of Waste Water			
Bond Debt Service	D-2	89,671	98,898
Non-Budget Revenue	D-2	5,316	31,015
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	D-19	6,272	3,821
Cancellation of Accounts Payable	D-21	<u>17,200</u>	<u>-</u>
Total Income		<u>1,345,226</u>	<u>1,417,633</u>
EXPENDITURES			
Operating	D-3	968,471	940,059
Capital Improvements	D-3	7,500	7,500
Debt Service	D-3	261,572	280,445
Deferred Charges and Statutory Expenditures	D-3	43,000	40,940
Refund of Prior Year Revenue	D-8	<u>11,403</u>	<u>8,946</u>
Total Expenditures		<u>1,291,946</u>	<u>1,277,890</u>
Excess in Revenue		53,280	139,743
Fund Balance, January 1	D	<u>325,449</u>	<u>290,706</u>
		378,729	430,449
Less Utilization as Anticipated Revenue			
Sewer Utility Operating Fund	D-1,D-2	55,000	55,000
Current Fund	D-1	<u>-</u>	<u>50,000</u>
Fund Balance, December 31	D	<u>\$ 323,729</u>	<u>\$ 325,449</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	D-1	\$ 55,000	\$ 55,000	
Sewer User Fees	D-11	993,345	1,020,560	\$ 27,215
Interest on Assessments	D-18	145,000	151,207	6,207
United Properties Group - Reimbursement of Wastewater Bond Debt Service	D-8	<u>87,198</u>	<u>89,671</u>	<u>2,473</u>
	D-3	<u>\$ 1,280,543</u>	1,316,438	<u>\$ 35,895</u>
Non-Budget Revenue	D-2		<u>5,316</u>	
			<u>\$ 1,321,754</u>	
 Analysis of Non-Budget Revenue:				
Interest on Deposits			\$ 755	
Miscellaneous			1,500	
Sewer Connection Fees			<u>3,061</u>	
	D-2,D-8		<u>\$ 5,316</u>	

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Appropriated</u>	<u>Budget After</u>	<u>Expended</u>	<u>Unexpended</u>
	<u>Budget</u>	<u>Modification</u>	<u>Paid or</u>	<u>Balance</u>
			<u>Charged</u>	<u>Reserved</u>
				<u>Cancelled</u>
OPERATING				
Salaries	\$ 326,812	\$ 326,812	\$ 321,267	\$ 5,545
Other Expenses	644,760	641,659	641,042	617
Total Operating	<u>971,572</u>	<u>968,471</u>	<u>962,309</u>	<u>6,162</u>
CAPITAL IMPROVEMENTS				
Capital Outlay	<u>7,500</u>	<u>7,500</u>	<u>7,423</u>	<u>77</u>
Total Capital Improvements	<u>7,500</u>	<u>7,500</u>	<u>7,423</u>	<u>77</u>
DEBT SERVICE				
Payment of Bond Principal	80,956	80,954	80,954	
Interest on Bonds	<u>177,515</u>	<u>180,618</u>	<u>180,618</u>	<u>-</u>
Total Debt Service	<u>258,471</u>	<u>261,572</u>	<u>261,572</u>	<u>-</u>
DEFERRED CHARGES AND REGULATORY EXPENDITURES				
REGULATORY Expenditures				
Public Employees Retirement System	13,000	13,000	13,000	-
Unemployment Compensation Insurance	7,000	7,000	7,000	
Contribution to Social Security System (O.A.S.I.)	<u>23,000</u>	<u>23,000</u>	<u>23,000</u>	<u>-</u>
Total Deferred Charges and Regulatory Expenditures	<u>43,000</u>	<u>43,000</u>	<u>43,000</u>	<u>-</u>
	<u>\$ 1,280,543</u>	<u>\$ 1,280,543</u>	<u>\$ 1,274,304</u>	<u>\$ 6,239</u>
				<u>\$ -</u>

D-2

D-1

D, D-1

Reference

Budget as Adopted

D-3

\$ 1,280,543

Cash Disbursements

D-8

\$ 1,059,371

Encumbrances Payable

D-20

34,315

Accrued Interest on Bonds and Loans

D-22

180,618\$ 1,274,304

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
SEWER UTILITY ASSESSMENT TRUST FUND

		<u>2012</u>	<u>2011</u>
Balance, January 1	D	\$ <u>82,577</u>	\$ <u>82,577</u>
Balance, December 31	D	\$ <u>82,577</u>	\$ <u>82,577</u>

EXHIBIT D-5

STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY ASSESSMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budget</u>	<u>Anticipated Budget After Modifications</u>	<u>Realized</u>
Assessment Cash	\$ <u>743,996</u>	\$ <u>743,996</u>	\$ <u>743,996</u>
	\$ <u>743,996</u>	\$ <u>743,996</u>	\$ <u>743,996</u>
<u>Reference</u>	D-6	D-6	D-8

EXHIBIT D-6

STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY ASSESSMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budget</u>	<u>Appropriation Budget After Modifications</u>	<u>Expended</u>
Payment of Bond Principal	\$ 180,000	\$ 180,000	\$ 180,000
Payment of Loan Principal	<u>563,996</u>	<u>563,996</u>	<u>563,996</u>
	\$ <u>743,996</u>	\$ <u>743,996</u>	\$ <u>743,996</u>
<u>Reference</u>	D-5	D-5	D-30,D-31

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE-REGULATORY BASIS
SEWER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Balance, January 1	D	\$ 1,423	\$ 1,423
Increased by:			
Cancellation of Funded Improvement Authorizations	D-25	<u>68,938</u>	<u>\$ -</u>
		70,361	1,423
Decreased by:			
Cancellation of Grant Receivable	D-14	<u>70,361</u>	<u>-</u>
Balance, December 31	D	<u>\$ -</u>	<u>\$ 1,423</u>

**BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Cash	E-1	<u>\$ 96,842</u>	<u>\$ 23,136</u>
LIABILITIES AND RESERVES			
Reserve for Public Assistance Expenditures	E-2	<u>\$ 96,842</u>	<u>\$ 23,136</u>

**BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Land	\$ 29,113,900	\$ 29,113,900
Buildings and Building Improvements	18,752,650	17,922,650
Machinery and Equipment	<u>6,545,278</u>	<u>6,487,767</u>
	<u>\$ 54,411,828</u>	<u>\$ 53,524,317</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 54,411,828</u>	<u>\$ 53,524,317</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Regulatory Basis of Accounting

The financial statements of the Borough of Old Tappan 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.

B. Reporting Entity

The Borough of Old Tappan (the "Borough") was incorporated in 1894 and operates under an elected Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB 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 volunteer fire department or volunteer ambulance squad which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. 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 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 Compensation Insurance Fund - This fund is used to account for employee and employer contributions for the purpose of providing unemployment benefits to former eligible employees.

Open Space Preservation Trust Fund – This fund is used to account for the resources which have accumulated through a dedicated tax and other resources to be used for the preservation and improvements of municipal open space, recreation and farmland property.

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

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

Sewer Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Borough's sanitary sewerage system and the assets and liabilities relative to such activities. Special benefit assessments levied against properties for specific purposes are accounted for in the assessment trust section of the fund. Acquisition or improvement of capital facilities and other capital assets for the sewer utility is accounted for in the capital section of the fund.

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

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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 sewer utility fund. The Borough's infrastructure is not reported in the account group.

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 Old Tappan 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:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on 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.

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

Sewer Utility Fees – Sewer utility charges are levied quarterly based upon a flat service charge (residential) or usage charge (commercial). 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 sewer utility operating funds. 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 - 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.

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 per N.J.S.A. 40A:4 et seq.

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

Trust Funds (Except Open Space Preservation Trust Fund)
General Capital Fund
Sewer Utility Capital Fund
Public Assistance 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 2012 and 2011 the Borough Council increased the original budget by \$184,833 and \$183,263. The increases in 2012 were funded by additional aid allotted to the Borough and emergency appropriations for severe weather storm response and clean-up costs. The increases in 2011 were funded by additional aid allotted to the Borough and emergency appropriations for severe weather storm response and clean-up costs. In addition, the governing body approved several budget transfers during 2012 and 2011.

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

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

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.

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

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

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.

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

**BOROUGH OF OLD TAPPAN
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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.

Deferred School Taxes – School taxes raised in advance in the Current Fund for a school fiscal year (July 1 to June 30) which remain unpaid at December 31 of the calendar year levied may be deferred to fund balance to the extent of not more than 50% of the annual levy providing no requisition has been made by the school district for such amount. GAAP does not permit the deferral of unpaid school taxes to fund balance at year end.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Old Tappan 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 are not capitalized.

The Borough undertook a fixed asset valuation study as of December 31, 2008. General fixed asset valuations are stated as follows:

Land and Buildings	Assessed Value
Buildings and Building Improvements	Assessed Value
Machinery and Equipment	Acquisition Cost or Estimated Acquisition 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 sewer 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 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.

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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.

Reclassifications - Certain reclassifications have been made to the December 31, 2011 balances to conform to the December 31, 2012 presentation.

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.

D. 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.

NOTE 2 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.

Deposits

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), 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 OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2012 and 2011, the book value of the Borough's deposits were \$10,852,355 and \$8,887,522 and bank and brokerage firm balances of the Borough's deposits amounted to \$11,172,520 and \$9,120,104, 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>2012</u>	<u>2011</u>
Insured	\$ 11,164,862	\$ 9,112,450
Uninsured and Collateralized	<u>7,658</u>	<u>7,654</u>
	<u>\$ 11,172,520</u>	<u>\$ 9,120,104</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, 2012 and 2011, the Borough's bank balances of \$7,658 and \$7,654 were exposed to custodial credit risk as follows:

	<u>2012</u>	<u>2011</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the Borough's name	<u>\$ 7,658</u>	<u>\$ 7,654</u>

Investments

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

**BOROUGH OF OLD TAPPAN
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments

As of December 31, 2012 and 2011, the Borough had the following investments:

Investment:	<u>Fair Value</u>	
	<u>(LOSAP - Unaudited)</u>	
	<u>2012</u>	<u>2011</u>
Lincoln Financial LOSAP Investment Fund (Unaudited)	\$ 842,353	\$ 709,878

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, 2012 and 2011, \$842,353 and \$709,878 of the Borough’s investments was exposed to custodial credit risk as follows:

Uninsured and Collateralized:	<u>Fair Value</u>	
	<u>(LOSAP - Unaudited)</u>	
	<u>2012</u>	<u>2011</u>
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 842,353	\$ 709,878

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2012 and 2011, the Borough’s investment in Lincoln Financial a subsidiary of Lincoln National Corporation was rated Baa2 by Moody’s Investors 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 provided by Lincoln Financial Group.

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 Sewer Utility Capital Fund and Sewer Utility Assessment Trust Fund are assigned to the Sewer Utility Operating Fund in accordance with the regulatory basis of accounting.

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 3 TAXES AND UTILITY RENTS RECEIVABLE

Receivables at December 31, 2012 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2012</u>			
Property Taxes	\$ 358,829		\$ 358,829
Tax Title Liens	20,956		20,956
Utility Charges	<u>-</u>	<u>\$ 47,066</u>	<u>47,066</u>
	<u>\$ 379,785</u>	<u>\$ 47,066</u>	<u>\$ 426,851</u>

In 2012, the Borough collected \$310,584 and \$46,541 from delinquent taxes and utility rents, which represented 95% and 100% of the delinquent tax and sewer charges receivable at December 31, 2011.

Receivables at December 31, 2011 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2011</u>			
Property Taxes	\$ 309,957		\$ 309,957
Tax Title Liens	17,263		17,263
Utility Charges	<u>-</u>	<u>\$ 46,541</u>	<u>46,541</u>
	<u>\$ 327,220</u>	<u>\$ 46,541</u>	<u>\$ 373,761</u>

In 2011, the Borough collected \$334,418 and \$50,607 from delinquent taxes and utility rents, which represented 96% and 100% of the delinquent tax and sewer charges receivable at December 31, 2010.

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 4 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 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>2012</u>	<u>2011</u>
Issued		
General		
Bonds, Loans and Notes	\$ 8,033,840	\$ 6,924,074
Sewer Utility		
Loans	85,199	166,153
Sewer Utility Assessment		
Bonds and Loans	<u>5,780,236</u>	<u>6,524,232</u>
	13,899,275	13,614,459
Less Funds Temporarily Held to Pay Bonds and Notes	<u>2,320,272</u>	<u>2,466,731</u>
Net Debt Issued	11,579,003	11,147,728
Authorized But Not Issued		
General		
Bonds and Notes	1,000,306	1,449,412
Sewer Utility		
Bonds and Notes	<u>17,805</u>	<u>280,305</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 12,597,114</u>	<u>\$ 12,877,445</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 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 .49% and .44% at December 31, 2012 and 2011, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2012</u>			
General Debt	\$ 9,034,146	\$ 105,904	\$ 8,928,242
School Debt	8,032,758	8,032,758	
Utility Debt	5,883,240	5,883,240	-
	<u>22,950,144</u>	<u>14,021,902</u>	<u>8,928,242</u>
Total	<u>\$ 22,950,144</u>	<u>\$ 14,021,902</u>	<u>\$ 8,928,242</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2011</u>			
General Debt	\$ 8,373,486	\$ 155,904	\$ 8,217,582
School Debt	8,999,325	8,999,325	
Utility Debt	6,970,690	6,970,690	-
	<u>24,343,501</u>	<u>16,125,919</u>	<u>8,217,582</u>
Total	<u>\$ 24,343,501</u>	<u>\$ 16,125,919</u>	<u>\$ 8,217,582</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>2012</u>	<u>2011</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 62,910,706	\$ 64,289,485
Net Debt	<u>8,928,242</u>	<u>8,217,582</u>
Remaining Borrowing Power	<u>\$ 53,982,464</u>	<u>\$ 56,071,903</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

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>2012</u>	<u>2011</u>
\$1,754,000, 2003 Bonds, due in annual installments of \$320,000 to \$339,000 through December, 2013, interest at 3.25%	\$ 339,000	\$ 659,000
\$2,967,000, 2004 Bonds (Series A), due in annual installments of \$35,000 to \$467,000 through August 2019, interest at 4.00% to 4.125%	2,697,000	2,732,000
\$1,080,000, 2004 Bonds (Series B), due in annual installments of \$50,000 to \$80,000 through August 2023, interest at 4.00% to 4.50%	730,000	780,000
\$2,120,000, 2010 Bonds, due in annual installments of \$50,000 to \$325,000 through July 2022, interest at 2.00% to 3.125%	2,020,000	2,070,000
\$545,000, 2010 Refunding Bonds, due in annual installments of \$180,000 through February 2013, interest at 1.50% to 2.00%	180,000	360,000
\$1,780,000, 2012 Bonds, due in annual installments of \$100,000 to \$200,000 through November 2023, interest at 1.00% to 2.00%	<u>1,780,000</u>	<u>-</u>
	<u>\$ 7,746,000</u>	<u>\$ 6,601,000</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt (Continued)

General Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the New Jersey Department of Environmental Protection for the financing relating to the purchase of the Washington Ave. North property for municipal 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>2012</u>	<u>2011</u>
\$653,625, 2000 Loan, due in semi-annual installments of \$17,529 to \$20,555 through February 21, 2020, interest at 2.00%	\$ 287,840	\$ 323,074

Sewer Utility Assessment Bonds

The Borough pledges revenue from special benefit assessments to pay debt service on sewer utility assessment bonds issued. The sewer utility assessment bonds outstanding at December 31 are as follows:

	<u>2012</u>	<u>2011</u>
\$720,000, 2003 Assessment Bonds, due in annual installments of \$40,000 to \$45,000 through December 2021, interest at 3.20% to 4.25%	\$ 360,000	\$ 405,000
\$975,000, 2004 Assessment Bonds, due in annual installments of \$60,000 through August 2022, interest at 4.00% to 4.375%	600,000	660,000
\$730,000, 2010 Refunding Assessment Bonds, due in annual installments of \$75,000 to \$85,000 through February 2019, interest at 1.50% to 2.625%	<u>585,000</u>	<u>660,000</u>
	<u>\$ 1,545,000</u>	<u>\$ 1,725,000</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt (Continued)

Sewer Utility Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the New Jersey Department of Environmental Protection for the financing relating to the construction of sanitary sewers. The Borough pledges revenue from sewer utility operations and from special benefit sewer assessments to pay debt service on utility intergovernmental loans issued. Sewer utility intergovernmental loans outstanding at December 31 are as follows:

	<u>2012</u>	<u>2011</u>
\$1,195,000, 1993 Loan, refunded by 2003 Refunding Series due in annual installments of \$80,954 to \$85,199 through February 2013, interest rates of 4.80%	\$ 85,199	\$ 166,153
\$3,415,000, 1999 Assessment Loan, refunded by 2006B Refunding Series, due in annual installments of \$185,394 to \$255,579 through August 2019, interest rates of 5.50% to 5.70%	1,568,466	1,753,860
\$3,193,990, 1999 Assessment Loan, due in semi-annual installments of \$4,592 to \$167,654 through August 2018, interest free	1,037,991	1,214,740
\$1,960,000, 2000 Assessment Loan, refunded by 2006A and 2010A Refunding Series, due in annual installments of \$102,021 to \$139,676 through August 1, 2020, interest at 5.00% to 5.25%	952,109	1,054,130
\$1,828,595, 2000 Assessment Loan due in semi-annual installments of \$4,885 to \$94,212 through August 1, 2019, interest free	<u>676,670</u>	<u>776,502</u>
	<u>\$ 4,320,435</u>	<u>\$ 4,965,385</u>
 Sewer Utility Capital Loans	 \$ 85,199	 \$ 166,153
Sewer Utility Assessment Loans	<u>4,235,236</u>	<u>4,799,232</u>
	<u>\$ 4,320,435</u>	<u>\$ 4,965,385</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2012 is as follows:

Calendar Year	<u>General</u>		<u>Sewer Capital</u>		<u>Sewer Assessment</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 794,943	\$ 240,603	\$ 85,199	\$ 2,114	\$ 744,934	\$ 168,063	\$ 2,035,856
2014	796,665	221,463			773,561	149,130	1,940,819
2015	822,402	197,226			788,582	129,281	1,937,491
2016	848,154	172,574			804,486	100,578	1,925,792
2017	868,920	146,708			821,414	86,934	1,923,976
2018-2022	3,622,756	335,964			1,847,259	132,914	5,938,893
2023-2024	<u>280,000</u>	<u>7,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>287,600</u>
	<u>\$ 8,033,840</u>	<u>\$ 1,322,138</u>	<u>\$ 85,199</u>	<u>\$ 2,114</u>	<u>\$ 5,780,236</u>	<u>\$ 766,900</u>	<u>\$ 15,990,427</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2012 and 2011 were as follows:

	Balance, December 31, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	Due Within <u>One Year</u>
<u>2012</u>					
General Capital Fund					
Bonds Payable	\$ 6,601,000	\$ 1,780,000	\$ 635,000	\$ 7,746,000	\$ 759,000
Intergovernmental Loans Payable	<u>323,074</u>	<u>-</u>	<u>35,234</u>	<u>287,840</u>	<u>35,943</u>
General Capital Fund Long-Term Liabilities	<u>\$ 6,924,074</u>	<u>\$ 1,780,000</u>	<u>\$ 670,234</u>	<u>\$ 8,033,840</u>	<u>\$ 794,943</u>
Sewer Utility Capital Fund					
Intergovernmental Loans	\$ 166,153	<u>-</u>	\$ 80,954	\$ 85,199	\$ 85,199
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 166,153</u>	<u>\$ -</u>	<u>\$ 80,954</u>	<u>\$ 85,199</u>	<u>\$ 85,199</u>
Sewer Utility Assessment Fund					
Bonds Payable	\$ 1,725,000	\$ -	\$ 180,000	\$ 1,545,000	\$ 175,000
Intergovernmental Loans Payable	<u>4,799,232</u>	<u>-</u>	<u>563,996</u>	<u>4,235,236</u>	<u>569,934</u>
Sewer Utility Assessment Fund Long-Term Liabilities	<u>\$ 6,524,232</u>	<u>\$ -</u>	<u>\$ 743,996</u>	<u>\$ 5,780,236</u>	<u>\$ 744,934</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, December 31, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>	Due Within <u>One Year</u>
<u>2011</u>					
General Capital Fund					
Bonds Payable	\$ 7,226,000	\$ -	\$ 625,000	\$ 6,601,000	\$ 635,000
Intergovernmental Loans Payable	<u>357,614</u>	<u>-</u>	<u>34,540</u>	<u>323,074</u>	<u>35,234</u>
General Capital Fund Long-Term Liabilities	<u>\$ 7,583,614</u>	<u>\$ -</u>	<u>\$ 659,540</u>	<u>\$ 6,924,074</u>	<u>\$ 670,234</u>
Sewer Utility Capital Fund					
Intergovernmental Loans	\$ 252,225	-	\$ 86,072	\$ 166,153	\$ 80,954
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 252,225</u>	<u>\$ -</u>	<u>\$ 86,072</u>	<u>\$ 166,153</u>	<u>\$ 80,954</u>
Sewer Utility Assessment Fund					
Bonds Payable	\$ 1,900,000	-	\$ 175,000	\$ 1,725,000	\$ 180,000
Intergovernmental Loans Payable	<u>5,354,496</u>	<u>-</u>	<u>555,264</u>	<u>4,799,232</u>	<u>563,996</u>
Sewer Utility Assessment Fund Long-Term Liabilities	<u>\$ 7,254,496</u>	<u>\$ -</u>	<u>\$ 730,264</u>	<u>\$ 6,524,232</u>	<u>\$ 743,996</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt

The Borough had no short-term capital debt activity for the years ended December 31, 2012 and 2011.

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years 2012 and 2011.

	Balance December 31, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance, December 31, <u>2012</u>
<u>2012</u>				
Land	\$ 29,113,900			\$ 29,113,900
Buildings and Building Improvement	17,922,650	\$ 830,000		18,752,650
Machinery and Equipment	<u>6,487,767</u>	<u>437,731</u>	<u>\$ 380,220</u>	<u>6,545,278</u>
	<u>\$ 53,524,317</u>	<u>\$ 1,267,731</u>	<u>\$ 380,220</u>	<u>\$ 54,411,828</u>
	Balance December 31, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Land	\$ 29,113,900			\$ 29,113,900
Buildings and Building Improvement	17,922,650			17,922,650
Machinery and Equipment	<u>6,223,805</u>	<u>\$ 263,962</u>	<u>-</u>	<u>6,487,767</u>
	<u>\$ 53,260,355</u>	<u>\$ 263,962</u>	<u>\$ -</u>	<u>\$ 53,524,317</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 5 FIXED ASSETS (Continued)

Sewer Utility Fund Fixed Assets

The following is a summary of changes in the utility fund fixed assets for the years ended December 31, 2012 and 2011.

	Balance December 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2012</u>
<u>2012</u>				
Fixed Capital				
System and System Improvements	\$ 17,989,963	\$ 7,423		\$ 17,997,386
Vehicles and Equipment	<u>396,148</u>	<u>-</u>	<u>-</u>	<u>396,148</u>
	<u>\$ 18,386,111</u>	<u>\$ 7,423</u>	<u>\$ -</u>	<u>\$ 18,393,534</u>
	Balance December 31, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Fixed Capital				
System and System Improvements	\$ 17,983,605	\$ 6,358		\$ 17,989,963
Vehicles and Equipment	<u>396,148</u>	<u>-</u>	<u>-</u>	<u>396,148</u>
	<u>\$ 18,379,753</u>	<u>\$ 6,358</u>	<u>\$ -</u>	<u>\$ 18,386,111</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 6 DUE TO/FROM OTHER FUNDS

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

	<u>2012</u>		<u>2011</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	\$ 390	\$ 1,970	\$ 6,146	\$ 83
Other Trust Fund	1,970			4,887
Sewer Utility Fund:				
Operating Fund		15,767		5,983
Assessment Trust Fund	15,767	390	4,807	-
	<u>18,127</u>	<u>18,127</u>	<u>10,953</u>	<u>10,953</u>
Total	\$ <u>18,127</u>	\$ <u>18,127</u>	\$ <u>10,953</u>	\$ <u>10,953</u>

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

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

**BOROUGH OF OLD TAPPAN
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and 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:

	Fund Balance December 31, <u>2012</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2011</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 1,234,015	\$ 724,000	\$ 586,988	\$ 532,500
Non-Cash Surplus	<u>133,075</u>	<u>-</u>	<u>333,392</u>	<u>-</u>
	<u>\$ 1,367,090</u>	<u>\$ 724,000</u>	<u>\$ 920,380</u>	<u>\$ 532,500</u>
Sewer Utility Operating Fund				
Cash Surplus	<u>\$ 323,729</u>	<u>\$ 95,000</u>	<u>\$ 325,449</u>	<u>\$ 55,000</u>

NOTE 8 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:

	Balance, December 31,	Subsequent Year Budget Appropriation	Balance to Succeeding Budgets
<u>2012</u>			
Current Fund			
Emergency Authorization	\$ 86,795	\$ 86,795	
Special Emergency Authorizations (40A:4-53)	<u>28,000</u>	<u>28,000</u>	<u>\$ -</u>
	<u>\$ 114,795</u>	<u>\$ 114,795</u>	<u>\$ -</u>
<u>2011</u>			
Current Fund			
Emergency Authorization	\$ 94,200	\$ 94,200	
Special Emergency Authorizations (40A:4-53)	<u>56,000</u>	<u>28,000</u>	<u>\$ 28,000</u>
	<u>\$ 150,200</u>	<u>\$ 122,200</u>	<u>\$ 28,000</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 9 COMPENSATED ABSENCES

Under the existing policies and labor agreements of the Borough, employees are not permitted to accumulate unused vacation benefits and sick leave over the life of their working careers.

NOTE 10 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 June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

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.

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.

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 OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

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 or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Significant Legislation

P.L. 2011, c.78, effective June 28, 2012, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service. It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2012, the member contribution rates increase in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

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, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports 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.

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 67.5 percent with an unfunded actuarial accrued liability of \$41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.5 percent and \$11.6 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, 2011 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included: (a) a revised investment rate of return for all the retirement systems from 8.25 percent to 7.95 percent and (b) revised projected salary increases which vary by fund (6.32% for PFRS and 4.52% for PERS).

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 6.50% for PERS, 10.0% for PFRS and 5.5% for DCRP of employee's annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 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.

**BOROUGH OF OLD TAPPAN
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC) (Continued)

During the years ended December 31, 2012, 2011 and 2010, 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 year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2012	\$ 384,473	\$ 180,660	\$ 151
2011	464,399	180,667	None
2010	384,466	166,238	None

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating municipalities including the Borough.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and the Teacher's Pension and Annuity (TPAF) are combined and reported as Pension and Other Employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost sharing multiple-employer plan. The post-retirement benefit programs had a total of 566 state and local participating employers and contributing entities for Fiscal Year 2012.

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

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

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Health Benefits Program Fund (HBPF) – Local Government (Continued)

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

Basis of Accounting

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

Investment Valuation

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

Significant Legislation

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the State had a \$48.9 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$18.0 billion for state active and retired members and \$30.9 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in 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.

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Funded Status and Funding Progress (Continued)

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal 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, 2011 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contribution

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2012, there were 97,661 retirees receiving post-retirement medical benefits and the State contributed \$958.9 million on their behalf. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

P.L. 1977, c. 136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$112.6 million for 8,810 eligible retired members for Fiscal Year 2012. This benefit covers the Police and Firemen's Retirement System.

P.L. 1997, c. 330 provides paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and to dependents of qualified retirees. The State and participating local governments are responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State and participating local governments contributed \$36.6 million in Fiscal Year 2012 to provide benefits under Chapter 330 to qualified retirees.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Borough's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended December 31, 2012, 2011 and 2009 were \$139,858, \$124,206 and \$118,448, respectively, which equaled the required contributions for each year.

**BOROUGH OF OLD TAPPAN
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 12 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 Old Tappan is a member of the Bergen County Municipal Joint Insurance Fund (BJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The BJIF and MEL coverage amounts are on file with the Borough.

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

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

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>
2012	\$ 20,000	\$ 4,159	\$ 19,247	\$ 32,286
2011	20,000	4,035	18,903	27,370
2010	25,000	4,082	23,237	22,194

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 13 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, 2012 and 2011. 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, 2012 and 2011, the Borough reserved \$50,000 and \$50,000, 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 or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2012 and 2011, 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 14 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, 2012 and 2011, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 15 LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)-UNAUDITED

The Borough of Old Tappan Length of Service Awards Program (the Plan) was created by a Borough ordinance adopted on July 26, 1999 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 Awards Program as enacted into federal law in 1997. The voters of the Borough of Old Tappan approved the adoption of the Plan at the general election held on November 2, 1999.

The first year of eligibility for entrance into the Plan was calendar year 2000. 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.

**BOROUGH OF OLD TAPPAN
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

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 Old Tappan has contributed \$1,150 for both 2012 and 2011 for each eligible volunteer fire department and first aid squad member into the Plan. The Borough contributed a total of \$63,250 and \$64,400 for 2012 and 2011, respectively for all eligible volunteer members into the Plan.

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, a subsidiary of Lincoln National Corporation is the administrator of the plan. The Borough's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

Vesting and Benefits

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

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

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 Funds.

NOTE 16 DEFERRED SCHOOL TAXES

Under the regulatory basis of accounting, regulations allow for the deferral to fund balance of not more than 50% of the annual levy when school taxes are raised in advance for a school year and have not been requisitioned by the school district as of December 31.

	<u>2012</u>	<u>2011</u>
	Local District <u>School</u>	Local District <u>School</u>
Balance of Tax Deferred	\$ 6,721,261 <u>4,085,860</u>	\$ 6,597,531 <u>4,085,860</u>
Taxes Payable	<u>\$ 2,635,401</u>	<u>\$ 2,511,671</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 17 INDEMNIFICATION AGREEMENT - WASTEWATER TREATMENT LOANS

Under the New Jersey Department of Environmental Protection ("NJDEP") 1993 Wastewater Treatment Loan Agreements the Borough unconditionally and irrevocably pledges its full faith and credit and covenants to exercise its unlimited taxing powers for the punctual payment of the principal and interest on the loans in accordance with their respective terms. The Loan Agreements may not be assigned by the Borough unless approved by the NJDEP. These loan agreements have not been assigned and remain the obligations of the Borough under the Loan Agreements.

On September 20, 1993 the Borough entered into an indemnification agreement with United Properties Group ("UPG") formerly River Vale Realty Co., Inc. ("RVR"). A New York Corporation, authorized to do business in New Jersey. Under the Agreement UPG shall indemnify, hold harmless and defend the Borough and its officers, employees or agents from all losses, costs and expenses, including but not limited to repayment of loan principal, interest, penalties, if any, and costs arising out of the loans received by the Borough from the NJDEP 1993 Wastewater Treatment Fund and 1993 Wastewater Treatment Trust for the purpose of constructing sanitary sewers. All payments, including but not limited to principal, interest and penalties, if any required to be made by the Borough as an applicant and recipient of funds under the NJDEP 1993 Wastewater Treatment Financing Programs shall be considered as the obligation of UPG. UPG shall pay all such sums when they become due. It is the intentions of the parties that the 1993 wastewater treatment loans received by the Borough be at absolutely no cost to the municipality.

Under the agreement UPG constructed Phase II B of the Sanitary Sewer System within the time period required by the financing program. After completion of Phase II B of the Sanitary Sewer improvements and after certification by the Municipal Engineer that Phase II B had been satisfactorily completed, UPG dedicated such improvements to the Borough and the Borough accepted ownership of the sanitary sewer improvements. UPG has no ownership interest in the improvements.

As of December 31, 2012 and 2011 the balance outstanding from the 1993 wastewater treatment loans were \$85,199 and \$166,153, respectively.

NOTE 18 CONSTRUCTION LOAN AGREEMENT – OLD TAPPAN FREE PUBLIC LIBRARY

The Borough and the Old Tappan Free Public Library (the "Library"), a not for profit corporation, operating as a privately owned library, have entered into a construction loan agreement whereby the Borough has agreed to loan the Library the sum of \$1,200,000. The Library has agreed to repay said loan over a nineteen year period along with interest in the average net amount of 4.085% per annum. The Borough received a partial repayment from the library during 2004 in the amount of \$120,000 making the net principal amount due on the loan \$1,080,000. Payments of interest commenced on February 10, 2005 and each six month period thereafter and payments of principal in accordance with the debt service repayment schedule commenced on August 10, 2005 and is payable annually each year thereafter.

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 18 CONSTRUCTION LOAN AGREEMENT – OLD TAPPAN FREE PUBLIC LIBRARY (Continued)

As security for the loan, the Library executed and delivered to the Borough a Security Agreement and financing statements, which constituted a first lien and prior on the assets of the Library, a Collateral Assignment of Lease and a Collateral Assignment of Appropriation. The security interest is a valid first security lien on all of the assets of the Library, including but not limited to, all books, equipment, furnishings, fixtures, contract rights, cash, accounts receivable, and the Library's right to receive the Borough's annual appropriation out of the Borough's operating budget. The loan is further secured by a collateral assignment of the Library's rights under its Lease with the Borough and a collateral assignment of the Library's rights under its Lease with the Borough and a collateral assignment of the Library's right to the Borough's annual appropriation to the Library. This Agreement also serves as an assignment of all of the Library's rights in and to the plans and approvals for the expanded structure.

As of December 31, 2012 and 2011 the balances of the Loan outstanding were \$730,000 and \$780,000, respectively.

NOTE 19 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 cleanup and recovery from this federal disaster. The Federal Emergency Management Agency ("FEMA") provides emergency grant assistance (voluntary nonexchange transaction) to help government's cope with losses. Although the Borough has applied for reimbursement from FEMA, the total amount to be received in conjunction with this event is not considered to be measurable with sufficient reliability and therefore has not been recognized in the financial statements as of December 31, 2012. As of December 31, 2012, the Borough has not received any FEMA reimbursements relating to Hurricane Sandy.

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CURRENT FUND

BOROUGH OF OLD TAPPAN
STATEMENT OF CASH - COLLECTOR-TREASURER

Balance, December 31, 2011		\$ 4,030,098
Increased by:		
Taxes Receivable	\$ 29,904,021	
Grants Receivable	37,199	
Revenue Accounts Receivable	3,029,965	
Reserve for Debt Service - General Capital Fund	50,000	
Non-Budget Revenue	274,946	
Prepaid Taxes	202,595	
Tax Overpayments	75,401	
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	45,500	
Due to State of New Jersey	7,838	
Prepaid Revenues	4,425	
Reserve for Grants - Unappropriated	31,919	
Cancelled Escrow Balances - Other Trust Fund	143,537	
Receipts from Other Trust Fund	5,489	
Receipts for Other Trust Fund	2,109	
Receipts from General Capital Fund - Emergency Authorization Funding	90,000	
Receipts from Sewer Utility Operating Fund	1,259	
Receipts from Sewer Assessment Trust Fund	<u>2,817</u>	
		<u>33,909,020</u>
		37,939,118
Decreased by:		
2012 Appropriations	7,380,961	
2011 Appropriation Reserves	78,223	
Local District School Taxes Payable	12,779,336	
Regional High School Taxes Payable	8,671,670	
County Taxes Payable	3,911,243	
Encumbrances Payable	171,291	
Tax Overpayments	60,020	
Reserve for Grants-Appropriated	9,182	
Refund of Prior Year Revenue	6,338	
Accounts Payable	824	
Miscellaneous Reserves	800	
Reserve for Tax Appeals	50,000	
Due to State of New Jersey	10,650	
Payments to Sewer Utility Assessment Trust Fund	1,033	
Payments to Open Space Preservation Trust Fund - Tax Levy	<u>173,229</u>	
		<u>33,304,800</u>
Balance, December 31, 2012		<u>\$ 4,634,318</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF CHANGE FUNDS**

<u>Office</u>	Balance, December 31, <u>2012</u>	Balance, December 31, <u>2011</u>
Collector	\$ 50	\$ 50
Borough Clerk	100	100
Court Clerk	<u>105</u>	<u>105</u>
	<u>\$ 255</u>	<u>\$ 255</u>

STATEMENT OF PETTY CASH FUND

Balance December 31, 2011	<u>\$ 100</u>
Balance December 31, 2012	<u>\$ 100</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance, December 31, 2011	2012 Levy	Senior Citizens' and Veterans' Deductions Disallowed	Collected Cash		Senior Citizens' and Veterans' Deductions Allowed	Cancelled	Transferred to Tax Title Liens	Balance, December 31, 2012
				2011	2012				
2010	\$ 20			\$ 20					-
2011	309,937	-	\$ 750	-	310,564	-	-	\$ 123	-
	309,957	-	750	-	310,584	-	-	123	-
2012	-	\$30,332,309	920	\$ 263,956	29,593,437	\$ 46,750	\$ 66,711	3,546	\$ 358,829
	<u>\$ 309,957</u>	<u>\$30,332,309</u>	<u>\$ 1,670</u>	<u>\$ 263,956</u>	<u>\$ 29,904,021</u>	<u>\$ 46,750</u>	<u>\$ 66,711</u>	<u>\$ 3,669</u>	<u>\$ 358,829</u>

Analysis of 2012 Property Tax Levy

TAX YIELD

General Purpose Tax	\$ 30,281,258
Added Taxes	51,051
	<u>\$ 30,332,309</u>

TAX LEVY

Regional High School Tax	\$ 8,671,670
Local District School Tax	12,903,066
County Taxes - General	\$ 3,852,036
County Taxes - Open Space	44,424
Due County for Added Taxes	6,589
	<u>3,903,049</u>
Municipal Open Space Tax	172,937
Municipal Open Space Tax-Added	292
	<u>173,229</u>
Local Tax for Municipal Purposes	4,634,042
Additional Tax Levied	47,253
	<u>4,681,295</u>
	<u>\$ 30,332,309</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF DUE FROM STATE OF NEW JERSEY
FOR SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, December 31, 2011		\$ 4,706	
Increased by:			
Senior Citizens' Deductions Per Tax Billings	\$ 5,000		
Veterans' Deductions Per Tax Billings	41,000		
Senior Citizens' Deductions Allowed by Tax Collector-2012	<u>750</u>		
		<u>46,750</u>	
			51,456
Decreased by:			
Received in Cash - State	45,500		
Senior Citizens' Deductions Disallowed by Tax Collector-2012	920		
Senior Citizens' Deductions Disallowed by Tax Collector-2011	<u>750</u>		
		<u>47,170</u>	
Balance, December 31, 2012			<u>\$ 4,286</u>

EXHIBIT A-9

STATEMENT OF TAX TITLE LIENS

Balance, December 31, 2011		\$ 17,263	
Increased by:			
Transfers from Taxes Receivable	\$ 3,669		
Interest and Cost	<u>24</u>		
		<u>3,693</u>	
Balance, December 31, 2012			<u>\$ 20,956</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)**

Balance, December 31, 2011

\$ 278,485

Balance, December 31, 2012

\$ 278,485

EXHIBIT A-11

STATEMENT OF GRANTS RECEIVABLE

	Balance, December 31, <u>2011</u>	Awards Accrued in 2012	<u>Received</u>	<u>Cancelled</u>	Balance December 31, <u>2012</u>
Municipal Drug Alliance Program	\$ 10,356	\$ 10,356	\$ 8,719	\$ 1,637	\$ 10,356
Drive Sober or Get Pulled Over		3,886	3,886		
USDJ-Bulletproof Vest Partnership Grant	3,598			3,598	
Community Development - Senior Citizen Programs	4,469	3,638	4,469		3,638
Community Development - Barrier Free Senior Center	135,063			135,063	
County of Bergen - Open Space -Stone Point Park	<u>25,000</u>	<u>-</u>	<u>20,125</u>	<u>4,875</u>	<u>-</u>
	<u>\$ 178,486</u>	<u>\$ 17,880</u>	<u>\$ 37,199</u>	<u>\$ 145,173</u>	<u>\$ 13,994</u>

Cancelled to:

2011 Appropriation Reserves	\$ 60,563
Appropriated Grant Reserves	72,988
Operations	<u>11,622</u>
	<u>\$ 145,173</u>

BOROUGH OF OLD TAPPAN
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2011</u>	Accrued in 2012	Collected	Balance, December 31, <u>2012</u>
Borough Clerk				
Licenses		\$ 11,040	\$ 11,040	
Alcoholic		5,241	5,241	
Other				
Health Officer		1,423	1,423	
Licenses		125	125	
Fees and Permits				
Planning Board		6,562	6,562	
Fees and Permits				
Police		13,669	13,669	
Fees and Permits				
Tax Collector		110	110	
Fees and Permits		104,334	89,505	\$ 14,829
Interest and Costs on Taxes				
Zoning Board		5,720	5,720	
Fees and Permits				
Registrar		57	57	
Fees and Permits				
Construction Code Official		268,897	268,897	
Fees and Permits				
Municipal Court	\$ 4,242	70,664	69,680	5,226
Fines and Costs		589,028	589,028	
Golf Course Fees		14,265	14,265	
Golf Course Concession, Rent and Utilities	-	1,463,986	1,463,986	
Energy Receipts Tax		38,540	38,540	
Watershed Moratorium Offset Aid		10,152	10,152	
Interest on Investments and Deposits		6,830	6,830	
Uniform Fire Safety - Fees		149,169	149,169	
Cell Tower Leases	-	124,893	124,893	
River Vale Fuel Reimbursement		18,000	18,000	
Police Outside Duty Admin Fee		82,412	82,412	
Library Debt Service Reimbursement		65,921	65,921	
Library Contribution-Municipal Services	-			-
	<u>\$ 4,242</u>	<u>\$ 3,051,038</u>	<u>\$ 3,035,225</u>	<u>\$ 20,055</u>
			Cash Receipts	\$ 3,029,965
			Reserve for UCC Penalties	100
			Prepaid Revenue Applied	<u>5,160</u>
			<u>\$ 3,035,225</u>	

**BOROUGH OF OLD TAPPAN
STATEMENT OF DEFERRED CHARGES
N.J.S. 40A:4-55 SPECIAL EMERGENCY AUTHORIZATIONS**

<u>Date Authorized</u>	<u>Purpose</u>	<u>Net Amount Authorized</u>	<u>1/5 of Net Amount Authorized</u>	<u>Balance, December 31, 2011</u>	<u>Amount Raised in 2012 Budget</u>	<u>Balance, December 31, 2012</u>
4/7/2008	Revaluation Program	\$ 140,000	\$ 28,000	\$ 56,000	\$ 28,000	\$ 28,000
				<u>\$ 56,000</u>	<u>\$ 28,000</u>	<u>\$ 28,000</u>

**STATEMENT OF DEFERRED CHARGES
EMERGENCY AUTHORIZATIONS**

	<u>Balance, December 31, 2011</u>	<u>Added in 2012</u>	<u>Amount Raised in 2012 Budget</u>	<u>Funded by Capital Ordinance</u>	<u>Balance, December 31, 2012</u>
Emergency Authorization (40A :4-47)	\$ 94,200	\$ 176,795	\$ 94,200	\$ 90,000	\$ 86,795

**BOROUGH OF OLD TAPPAN
STATEMENT OF APPROPRIATION RESERVES**

	Balance, December 31, <u>2011</u>	Encumbrances Payable <u>Cancelled</u>	<u>Transfers</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	<u>Cancelled</u>	Balance <u>Lapsed</u>
<u>Salaries and Wages</u>				\$ 2,139	\$ 1,925		\$ 214
Administrative and Executive	\$ 2,139			2			2
Financial Administration	2			184			184
Assessment of Taxes	184			226	-		226
Planning Board	226			879	-		879
Fire	879			301	-		301
Fire Official	301			9,109	9,092		17
Police Department	659		\$ 8,450	300	-		300
Municipal Prosecutor	300			3,434	3,434		-
Road Repairs and Maintenance	3,434			467	56		411
Recycling	467			152	-		152
Environmental Commission	152			1	-		1
Administration of Public Assistance	1			22	-		22
Parks and Playgrounds	22			5,142	576		4,566
Golf Course	5,142			318	-		318
Senior Citizen Van	318			1,228	250		978
Municipal Court	1,228			699	186	-	513
Construction Code Official	699	-	-				
	<u>16,153</u>	<u>-</u>	<u>8,450</u>	<u>24,603</u>	<u>15,519</u>	<u>-</u>	<u>9,084</u>
<u>Other Expenses</u>				14,456	1,629		12,827
Administrative and Executive	14,456			1,490	-		1,490
Mayor and Council	1,490			6,766	5,935		831
Financial Administration	6,766			1,000	-		1,000
Audit Services	1,000			903	-		903
Collection of Taxes	903			1,092	-		1,092
Assessment of Taxes	1,092			5,339	210		5,129
Legal Services and Costs	16,789		(11,450)	2,350	-		2,350
Engineering Services and Costs	2,350			80	-		80
Open Space Advisory	80			1,422	-		1,422
Senior Advisory	1,422			4,298	1,521		2,777
Planning Board	4,298			-	-		-
Insurance				718	-		718
General Liability	718			56,143	38,244		17,899
Employee Group Health	56,143			8,751	-		8,751
Health Benefit Waiver	8,751			266	237		29
Fire	266			1	-		1
Fire Hydrant Service	1			80	-		80
Fire Official	80			2,898	74		2,824
Police	2,898						

BOROUGH OF OLD TAPPAN
STATEMENT OF APPROPRIATION RESERVES

<u>Other Expenses</u> (Continued)	Balance, December 31, <u>2011</u>	Encumbrances Payable <u>Cancelled</u>	<u>Transfers</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	<u>Cancelled</u>	Balance <u>Lapsed</u>
Road Repair and Maintenance	\$ 1,988	\$ 26		\$ 2,014			\$ 2,014
Stormwater Management	383	2,334		2,717			2,717
Shade Tree Commission	12,213			12,213	\$ 9,000		3,213
Recycling	216			216	215		1
Solid Waste Collection	161			161			161
Public Buildings and Grounds	67			67			67
Vehicle Maintenance	4,280			4,280	811		3,469
Board of Health	81			81			81
O.S.H.A. - Hepatitis B Program	66			66			66
Environmental Commission	170			170			170
Administration of Public Assis.	37			37			37
Parks and Playgrounds	146			146			146
Golf Course	286	637		923			923
Recreation Program Fees	375			375			375
Celebration of Public Events	747			747			747
Municipal Court	3,000			3,000			3,000
Public Defender	200			200			200
Construction Code Official	1,308			1,308	1,308		-
Utilities							
Electricity	123		3,000	3,123	2,850		273
Street Lighting	1,126			1,126	898		228
Telephone	870			870			870
Water	574	38		612			612
Gasoline	1,510			1,510			1,510
Length of Service Awards (LOSAP)	-	13,550		13,550			13,550
Social Security Sys. (O.A.S.I.)	5,362			5,362			5,362
Community Development-Senior Citizen Pr	2,069			2,069	2,069		-
Clean Communities Grant	2,539			2,539	2,539		-
Drunk Driving Enforcement Fund	1,135			1,135	1,135		-
Municipal Alliance Program	2,130			2,130	2,130		-
Body Armor Replacement	2,342			2,342	2,342		-
Recycling Tonnage Grant	1			1	1		-
Community Development Block Grant							
Barrier Free Senior Center	<u>60,563</u>	<u>-</u>	<u>-</u>	<u>60,563</u>	<u>-</u>	<u>60,563</u>	<u>-</u>
	<u>225,571</u>	<u>16,585</u>	<u>(8,450)</u>	<u>233,706</u>	<u>73,148</u>	<u>60,563</u>	<u>99,995</u>
	<u>\$ 241,724</u>	<u>\$ 16,585</u>	<u>\$ -</u>	<u>\$ 258,309</u>	<u>\$ 88,667</u>	<u>\$ 60,563</u>	<u>\$ 109,079</u>
Cash Disbursed					\$ 78,223		
Transfer to Accounts Payable					6,086		
Transfer to Reserve for Grants Appropriated					4,358		
Cancelled to Grants Receivable					<u>-</u>	<u>\$ 60,563</u>	
					<u>\$ 88,667</u>	<u>\$ 60,563</u>	

**BOROUGH OF OLD TAPPAN
STATEMENT OF DUE TO STATE OF NEW JERSEY**

	Balance, December 31, <u>2011</u>	<u>Received</u>	<u>Paid</u>	Balance, December 31, <u>2012</u>
Sales Tax Payable	\$ 1,441	\$ 5,728	\$ 5,768	\$ 1,401
DCA Training Fees	<u>4,882</u>	<u>2,110</u>	<u>4,882</u>	<u>2,110</u>
	<u>\$ 6,323</u>	<u>\$ 7,838</u>	<u>\$ 10,650</u>	<u>\$ 3,511</u>

EXHIBIT A-17

STATEMENT OF PREPAID REVENUES

	Balance, December 31, <u>2011</u>	<u>Received</u>	Applied to 2012 <u>Revenue</u>	Balance, December 31, <u>2012</u>
Prepaid Golf Membership Fees	\$ 5,160	\$ 4,425	\$ 5,160	\$ 4,425
	<u>\$ 5,160</u>	<u>\$ 4,425</u>	<u>\$ 5,160</u>	<u>\$ 4,425</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2011		\$ 263,956
Increased by:		
Collection - 2013 Taxes	\$ 202,595	
Transfer from Overpayments	<u>15,176</u>	
		<u>217,771</u>
Decreased by:		481,727
Application to 2012 Taxes Receivable		<u>263,956</u>
Balance, December 31, 2012		<u><u>\$ 217,771</u></u>

EXHIBIT A-19

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2011		\$ 7
Increased by:		
Overpayments Received		<u>75,401</u>
Decreased by:		75,408
Refunds Paid	\$ 60,020	
Transferred to Prepaid Taxes	<u>15,176</u>	
		<u>75,196</u>
Balance, December 31, 2012		<u><u>\$ 212</u></u>

EXHIBIT A-20

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, December 31, 2011		\$ 187,876
Increased by:		
Charges to 2012 Budget Appropriations		<u>217,929</u>
Decreased by:		405,805
Payments	\$ 171,291	
Cancelled Encumbrances Restored to Appropriation Reserves	<u>16,585</u>	
		<u>187,876</u>
Balance, December 31, 2012		<u><u>\$ 217,929</u></u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2011		\$	5,606
Increased by:			
Charges to 2011 Appropriation Reserves			6,086
			11,692
Decreased by:			
Cancelled to Operations	\$	1,423	
Cash Disbursements		824	
			2,247
Balance, December 31, 2012		\$	9,445

STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Balance, December 31, 2011		\$	
School Tax Payable	2,511,671		
School Tax Deferred	4,085,860		
		\$	6,597,531
Increased by:			
Levy - School Year - July 1, 2012 to June 30, 2013			12,903,066
			19,500,597
Decreased by:			
Payments			12,779,336
Balance, December 31, 2012			
School Tax Payable	2,635,401		
School Tax Deferred	4,085,860		
		\$	6,721,261
2011 Liability for Local School Tax			
Tax Paid		\$	12,779,336
Tax Payable at December 31, 2012			2,635,401
			15,414,737
Less Tax Payable December 31, 2011			2,511,671
Amount Charged to 2012 Operations		\$	12,903,066

**BOROUGH OF OLD TAPPAN
STATEMENT OF REGIONAL HIGH SCHOOL DISTRICT TAXES**

Increased by:		
Levy - Calendar Year 2012	\$	8,671,670
Decreased by:		
Payments	\$	<u>8,671,670</u>

STATEMENT OF COUNTY TAXES PAYABLE

Balance, December 31, 2011		\$	14,783
Increased by:			
2012 Tax Levy:			
General	\$	3,852,036	
Open Space Tax		<u>44,424</u>	
Added Taxes (54:4-63.1)	\$	3,896,460	
		<u>6,589</u>	
			<u>3,903,049</u>
Decreased by:			3,917,832
Payments			<u>3,911,243</u>
Balance, December 31, 2012		\$	<u>6,589</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF RESERVE FOR GRANTS - APPROPRIATED**

	Balance, December 31, <u>2011</u>	Transferred from Appropriation <u>Reserves</u>	<u>Expended</u>	<u>Cancelled</u>	Balance, December 31, <u>2012</u>
Clean Communities Grant	\$ 690	\$ 1,211	\$ 690		\$ 1,211
Bergen County - Open Space - Memorial Park	1,672			\$ 1,672	
Drunk Driving Enforcement Fund	5,154	1,135	2,823		3,466
Stormwater Grant	5,588		4,264		1,324
CDBG-Sr Citizen Program	5,314			5,314	
CDBG-Barrier Free Senior Center	68,580			68,580	
Bergen County Open Space-Stone Point Park County Share	3,200			3,200	
Local Share	2,193			2,193	
Body Armor Grant	1,370	2,012	1,370		2,012
Tree Planting Grant - Local Share	1,560				1,560
Sidewalk Contributions	35		35		
Golf Patio Door - Donations	5,500				5,500
Municipal Alliance Program	1,208	-	-	1,208	-
	<u>\$ 102,064</u>	<u>\$ 4,358</u>	<u>\$ 9,182</u>	<u>\$ 82,167</u>	<u>\$ 15,073</u>
Cash Disbursements			\$ 9,182		
Cancelled to Operations				\$ 9,179	
Cancelled to Grants Receivable			-	72,988	
			<u>\$ 9,182</u>	<u>\$ 82,167</u>	

BOROUGH OF OLD TAPPAN
STATEMENT OF RESERVE FOR GRANTS - UNAPPROPRIATED

	Balance, December 31, <u>2011</u>	<u>Received</u>	Revenue Realized in <u>Budget</u>	Balance, December 31, <u>2012</u>
Drunk Driving Enforcement Fund	\$ 1,123	\$ 1,403	\$ 1,123	\$ 1,403
Body Armor Grant - State	1,608	2,290	1,608	2,290
Recycling Tonnage Grant	22,099	18,375	22,099	18,375
Alcohol Education and Rehabilitation Fund		54		54
Clean Communities Grant	<u>9,972</u>	<u>9,797</u>	<u>9,972</u>	<u>9,797</u>
	<u>\$ 34,802</u>	<u>\$ 31,919</u>	<u>\$ 34,802</u>	<u>\$ 31,919</u>

EXHIBIT A-27

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, December 31, <u>2011</u>	<u>Decreases</u>	Balance, December 31, <u>2012</u>
Reserve for Master Plan	\$ 30		\$ 30
Reserve for Revaluation Program	2,830	\$ 800	2,030
Reserve for Uniform Construction Code Penalties	100	100	-
Reserve for FEMA - Hurricane Irene	<u>16,450</u>	<u>16,450</u>	<u>-</u>
	<u>\$ 19,410</u>	<u>\$ 17,350</u>	<u>\$ 2,060</u>
Cash Disbursements		\$ 800	
Anticipated as 2012 Budget Revenue		16,450	
Applied to 2012 Revenue		<u>100</u>	
		<u>\$ 17,350</u>	

**BOROUGH OF OLD TAPPAN
RESERVE FOR TAX APPEALS**

Balance, December 31, 2011	\$ 50,000
Increased by:	
Transfer from Current Year Taxes	<u>50,000</u>
	100,000
Decreased by:	
Payments for Prior Year Tax Judgements	<u>50,000</u>
Balance, December 31, 2012	<u>\$ 50,000</u>

TRUST FUND

BOROUGH OF OLD TAPPAN
STATEMENT OF TRUST FUND CASH AND INVESTMENTS - TREASURER

	Animal Control Fund	Other Trust Fund	Unemployment Compensation Fund	Open Space Preservation Trust Fund
Balance, December 31, 2011	\$ 3,073	\$ 1,279,628	\$ 27,534	\$ 316,513
Increased by Receipts:				
Dog License Fees	4,388			
Due to State of New Jersey	624	450		
Loan Receivable - Principal		2,455		
Escrow Deposits		71,943		
Miscellaneous Reserves		660,578		
Interest on Deposits		741	4	417
2012 Open Space Tax Levy				173,229
Employees' Payroll Deductions		5,722,320	4,159	
Budget Appropriations	-	-	20,000	-
	<u>5,012</u>	<u>6,458,487</u>	<u>24,163</u>	<u>173,646</u>
	<u>8,085</u>	<u>7,738,115</u>	<u>51,697</u>	<u>490,159</u>
Decreased by Disbursements:				
Expenditures Under R.S. 4:19-15.11	4,938			
Payments to State of New Jersey	625	400	19,238	
Escrow Deposits		50,520		
Miscellaneous Reserves		325,788		
Payroll Disbursements		5,720,698		
Cancelled Escrow Balances to Current Fund		143,537		
Payments to Current Fund		5,489		
Open Space Preservation Expenditures	-	-	-	129,350
	<u>5,563</u>	<u>6,246,432</u>	<u>19,238</u>	<u>129,350</u>
Balance, December 31, 2012	<u>\$ 2,522</u>	<u>\$ 1,491,683</u>	<u>\$ 32,459</u>	<u>\$ 360,809</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF DUE TO STATE OF NEW JERSEY
ANIMAL CONTROL FUND**

Balance, December 31, 2011	\$	6
Increased by:		
2012 State Fees		<u>624</u>
		630
Decreased by:		
Payments to State of New Jersey		<u>625</u>
Balance, December 31, 2012	\$	<u>5</u>

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

Balance, December 31, 2011	\$	3,067
Increased by:		
Dog License Fees Collected		<u>4,388</u>
		7,455
Decreased by:		
Payments Under R.S. 4:19-15.11		<u>4,938</u>
Balance, December 31, 2012	\$	<u>2,517</u>

STATEMENT OF LOAN RECEIVABLE - AFFORDABLE HOUSING

Balance, December 31, 2011	\$	9,154
Decreased by:		
Loan Principal Received		<u>2,455</u>
Balance, December 31, 2012	\$	<u>6,699</u>

BOROUGH OF OLD TAPPAN
STATEMENT OF DUE TO STATE OF NEW JERSEY - DEPARTMENT OF HUMAN SERVICES
OTHER TRUST FUND

Balance, December 31, 2011	\$	350
Increased by:		
Fees Collected		450
Decreased by:		800
Payment to State of New Jersey		400
Balance, December 31, 2012	\$	400

EXHIBIT B-8

STATEMENT OF PAYROLL DEDUCTIONS PAYABLE (DEFICIT)
OTHER TRUST FUND

Balance (Deficit), December 31, 2011	\$	(4,180)
Increased by:		
Deposits		5,722,320
Decreased by:		5,718,140
Disbursements		5,720,698
Balance (Deficit), December 31, 2012	\$	(2,558)

EXHIBIT B-9

STATEMENT OF DUE TO/(FROM) CURRENT FUND
OTHER TRUST FUND

Balance, December 31, 2011 (Due To)	\$	4,887
Increased by:		
Interest Earned on Deposits		741
Decreased by:		5,628
Payments to Current Fund	\$ 5,489	
Tax Sale Redemption Receipts Deposited in Current Fund	2,109	
		7,598
Balance, December 31, 2012 (Due From)	\$	1,970

**BOROUGH OF OLD TAPPAN
STATEMENT OF ESCROW DEPOSITS PAYABLE
OTHER TRUST FUND**

Balance, December 31, 2011		\$	606,229
Increased by:			
Deposits Received			71,943
			678,172
Decreased by:			
Cash Disbursements	\$	50,520	
Payments to Current Fund - Cancelled Escrow Balances		143,537	
			194,057
Balance, December 31, 2012		\$	484,115

EXHIBIT B-11

**STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS
OTHER TRUST FUND**

	Balance, December 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2012</u>
Parking Offense Adjudication Act Fines	\$ 413	\$ 34		\$ 447
Fire Prevention Penalties	1,300			1,300
Recreation Fees	148,134	5,668	\$ 19,820	133,982
Miscellaneous Deposits	1,100			1,100
Affordable Housing Fees	314,125	81,474	28,584	367,015
Municipal Alliance Donations	61,005		1,000	60,005
Golf Course Donations	5,007	12,019	9,656	7,370
Tree Preservation Donations	398	600		998
Premium on Tax Title Liens	112,500	167,900		280,400
Tax Sale Redemption	-	223,127	220,312	2,815
Police Equipment Donations	9,098	70,073		79,171
Fire Department Donations	100	68,373	9,306	59,167
Oak Parks Donations	350			350
Outside Police Duty Services	18,562	35,874	37,110	17,326
Stone Point Park Donations	250	-	-	250
	\$ 672,342	\$ 665,142	\$ 325,788	\$ 1,011,696
Cash Receipts		\$ 660,578		
Loan Receivable - Principal		2,455		
Due from Current Fund		2,109		
Cash Disbursements		-	\$ 325,788	
		\$ 665,142	\$ 325,788	

BOROUGH OF OLD TAPPAN
STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION INSURANCE CLAIMS
UNEMPLOYMENT COMPENSATION INSURANCE FUND

EXHIBIT B-12

Balance, December 31, 2011		\$ 27,370
Increased by:		
Employee Contributions		
Interest on Deposits	\$ 4,159	
Budget Appropriation		4
Current Fund	\$ 13,000	
Sewer Utility Operating Fund	<u>7,000</u>	
		<u>20,000</u>
		<u>24,163</u>
Decreased by:		
Unemployment Claims - Due to State of New Jersey		51,533
		<u>19,247</u>
Balance, December 31, 2012		<u>\$ 32,286</u>

EXHIBIT B-13

STATEMENT OF DUE TO STATE OF NEW JERSEY
UNEMPLOYMENT COMPENSATION INSURANCE FUND

Balance, December 31, 2011		\$ 164
Increased by:		
Charges to Reserve for Unemployment Compensation Insurance Claims		<u>19,247</u>
		19,411
Decreased by:		
Payments to State of New Jersey		<u>19,238</u>
Balance, December 31, 2012		<u>\$ 173</u>

EXHIBIT B-14

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

Balance, December 31, 2011		\$ 316,513
Increased by:		
2012 Tax Levy	\$ 172,937	
2012 Added Tax Levy	<u>292</u>	
		\$ 173,229
Interest on Deposits		<u>417</u>
		<u>173,646</u>
		490,159
Decreased by:		
Payments for Open Space Preservation Expenditures		<u>129,350</u>
Balance, December 31, 2012		<u>\$ 360,809</u>

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GENERAL CAPITAL FUND

BOROUGH OF OLD TAPPAN
STATEMENT OF GENERAL CAPITAL CASH - TREASURER

Balance, December 31, 2011		\$ 396,875
Increased by:		
Receipts from Other Receivable	\$ 20,000	
Receipts from Grants Receivable	464,417	
Receipts from Serial Bonds Issued	1,780,000	
Receipts from Premium on Sale of Bonds	18,179	
Reserve for Sidewalk Improvements - Developer Fees	<u>37,135</u>	
		<u>2,319,731</u>
		2,716,606
Decreased by:		
Improvement Authorizations	861,960	
Contracts Payable	282,288	
Reserve for Payment of Debt	<u>50,000</u>	
		<u>1,194,248</u>
Balance, December 31, 2012		<u>\$ 1,522,358</u>

**BOROUGH OF OLD TAPPAN
ANALYSIS OF GENERAL CAPITAL CASH**

		December 31, <u>2012</u>
Fund Balance		\$ 104,666
Grants Receivable		(285,221)
Contracts Payable		74,987
Capital Improvement Fund		101,576
Reserve for Sidewalk Improvements		200,921
Reserve for Capital Improvements		36,498
Reserve for Payment of Debt		105,904
<u>Ord.</u>	<u>Improvement Description</u>	
<u>No.</u>		
846	Various Improvements	28,000
921	Paving of DeWolf Road	3,532
943/952	Maple Street Improvements	5,855
947	Parking Lot Improvements	51,429
954/956	Construction of Police Headquarters - Supplemental	21,860
986	Various Public Improvements	8,527
992	Solar Energy Program	(14,017)
1007	2010 Road and Sidewalk Improvements	(24,930)
1010	Various Public Improvements and Equipment Acquisitions	144,484
1023	Redevelopment of a Well at Golf Course	2,782
1026	Acquisition of Various Equipment for Golf Course Clubhouse	536
1032	Various Public Improvements	118,224
1045	Various Public Improvements	456,850
1049	Renovation of Former Police Station for Use of Senior Center	379,100
1032	Various Public Improvements	795
		<u>795</u>
		<u>\$ 1,522,358</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF GRANTS RECEIVABLE**

87

Ord. No.	Grantor	Balance, December 31, 2011	Grant Awards	Cash Receipts	Cancelled	Balance, December 31, 2012	Impvt. Authori- zations	Balance, Pledged To Reserve
987/995	Bergen County Open Space- Bonnabell Park	\$ 26,580		\$ 13,411	\$ 12,375	\$ 794	\$ 794	
992-09	NJ Clean Energy - Core Program Rebates	456,110		430,428	25,682	-		
1007-10	Dept. of Transportation - 2010 Sidewalk Program	105,012				105,012		\$ 105,012
1045-12	Dept. of Transportation - Sidewalk Grant		\$ 146,500			146,500		146,500
1045-12	FEMA - Hurricane Irene		20,578	20,578		-		
1049-12	Community Development - Barrier Free Senior Center		129,143			129,143	129,143	
1049-12	Community Development - Senior Center Improvements	-	155,284	-	-	155,284	155,284	-
		<u>\$ 587,702</u>	<u>\$ 451,505</u>	<u>\$ 464,417</u>	<u>\$ 38,057</u>	<u>\$ 536,733</u>	<u>\$ 285,221</u>	<u>\$ 251,512</u>
	Improvement Authorizations		\$ 284,427		\$ 12,375			
	Reserve for Grant Receivables		167,078		25,682			
			<u>\$ 451,505</u>		<u>\$ 38,057</u>			

**BOROUGH OF OLD TAPPAN
STATEMENT OF OTHER RECEIVABLES**

Balance, December 31, 2011		\$ 40,000
Decreased by:		
Cash Receipts		<u>20,000</u>
Balance, December 31, 2012		<u>\$ 20,000</u>

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2011		\$ 6,924,074
Increased by:		
Improvement Costs Funded by:		
Serial Bonds Issued		<u>1,780,000</u>
		8,704,074
Decreased by:		
Budget Appropriation to Pay Bonds	\$ 635,000	
Open Space Preservation Tax Levy to Pay Loans	<u>35,234</u>	
		<u>670,234</u>
Balance, December 31, 2012		<u>\$ 8,033,840</u>

BOROUGH OF OLD TAPPAN
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. No.	Item Description	Balance, December 31, 2011	2012 Authorization	Grant Receipts	Transferred to Deferred Charges - Unfunded	Balance, December 31, 2012	Analysis of Balance	
							Expenditures	Unexpended Improvement Authorizations
992	Solar Energy Panels	\$ 751,400		\$ 430,428	\$ 107,000	\$ 213,972	\$ 14,017	\$ 199,955
1007	2010 Road and Sidewalk Improvements	105,012				105,012	24,930	80,082
1032	Various Public Improvements	593,000			593,000			
1045	Various Public Improvements		\$ 1,690,000	20,578	990,000	679,422		679,422
1049	Renovation of Former Police Station for Use of Senior Center	-	91,900	-	90,000	1,900	-	1,900
		<u>\$ 1,449,412</u>	<u>\$ 1,781,900</u>	<u>\$ 451,006</u>	<u>\$ 1,780,000</u>	<u>\$ 1,000,306</u>	<u>\$ 38,947</u>	<u>\$ 961,359</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF CONTRACTS PAYABLE**

Balance, December 31, 2011		\$ 285,462
Increased by:		
Charges to Improvement Authorizations		<u>74,987</u>
		360,449
Decreased by:		
Payments	\$ 282,288	
Cancelled Contracts Restored to Improvement Authorizations	<u>3,174</u>	
		<u>285,462</u>
Balance, December 31, 2012		<u>\$ 74,987</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2011		\$ 191,249
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>89,673</u>
Balance, December 31, 2012		<u>\$ 101,576</u>

EXHIBIT C-11

**BOROUGH OF OLD TAPPAN
STATEMENT OF RESERVE FOR SIDEWALK IMPROVEMENTS**

Balance, December 31, 2011	\$ 163,786
Increased by:	
Developer Fees Received	<u>37,135</u>
Balance, December 31, 2012	<u>\$ 200,921</u>

EXHIBIT C-12

STATEMENT OF RESERVE FOR CAPITAL IMPROVEMENTS

Balance, December 31, 2011	\$ 106,498
Increased by:	
Liquidation of Other Accounts Receivable	<u>20,000</u>
	126,498
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>90,000</u>
Balance, December 31, 2012	<u>\$ 36,498</u>

EXHIBIT C-13

STATEMENT OF RESERVE FOR PAYMENT OF DEBT

Balance, December 31, 2011	\$ 155,904
Decreased by:	
Paid to Current Fund as Anticipated Revenue	<u>50,000</u>
Balance, December 31, 2012	<u>\$ 105,904</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF GREEN TRUST LOAN PAYABLE**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Loans</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2011</u>	<u>Decreased</u>	<u>Balance, December 31, 2012</u>
			<u>Date</u>	<u>Amount</u>				
Acquisition of Land (Open Space)	11/17/2000	\$ 653,625	2013-2020	Various	2.00%	<u>\$ 323,074</u>	<u>\$ 35,234</u>	<u>\$ 287,840</u>
			Paid by Open Space Preservation Trust Fund				<u>\$ 35,234</u>	

**BOROUGH OF OLD TAPPAN
STATEMENT OF GENERAL SERIAL BONDS**

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance, December 31, 2011	Increased	Decreased	Balance, December 31, 2012
			Date	Amount					
General Improvements of 2003	12/15/2003	\$ 1,754,000	2013	\$ 339,000	3.25 %	\$ 659,000		\$ 320,000	\$ 339,000
General Bonds of 2004 (Series A)	7/15/2004	2,967,000	2013	35,000	4.00	2,732,000		35,000	2,697,000
			2014-2015	425,000	4.00				
			2016	440,000	4.00				
			2017	445,000	4.00				
			2018	460,000	4.125				
			2019	467,000	4.125				
General Bonds of 2004 (Series B)	7/15/2004	1,080,000	2013-2014	55,000	4.00	780,000		50,000	730,000
			2015-2016	60,000	4.00				
			2017-2018	65,000	4.00-4.125				
			2019-2020	70,000	4.125-4.250				
			2021-2022	75,000	4.250-4.375				
			2023	80,000	4.50				
General Bonds of 2010	7/15/2010	2,120,000	2013	50,000	2.00	2,070,000		50,000	2,020,000
			2014-2015	150,000	2.00				
			2016	160,000	2.25				
			2017	170,000	2.50				
			2018	180,000	3.00				
			2019	190,000	3.00				
			2020	320,000	3.00				
			2021-2022	325,000	3.00-3.125				
			2023	325,000	3.00-3.125				
Refunding Bonds of 2010	7/15/2010	545,000	2013	180,000	1.50-2.00	360,000		180,000	180,000
General Bonds of 2012	11/15/2012	1,780,000	2013	100,000	1.00	-	\$ 1,780,000	-	1,780,000
			2014	130,000	1.00				
			2015-2019	150,000	1.00-2.00				
			2020-2023	200,000	2.00				
						\$ 6,601,000	\$ 1,780,000	\$ 635,000	\$ 7,746,000
Serial Bonds Issued for Cash						\$ 1,780,000			
Paid by Budget Appropriation								\$ 635,000	

BOROUGH OF OLD TAPPAN
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	<u>Improvement Description</u>	Balance, December 31, 2011	2012 Improvement <u>Authorizations</u>	Grant <u>Receipts</u>	Serial Bonds <u>Issued</u>	Balance, December 31, 2012
992	Solar Energy Panel	\$ 751,400		\$ 430,428	\$ 107,000	\$ 213,972
1007	2010 Road and Sidewalk Improvements	105,012				105,012
1032	Various Public Improvements	593,000			593,000	-
1045	Various Public Improvements		\$ 1,690,000	20,578	990,000	679,422
1049	Renovation of Former Police Station for Use of Senior Center	-	91,900	-	90,000	1,900
		<u>\$ 1,449,412</u>	<u>\$ 1,781,900</u>	<u>\$ 451,006</u>	<u>\$ 1,780,000</u>	<u>\$ 1,000,306</u>

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SEWER UTILITY FUND

**BOROUGH OF OLD TAPPAN
STATEMENT OF CASH - SEWER TREASURER**

	<u>Operating</u>	<u>Assessment Trust</u>	<u>Capital</u>
Balance, December 31, 2011	\$ 449,377	\$ 2,206,770	\$ 154,163
Increased by Receipts:			
Consumer Accounts Receivable	\$ 1,011,836		
Interest on Assessments		\$ 151,207	
Interest on Investments		2,257	
United Properties Group-Reimbursement	89,671		
Receipts from Sewer Assessment Fund	156,091		
Assessments Receivable		657,396	
Receipts from Sewer Operating Fund		4,724	
Receipts from Current Fund		1,033	
Sewer Fee Overpayments	795		
Non-Budget Revenue	<u>5,316</u>	<u>-</u>	<u>-</u>
	<u>1,263,709</u>	<u>816,617</u>	<u>-</u>
	1,713,086	3,023,387	154,163
Decreased by Disbursements:			
2012 Budget Appropriations	1,059,371		
2011 Appropriation Reserves	51		
Interest on Bonds and Loans	177,038		
Serial Bonds		180,000	
Encumbrances Payable	11,994		
Refund Prior Year Revenue	11,403		
Payments for Sewer Operating Fund		10,883	
Environmental Infrastructure Loans		563,996	
Payments to Current Fund	1,259	2,817	
Payments to Sewer Assessment Fund	4,724		
Payments to Sewer Operating Fund	<u>-</u>	<u>156,091</u>	<u>-</u>
	<u>1,265,840</u>	<u>913,787</u>	<u>-</u>
Balance, December 31, 2012	<u>\$ 447,246</u>	<u>\$ 2,109,600</u>	<u>\$ 154,163</u>

**BOROUGH OF OLD TAPPAN
ANALYSIS OF CASH
SEWER UTILITY ASSESSMENT TRUST FUND**

	Balance, December 31, <u>2012</u>
Fund Balance	\$ 82,577
Due to Current Fund	390
Due from Sewer Utility Operating Fund	(15,767)
Assessment Serial Bonds and Loans	
Ord. 624/626- Improvements to Sanitary Sewerage System - DeBerg Dr.	199,067
Ord. 654/665- Improvements to Sanitary Sewerage System - Area A	1,069,191
Ord. 708- Improvements to Sanitary Sewerage System - Orangeburg Rd. So./Greenswood/Olsen	551,441
Ord. 778/797 2002 Sewer Project Areas	88,542
Ord. 845/870 2004 Sewer Project Areas	<u>134,159</u>
	<u>\$ 2,109,600</u>

**ANALYSIS OF CASH
SEWER UTILITY CAPITAL FUND**

	Balance December 31, <u>2012</u>
Reserve for Sewer Assessment Debt	171,968
Improvement Authorizations	
Ord.	
<u>No.</u>	
798 Improvements to Sanitary Sewerage System - Olsen, Fairway, Olge Water Lines	<u>(17,805)</u>
	<u>\$ 154,163</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF CONSUMERS' ACCOUNTS RECEIVABLE
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2011		\$ 46,541
Increased by:		
Sewer Rents Levied		1,021,085
		1,067,626
Decreased by:		
Sewer Rents Collected:		
Cash Receipts	\$ 1,011,836	
Overpayments Applied	8,724	
		1,020,560
Balance, December 31, 2012		\$ 47,066

EXHIBIT D-12

**STATEMENT OF DUE FROM/TO CURRENT FUND
SEWER UTILITY ASSESSMENT TRUST FUND**

Balance, December 31, 2011 - (Due from)		\$ 83
Increased by:		
Payments to Current Fund		2,817
		2,900
Decreased by:		
Interest on Investments	\$ 2,257	
Received from Current Fund	1,033	
		3,290
Balance, December 31, 2012 - (Due to)		\$ 390

**BOROUGH OF OLD TAPPAN
STATEMENT OF ASSESSMENTS RECEIVABLE
SEWER UTILITY ASSESSMENT TRUST FUND**

Ord. No.	Improvement Description	Date of Confirm- ation	Annual Install- ments	Due Dates	Balance, December 31, 2011	Collected	Balance, December 31, 2012	Balance Pledged To	
								Assessment Bonds/ Loans	Reserve
626/668	DeBerg Drive/Elem. School Sewer Project	8/28/2000	18	8/28/2000-8/28/2017	\$ 494,267	\$ 108,334	\$ 385,933	\$ 385,933	
654/665	Improvements to Sanitary Sewerage System- Area A	10/15/2001	18	10/15/2001-10/15/2018	1,943,059	311,493	1,631,566	1,537,266	\$ 94,300
708	Improvements to Sanitary Sewerage System- Orangeburg Road South	10/7/2002	18	10/7/2002-10/7/2019	904,209	116,397	787,812	787,812	
708	Improvements to Sanitary Sewerage System- Greenwoods Road	10/7/2002	18	10/7/2002-10/7/2019	277,142	38,287	238,855	238,855	
708	Improvements to Sanitary Sewerage System- Olsen Lane	10/7/2002	18	10/7/2002-10/7/2019	31,193	3,543	27,650	27,650	
797	Improvements to Sanitary Sewerage System- Demarest Lane	4/19/2004	18	4/19/2004-4/19/2021	2,550	215	2,335	2,335	
778/ 797	Improvements to Sanitary Sewerage System- 2002 Sewer Project Areas	10/4/2004	18	10/4/2004-10/4/2021	307,679	37,215	270,464	269,123	1,341
845/870	Improvements to Sanitary Sewer System 2004 Sewer Project Areas	10/17/2005	18	10/17/2005-10/17/2022	438,111	41,912	396,199	396,199	-
					<u>\$ 4,398,210</u>	<u>\$ 657,396</u>	<u>\$ 3,740,814</u>	<u>\$ 3,645,173</u>	<u>\$ 95,641</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF GRANTS RECEIVABLE
SEWER UTILITY CAPITAL FUND**

Ord. No.	Grantor	Balance December 31, 2011	Grants Cancelled	
			Fund Balance	Reserve for Sewer Assessment Debt
778	Dept. of Transportation - Washington Ave. North	\$ 80,000	\$ 70,141	\$ 9,859
845/870	Dept. of Transportation - Russell Ave.	220	220	-
		<u>\$ 80,220</u>	<u>\$ 70,361</u>	<u>\$ 9,859</u>

EXHIBIT D-15

**STATEMENT OF DEFERRED CHARGE - UTILITY SHARE OF
ASSESSMENT DEBT ISSUED
SEWER UTILITY ASSESSMENT TRUST FUND**

Ord. No.	Improvement Description	Balance, December 31, 2011	Balance, December 31, 2012	Balance, Pledged to Assessment Bonds/Loans
708	Impvts. To Sanitary Sewer- Orangeburg Rd. So.	\$ 23,021	\$ 23,021	\$ 23,021
845/870	Impvts. to Sanitary Sewers 2004 Sewer Project Areas	<u>69,642</u>	<u>69,642</u>	<u>69,642</u>
		<u>\$ 92,663</u>	<u>\$ 92,663</u>	<u>\$ 92,663</u>
			Bonds	\$ 69,642
			Loans	<u>23,021</u>
				<u>\$ 92,663</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF FIXED CAPITAL
SEWER UTILITY CAPITAL FUND**

	Balance, December 31, 2011	<u>Additions by</u> Budget Capital Outlay	Balance, December 31, 2012
Sanitary Sewerage Collection System	\$ 17,806,320		\$ 17,806,320
Sewer Line Repairs	35,448		35,448
Pump Station Improvements	36,134		36,134
Pump Station Pump Replacements and Upgrades	112,061	\$ 7,423	-
Pump Station Generators	69,478		69,478
Sewer Jet Truck - (Interlocal River Vale)	90,000		90,000
Confined Space Reserve System	2,312		2,312
Gas Detector	2,200		2,200
Pick Up Truck	35,000		35,000
Rebuilt Sewer Jet Truck	26,999		26,999
Pick Up Truck Plow	34,981		34,981
Video Camera	9,496		9,496
Safety Equipment	12,500		12,500
Computer	1,500		1,500
Skid Steer Loader	35,000		35,000
Loader Crane Attachment	3,000		3,000
Trailer	1,500		1,500
Transport Van	29,403		29,403
Trench Boxes	15,799		15,799
Sewer Easement Machine	14,500		14,500
Sewer Truck Crane	7,500		7,500
Generator for Sewer Van	4,980	-	4,980
	<u>\$ 18,386,111</u>	<u>\$ 7,423</u>	<u>\$ 18,393,534</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
SEWER UTILITY CAPITAL FUND**

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance, December 31, 2011</u>	<u>Authorization Canceled</u>	<u>Costs Cancelled to Deferred Reserve for Amortization</u>	<u>Balance, December 31, 2012</u>
970	Acquisition of Sewer Jet	\$ 330,000	\$ 329,086	\$ 914	-
1016/1017	Sewer Connection at Greenwoods Road	<u>2,352</u>	<u>2,352</u>	<u>-</u>	<u>-</u>
		<u>\$ 332,352</u>	<u>\$ 331,438</u>	<u>\$ 914</u>	<u>\$ -</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF DUE FROM SEWER UTILITY OPERATING FUND
SEWER UTILITY ASSESSMENT TRUST FUND**

Balance, December 31, 2011		\$	4,724
Increased by:			
Payments to Sewer Utility Operating Fund		\$	156,091
Sewer Operating Accrued Interest Paid by Sewer Utility Assessment Fund			<u>10,883</u>
			<u>166,974</u>
			171,698
Decreased by:			
Interest on Assessments			151,207
Received from Sewer Utility Operating Fund			<u>4,724</u>
			<u>155,931</u>
Balance, December 31, 2012		\$	<u>15,767</u>

**STATEMENT OF APPROPRIATION RESERVES
SEWER UTILITY OPERATING FUND**

	Balance, December 31, <u>2011</u>	Balance After <u>Modifications</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Operating				
Salaries	\$ 1	\$ 1		\$ 1
Other Expenses	4,878	4,878	\$ 51	4,827
Capital Outlay	<u>1,444</u>	<u>1,444</u>	-	<u>1,444</u>
	<u>\$ 6,323</u>	<u>\$ 6,323</u>	<u>\$ 51</u>	<u>\$ 6,272</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF ENCUMBRANCES PAYABLE
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2011		\$ 11,994
Increased by:		
Charges to 2012 Appropriations		<u>34,315</u>
		46,309
Decreased by:		
Payments		<u>11,994</u>
Balance, December 31, 2012		<u>\$ 34,315</u>

**STATEMENT OF ACCOUNTS PAYABLE
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2011		\$ 17,200
Decreased by:		
Cancelled to Operations		<u>\$ 17,200</u>

**STATEMENT OF ACCRUED INTEREST ON BONDS AND LOANS
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2011		\$ 73,704
Increased by:		
Charges to Budget Appropriations for Interest		<u>180,618</u>
		254,322
Decreased by:		
Interest Paid	\$ 177,038	
Due to Sewer Utility Assessment Fund	<u>10,883</u>	
		<u>187,921</u>
Balance, December 31, 2012		<u>\$ 66,401</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF SEWER FEE OVERPAYMENTS
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2011	\$	8,724
Increased by:		
2012 Overpayments Received		<u>795</u>
		9,519
Decreased by:		
Overpayments Applied to Consumer Accounts Receivable		<u>8,724</u>
Balance, December 31, 2012	\$	<u>795</u>

EXHIBIT D-24

**STATEMENT OF DUE TO CURRENT FUND
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2011	\$	1,259
Decreased by:		
Payments to Current Fund		<u>1,259</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF IMPROVEMENT AUTHORIZATIONS
SEWER UTILITY CAPITAL FUND**

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2011		Authorization Canceled	Balance, December 31, 2012	
			Funded	Unfunded		Funded	Unfunded
970	Acquisition of Sewer Jet	\$ 330,000	\$ 66,586	\$ 262,500	\$ 329,086		
1016/1017	Sewer Connection at Greenwoods Road	18,000	<u>2,352</u>	<u>-</u>	<u>2,352</u>	<u>-</u>	<u>-</u>
			<u>\$ 68,938</u>	<u>\$ 262,500</u>	<u>\$ 331,438</u>	<u>\$ -</u>	<u>\$ -</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF RESERVE FOR AMORTIZATION
SEWER UTILITY CAPITAL FUND**

Balance, December 31, 2011		\$ 18,202,153
Increased by:		
Waste Water Loans Paid by Budget Appropriation	\$ 80,954	
Capital Outlay - Operating Budget	<u>7,423</u>	
		<u>88,377</u>
Balance, December 31, 2012		<u>18,290,530</u>

EXHIBIT D-27

**STATEMENT OF RESERVE FOR SEWER ASSESSMENT DEBT
SEWER UTILITY CAPITAL FUND**

Ord. <u>No.</u>	<u>Improvement Description</u>	Balance December 31, <u>2011</u>	Canceled <u>Grant</u>	Balance December 31, <u>2012</u>
626/668	Impvts. To Sanitary Sewer - Deberg Drive	\$ 19,272		\$ 19,272
666	Impvts. To Sanitary Sewer - Orangeburg Road	18,215		18,215
708	Impvts. To Sanitary Sewer - Orangeburg Rd. So.	94,687		94,687
778/797	Impvts. To Sanitary Sewer - 2002 Sewer Project Areas	15,906	\$ 9,859	6,047
845/870	Impvts. To Sanitary Sewer - 2004 Sewer Project Areas	<u>33,747</u>	<u>-</u>	<u>33,747</u>
		<u>\$ 181,827</u>	<u>\$ 9,859</u>	<u>\$ 171,968</u>

EXHIBIT D-28

**STATEMENT OF RESERVE FOR ASSESSMENTS RECEIVABLE
SEWER UTILITY ASSESSMENT TRUST FUND**

Ord. <u>No.</u>	<u>Description</u>	Balance December 31, <u>2011</u>	Balance December 31, <u>2012</u>
654/665	Improvement to Sanitary Sewerage System - Area A	\$ 94,300	\$ 94,300
778/797	Sanitary Sewer - 2002 Sewer Project Areas	<u>1,341</u>	<u>1,341</u>
		<u>\$ 95,641</u>	<u>\$ 95,641</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION
SEWER UTILITY CAPITAL FUND**

Ord. No.	<u>Improvement Description</u>	Balance, December 31, <u>2011</u>	<u>Authorizations Cancelled</u>		Balance, December 31, <u>2012</u>
			Fund <u>Balance</u>	Fixed Capital- <u>Uncompleted</u>	
970	Acquisition of Sewer Jet	\$ 67,500	\$ 66,586	\$ 914	-
1016/1017	Sewer Connection at Greenwoods Road	<u>2,352</u>	<u>2,352</u>	<u>-</u>	<u>-</u>
		<u>\$ 69,852</u>	<u>\$ 68,938</u>	<u>\$ 914</u>	<u>\$ -</u>

BOROUGH OF OLD TAPPAN
STATEMENT OF ENVIRONMENTAL INFRASTRUCTURE ASSESSMENT LOANS
SEWER UTILITY ASSESSMENT TRUST FUND

Purpose	Date of Loan	Original Loan	Maturities of Loans Outstanding		Interest Rate	Balance, December 31, 2011	Decreased	Balance, December 31, 2012
			Date	Amount				
Construction of Sanitary Sewers- Trust Loan - Area "A"-Series 1999 Refunding Series 2006B	11/1/1999	\$ 3,415,000	8/1/2013	\$ 189,643	5.50%			
			8/1/2014	202,009	5.50%			
			8/1/2015	214,633	5.50%			
			8/1/2016	225,762	5.50%			
			8/1/2017	233,900	5.50%			
			8/1/2018	246,940	5.70%			
			8/1/2019	255,579	5.70%	\$ 1,753,860	\$ 185,394	\$ 1,568,466
Construction of Sanitary Sewers- Fund Loan - Area "A"-Series 1999	11/1/1999	3,193,990	2/1/2013	24,358				
			8/1/2013	151,941				
			2/1/2014	20,849				
			8/1/2014	157,767				
			2/1/2015	17,084				
			8/1/2015	160,225				
			2/1/2016	13,148				
			8/1/2016	165,624				
			2/1/2017	8,955				
			8/1/2017	167,654				
			2/1/2018	4,592				
			8/1/2018	145,794	None		1,214,740	176,749
Construction of Sanitary Sewers- Trust Loan - Orangeburg Rd. So. Series 2000 Refunding Series 2006A Refunding Series 2010A	11/1/2000	1,960,000	8/1/2013	101,309	5.00%			
			8/1/2014	105,703	5.00%			
			8/1/2015	110,007	5.13%			
			8/1/2016	114,163	5.13%			
			8/1/2017	123,113	5.25%			
			8/1/2018	127,110	5.25%			
			8/1/2019	131,028	5.25%			
			8/1/2020	139,676	5.25%		1,054,130	102,021
Construction of Sanitary Sewers- Fund Loan - Orangeburg Rd. So.	11/1/2000	1,828,595	2/1/2013	16,825				
			8/1/2013	85,858				
			2/1/2014	15,099				
			8/1/2014	87,134				
			2/1/2015	13,298				
			8/1/2015	88,335				
			2/1/2016	11,376				
			8/1/2016	89,413				
			2/1/2017	9,376				
			8/1/2017	93,416				
			2/1/2018	7,170				
			8/1/2018	94,212				
			8/1/2019	4,885				
8/1/2019	60,273	None		776,502	99,832	676,670		
				<u>\$ 4,799,232</u>	<u>\$ 563,996</u>	<u>\$ 4,235,236</u>		
					<u>\$ 563,996</u>			

Paid by Sewer Utility Assessment Cash

\$ 563,996

**BOROUGH OF OLD TAPPAN
STATEMENT OF SEWER ASSESSMENT SERIAL BONDS
SEWER UTILITY ASSESSMENT TRUST FUND**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2012</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2011</u>	<u>Decreased</u>	<u>Balance, December 31, 2012</u>
			<u>Date</u>	<u>Amount</u>				
Assessment Bonds Ord. 778/797	12/15/2003	\$ 720,000	2013-2021	\$ 40,000	3.25-4.25%	\$ 405,000	\$ 45,000	\$ 360,000
Assessment Bonds Ord. 845/870	7/15/2004	975,000	2013-2022	60,000	4.00-4.375%	660,000	60,000	600,000
Refunding Assessment Bonds Ord. 624,626,668	7/15/2010	730,000	2013	75,000	1.50-2.00%	<u>660,000</u>	<u>75,000</u>	<u>585,000</u>
			2014-2019	85,000	2.00-2.625%			
						<u>\$ 1,725,000</u>	<u>\$ 180,000</u>	<u>\$ 1,545,000</u>
					Paid by Sewer Assessment Cash		<u>\$ 180,000</u>	

**BOROUGH OF OLD TAPPAN
STATEMENT OF WASTEWATER TREATMENT LOANS
SEWER UTILITY CAPITAL FUND**

<u>Purpose</u>	<u>Date of Loan</u>	<u>Original Loan</u>	<u>Maturities of Loans Outstanding December 31, 2012</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2011</u>	<u>Decreased</u>	<u>Balance, December 31, 2012</u>
			<u>Date</u>	<u>Amount</u>				
Construction of Sanitary Sewers - Trust Loan - Series 1993 Refunding Series 2003	11/1/1993	\$ 1,195,000	2/1/2013	85,199	4.80 %	\$ <u>166,153</u>	\$ <u>80,954</u>	\$ <u>85,199</u>
						\$ <u>166,153</u>	\$ <u>80,954</u>	\$ <u>85,199</u>
					Paid by Budget Appropriation		\$ <u>80,954</u>	

BOROUGH OF OLD TAPPAN
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
SEWER UTILITY CAPITAL FUND

<u>Ord.</u> <u>No.</u>	<u>Purpose</u>	<u>Balance,</u> <u>December 31, 2011</u>	<u>Authorization</u> <u>Canceled</u>	<u>Balance,</u> <u>December 31, 2012</u>
798	Construction of Sanitary Sewer- Olsen, Fairway & Ogle Water Lines	\$ 17,805		\$ 17,805
970	Acquisition of Sewer Jet	<u>262,500</u>	<u>\$ 262,500</u>	<u>-</u>
		<u>\$ 280,305</u>	<u>\$ 262,500</u>	<u>\$ 17,805</u>

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PUBLIC ASSISTANCE FUND

**BOROUGH OF OLD TAPPAN
STATEMENT OF PUBLIC ASSISTANCE CASH - TREASURER**

	<u>Account #1</u>
Balance, December 31, 2011	\$ 23,136
Increased by:	
Receipts	86,111
Decreased by:	109,247
Disbursements	12,405
Balance, December 31, 2012	\$ 96,842

EXHIBIT E-2

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

	<u>Account #1</u>
Balance, December 31, 2011	\$ 23,136
Increased by:	
Revenues	86,111
Decreased by:	109,247
Expenditures	12,405
Balance, December 31, 2012	\$ 96,842

**BOROUGH OF OLD TAPPAN
STATEMENT OF PUBLIC ASSISTANCE REVENUES**

	<u>Account #1</u>
Interest	\$ 5
Donations	<u>86,106</u>
 Total Receipts/Revenues	 <u>\$ 86,111</u>

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

	<u>Account #1</u>
Current Year Assistance	\$ 12,405
Assistance Ineligible for State Aid	<u>12,405</u>
 Total Disbursements/Expenditures	 <u>\$ 12,405</u>

BOROUGH OF OLD TAPPAN
BERGEN COUNTY, NEW JERSEY

PART II

GOVERNMENT AUDITING STANDARDS
YEAR ENDED DECEMBER 31, 2012

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Old Tappan
Old Tappan, 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 Old Tappan as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated April 26, 2013. Our report on the financial statements – regulatory basis indicated that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented 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 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 qualified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

Internal Control over Financial Reporting

Management of the Borough of Old Tappan is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Borough of Old Tappan's internal control over financial reporting 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 Old Tappan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Old Tappan's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Borough of Old Tappan in Part III of this report of audit entitled; "Letter of Comments and Recommendations"

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Old Tappan'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 Old Tappan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Leach, 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
April 26, 2013

**BOROUGH OF OLD TAPPAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

CFDA Number	Account Number	Grant Year	Grant Award Amount	2012 Grant Receipts	Balance, January 1, 2012	Revenue Realized	Expenditures	Canceled	(A) Adjustment	Balance, December 31, 2012	Cumulative Expended
U.S. Dept. of Housing and Urban Development (Passed through County Dept. of Community Development)											
Community Development Block Grants 14.218											
	CDOTSC02	2002/03	\$ 3,000		\$ 1,755			\$ 1,755		\$ -	\$ 1,245
	CDOTSC03	2003/04	3,000		1,735			1,735		-	1,265
	CDOTSC05	2004/05	3,000		1,064			1,064		-	1,936
	CDOTSC06	2005/06	3,000		760			760		-	2,240
	CDOTSC11	2011/12	4,469	\$ 4,469	2,069		\$ 2,069			-	4,469
	CDOTSC12	2012/13	3,638			\$ 3,638	995			2,643	995
	CDOTSC12	2012/13	155,284			155,284				155,284	
	CDOTBF10	2010/11	74,500		68,580					68,580	5,920
	CDOTBF10	2010/11	13,500		13,500						13,500
	CDOTBF11	2011/12	60,563		60,563				\$ 13,500	-	
										60,563	
U.S. Dept. of Homeland Security											
Disaster Grants - Public Assistance 97.036 (Passed Through N.J. State Police)											
	066-1200-100-A70-12	2012	20,578	20,578		20,578	20,578				
	066-1200-100-A77-12	2012	86,602	86,602		86,602	86,602				20,578
											86,602
U.S. Dept. of Transportation (Passed Through N.J. State Dept. of Transportation)											
Highway Planning and Construction 20.205											
	078-6320-480-AKN	2010	200,000		85,996		5,914		66,380	13,702	186,298
	078-6320-480-XXX	2012	146,500			146,500				146,500	
U.S. Dept. of Transportation (Passed Through N.J. Division of Highway Traffic Safety)											
	066-1160-100-057-13	2012	3,886	3,886	-	3,886	3,886	-	-	-	3,886
					<u>\$ 236,022</u>	<u>\$ 416,488</u>	<u>\$ 120,044</u>	<u>\$ 5,314</u>	<u>\$ 79,880</u>	<u>\$ 447,272</u>	

(A) - Expended in prior year

Note - This Schedule was not subject to a single audit in accordance with OMB A-133.

**BOROUGH OF OLD TAPPAN
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2012 Grant Receipts</u>	<u>Balance January 1, 2012</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance, December 31, 2012</u>	<u>Cumulative Expended</u>
Drunk Driving Enforcement	1110-448-031020-22	2012	\$ 1,403	\$ 1,403					\$ 1,123	
		2011	1,123			\$ 1,123			1,135	
		2010	1,135		\$ 1,135				2,075	
		2009	2,075		2,075				256	\$ 376
		2008	632		632		\$ 376		-	1,649
		2007	1,649		1,649		1,649		-	2,229
		2006	2,229		798		798		-	
Municipal Drug and Alcohol Alliance Program (Passed through County of Bergen)	N/A	2012	10,356			10,356	7,335		3,021	7,335
		2011	10,356	8,719	2,130		2,130		-	10,356
		2010	10,356							8,269
		2009	11,017		146			\$ 146	-	10,871
		2008	11,500		1,062			1,062	-	10,438
Recycling Tonnage Grant	042-4900-752-001	2012	18,375	18,375						22,099
		2011	22,099			22,099	22,099		-	14,817
		2010	14,817		1		1			
Clean Communities Grant	042-4900-765-004	2012	9,797	9,797					1,472	8,500
		2011	9,972			9,972	8,500		1,211	1,328
		2010	9,998		2,539		1,328		-	9,601
		2009	9,601		690		690			7,476
		2008	7,476							
Stormwater Grant	4840-150-057500	2006	8,468		5,588		4,264		1,324	7,144
		2005	8,468							8,468
Alcohol Education & Rehabilitation Pgm.	4250-760-050000-63	2012	54	54					93	321
		2009	414		93					
Body Armor Replacement Fund	066-1020-718-001	2012	2,290	2,290					1,608	
		2011	1,608			1,608			2,012	330
		2010	2,342		2,342		330		-	1,273
		2009	1,273		1,273		1,273		-	1,370
		2007	1,370		97		-	97	-	-
					<u>\$ 22,250</u>	<u>\$ 45,158</u>	<u>\$ 50,870</u>	<u>\$ 1,208</u>	<u>\$ 15,330</u>	

Note - This Schedule was not subject to a single audit in accordance with OMB 04-04.

See Accompanying Notes to Schedule of Expenditures of State Financial Assistance

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

**BOROUGH OF OLD TAPPAN
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2012**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Borough of Old Tappan. 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 schedule 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	\$ 94,126	\$ 45,158	\$ 139,284
General Capital Fund	<u>322,362</u>	<u>-</u>	<u>322,362</u>
	<u>\$ 416,488</u>	<u>\$ 45,158</u>	<u>\$ 461,646</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 OLD TAPPAN
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2012**

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2012, which are not required to be reported on the schedule of expenditures of state financial assistance, are as follows:

<u>Loan Program</u>	<u>State Account Number</u>	<u>Loan Balance Outstanding</u>
Dept. of Environmental Protection-		
Green Trust Program	4800-553-851000-60	\$ 287,840
Wastewater Treatment Loans (1993 Loan)	4860-510-702440-61	85,199
Environmental Infrastructure Loan (1999 Loan)	4800-504-993150-60	2,606,457
Environmental Infrastructure Loan (2000 Loan)	4800-534-094802-60	<u>1,628,779</u>
		<u>\$ 4,608,275</u>

**BOROUGH OF OLD TAPPAN
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Part I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on financial statements Qualified - Presentation of 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)? _____ yes X none reported

Noncompliance material to the financial statements noted? _____ yes X no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF OLD TAPPAN
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

There are none.

**BOROUGH OF OLD TAPPAN
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

STATUS OF PRIOR YEAR FINDINGS

There are none.

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BOROUGH OF OLD TAPPAN
BERGEN COUNTY, NEW JERSEY

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2012

**BOROUGH OF OLD TAPPAN
SUPPLEMENTARY DATA**

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

	<u>Year 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 532,500	1.55%	\$ 532,500	1.61%
Miscellaneous - From Other Than Local				
Property Tax Levies	3,432,301	9.98%	3,338,516	10.07%
Collection of Delinquent Taxes and Tax Title Liens	310,584	0.90%	334,418	1.01%
Collection of Current Tax Levy	29,853,223	86.79%	28,801,110	86.90%
Other Credits to Income	<u>269,364</u>	<u>0.78%</u>	<u>137,657</u>	<u>0.42%</u>
Total Income	<u>34,397,972</u>	<u>100.00%</u>	<u>33,144,201</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	7,925,443	23.59%	7,871,039	24.16%
County Taxes	3,903,049	11.62%	3,733,271	11.46%
Local and Regional School Taxes	21,574,736	64.22%	20,756,779	63.71%
Municipal Open Space Tax	173,229	0.52%	173,758	0.53%
Other Expenditures	<u>19,100</u>	<u>0.05%</u>	<u>46,729</u>	<u>0.14%</u>
Total Expenditures	<u>33,595,557</u>	<u>100.00%</u>	<u>32,581,576</u>	<u>100.00%</u>
Excess in Revenue	802,415		562,625	
Adjustments to Income Before Fund Balance:				
Expenditures Included Above which are by Statute Deferred Charges to Budget of Succeeding Year				
	86,795		94,200	
Expenditures Included Above which were Funded by Bond Ordinance				
	<u>90,000</u>		<u>-</u>	
Statutory Excess to Fund Balance	979,210		656,825	
Fund Balance, January 1	<u>920,380</u>		<u>796,055</u>	
	1,899,590		1,452,880	
Less Utilization as Anticipated Revenue	<u>532,500</u>		<u>532,500</u>	
Fund Balance, December 31	<u>\$ 1,367,090</u>		<u>\$ 920,380</u>	

**BOROUGH OF OLD TAPPAN
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE - SEWER UTILITY
OPERATING FUND**

	<u>Year 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 55,000	4.09%	\$ 55,000	3.88%
Collection of Sewer User Fees	1,020,560	75.87%	1,055,551	74.46%
Miscellaneous - From Other Than				
Sewer User Fees	240,878	17.91%	272,246	19.20%
Non-Budget Revenue	5,316	0.40%	31,015	2.19%
Other Credits to Income	<u>23,472</u>	<u>1.74%</u>	<u>3,821</u>	<u>0.27%</u>
 Total Income	 <u>1,345,226</u>	 <u>100.00%</u>	 <u>1,417,633</u>	 <u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Operating	968,471	74.96%	940,059	73.56%
Capital Improvements	7,500	0.58%	7,500	0.59%
Debt Service	261,572	20.24%	280,445	21.94%
Deferred Charges and Statutory				
Expenditures	43,000	3.33%	40,940	3.20%
Other Expenditures	<u>11,403</u>	<u>0.88%</u>	<u>8,946</u>	<u>0.70%</u>
 Total Expenditures	 <u>1,291,946</u>	 <u>100.00%</u>	 <u>1,277,890</u>	 <u>100.00%</u>
 Excess in Revenue	 53,280		 139,743	
 Fund Balance, January 1	 <u>325,449</u>		 <u>290,706</u>	
	378,729		430,449	
 Less Utilization as Anticipated Revenue				
Sewer Utility Operating Fund	55,000		55,000	
Current Fund	<u>-</u>		<u>50,000</u>	
 Fund Balance, December 31	 <u>\$ 323,729</u>		 <u>\$ 325,449</u>	

**BOROUGH OF OLD TAPPAN
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Tax Rate</u>	<u>\$1.751</u>	<u>\$1.682</u> (A)	<u>\$2.171</u>
 <u>Apportionment of Tax Rate</u>			
Municipal	.267	.258	.326
Municipal Open Space	.010	.009	.010
County	.223	.213	.284
County Open Space	.003	.003	.004
Local School	.747	.732	.952
Regional High School	.501	.467	.595

Assessed Valuation

2012	<u>\$1,729,369,324</u>	
2011		<u>\$1,731,691,044</u>
2010		<u>\$1,305,281,451</u>

(A) The Borough undertook a Borough-wide reassessment which became effective for 2011.

Comparison of Tax Levies and Collection

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2012	\$ 30,332,309	\$ 29,903,223	98.58%
2011	29,241,204	28,851,110	98.66%
2010	28,424,324	28,028,061	98.60%

**BOROUGH OF OLD TAPPAN
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 Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2012	\$ 20,956	\$ 358,829	\$ 379,785	1.25%
2011	17,263	309,957	327,220	1.12%
2010	13,050	334,107	347,157	1.22%

Property Acquired By Tax Title Lien Liquidation

No properties have been acquired in 2012 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>
2012	\$278,485
2011	278,485
2010	278,485

Schedule of Sewer Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash Collections(1)</u>	<u>Percentage of Collection</u>
2012	\$ 1,021,085	\$ 1,020,560	99.94%
2011	1,051,485	1,055,551	100.38%
2010	1,047,572	1,038,988	99.18%

(1) Includes collection of prior year receivables and overpayments applied.

**BOROUGH OF OLD TAPPAN
SUPPLEMENTARY DATA**

Comparative Schedule of Fund Balances

	<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2012	\$1,367,090	\$724,000
	2011	920,380	532,500
	2010	796,055	532,500
	2009	1,341,497	1,006,000
	2008	1,126,282	817,000
Sewer Utility Fund	2012	\$323,729	\$95,000
	2011	325,449	55,000
	2010	290,706	55,000
	2009	146,666	55,000
	2008	183,678	92,000

**BOROUGH OF OLD TAPPAN
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Corporate Surety</u>
Victor Polce	Mayor		
Guy Carnazza	Council President		
Ronald Binaghi, Jr.	Councilman		
Victor Cioce	Councilman		
Anna Haverilla	Councilwoman		
John M. Kramer	Councilman		
Matthew Nalbandian	Councilman		
Patrick O'Brien	Administrator	Note A	MELJIF
Jean Donch	Borough Clerk	Note A	MELJIF
Mary Montagne	Registrar of Vital Statistics (1/1/12-7/31/12)	Note A	MELJIF
Lori Langone	Registrar of Vital Statistics (8/1/12-12/31/12)	Note A	MELJIF
Warren Clark	Magistrate	Note A	MELJIF
Craig Ferdinand	Court Clerk	Note A	MELJIF
Rebecca Overgaard	Chief Financial Officer/Tax Collector/ Treasurer/Sewer Utility Collector/ Tax Search Officer	Note A	MELJIF
Lisa Saar	Deputy Tax Collector		
William Weidmann	Planning Board	Note A	MELJIF
Patrick Wilkins	Tax Assessor		
Nicola Lepore	Construction Official/Building Inspector	Note A	MELJIF
Donna Geitz	Social Services	Note A	MELJIF
Douglas Meeks	Golf Professional	Note A	MELJIF
Allen Bell	Borough Attorney		
Thomas Skrable	Borough Engineer		

Note A - All officials handling cash were covered by a blanket position bond issued by the Municipal Excess Liability Joint Insurance Fund in the amount of \$1,000,000.

**BOROUGH OF OLD TAPPAN
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS

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

Prior Year Comments – Unresolved

Our audit revealed the Borough's Affordable Housing Reserve account balance was less than the amount reported in the annual report filed with State Council on Affordable Housing. In addition, the administrative expenses reported may have exceeded the maximum permitted under the plan. We noted the Borough is working with staff from the State Council on Affordable Housing to reconcile the Borough's records with the amounts reported on the annual report. Therefore, since the Borough is taking corrective action to resolve these issues with the State no recommendation is deemed warranted at this time.

Our audit of the Recreation Department revealed fees for certain sports programs were not always charged in accordance with the approved Borough fee ordinance. It is recommended that the Borough fee ordinance be reviewed and amended, where appropriate, to reflect the actual recreation fees being charged for sport programs.

Current Year Comments

Our audit revealed services rendered for sewer pump station repairs exceed the bid threshold in aggregate during the 2012 year for which no public advertising for bids was sought. In addition, we noted the Borough acquired a wood chipper under an emergency purchase contract award for \$90,000 without consulting the Borough attorney as to its appropriateness as an exception to public advertising for bids. We also noted a purchase for a sewer pump that exceeded the quote threshold for which quotes were not obtained. It is recommended that the Borough attorney's opinion be sought before a commitment is made for goods and services that may result in noncompliance with the Local Public Contracts Law.

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

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefor, 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 bid threshold in accordance with N.J.S.A. 40A:11-4 was \$26,000 as of July 1, 2011. The Borough has adopted a resolution increasing the threshold to \$36,000 as of July 1, 2011 and has appointed the Chief Financial Officer as qualified purchasing agent in accordance with regulations established by the Division of Local Government Services.

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

**BOROUGH OF OLD TAPPAN
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS (Continued)

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

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

Dump Truck

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per NJS 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.

Except as previously noted, our examination of expenditures did not reveal any payments, contracts or agreements in excess of the bid threshold "for the performance of any work or the furnishing or hiring of any materials or supplies", where bids had not been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

Collection Of Interest On Delinquent Taxes, Assessments And Sewer User Fees

The New Jersey statutes provide the method for authorizing interest and the maximum rates to be charged for the non-payment of taxes or assessments on or before the date when they would become delinquent. The Governing Body on January 1, 2012 adopted the following resolution authorizing interest to be charged on delinquent taxes:

"BE IT RESOLVED, by the Mayor and Council of the Borough of Old Tappan, County of Bergen, State of New Jersey, that the rate of interest on delinquent taxes for the year 2012, shall be computed at the rate of eight (8%) percent per annum and,

BE IT FURTHER RESOLVED, that the rate of interest on delinquent taxes in excess of \$1,500 shall be computed at eighteen (18%) percent per annum, and

BE IT FURTHER RESOLVED, that a grace period of ten (10) days be given on delinquent taxes and delinquent sewer utility charges without interest."

BE IT FURTHER RESOLVED that, in addition to the foregoing, a year-end penalty, at a rate of six (6%) percent per annum, shall be assessed to taxpayers with a delinquency in excess of \$10,000, when a taxpayer fails to pay that delinquency, as billed, prior to the end of the fiscal year; and,

Additionally, the Governing Body on January 1, 2012 adopted the following resolution authorizing interest to be charged on sewer assessments:

WHEREAS, N.J.S.A. 40:56-32 allows interest to be imposed on any unpaid balance of a special assessment; and,

WHEREAS, the Governing Body of the Borough of Old Tappan desires to establish an interest rate of eight per cent (8%) to be charged on unpaid special assessment balances per annum,

**BOROUGH OF OLD TAPPAN
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS (Continued)

Collection Of Interest On Delinquent Taxes, Assessments And Sewer User Fees (Continued)

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Council of the Borough of Old Tappan, County of Bergen, State of New Jersey, that the interest rate of eight per cent (8%) per annum be charged on unpaid special assessment balances.

Also the Governing Body on January 1, 2012 adopted the following resolution authorizing interest to be charged on delinquent sewer flow charges:

BE IT RESOLVED, by the Mayor and Council of the Borough of Old Tappan, County of Bergen, State of New Jersey, that the rate of interest on delinquent sewer flow charges and delinquent user fees for the year 2012 shall be computed at the rate of eight percent (8%) per annum; and

BE IT FURTHER RESOLVED, that the rate of interest on delinquent sewer flow charges in excess of \$1,500 shall be computed at eighteen percent (18%) per annum; and

BE IT FINALLY RESOLVED, that all sewer flow charges and user fees must be paid within 60 days of the date of billing from the Borough of Old Tappan or interest shall accrue at the aforementioned rates.

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

Delinquent Taxes And Tax Title Liens

The Borough's last tax sale was held on September 12, 2012.

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>
2012	4
2011	3
2010	3

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

Management Suggestions

- Internal control procedures be implemented with respect to recreation concession stand receipts.

APPRECIATION

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

**BOROUGH OF OLD TAPPAN
LETTER OF COMMENTS AND RECOMMENDATIONS**

RECOMMENDATIONS

It is recommended that:

- * 1. The Borough's fee ordinance be reviewed and amended, where appropriate, to reflect the actual recreation fees being charged for sport programs.
- 2. The Borough attorney's opinion be sought before a commitment is made for goods and services that may result in noncompliance with the Local Public Contracts Law.

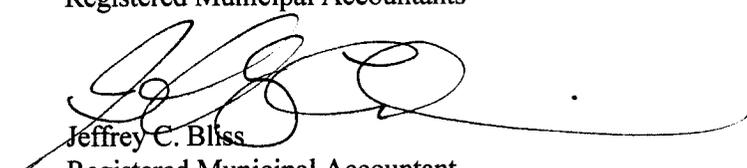
A review was performed on all prior year recommendations and corrective action was taken on all except those denoted with an asterisk (*).

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

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

Lerch, Vinci & Higgins, LLP

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


Jeffrey C. Bliss
Registered Municipal Accountant
RMA Number CR00429