

BOROUGH OF BOGOTA

**Financial Statements with
Supplementary Information
December 31, 2017**

(With Independent Auditor's Reports Thereon)

BOROUGH OF BOGOTA

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BOROUGH OF BOGOTA

PART I

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Bogota
County of Bergen, 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 Bogota in the County of Bergen, as of December 31, 2017 and 2016, the related statement of operations and changes in fund balance – regulatory basis for the years then ended, and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Bogota on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 8 of the financial statements, the Borough participates in a Length of Service Award Program (LOSAP) for its' volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$141,777 and \$97,217 for 2017 and 2016, respectively, were not audited and, therefore, we express no opinion of the LOSAP program.

The Honorable Mayor and
Members of the Borough Council
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Qualified Opinion of Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above, present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2017, the regulatory basis statements of operations for the year then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2017 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Bogota’s basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2018 on our consideration of the Borough of Bogota’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

The Honorable Mayor and
Members of the Borough Council
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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 Bogota's internal control over financial reporting and compliance.



Steven D. Wielkocz, C.P.A.
Registered Municipal Accountant
No. CRO0413



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Certified Public Accountants
Pompton Lakes, New Jersey

August 2, 2018

BOROUGH OF BOGOTA, N.J.

Comparative Balance Sheet-Regulatory Basis

Current Fund

December 31, 2017 and 2016

<u>Assets</u>	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Current Fund:			
Cash	A-4	\$ 2,034,945	1,175,146
Change Fund	A-5	280	280
Due from State of New Jersey- Senior Citizen and Veteran's Deductions	A-6	<u>8,668</u>	<u> </u>
		<u>2,043,893</u>	<u>1,175,426</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-7	1,273	783
Property Acquired for Taxes			
Assessed Valuations	A-8	136,680	136,680
Tax Title Liens	A-9	8,819	8,112
Revenue Accounts Receivable	A-10	9,771	8,453
Interfunds Receivable	A-11	<u>547,023</u>	<u>119,727</u>
		<u>703,566</u>	<u>273,755</u>
Deferred Charges:			
Special Emergency - N.J.S.A. 40-A:4-55	A-12		80,000
Overexpenditure of Appropriations	A-13	92,565	
Overexpenditure of Appropriation Reserves	A-13	<u>4,434</u>	<u> </u>
		<u>96,999</u>	<u>80,000</u>
Total Current Fund		<u>2,844,458</u>	<u>1,529,181</u>
Federal and State Grant Fund:			
Cash	A-4		84,985
Grants Receivable	A-22	19,539	
Interfunds Receivable	A-23	<u>105,225</u>	<u> </u>
Total Federal and State Grant Fund		<u>124,764</u>	<u>84,985</u>
		<u>2,969,222</u>	<u>1,614,166</u>

BOROUGH OF BOGOTA, N.J.

Comparative Balance Sheet-Regulatory Basis

Current Fund

December 31, 2017 and 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3, A-14	\$ 422,852	293,370
Encumbrances Payable	A-15	120,414	
Prepaid Taxes	A-16	352,726	43,534
Tax Overpayments	A-17	2,777	
Fees Payable	A-18	1,429	1,544
Library Taxes Payable	A-19	314	114
Interfunds Payable	A-11	644,475	
		<u>1,544,987</u>	<u>338,562</u>
Reserve for Receivables and Other Assets	A	703,566	273,755
Fund Balance	A-1	<u>595,905</u>	<u>916,864</u>
Total Current Fund		<u>2,844,458</u>	<u>1,529,181</u>
Federal and State Grant Fund:			
Appropriated Grant Reserves	A-24	106,992	61,805
Unappropriated Grant Reserves	A-25	<u>17,772</u>	<u>23,180</u>
Total Federal and State Grant Fund		<u>124,764</u>	<u>84,985</u>
		<u>\$ 2,969,222</u>	<u>1,614,166</u>

See accompanying notes to financial statements.

BOROUGH OF BOGOTA, N.J.

Comparative Statement of Operations and Changes in Fund Balance-Regulatory Basis

Current Fund

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 794,765	375,000
Miscellaneous Revenue Anticipated	1,331,142	1,403,917
Receipts from Delinquent Taxes	783	43,613
Receipts from Current Taxes	24,399,023	24,255,591
Non-Budget Revenues	268,772	49,658
Other Credits to Income:		
Appropriated Grants Canceled		5,748
Unappropriated Grants Canceled		7,500
Unexpended Balance of Appropriation Reserves	<u>291,160</u>	<u>88,102</u>
Total Revenue	<u>27,085,645</u>	<u>26,229,129</u>
Expenditures:		
Budget and Emergency Appropriations:		
Operations:		
Salaries and Wages	3,444,009	3,155,800
Other Expenses	4,262,402	3,997,402
Capital Improvements	50,000	50,000
Municipal Debt Service	1,175,934	1,096,139
Deferred Charges and Statutory Expenditures	776,723	800,965
Judgements	151,036	120,000
School Taxes Payable	14,897,836	14,811,628
County Taxes Including Added Taxes	1,829,135	1,766,967
Overexpenditure of Appropriation Reserves	4,434	
Interfunds Advanced	20,282	
Prior Year Senior Citizen Disallowed	2,000	3,000
Tax Overpayments - Tax Court Judgements	95,047	
Grants Receivable Cancelled		3,279
Refunds		<u>289,892</u>
Total Expenditures	<u>26,708,838</u>	<u>26,095,072</u>
Excess/(Deficit) in Revenue	376,807	134,057
Adjustments to Income Before Fund Balance- Expenditures Which are by Statute Deferred Charges to Budget of Succeeding Year		
Overexpenditure of Appropriations	92,565	
Overexpenditure of Appropriation Reserves	<u>4,434</u>	
Statutory Excess to Fund Balance	473,806	134,057
Fund Balance - January 1,	916,864	1,157,807
Decreased by Utilization as Anticipated Revenue	<u>794,765</u>	<u>375,000</u>
Fund Balance - December 31,	<u>\$ 595,905</u>	<u>\$ 916,864</u>

See accompanying notes to financial statements.

BOROUGH OF BOGOTA, N.J.

Statement of Revenues-Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Budget</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Surplus Anticipated	\$ 794,765	794,765	
Miscellaneous Revenues:			
Licenses:			
Alcoholic Beverages	11,000	16,052	5,052
Other	9,000	9,932	932
Fees and Permits	13,000	10,215	(2,785)
Fines and Costs - Municipal Court	113,000	159,434	46,434
Interest and Costs on Taxes	44,000	24,752	(19,248)
Interest on Investments and Deposits	6,000	3,837	(2,163)
Energy Receipts Tax	592,886	592,886	
Consolidated Municipal Property Tax Relief	84,790	84,790	
Uniform Construction Code Fees	94,000	84,454	(9,546)
State and Federal Revenues Offset with Appropriations			
NJ Clean Communities Program	14,818	14,818	
NJ Recycling Tonnage Grant	6,538	6,538	
NJ Alcohol Education and Rehabilitation Program	121	121	
NJ Body Armor Fund	1,703	1,703	
NJ Municipal Alliance on Alcoholism and Drug Abuse	9,876	9,876	
Bergen County Prosecutor - Confiscated Funds	25,253	25,253	
Uniform Fire Safety	38,000	41,947	3,947
State Fees - Multi-Dwelling Inspections	2,900		(2,900)
Cable T.V. Franchise Fee - Cablevision	57,891	57,891	
Cable T.V. Franchise Fee - Verizon	44,188	44,188	
Swim Club Rent	7,500	9,500	2,000
PILOT - 297 Palisades Avenue	75,000	96,312	21,312
Outside Police Employment - Administrative Fees	212,000	36,643	(175,357)
Total Miscellaneous Revenues	<u>1,463,464</u>	<u>1,331,142</u>	<u>(132,322)</u>
Receipts from Delinquent Taxes		783	783
Amount to be Raised by Taxes for Support of Municipal Budget			
Local Tax for Municipal Purposes	7,442,260	7,581,037	138,777
Local Tax for Library Purposes	241,015	241,015	
	<u>7,683,275</u>	<u>7,822,052</u>	<u>138,777</u>
Budget Total	\$ <u>9,941,504</u>	<u>9,948,742</u>	<u>7,238</u>
Non-Budget Revenue		<u>268,772</u>	
		<u>\$ 10,217,514</u>	

BOROUGH OF BOGOTA, N.J.

Statement of Revenues-Regulatory Basis

Current Fund

Year Ended December 31, 2017

Analysis of Realized Revenue

Allocation of Current Tax Collections;	
Revenue from Collections	\$ 24,399,023
Allocated to School, County and Local Taxes	<u>16,726,971</u>
Balance for Support of Municipal Budget Appropriations	7,672,052
Add: Appropriation - Reserve for Uncollected Taxes	<u>150,000</u>
Amount for Support of Municipal Budget Appropriations	\$ <u>7,822,052</u>
Receipts from:	
Delinquent Tax Collections	\$ <u>783</u>

Analysis of Non-Budget Revenues

Advertising Bins	\$ 368
County Snow Plowing	86
Crossing Guard Reimbursements	1,668
Copy Fees	3,926
Restitution	2,500
FEMA Reimbursement - Hurricane Sandy	8,310
Insurance Reimbursements	35,926
Maintenance Liens	10,009
DPW Clean-Up Fees	6,724
Miscellaneous	49,827
NJ Inspection Fines	2,450
NSF Fees	100
Overpayment Refunds	23,483
PILOT Payments	2,250
Sale of Municipal Assets	<u>121,145</u>
	\$ <u>268,772</u>

See accompanying notes to financial statements.

BOROUGH OF BOGOTA, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>	<u>Over - Expenditure of Appropriation</u>
Operations - within "CAPS":						
General Government:						
Administration:						
Salaries and Wages	\$ 110,000	110,000	111,060			1,060
Other Expenses	50,000	50,000	59,972			9,972
Mayor and Council:						
Salaries and Wages	16,500	16,500	16,500			
Other Expenses	3,500	3,500	3,437	63		
Municipal Clerk:						
Salaries and Wages	101,000	101,000	105,293			4,293
Other Expenses	25,000	25,000	24,553	447		
Financial Administration:						
Salaries and Wages	95,000	95,000	88,364	6,636		
Other Expenses	25,000	25,000	17,617	7,383		
Audit Services:						
Other Expenses	30,000	30,000		30,000		
Computerized Data Processing:						
Other Expenses	25,000	25,000	28,814			3,814
Revenue Administration (Tax Administration):						
Salaries and Wages	50,000	50,000	49,431	569		
Other Expenses	25,000	25,000	13,367	11,633		
Assessment of Taxes:						
Salaries and Wages	16,000	16,000	15,363	637		
Other Expenses	5,000	5,000	4,575	425		
Legal Services and Costs:						
Other Expenses	205,000	205,000	159,941	45,059		
Engineering Services and Costs:						
Other Expenses	15,000	15,000	12,362	2,638		

BOROUGH OF BOGOTA, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled	Over - Expenditure of Appropriation
Municipal Land Use Law (N.J.S.A. 40:55D-1 et seq.)						
Planning Board:						
Salaries and Wages	7,500	7,500	2,400			
Other Expenses	10,000	10,000	10,678	5,100		678
Code Enforcement & Administration						
Property Maintenance:						
Salaries and Wages	20,000	20,000	21,385			
Other Expenses	26,000	26,000	2,150	23,850		1,385
Insurance:						
Liability Insurance	312,664	312,664	312,664			
Workman's Compensation Insurance	189,197	189,197	189,197			
Employee Group Insurance	652,000	652,000	642,088	9,912		
Other Insurance Premiums	20,000	20,000	14,766	5,234		
Unemployment	10,000	10,000	4,875	5,125		
Public Safety:						
Police Department:						
Salaries and Wages	1,825,000	1,825,000	1,864,812			
Other Expenses	105,000	105,000	100,129	4,871		
Police Clerical:						
Salaries and Wages	40,000	40,000	40,000			
Crossing Guards:						
Salaries and Wages	60,000	60,000	57,058	2,942		
Emergency Management:						
Other Expenses	5,000	5,000	3,540	1,460		
Aid to Volunteer Fire Companies:						
Other Expenses	85,000	85,000	80,297	4,703		
Rescue Squad:						
Other Expenses	20,000	20,000	19,915	85		
First Aid Organization:						
Other Expenses	15,000	15,000	6,346	8,654		

BOROUGH OF BOGOTA, N.J.

Statement of Expenditures - Regulatory Basis

	Current Fund				Unexpended	Over -
	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Balance Canceled	Expenditure of Appropriation
	Year Ended December 31, 2017					
Uniform Fire Safety:						
Salaries and Wages	30,000	30,000	29,297	703		
Other Expenses	83,436	83,436	82,174	1,262		
Public Works Function:						
Streets and Roads:						
Streets and Road Maintenance:						
Salaries and Wages	450,000	450,000	473,230			23,230
Other Expenses	100,000	100,000	100,000			
Shade Tree:						
Salaries and Wages	2,500	2,500		2,500		
Other Expenses	25,000	25,000	25,000			
Solid Waste Collection:						
Other Expenses	298,000	298,000	296,000	2,000		
Public Building and Grounds:						
Other Expenses	100,000	100,000	102,686			2,686
Health and Welfare:						
Board of Health:						
Salaries and Wages	8,500	8,500	8,500			
Other Expenses	40,000	40,000	41,881			1,881
Animal Control Services:						
Other Expenses-Contract	17,500	17,500	13,750	3,750		
Recreational Services and Programs:						
Recreation Commission:						
Salaries and Wages	75,000	75,000	63,123	11,877		
Other Expenses	50,000	50,000	35,201	14,799		
Uniform Construction Code:						
Code Enforcement and Administration:						
Salaries and Wages	90,000	90,000	55,958	34,042		
Other Expenses	5,000	5,000	1,643	3,357		

BOROUGH OF BOGOTA, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>	<u>Over - Expenditure of Appropriation</u>
Utility Expenses and Bulk Purchases:						
Electricity	200,000	120,000	118,630	1,370		
Street Lighting	50,000	50,000	40,000	10,000		
Telephone	50,000	50,000	33,291	16,709		
Water	10,000	10,000	2,654	7,346		
Natural Gas		80,000	6,090	73,910		
Gasoline	75,000	75,000	47,343	27,657		
Solid Waste Disposal Costs:						
Dump Fees	300,000	300,000	293,752	6,248		
Total Operations within "CAPS"	6,259,297	6,259,297	5,953,152	394,956		88,811
Detail:						
Salaries & Wages	2,997,000	2,997,000	3,001,774	65,006		69,780
Other Expenses (Including Contingent)	3,262,297	3,262,297	2,951,378	329,950		19,031
Total:	6,259,297	6,259,297	5,953,152	394,956		88,811
(B) Deferred Charges and Statutory Expenditures-						
Municipal within "CAPS":						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	118,120	118,120	118,120			
Social Security System (O.A.S.I.)	150,000	150,000	153,525			3,525
Police and Fireman's Retirement System of NJ	425,078	425,078	425,078			
Total Deferred Charged and Statutory Expenditures-Municipal within "CAPS"	693,198	693,198	696,723			3,525
Total General Appropriations for Municipal Purposes within "CAPS"	6,952,495	6,952,495	6,649,875	394,956		92,336

BOROUGH OF BOGOTA, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled	Over - Expenditure of Appropriation
Other Appropriations - Excluded from "CAPS":						
Sewer Processing and Disposal [N.J.S.A. 40A:4-45.3(f)]:						
Other Expenses	709,271	709,271	709,271			
Maintenance of Free Public Library:						
Salaries and Wages	147,000	147,000	141,902	5,098		
Other Expenses	94,015	94,015	79,549	14,466		
Police Dispatch/911:						
Salaries and Wages	200,000	200,000	200,229	2,500		229
Other Expenses	2,500	2,500				
LOSAP Contribution:						
Other Expenses	39,610	39,610	39,610			
Total Other Appropriations - Excluded from "CAPS"	1,192,396	1,192,396	1,170,561	22,064		229
Interlocal Municipal Service Agreements-Excluded from "CAPS":						
Municipal Court-Borough of Little Ferry:						
Salaries and Wages	30,000	30,000	29,168	832		
Other Expenses	74,900	74,900	69,900	5,000		
Total Interlocal Municipal Service Agreements	104,900	104,900	99,068	5,832		
Public and Private Programs Offset by Revenues:						
NJ Clean Communities Program	14,818	14,818	14,818			
NJ Recycling Tonnage Grant	6,538	6,538	6,538			
NJ Alcohol Education and Rehabilitation Program	121	121	121			
NJ Body Armor Fund	1,703	1,703	1,703			
BC Prosecutor's Office Confiscated Fund	25,253	25,253	25,253			
NJ Muni Alliance-State	9,876	9,876	9,876			
NJ Muni Alliance-Local	2,469	2,469	2,469			

BOROUGH OF BOGOTA, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled	Over - Expenditure of Appropriation
Total Public and Private Programs Offset by Revenues	60,778	60,778	60,778			
Total Operations-Excluded from "CAPS"	1,358,074	1,358,074	1,330,407	27,896		229
Detail:						
Salaries and Wages	377,000	377,000	371,299	5,930		229
Other Expenses	981,074	981,074	959,108	21,966		
Total	1,358,074	1,358,074	1,330,407	27,896		229
Capital Improvements-Excluded from "CAPS"	50,000	50,000	50,000			
Capital Improvement Fund	50,000	50,000	50,000			
Total Capital Improvements Excluded from "CAPS"	50,000	50,000	50,000			
Municipal Debt Service - Excluded from "CAPS"						
Bond-Principal	695,000	695,000	695,000			
Bond-Interest	97,566	97,566	97,566			
BCIA Loan - Principal	88,000	88,000	88,000			
BCIA Loan - Interest	2,702	2,702	2,702			
BAN - Principal	223,000	223,000	223,000			
BAN - Interest	69,666	69,666	69,666			
Total Municipal Debt Service-Excluded from "CAPS"	1,175,934	1,175,934	1,175,934			
Deferred Charges-Municipal- Excluded from "CAPS"						
Emergency Authorization						
Special Emergency Authorizations- 5 Years (N.J.S.A. 40A:4-55)	80,000	80,000	80,000			
Total Deferred Charges-Municipal- Excluded from "CAPS"	80,000	80,000	80,000			

BOROUGH OF BOGOTA, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled	Over - Expenditure of Appropriation
Judgements (N.J.S.A. 40A:4-3cc)	175,000	175,000	151,036		23,964	
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	2,839,008	2,839,008	2,787,377	27,896	23,964	229
Subtotal General Appropriations	9,791,503	9,791,503	9,437,252	422,852	23,964	92,565
Reserve for Uncollected Taxes	150,000	150,000	150,000			
Total General Appropriations	\$ 9,941,503	\$ 9,941,503	\$ 9,587,252	422,852	23,964	92,565

Adopted Budget \$ 9,941,503
 \$ 9,941,503

Reserve for Uncollected Taxes	\$ 150,000
Grants	60,778
Special Emergency Authorizations	80,000
Encumbrances	120,414
Cash	9,176,060
	\$ 9,587,252

See accompanying notes to the financial statements.

BOROUGH OF BOGOTA, N.J.

Comparative Balance Sheet-Regulatory Basis

Trust Funds

December 31, 2017 and 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Animal Trust Fund:			
Reserve for Animal Trust Fund Expenditures	B-2	4,477	5,610
Due to State of New Jersey	B-3	8	385
Interfund - Current Fund	B-4	10,671	5,479
		<u>15,156</u>	<u>11,474</u>
Other Trust Fund:			
Payroll Deductions Payable	B-5	2,294	547,810
Interfund - Current Fund	B-4	502,940	81,133
Miscellaneous Reserves	B-6	694,313	883,894
		<u>1,199,547</u>	<u>1,512,837</u>
Recreation Trust Fund			
Interfund - Current Fund	B-4	33,412	33,115
Reserve for Expenditures	B-7	92,363	56,997
		<u>125,775</u>	<u>90,112</u>
Library Trust Fund			
Reserve for Expenditures	B-8	70,174	44,227
Emergency Services Volunteer Length of Service Award Program (unaudited):			
Net Assets Available for Benefits	B-10	141,777	97,217
		<u>\$ 1,552,429</u>	<u>1,755,867</u>

See accompanying notes to financial statements.

BOROUGH OF BOGOTA, N.J.

Comparative Balance Sheet-Regulatory Basis

General Capital Fund

December 31, 2017 and 2016

<u>Assets</u>	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Cash	C-2,3	\$	685,257
Interfund Receivable	C-4	539,250	
Grants Receivable	C-5	304,500	
Deferred Charges to Future Taxation:			
Funded	C-6	3,046,000	3,829,000
Unfunded	C-7	5,092,000	3,968,000
		<u>\$ 8,981,750</u>	<u>8,482,257</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Deficit in Cash	C-2,3	12,940	
Serial Bonds Payable	C-8	2,952,000	3,647,000
Capital Leases Payable	C-9	94,000	182,000
Bond Anticipation Notes Payable	C-10	5,092,000	3,493,000
Improvement Authorizations:			
Funded	C-11		138
Unfunded	C-11	421,016	1,090,436
Capital Improvement Fund	C-12	40,005	38,005
Reserve for Payment of Debt	C-13	23,438	23,438
Reserve for Grants Receivable	C-14	304,500	
Fund Balance	C-1	41,851	8,240
		<u>\$ 8,981,750</u>	<u>8,482,257</u>

There were \$ -0- and \$475,000 of Bonds and Notes Authorized But Not Issued on December 31, 2017 and December 31, 2016 (Exhibit C-15).

See accompanying notes to the financial statements.

BOROUGH OF BOGOTA, N.J.

Comparative Statement of Changes in Fund Balance - Regulatory Basis

General Capital Fund

Year Ended December 31,

	<u>2017</u>	<u>2016</u>
Balance - December 31,	\$ 8,240	\$ 8,240
Increased by:		
Premium on Bond Anticipation Note	<u>33,611</u>	<u> </u>
Balance - December 31,	<u>\$ 41,851</u>	<u>\$ 8,240</u>

See accompanying notes to the financial statements.

Exhibit D

BOROUGH OF BOGOTA, N.J.

Comparative Statement of General Fixed Assets-Regulatory Basis

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>General Fixed Assets:</u>		
Land	\$ 5,968,400	5,968,400
Buildings	4,635,800	4,635,800
Machinery and Equipment	<u>5,850,492</u>	<u>5,214,081</u>
	<u>\$ 16,454,692</u>	<u>15,818,281</u>
Investment in Fixed Assets	<u>\$ 16,454,692</u>	<u>15,818,281</u>

See accompanying notes to financial statements.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes seven fund types and two account groups 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 financial statements of the Borough of Bogota have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 the following separate funds which differ from the fund structure required by GAAP.

A. Reporting Entity

The Borough of Bogota (the "Borough") operates under a 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 has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, 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. 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 Public Library, which is considered a component unit under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

**BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of 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. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities 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 – Trust 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 License Fund – This fund is used to account for fees collected from animal 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.

Recreation Trust Fund – This fund is used to account for the receipts and disbursements relating to recreation activities of the Borough.

Library Trust Fund – This fund is used to account for the receipts and disbursements relating to the municipal library.

Emergency Services Volunteer Length of Service Award Plan (LOSAP) Trust Fund – This fund is used to account for the cumulative amount of each participant's length of service awards, including any income, gains, losses or increases or decreases in market value attributable to the investment of the participant's length of service awards.

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

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

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

Basis of Accounting

A modified accrual basis of accounting is followed by the Borough of Bogota. 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 for municipalities by the Division 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. 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 the 11th day of the 11th month in the calendar year levied 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 tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes 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, reduced by an allowance for doubtful accounts.

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.

Grant 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 in the accounting period when they become susceptible to accrual.

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:

General Capital Fund
Trust Fund

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not 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.

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. 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.

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 canceled 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, which should be recognized when due.

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

Appropriation Reserves - 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.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Property Acquired for Taxes - Is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market 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.

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.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at cost which approximates fair value and are limited by N.J.S.A. 40A:5-15.1(a).

Deferred Charges to Future Taxation Funded and Unfunded - Upon the authorization of capital projects, the Borough establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or nonfunding of the authorized cost of capital projects. According to N.J.S.A. 40A:2-4, the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

General Fixed Assets - The Borough of Bogota has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

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

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

No depreciation has been provided for in the financial statements.

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

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

GAAP requires that fixed assets be capitalized at historical or estimated historical cost if actual historical cost is not available.

Use of Estimate - 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations 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.

C. Recent Accounting Pronouncements

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. The Borough does not believe this Statement will have any effect on future financial statements.

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C. Recent Accounting Pronouncements, (continued)

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. This Statement is effective for periods beginning after June 15, 2015. The Borough does not believe this Statement will have any effect on future financial statements.

In August 2015, the Government Accounting Standards Board issued GASB Statement No. 77, *Tax Abatement Disclosures*, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Borough does not believe this Statement will have any effect on future financial statements..

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for reporting periods beginning after December 15, 2015. The Borough does not believe this Statement will have any effect on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it established criteria for an external investment pool to qualify

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C. Recent Accounting Pronouncements, (continued)

for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015, and for certain provisions, periods beginning after December 15, 2015. The Borough does not believe this Statement will have any effect on future financial statements.

In January 2016, the Government Accounting Standards Board issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which provides clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The Borough does not believe this Statement will have any effect on future financial statements. In March 2016, the Government Accounting Standards Board issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Borough does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement is effective for reporting periods beginning after June 15, 2016. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice.

In November 2016, the Government Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for asset retirement obligations (AROs). The Borough does not believe this Statement will have any effect on future financial statements.

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C. Recent Accounting Pronouncements, (continued)

In January 2017, the Government Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities. The Borough is currently evaluating the effects, if any, this Statement may have on future financial statements.

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

D. Basic Financial Statements

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

**BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2017 and 2016, \$-0- of the Borough's bank balance of \$4,455,925 and \$6,103,751, respectively, was exposed to custodial credit risk.

Investments

Investment 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. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the town is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer.

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Unaudited Investments

As more fully described in Note 9, the Borough has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Borough. All investments are valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by Lincoln Financial Advisors, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2017 and 2016 amount to \$101,852 and \$27,384, respectively, as no contributions have been deposited to date.

The following investments represent 5% or more of the total invested with Lincoln Financial Advisors on December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
American Funds Growth Fund	\$	\$1,419
Fixed Income	30,136	7,923
LVIP Blackrock Dividend Value	6,808	1,837
LVIP SSGA International	9,006	2,822
LVIP SSFA S&P 500 Index	30,965	7,391
All Others	<u>24,937</u>	<u>5,992</u>
	<u>\$101,852</u>	<u>\$27,384</u>

NOTE 3. MUNICIPAL DEBT

Long-term debt as of December 31, 2017 and 2016 consisted of the following:

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Bonds Payable:					
Obligation Debt	\$3,647,000	\$	\$695,000	\$2,952,000	\$712,000
Other Liabilities:					
PERS/PFRS Pension Deferral	108,368		12,231	96,137	13,619
Compensated Absences	446,013			446,013	
Capital Leases Payable	<u>182,000</u>	<u> </u>	<u>88,000</u>	<u>94,000</u>	<u>94,000</u>
	<u>\$4,383,381</u>	<u>\$</u>	<u>\$795,231</u>	<u>\$3,588,150</u>	<u>\$819,619</u>

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 3. MUNICIPAL DEBT, (continued)

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Bonds Payable:					
Obligation Debt	\$4,322,000	\$	\$675,000	\$3,647,000	\$695,000
Other Liabilities:					
PERS/PFRS Pension Deferral	119,593		11,225	108,368	12,231
Compensated Absences	427,550	37,025	18,562	446,013	
Capital Leases Payable	<u>265,000</u>	<u> </u>	<u>83,000</u>	<u>182,000</u>	<u>88,000</u>
	<u>\$5,134,143</u>	<u>\$37,025</u>	<u>\$787,787</u>	<u>\$4,383,381</u>	<u>\$795,231</u>

The Local Bond Law governs the issuance of bonds and notes to finance capital expenditures. General obligation bonds have been issued for the general capital fund. 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 five months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

Summary of Municipal Debt (Excluding Current Operating Debt)

	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>
<u>Issued:</u>			
General - Bonds, Notes and Loans	\$8,044,000	\$7,322,000	\$7,002,000
<u>Authorized But Not Issued</u>			
General - Bonds and Notes	<u> </u>	<u>475,000</u>	<u> </u>
Total Bonds, Notes and Loans Issued and Authorized But Not Issued	8,044,000	7,797,000	7,002,000
Less: Deductions	<u>23,438</u>	<u>23,438</u>	<u> </u>
Net Debt	<u>\$8,020,562</u>	<u>\$7,773,562</u>	<u>\$7,002,000</u>

**BOROUGH OF BOGOTA
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 AND 2016
 (CONTINUED)**

NOTE 3. MUNICIPAL DEBT, (continued)

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.112% for 2017.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School District Debt	\$3,030,000	\$3,030,000	\$ -
General Debt	<u>8,044,000</u>	<u>23,438</u>	<u>8,020,562</u>
	<u>\$11,074,000</u>	<u>\$3,053,438</u>	<u>\$8,020,562</u>

Net debt of \$8,020,562 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended of \$721,324,306 equals 1.112% for 2017.

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.088% for 2016.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School District Debt	\$4,025,000	\$4,025,000	\$ -
General Debt	<u>7,797,000</u>	<u>23,438</u>	<u>7,773,562</u>
	<u>\$11,822,000</u>	<u>\$4,048,438</u>	<u>\$7,773,562</u>

Net debt of \$7,773,562 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended of \$712,237,077 equals 1.088% for 2016.

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

	<u>2017</u>	<u>2016</u>
3 ½% of Equalized Valuation Basis (Municipal)	\$25,246,351	\$24,928,298
Net Debt	<u>8,020,562</u>	<u>7,773,562</u>
Remaining Borrowing Power	<u>\$17,225,789</u>	<u>\$17,154,736</u>

**BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 3. MUNICIPAL DEBT, (continued)

The Borough's long-term debt consisted of the following at December 31, 2017:

Paid by Current Fund:

<u>General Serial Bonds</u>	<u>2017</u>	<u>2016</u>
\$1,840,000, General Obligation Bonds - with an interest rate of 3.00% to 4.00%, issued March 15, 2004, due through March 15, 2017	\$	\$205,000
\$2,667,000, General Obligation Bonds, with an interest rate of 4.125% to 4.25%, issued July 1, 2007, due through July 1, 2018	522,000	827,000
\$3,265,000, General Obligation Bonds - with an interest rate of 0.70% to 3.00%, issued December 1, 2012, due through December 1, 2025	<u>2,430,000</u>	<u>2,615,000</u>
Total General Serial Bonds	<u>\$2,952,000</u>	<u>\$3,647,000</u>

Aggregate debt service requirements during the next five years and thereafter are as follows:

<u>Year</u>	<u>General Capital Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$712,000	\$77,185	\$789,185
2019	320,000	51,200	371,200
2020	320,000	44,800	364,800
2021	320,000	38,400	358,400
2022	320,000	32,000	352,000
2023-2025	<u>960,000</u>	<u>52,800</u>	<u>1,012,800</u>
	<u>\$2,952,000</u>	<u>\$296,385</u>	<u>\$3,248,385</u>

General capital and assessment serial bonds are direct obligations of the Borough for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within the Borough and/or water utilities revenues and special assessments.

At December 31, 2017 and 2016, the Borough had authorized but not issued debt as follows:

	<u>2017</u>	<u>2016</u>
General Capital Fund	<u>\$ -0-</u>	<u>\$475,000</u>

**BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 5. PENSION PLANS, (continued)

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 5. PENSION PLANS, (continued)

Police and Firemens' Retirement System (PFRS)

Plan Description

The State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey Division of Pensions and Benefits (the "Division"). For additional information about the PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service. The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (Tiers 1 and 2 members) and 60% (Tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 5. PENSION PLANS, (continued)

Defined Contribution Retirement Program, (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 DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Significant Legislation

On March 17, 2009, the legislative of the State of New Jersey enacted Public Laws 2009, c.19(S-21) the "Pension Deferral Program". This law allows the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying their full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the Public Employees' Retirement System and/or the Police and Firemen's Retirement System obligation for payment due to the State Fiscal Year ending June 30, 2009. The amount deferred will be repaid starting in April 2012 over a 15-year period at 8¼ percent. The amount will fluctuate based on pension system investment earnings on the deferred amount. The local employer is allowed to payoff the obligation at any time prior to April 2012. The Borough of Bogota opted for this deferral in the amount of \$171,430. The amount outstanding at December 31, 2017 was \$96,137.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 and 8.5% for PFRS, which increased to 10% in October 2011, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

**BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 5. PENSION PLANS, (continued)

Contribution Requirements, (continued)

The Borough's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
2017	\$101,865	\$425,078
2016	116,068	426,497
2015	97,742	400,358

Statement No's 68 and 71 require a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. However, since the financial statements are prepared on another comprehensive basis of accounting, the net pension liability of the various pension systems is not recorded in the financial statements and is only required to be disclosed in the notes to the financial statements.

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

Public Employees Retirement System (PERS)

At December 31, 2017, the Borough had a liability of \$2,831,824 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2017, the Borough's proportion was 0.0121650288 percent, which was an increase/(decrease) of 0.0013313337 percent from its proportion measured as of June 30, 2016.

**BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 5. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

For the year ended December 31, 2017, the Borough recognized pension expense of \$101,865. At December 31, 2017, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in expected and actual experience	\$66,680	\$
Changes in assumptions	570,515	568,423
Net difference between projected & actual earnings on pension plan investments	19,283	
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	<u>1,616,489</u>	<u>1,216,331</u>
Total	<u>\$2,272,967</u>	<u>\$1,784,754</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2017) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$66,664
2019	100,597
2020	60,957
2021	(81,073)
2022	(59,090)

**BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 5. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at June 30, 2017 and June 30, 2016 are as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Collective deferred outflows of resources	\$6,424,455,842	\$8,685,338,380
Collective deferred inflows of resources	5,700,625,981	870,133,595
Collective net pension liability	23,278,401,588	29,617,131,759
Borough's Proportion	0.0121650288%	0.0108336951%

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	2.25 Percent
Salary Increases:	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 5. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

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

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 5. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 5. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2017, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2017		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>4.00%</u>	<u>5.00%</u>	<u>6.00%</u>
Borough's proportionate share of the pension liability	\$3,513,070	\$2,831,824	\$2,264,262

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

Police and Firemen's Retirement System (PFRS)

At December 31, 2017, the Borough had a liability of \$7,165,259 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2017, the Borough's proportion was 0.0464129303 percent, which was an increase/(decrease) of (.0031313955) percent from its proportion measured as of June 30, 2016.

**BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)**

NOTE 5. PENSION PLANS, (continued)

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

Police and Firemen's Retirement System, (continued)

For the year ended December 31, 2017, the Borough recognized pension expense of \$425,078. At December 31, 2017, deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in actual and expected experience	\$46,484	\$42,054
Changes of assumptions	883,556	
Net difference between projected and actual earnings on pension plan investments	136,730	1,173,460
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>29,774</u>	<u>578,017</u>
Total	<u>\$1,096,544</u>	<u>\$1,793,531</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2017) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$87,189
2019	236,134
2020	48
2021	(327,253)
2022	(144,862)

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 5. PENSION PLANS, (continued)

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

Police and Firemen's Retirement System, (continued)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.59, 5.58, 5.53 and 6.17 years for 2017, 2016, 2015 and 2014 amounts respectively.

Additional Information

Local Group Collective balances at June 30, 2017 and June 30, 2016 are as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Collective deferred outflows of resources	\$2,941,952,753	\$4,547,316,543
Collective deferred inflows of resources	3,262,432,093	688,197,590
Collective net pension liability	17,167,260,198	20,706,699,056
Borough's Proportion	0.0464129303%	0.0495443258%

Actuarial Assumptions

The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation	2.25 Percent
Salary Increases:	
Through 2026	2.10-8.98 Percent (based on age)
Thereafter	3.10-9.98 Percent (based on age)
Investment Rate of Return	7.00 Percent

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 5. PENSION PLANS, (continued)

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

Police and Firemen's Retirement System, (continued)

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Pre-retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability.

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

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 5. PENSION PLANS, (continued)

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

Police and Firemen's Retirement System, (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 5. PENSION PLANS, (continued)

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

Police and Firemen's Retirement System, (continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2017, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	<u>June 30, 2017</u>		
	<u>1% Decrease</u>	<u>At Current Discount Rate</u>	<u>1% Increase</u>
Borough's proportionate share of the pension liability	\$10,498,270	\$7,165,259	\$5,888,783

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

NOTE 6. FUND BALANCE APPROPRIATED

The fund balance at December 31, 2017 and 2016 which has been appropriated as revenue in the 2018 and 2017 budgets is as follows:

	<u>2018</u>	<u>2017</u>
Current Fund	<u>\$570,000</u>	<u>\$794,765</u>

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 7. FIXED ASSETS

The following is a summary of General Fixed Assets Account Group as of December 31, 2017 and 2016:

	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2017</u>
General Fixed Assets:				
Land	\$5,968,400	\$	\$	\$5,968,400
Buildings and Improvements	4,635,800			4,635,800
Machinery and Equipment	<u>5,124,081</u>	<u>1,008,427</u>	<u>282,016</u>	<u>5,850,492</u>
	<u>\$15,728,281</u>	<u>\$1,008,427</u>	<u>\$282,016</u>	<u>\$16,454,692</u>

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
General Fixed Assets:				
Land	\$5,968,400	\$	\$	\$5,968,400
Buildings and Improvements	4,635,800			4,635,800
Machinery and Equipment	<u>5,124,081</u>			<u>5,124,081</u>
	<u>\$15,728,281</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$15,728,281</u>

NOTE 8. EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP)

On July 19, 2012, the Division of Local Government Services approved the Borough's LOSAP plan, provided by Lincoln National Life Insurance Company. The purpose of this plan is to enhance the Borough's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

Lincoln National Life Insurance Company will provide the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plan shall have minimum and maximum contribution requirements as follows: the minimum contribution for each participating active volunteer member shall be \$650 per year of active emergency service and the maximum contribution for each active volunteer member shall be \$1,150 per year of active emergency service, subject to periodic increases as permitted by N.J.A.C. 5:30-14.9. The Borough's contribution shall be included in the current year's budget.

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 8. EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP), (continued)

All amounts awarded under a length of service award plan shall remain the asset of the sponsoring agency; the obligation of the sponsoring agency to participating volunteers shall be contractual only; and no preferred or special interest in the awards made shall accrue to such participants. Such money shall be subject to the claims of the sponsoring agency's general creditors until distributed to any or all participants.

We have reviewed the plan for the year ended December 31, 2017 in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Review Services.

NOTE 9. ACCRUED SICK AND VACATION BENEFITS

The Borough has permitted employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$446,013 as of December 31, 2017 and \$446,013 at December 31, 2016. The amount is not reported either as an expenditure or liability.

NOTE 10. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at December 31, 2017 consist of the following:

\$270,987	Due to the Current Fund from the Other Trust Fund for deposits in error and interest earned on investments.
44,333	Due to the Current Fund from the Other Trust Fund - Escrow Accutrack for reimbursement of expenditures paid and return of funds deposited.
187,620	Due to the Current Fund from the Payroll Agency Account for excess funds transferred.
10,671	Due to the Current Fund from the Animal License Trust Fund for statutory excess.
33,412	Due to the Current Fund from the Recreation Trust Fund for reimbursement of expenditures paid.
539,250	Due to the General Capital Fund from the Current Fund for budget appropriations and reimbursement for expenditures paid.
<u>105,225</u>	Due to the Federal and State Grant Fund from the Current Fund for grant monies received less expenditures paid.
<u>\$1,191,498</u>	

It is anticipated that all interfunds will be liquidated during the fiscal year.

BOROUGH OF BOGOTA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 11. CAPITAL LEASE PAYABLE

On May 17, 2012, the Borough entered into a \$707,000 capital lease through the Bergen County Improvement Authority for the retirement of its outstanding unfunded pension liability. Annual debt service requirements for this capital lease are as follows:

<u>General Capital Leases</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	<u>\$94,000</u>	<u>\$992</u>	<u>\$94,992</u>

NOTE 12. RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2017 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The Borough of Bogota is a member of the South Bergen Municipal Joint Insurance Fund (SBM) 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 workers' compensation. The SBM 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 insurance funds, to report claims on a timely basis, cooperate with the management of the Fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the insurance funds. Members have a contractual obligation to fund any deficit of the insurance funds attributable to a membership year during which they were 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.

There has been no provision included in the financial statements for claims incurred but not reported as of December 31, 2017.