

**BOROUGH OF WOODCLIFF LAKE**

**BERGEN COUNTY, NEW JERSEY**

**REPORT OF AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**BOROUGH OF WOODCLIFF LAKE**

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**BOROUGH OF WOODCLIFF LAKE**

**BERGEN COUNTY, NEW JERSEY**

**PART I**

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**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY SCHEDULES**

**FOR THE YEAR ENDED DECEMBER 31, 2017**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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ADWOA BOACHIE, CPA

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the Borough Council  
Borough of Woodcliff Lake  
Woodcliff Lake, 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 Woodcliff Lake, as of December 31, 2017 and 2016, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2017, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

As discussed in Note 16 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2017 and 2016. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 25 percent and 24 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2017 and 2016.

***Qualified Opinion on Regulatory Basis of Accounting***

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

**Other Matters**

*Other Information*

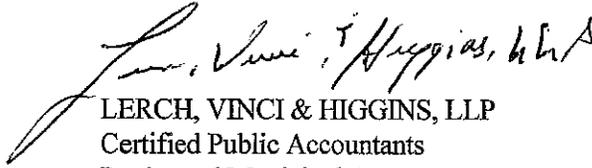
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Woodcliff Lake as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and letter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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2018 on our consideration of the Borough of Woodcliff Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Woodcliff Lake's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Woodcliff Lake's internal control over financial reporting and compliance.

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

  
Paul J. Lerch  
Registered Municipal Accountant  
RMA Number CR00457

Fair Lawn, New Jersey  
June 19, 2018

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

ASSETS	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	A-4	\$ 10,534,948	\$ 5,466,769
Cash - Change Fund	A-6	250	250
Federal and State Grants Receivable	A-23	<u>208,605</u>	<u>100,103</u>
		<u>10,743,803</u>	<u>5,567,122</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes Receivable	A-8	225,178	306,317
Revenue Accounts Receivable	A-9	5,313	4,814
Due from General Capital Fund	C-9	185	96
Due from Other Trust Fund - Escrow	B-8	1,196	549
Due from Public Assistance Fund	D-4	2	25
Due from Community Development Trust Fund	B-16	1	1
Due from Animal Control Fund	B-5	<u>2</u>	<u>2</u>
		<u>231,877</u>	<u>311,804</u>
Total Assets		<u>\$ 10,975,680</u>	<u>\$ 5,878,926</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Appropriation Reserves	A-3,A-10	\$ 682,322	\$ 795,307
Encumbrances Payable	A-19	421,257	407,001
Accounts Payable	A-11	33,831	28,585
Due to State of New Jersey			
Senior Citizens' and Veterans' Deductions	A-7	7,021	7,521
Construction Training Fees Payable	A-12	3,604	8,230
Marriage Fees	A-13	100	125
Tax Overpayments	A-16	172,687	63,118
Reserve for Tax Appeals	A-14	1,838,586	1,694,912
Reserve for Terminal Leave	A-25	389,366	406,574
Prepaid Taxes	A-15	5,262,207	332,858
Reserve for Prepaid Revenue	A-26	10,180	3,647
Reserve for Aid in Lieu of Taxes	A-24	17,313	13,510
Due County for Added and Omitted Taxes	A-18	8,715	3,063
Appropriated Reserves	A-22	168,564	161,356
Unappropriated Reserves	A-21	<u>19,351</u>	<u>440</u>
		9,035,104	3,926,247
Reserve for Receivables and Other Assets	A	231,877	311,804
Fund Balance	A-1	<u>1,708,699</u>	<u>1,640,875</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 10,975,680</u>	<u>\$ 5,878,926</u>

See Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	A-2	\$ 1,050,000	\$ 950,000
Miscellaneous Revenues Anticipated	A-2	2,084,110	2,032,845
Receipts from Delinquent Taxes	A-2	306,153	252,688
Receipts from Current Taxes	A-2	41,005,415	40,657,971
Non-Budget Revenues	A-2	119,251	163,456
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-10	509,384	412,568
Appropriated Reserves Cancelled	A-22	7,793	
Prior Year Accounts Payable Cancelled	A-11	1,524	
Prior Year Interfunds Liquidated	A	673	573
Total Revenues		<u>45,084,303</u>	<u>44,470,101</u>
<b>EXPENDITURES</b>			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	4,408,100	4,282,750
Other Expenses	A-3	5,820,152	5,516,625
Capital Improvement Fund	A-3	100,000	171,550
Municipal Debt Service	A-3	987,623	892,594
Deferred Charges and Statutory Expenditures	A-3	872,515	862,215
County Taxes	A-18	4,940,993	4,853,333
Due County for Added and Omitted Taxes	A-18	8,715	3,063
Municipal Open Space Preservation Trust Fund	B-1	198,708	192,140
Local District School Taxes	A-20	15,527,546	15,126,666
Regional High School Taxes	A-17	11,071,840	11,459,851
Grant Receivable Cancelled	A-23	2,468	
Refund Prior Year Revenue	A-4	26,211	15,147
Prior Year Senior Discount Disallowed	A-7	222	
Interfund Advance Originating	A	1,386	672
Total Expenditures		<u>43,966,479</u>	<u>43,376,606</u>
Excess in Revenue		1,117,824	1,093,495
Fund Balance, January 1	A	<u>1,640,875</u>	<u>1,497,380</u>
		2,758,699	2,590,875
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>1,050,000</u>	<u>950,000</u>
Fund Balance, December 31	A	<u>\$ 1,708,699</u>	<u>\$ 1,640,875</u>

See Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF WOODCLIFF LAKE**  
**STATEMENT OF REVENUES - STATUTORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**CURRENT FUND**

	<u>Reference</u>	<u>Budget</u>	<u>Added by N.J.S.A 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	A-1	\$ 1,050,000	-	\$ 1,050,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-9	2,000		2,175	\$ 175
Other	A-9	200		750	550
Fees and Permits					
Other	A-2	30,000		51,762	21,762
Fines and Costs					
Municipal Court	A-9	60,000		73,988	13,988
Interest and Costs on Taxes	A-9	60,000		81,168	21,168
Uniform Fire Safety Act - Local	A-9	50,000		50,979	979
Energy Receipts Tax	A-9	509,389		509,389	-
Park Receipts	A-9	220,000		271,681	51,681
Upper Saddle River Sewer Charges	A-9	15,000		17,320	2,320
Cablevision Fees	A-9	54,675		54,675	-
Dept. of Public Works - Recyclables	A-9	15,000		33,806	18,806
Hotel Tax	A-9	270,000		271,858	1,858
Verizon Franchise Fees	A-9	46,384		46,384	-
Watershed Moratorium Aid	A-9	11,186		11,186	-
Uniform Construction Code Fees	A-9	300,000		320,424	20,424
Uniform Fire Safety Act	A-9	10,000		17,118	7,118
Alcohol Education	A-23		\$ 643	643	
Body Armor Grant - Unappropriated	A-21	440		440	
Body Armor Grant	A-23		3,266	3,266	
Clean Communities Program	A-23		14,483	14,483	
Drunk Driving Enforcement	A-23		3,000	3,000	
FEMA - Assistance to Firefighters	A-23	148,572		148,572	
Municipal Alliance Grant	A-23	9,876		9,876	
NJDEP - Green Communities Grant	A-23	3,000		3,000	
NJDEP - Reforestation/Tree Planting	A-23	19,260		19,260	
NJDEP - Recreational Trails Program	A-23	24,000		24,000	
NJ Distracted Driving Grant	A-23	5,500		5,500	
NJ Highway Grant - Drive Sober	A-23		5,500	5,500	
Recycling Tonnage	A-23		18,398	18,398	
Reserve for Aid in Lieu of Taxes	A-24	13,510	-	13,510	-
Total Miscellaneous Revenues	A-1	<u>1,877,992</u>	<u>45,290</u>	<u>2,084,111</u>	<u>160,829</u>
Receipts from Delinquent Taxes	A-8,A-1	<u>200,000</u>	-	<u>306,153</u>	<u>106,153</u>
Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>9,755,108</u>	-	<u>9,997,612</u>	<u>242,504</u>
Total General Revenues	A-3	<u>\$ 12,883,100</u>	<u>\$ 45,290</u>	<u>13,437,876</u>	<u>\$ 509,486</u>
Non-Budget Revenue	A-1,A-2			<u>119,251</u>	
				<u>\$ 13,557,127</u>	

See Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF WOODCLIFF LAKE**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**CURRENT FUND**  
**(Continued)**

	<u>Reference</u>	<u>Realized</u>
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-8	\$ 41,305,415
Less: Reserve for Tax Appeals	A-14	<u>300,000</u>
	A-1	41,005,415
Less: Allocation to School and County Taxes and Municipal Open Space Preservation Trust Fund	A-18,A-20,A-17, B-13	<u>31,747,803</u>
Balance for Support of Municipal Budget Appropriation		9,257,612
Add Appropriation - "Reserve for Uncollected Taxes"	A-3	<u>740,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 9,997,612</u>
Fees and Permits		
Other		
Collector/Treasurer (Parking)	A-9	\$ 4,910
Police	A-9	1,183
Board of Health	A-9	20,455
Planning & Zoning	A-9	20,167
Fire Prevention- Miscellaneous Fees	A-9	4,947
Borough Clerk	A-9	<u>100</u>
	A-2	<u>\$ 51,762</u>
Analysis of Non-Budget Revenue		
Administrative Fee - Private Duty Account		\$ 42,780
Interest on Investments		19,436
Cancellation of Prior Year Outstanding Checks		14,436
Bergen County JIF Dividend		11,981
Scrap Sale		11,444
Sale of Assets		10,422
BCUA Sewer Connection Rebate		3,883
MEL-JIF Tri-Boro Ambulance Montvale		1,650
Miscellaneous		1,328
Soil Removal		1,275
Administrative Fee on Senior and Veterans Discounts		<u>616</u>
	A-2	<u>\$ 119,251</u>
Analysis of Non-Budget Revenue		
Cash Receipts	A-4	\$ 115,494
Due from Animal Control Fund	B-5	34
Due from General Capital	C-9	2,707
Due from Public Assistance Fund	D-4	25
Due from Other Trust Fund	B-8	<u>991</u>
	A-2	<u>\$ 119,251</u>

See Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserves</u>
<b>OPERATIONS WITHIN "CAPS"</b>				
<b>GENERAL GOVERNMENT</b>				
General Administration				
Salaries and Wages	\$ 168,000	\$ 169,500	\$ 167,951	\$ 1,549
Other Expenses	120,000	120,000	119,505	495
Mayor and Council				
Salaries and Wages	23,000	23,000	23,000	
Other Expenses	10,000	10,000	8,349	1,651
Municipal Clerk				
Salaries and Wages	85,000	86,000	83,025	2,975
Other Expenses	42,500	41,500	24,854	16,646
Financial Administration				
Salaries and Wages	135,000	137,000	136,014	986
Other Expenses	27,000	31,000	28,039	2,961
Audit Services				
Other Expenses	50,000	50,000	46,975	3,025
Information Technology				
Other Expenses	11,500	11,500	8,446	3,054
Revenue Administration (Tax Collection)				
Salaries and Wages	65,000	65,000	63,070	1,930
Other Expenses	12,600	9,100	7,069	2,031
Tax Assessment Administration				
Other Expenses	146,700	180,700	177,917	2,783
Legal Services and Costs				
Other Expenses	275,000	250,000	207,075	42,925
Engineering Services and Costs				
Other Expenses	50,000	75,000	70,275	4,725
<b>MUNICIPAL LAND USE LAW (NJSA 40:55D-1)</b>				
Planning Board				
Salaries and Wages	2,500	2,500	2,500	-
Other Expenses	45,000	70,000	67,553	2,447
Zoning Board of Adjustment				
Salaries and Wages	2,500	2,500	2,500	-
Other Expenses	16,000	16,000	6,231	9,769
<b>INSURANCE</b>				
Unemployment Insurance				
Other Expenses	5,091	5,091	5,091	-
Insurance (N.J.S.A. 40A:4-45.3(00))				
General Liability	176,600	176,600	166,794	9,806
Workers Compensation	156,900	156,900	156,884	16
Employee Group Health	1,210,000	1,210,000	1,167,394	42,606
<b>PUBLIC SAFETY FUNCTIONS</b>				
Police				
Salaries and Wages	2,416,500	2,416,500	2,399,092	17,408
Other Expenses	160,800	160,800	131,891	28,909
Police Dispatch/911				
Other Expenses	223,000	223,000	221,103	1,897

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

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserves</u>
OPERATIONS WITHIN "CAPS" (Continued)				
PUBLIC SAFETY FUNCTIONS (Continued)				
Emergency Management Services				
Salaries and Wages	\$ 11,000	\$ 11,000	\$ 8,937	\$ 2,063
Other Expenses	5,150	5,150	1,195	3,955
Aid to Volunteer Fire Companies				
Salaries and Wages	2,500	2,500		2,500
Other Expenses	139,000	139,000	124,166	14,834
Aid to Volunteer Ambulance Companies				
Contribution	20,000	20,000	20,000	-
Fire Prevention Bureau				
Salaries and Wages	45,000	45,000	42,249	2,751
Other Expenses	13,900	13,900	10,702	3,198
Fire Hydrant Services				
Other Expenses	24,000	24,000	22,854	1,146
PUBLIC WORKS FUNCTION				
Road Repairs and Maintenance				
Salaries and Wages	600,000	600,000	548,761	51,239
Other Expenses	96,450	96,450	96,357	93
Shade Tree Commission				
Other Expenses	17,000	22,000	17,066	4,934
Solid Waste Collection				
Salaries and Wages	212,000	213,000	212,300	700
Other Expenses	70,800	69,800	42,450	27,350
Public Buildings and Grounds				
Salaries and Wages	90,000	90,000	73,013	16,987
Other Expenses	170,000	130,000	107,714	22,286
Vehicle Maintenance				
Other Expenses	102,500	102,500	76,705	25,795
HEALTH AND HUMAN SERVICES				
Board of Health				
Salaries and Wages	4,500	4,500	4,500	-
Other Expenses	32,500	34,000	32,658	1,342
Animal Control Services				
Other Expenses	4,000	4,000	4,000	-
Welfare/Administration of Public Assistance				
Salaries and Wages	2,100	2,100	2,048	52
Other Expenses	600	600	186	414
PARKS AND EDUCATION FUNCTIONS				
Recreation Services and Programs				
Salaries and Wages	247,500	254,000	253,776	224
Other Expenses	97,600	91,100	71,757	19,343
Maintenance of Parks				
Other Expenses	31,400	31,400	27,891	3,509

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

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserves</u>
OPERATIONS WITHIN "CAPS" (Continued)				
EDUCATIONAL FUNCTIONS				
Municipal/County Library				
Library Membership	\$ 30,000	\$ 28,500	\$ 22,450	\$ 6,050
OTHER COMMON OPERATING FUNCTIONS				
Celebration of Public Events				
Other Expenses	20,000	20,000	16,909	3,091
UNIFORM CONSTRUCTION CODE APPRO- PRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C 5:23-4-17)				
State Uniform Construction Code				
Salaries and Wages	200,000	200,000	176,539	23,461
Other Expenses	14,800	14,800	7,775	7,025
UTILITY EXPENSE AND BULK PURCHASES				
Electricity	135,000	135,000	106,948	28,052
Street Lighting	100,000	100,000	79,234	20,766
Telephone	33,000	33,000	28,839	4,161
Water	12,500	12,500	6,431	6,069
Gasoline	100,000	92,000	79,482	12,518
Sewer Processing and Disposal				
Salaries and Wages	82,000	84,000	83,596	404
Other Expenses	43,500	36,500	19,606	16,894
LANDFILL/SOLID WASTE DISPOSAL COSTS				
Sanitary Landfill Dump Fees				
Other Expenses	181,000	159,000	145,963	13,037
Total Operations Within "CAPS"	<u>8,627,491</u>	<u>8,620,491</u>	<u>8,073,654</u>	<u>546,837</u>
Detail:				
Salaries and Wages	4,394,100	4,408,100	4,282,871	125,229
Other Expenses (Including Contingent)	<u>4,233,391</u>	<u>4,212,391</u>	<u>3,790,783</u>	<u>421,608</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES				
- Municipal within "CAPS"				
Statutory Charges				
Social Security System (O.A.S.I.)	185,000	185,000	184,581	419
Public Employees Retirement System of N.J.	174,399	176,399	176,243	156
Police and Firemen's Retirement System of N.J.	509,616	509,616	509,616	
Defined Contribution Retirement Program	1,500	1,500	1,101	399
Total Deferred Charges & Statutory Expenditures				
- Municipal within "CAPS"	<u>870,515</u>	<u>872,515</u>	<u>871,541</u>	<u>974</u>
Total General Appropriations for Municipal Purposes within "CAPS"				
	<u>9,498,006</u>	<u>9,493,006</u>	<u>8,945,195</u>	<u>547,811</u>

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

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserves</u>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>				
<b>UTILITY EXPENSE AND BULK PURCHASE</b>				
Bergen County Utilities Authority				
Share Costs Sewer Charges-Operating Costs	\$ 431,866	\$ 431,866	\$ 431,865	\$ 1
Share Costs Sewer Charges-Debt Service	167,060	167,060	167,060	
Borough of Montvale - Sewer Charges	62,000	67,000	66,974	26
Borough of Hillsdale - Sewer Charges	27,000	27,000	23,944	3,056
 <b>PUBLIC SAFETY FUNCTION</b>				
Aid to Volunteer Ambulance				
Other Expense - LOSAP Contribution	16,000	16,000	16,000	
Aid to Volunteer Fire Companies				
Other Expense - LOSAP Contribution	50,000	50,000	50,000	
 <b>LANDFILL/SOLID WASTE FUNCTION</b>				
Recycling Tax	8,000	8,000	5,926	2,074
Reserve for Tax Appeals	500,000	500,000	500,000	
 Interlocal Municipal Service Agreements				
Municipal Court (Tri-Boro)				
Other Expenses (Contractual)	66,000	66,000	47,799	18,201
 <b>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</b>				
Municipal Alliance-State	9,876	9,876	9,876	-
Municipal Alliance-Local Matching Funds	2,469	2,469	1,569	900
Clean Communities Grant		14,483	60	14,423
Drunk Driving		3,000		3,000
NJDEP - Resforestation/ Tree Planting	19,260	19,260	19,260	-
NJDEP - Green Communities Grant - State	3,000	3,000		3,000
NJDEP - Green Communities Grant - Local	3,000	3,000		3,000
NJ Distracted Driving Grant	5,500	5,500	4,175	1,325
NJDEP - Recreational Trails Program - State	24,000	24,000		24,000
NJDEP - Recreational Trails Program - Local	6,000	6,000		6,000
FEMA - Assistance to Firefighters Grant - State	148,572	148,572	148,572	-
FEMA - Assistance to Firefighters Grant - Local	7,428	7,428	4,532	2,896
Body Armor Fund		3,266	2,640	626
Body Armor Reserve	440	440	330	110
NJ Highway-Drive Sober		5,500		5,500
State of NJ Recycling Tonnage - Reserve		18,398	1,895	16,503
Alcohol Education Rehabilitation	-	643	643	-
 Total Operations - Excluded from "CAPS"	<u>1,557,471</u>	<u>1,607,761</u>	<u>1,503,120</u>	<u>104,641</u>
 Detail:				
Other Expenses (Including Contingent)	<u>1,557,471</u>	<u>1,607,761</u>	<u>1,503,120</u>	<u>104,641</u>
 <b>CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</b>				
Capital Improvement Fund	50,000	50,000	50,000	
Various Building Improvements	50,000	50,000	20,130	29,870
 Total Capital Improvements Excluded from "CAPS"	<u>100,000</u>	<u>100,000</u>	<u>70,130</u>	<u>29,870</u>

See Accompanying Notes are an Integral Part of these Financial Statements

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

		<u>Appropriated</u>		<u>Expended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserves</u>
		<u>Modification</u>	<u>Charged</u>	
MUNICIPAL DEBT SERVICE EXCLUDED FROM "CAPS"				
Payment of Bond Principal	\$ 685,000	\$ 685,000	\$ 685,000	
Payment of Bond Anticipation Notes	168,500	168,500	168,500	
Interest on Bonds	52,121	52,121	52,121	
Interest on Notes	<u>82,002</u>	<u>82,002</u>	<u>82,002</u>	-
 Total Municipal Debt Service - Excluded from "CAPS"	 <u>987,623</u>	 <u>987,623</u>	 <u>987,623</u>	 -
 Total General Appropriations for Municipal Purposes Excluded from "CAPS"	 <u>2,645,094</u>	 <u>2,695,384</u>	 <u>2,560,873</u>	 <u>\$ 134,511</u>
 Subtotal General Appropriations	 12,143,100	 12,188,390	 11,506,068	 682,322
 RESERVE FOR UNCOLLECTED TAXES	 <u>740,000</u>	 <u>740,000</u>	 <u>740,000</u>	 -
 Total General Appropriations	 <u>\$ 12,883,100</u>	 <u>\$ 12,928,390</u>	 <u>\$ 12,246,068</u>	 <u>\$ 682,322</u>
	<u>Reference</u>	A-2	A,A-1	A,A-1
	<u>Reference</u>	<u>Budget After</u>	<u>Paid or</u>	
		<u>Modification</u>	<u>Charged</u>	
Budget as Adopted	A-2	\$ 12,883,100		
Added by N.J.S. 40A:4-87	A-2	<u>45,290</u>		
		<u>\$ 12,928,390</u>		
 Cash Disbursed	A-4		\$ 10,584,811	
Encumbrances Payable	A-19		421,257	
Reserve for Tax Appeals	A-14		500,000	
Reserve for Uncollected Taxes	A-2		<u>740,000</u>	
			<u>\$ 12,246,068</u>	

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

ASSETS	<u>Reference</u>	<u>2017</u>	<u>2016</u>
<b>Animal Control Trust Fund</b>			
Cash	B-3	\$ 6,730	\$ 10,239
Due from State of NJ	B-6	<u>8</u>	<u>-</u>
		<u>6,738</u>	<u>10,239</u>
<b>Other Trust Fund</b>			
Cash	B-3	<u>1,096,481</u>	<u>961,750</u>
<b>Unemployment Insurance Trust Fund</b>			
Cash	B-3	<u>33,394</u>	<u>43,599</u>
<b>Municipal Open Space Preservation Trust Fund</b>			
Cash	B-3	2,186,412	1,981,319
Grants Receivable	B-14	<u>10,000</u>	<u>10,000</u>
		<u>2,196,412</u>	<u>1,991,319</u>
<b>Community Development Trust Fund</b>			
Cash	B-3	<u>1</u>	<u>1</u>
<b>Length of Service Award Program Fund - LOSAP (UNAUDITED)</b>			
Investments	B	1,097,736	895,862
Contribution Receivable	B	<u>39,600</u>	<u>39,325</u>
		<u>1,137,336</u>	<u>935,187</u>
<b>Total Assets</b>		<u>\$ 4,470,362</u>	<u>\$ 3,942,095</u>

See Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Animal Control Trust Fund</b>			
Due to Current Fund	B-5	\$ 2	\$ 2
Reserve for Animal Control Expenditures	B-4	<u>6,736</u>	<u>10,237</u>
		<u>6,738</u>	<u>10,239</u>
<b>Other Trust Fund</b>			
Due to Current Fund	B-8	1,196	549
Escrow Deposits Payable	B-7	374,364	470,900
Payroll Deductions Payable	B-10	31,794	23,235
Miscellaneous Reserves	B-9	<u>689,127</u>	<u>467,066</u>
		<u>1,096,481</u>	<u>961,750</u>
<b>Unemployment Insurance Trust Fund</b>			
Due to State of New Jersey	B-11	246	2,892
Reserve for Unemployment Claims	B-12	<u>33,148</u>	<u>40,707</u>
		<u>33,394</u>	<u>43,599</u>
<b>Municipal Open Space Preservation Trust Fund</b>			
Reserve for Grants Receivable	B-14	10,000	10,000
Reserve for Community Garden	B-15	1,800	
Reserve for Municipal Open Space Expenditures	B-13	<u>2,184,612</u>	<u>1,981,319</u>
		<u>2,196,412</u>	<u>1,991,319</u>
<b>Community Development Trust Fund</b>			
Due to Current fund	B-16	<u>1</u>	<u>1</u>
<b>Length of Service Award Program Fund - LOSAP (UNAUDITED)</b>			
Reserve for LOSAP Benefits	B	<u>1,137,336</u>	<u>935,187</u>
<b>Total Liabilities, Reserves and Fund Balance</b>		<u>\$ 4,470,362</u>	<u>\$ 3,942,095</u>

See Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Reference</u>	Anticipated <u>Budget</u> (Memo)	Realized in <u>2017</u>	<u>Excess</u>
Amount to be Raised by Taxation	B-13	\$ 198,360	\$ 198,708	\$ 348
Miscellaneous	B-13	-	12,585	12,585
		<u>\$ 198,360</u>	<u>\$ 211,293</u>	<u>\$ 12,933</u>
	Reference	B-2	B-13	

EXHIBIT B-2

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

	Anticipated <u>Budget</u> (Memo)	<u>2017 Expended</u>	
		Paid or <u>Charged</u>	<u>Reserved</u>
Down Payments on Improvements	<u>\$ 198,360</u>	<u>\$ 8,000</u>	<u>\$ 190,360</u>
	Reference	B-1	B-13

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

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	C-2, C-3	\$ 851,603	\$ 262,584
Deferred Charges to Future Taxation			
Funded	C-4	998,000	1,683,000
Unfunded	C-6	6,487,746	5,378,496
Grants Receivable	C-5	<u>436,446</u>	<u>136,446</u>
 Total Assets		 <u>\$ 8,773,795</u>	 <u>\$ 7,460,526</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
General Serial Bonds Payable	C-7	\$ 998,000	\$ 1,683,000
Bond Anticipation Notes Payable	C-13	5,210,000	4,123,000
Improvement Authorizations			
Funded	C-8	65,438	65,722
Unfunded	C-8	1,294,172	813,511
Due to Current Fund	C-9	185	96
Reserve for Grants Receivable	C-5	436,446	136,446
Reserve for Payment of Notes	C-10	48	48
Contracts Payable	C-11	672,206	299,153
Capital Improvement Fund	C-12	38,814	56,064
Fund Balance	C-1	<u>58,486</u>	<u>283,486</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 8,773,795</u>	 <u>\$ 7,460,526</u>

There were Bonds and Notes Authorized But Not Issued at December 31, 2017 and 2016 of \$1,277,750 and \$1,255,500, respectively (Exhibit C-14).

**BOROUGH OF WOODCLIFF LAKE**  
**COMPARATIVE STATEMENTS OF CHANGE IN FUND BALANCE - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**GENERAL CAPITAL FUND**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Balance, January 1, 2017	C	\$ 283,486	\$ 234,335
Increased by:			
Premium of Sale of Bond Anticipation Notes	C-1	<u>          -</u>	<u>49,151</u>
		283,486	283,486
Decreased by:			
Appropriation to Finance Improvement Authorization	C-8	<u>225,000</u>	<u>          -</u>
Balance, December 31, 2017	C	<u>\$ 58,486</u>	<u>\$ 283,486</u>

**BOROUGH OF WOODCLIFF LAKE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**AS OF DECEMBER 31, 2017 AND 2016**  
**PUBLIC ASSISTANCE FUND**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
Cash	D-1	\$ 9,975	\$ 10,801
Total Assets		<u>\$ 9,975</u>	<u>\$ 10,801</u>
 <b>LIABILITIES AND RESERVES</b>			
Due to the State of New Jersey	D-3	\$ 2,201	\$ 2,201
Due to Current Fund	D-4	2	25
Reserve for Public Assistance Expenditures	D-2	<u>7,772</u>	<u>8,575</u>
Total Liabilities and Reserves		<u>\$ 9,975</u>	<u>\$ 10,801</u>

**BOROUGH OF WOODCLIFF LAKE  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
AS OF DECEMBER 31, 2017 AND 2016  
GENERAL FIXED ASSETS ACCOUNT GROUP**

	<u>2017</u>	<u>2016</u>
ASSETS		
Land	\$ 7,240,218	\$ 7,207,218
Building and Building Improvements	6,017,105	6,017,105
Machinery and Equipment	<u>8,078,070</u>	<u>7,400,759</u>
	<u>\$ 21,335,393</u>	<u>\$ 20,625,082</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 21,335,393</u>	<u>\$ 20,625,082</u>

**NOTES TO FINANCIAL STATEMENTS**

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Borough of Woodcliff Lake (the "Borough") was incorporated in 1896 and operates under an elected Mayor and Council form of government. The Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

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

**B. Description of Regulatory Basis of Accounting**

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

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements**

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

The Borough has the following funds and account group:

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

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

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

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

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

*Municipal Open Space Preservation Trust Fund* - This fund is used to account for open space tax levied against properties for the purpose of preserving open space in the Borough.

*Community Development Block Grant Fund* - This fund is used to account for grant proceeds, program income and related expenditures for Federal Block grant entitlements.

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

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

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

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements (Continued)**

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

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

**Financial Statements – Regulatory Basis**

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

**D. Measurement Focus and Basis of Accounting**

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

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

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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

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

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

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

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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

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

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

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

**General Fixed Assets** - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Woodcliff Lake has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years.

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

General Fixed Assets purchased after December 31, 1986 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General Fixed Assets purchased prior to December 31, 1986 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

**General Fixed Assets (Continued)**

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

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

Trust Funds (Except Municipal Open Space Preservation Trust Fund)  
General Capital Fund  
Public Assistance Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2017 and 2016 the Borough Council increased the original budget by \$45,290 and \$41,350. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2017 and 2016.

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

**NOTE 3 CASH DEPOSITS AND INVESTMENTS**

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

**A. Cash Deposits**

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2017 and 2016, the book value of the Borough's deposits were \$14,719,794 and \$8,737,312 and bank and brokerage firm balances of the Borough's deposits amounted to \$14,291,198 and \$8,850,828, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" or “cash and cash equivalents” are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2017</u>	<u>2016</u>
Insured	<u>\$ 14,291,198</u>	<u>\$ 8,850,828</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2017 and 2016, the Borough was not exposed to custodial credit risk.

**B. Investments**

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

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

**NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments (Continued)**

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

	<u>Fair Value</u>
<b><u>2017</u></b>	
Investment:	
Lincoln Financial - Length of Service Award Program (LOSAP)	\$ <u>1,097,736</u>
MBIA-Class	\$ <u>1,097,736</u>
<b><u>2016</u></b>	
Investment:	
Lincoln Financial - Length of Service Award Program (LOSAP)	\$ <u>895,862</u>
MBIA-Class	\$ <u>895,862</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2017 and 2016, \$1,097,736 and \$895,862 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>
<b><u>2017</u></b>	
Uninsured and Collateralized	
Collateral held by pledging bank's trust department, but not in the Borough's name	\$ <u>1,097,736</u>
<b><u>2016</u></b>	
Uninsured and Collateralized	
Collateral held by pledging bank's trust department, but not in the Borough's name	\$ <u>895,862</u>

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

**NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments (Continued)**

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2017 and 2016, the Borough’s investment in Lincoln Financial Group was rated Baa1 by Moody’s Investor Services.

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

The fair value of the above-listed investment was based on quoted market prices.

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

**NOTE 4 TAXES RECEIVABLE**

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

	<u>2017</u>	<u>2016</u>
<u>Current</u> Property Taxes	\$ 225,178	\$ 306,317

In 2017 and 2016, the Borough collected \$306,153 and \$252,688 from delinquent taxes, which represented 100% of the prior year delinquent taxes receivable balance.

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

**NOTE 5 DUE TO/FROM OTHER FUNDS**

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

	<u>2017</u>		<u>2016</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 1,386		\$ 673	
Animal Control Trust Fund		\$ 2		\$ 2
Community Development Trust Fund		1		1
Other Trust Fund-Escrow		1,196		549
Public Assistance Fund		2		25
General Capital Fund	-	185	-	96
<b>Total</b>	<u>\$ 1,386</u>	<u>\$ 1,386</u>	<u>\$ 673</u>	<u>\$ 673</u>

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

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

**NOTE 6 FUND BALANCES APPROPRIATED**

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

	<u>2017</u>		<u>2016</u>	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 1,500,094	\$ 1,200,000	\$ 1,540,772	\$ 1,050,000
Non-Cash Surplus	<u>208,605</u>	<u>-</u>	<u>100,103</u>	<u>-</u>
	<u>\$ 1,708,699</u>	<u>\$ 1,200,000</u>	<u>\$ 1,640,875</u>	<u>\$ 1,050,000</u>

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

**NOTE 7 FIXED ASSETS**

**A. General Fixed Assets**

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

	Balance December 31, <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2017</u>
<b><u>2017</u></b>				
Land	\$ 7,207,218	\$ 33,000		\$ 7,240,218
Buildings and Building Improvement	6,017,105			6,017,105
Machinery and Equipment	<u>7,400,759</u>	<u>793,811</u>	\$ 116,500	<u>8,078,070</u>
	<u>\$ 20,625,082</u>	<u>\$ 826,811</u>	<u>\$ 116,500</u>	<u>\$ 21,335,393</u>
	Balance December 31, <u>2015</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2016</u>
<b><u>2016</u></b>				
Land	\$ 7,207,218			\$ 7,207,218
Buildings and Building Improvement	5,577,682	\$ 439,423		6,017,105
Machinery and Equipment	<u>6,647,296</u>	<u>853,963</u>	\$ 100,500	<u>7,400,759</u>
	<u>\$ 19,432,196</u>	<u>\$ 1,293,386</u>	<u>\$ 100,500</u>	<u>\$ 20,625,082</u>

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

**NOTE 8 MUNICIPAL DEBT**

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

The Borough's debt is summarized as follows:

	<u>2017</u>	<u>2016</u>
Issued		
General		
Bonds and Notes	\$ 6,208,000	\$ 5,806,000
Less Funds Temporarily Held to Pay Bonds	<u>52</u>	<u>52</u>
Net Debt Issued	6,207,948	5,805,948
Authorized But Not Issued		
General		
Bonds and Notes	<u>1,277,750</u>	<u>1,255,500</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 7,485,698</u>	<u>\$ 7,061,448</u>

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

**NOTE 8 MUNICIPAL DEBT (Continued)**

**Statutory Net Debt**

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .378% and .355% at December 31, 2017 and 2016, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2017</u></b>			
General Debt	\$ 7,485,750	\$ 52	\$ 7,485,698
School Debt	<u>10,259,602</u>	<u>10,259,602</u>	<u>-</u>
Total	<u>\$ 17,745,352</u>	<u>\$ 10,259,654</u>	<u>\$ 7,485,698</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2016</u></b>			
General Debt	\$ 7,061,500	\$ 52	\$ 7,061,448
School Debt	<u>11,337,007</u>	<u>11,337,007</u>	<u>-</u>
Total	<u>\$ 18,398,507</u>	<u>\$ 11,337,059</u>	<u>\$ 7,061,448</u>

**Statutory Borrowing Power**

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

	<u>2017</u>	<u>2016</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 69,387,114	\$ 69,555,589
Less: Net Debt	<u>7,485,698</u>	<u>7,061,448</u>
Remaining Borrowing Power	<u>\$ 61,901,416</u>	<u>\$ 62,494,141</u>

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

**NOTE 8 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt**

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

**General Obligation Bonds**

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

	<u>2017</u>	<u>2016</u>
\$3,696,000, 1998 Bonds, due in annual installments of \$191,000 to \$200,000 through December, 2018, interest at 4.375%	\$ 191,000	\$ 391,000
\$2,024,000, 2004 Bonds, due in annual installments of \$169,000 to \$170,000 through October, 2018, interest at 3.25% to 4.0%	169,000	339,000
\$2,638,000, 2009 Bonds, due in annual installments of \$315,000 to \$320,000 through June 2019, interest at 1.25% to 2.875%	<u>638,000</u>	<u>953,000</u>
	<u>\$ 998,000</u>	<u>\$ 1,683,000</u>

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

Calendar Year	<u>General</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2018	\$ 680,000	\$ 28,659	\$ 708,659
2019	<u>318,000</u>	<u>4,571</u>	<u>322,571</u>
Total	<u>\$ 998,000</u>	<u>\$ 33,230</u>	<u>\$ 1,031,230</u>

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

**NOTE 8 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**Changes in Long-Term Municipal Debt**

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

	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<b><u>2017</u></b>					
General Capital Fund Bonds Payable	\$ 1,683,000	\$ -	\$ 685,000	\$ 998,000	\$ 680,000
	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<b><u>2016</u></b>					
General Capital Fund Bonds Payable	\$ 2,368,000	\$ -	\$ 685,000	\$ 1,683,000	\$ 685,000

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

**NOTE 8 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

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

**Bond Anticipation Notes**

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance December 31, 2016</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2017</u>
<b><u>2017</u></b>						
<b><u>General Capital Fund</u></b>						
Various Improvements	2.00%	2/24/2017	\$ 685,400		\$ 685,400	
	1.07%	2/23/2018		\$ 635,600		\$ 635,600
Various Improvements	2.00%	2/24/2017	354,650		354,650	
	1.07%	2/23/2018		327,000		327,000
Various Improvements	2.00%	2/24/2017	178,050		178,050	
	1.07%	2/23/2018		165,400		165,400
Various Imp & Acq. Of Equipment	2.00%	2/24/2017	1,474,400		1,474,400	
	1.07%	2/23/2018		1,396,000		1,396,000
Road Improvements	2.00%	2/24/2017	770,500		770,500	
	1.07%	2/23/2018		770,500		770,500
Acquisition of Various Vehicles	2.00%	2/24/2017	90,000		90,000	
	1.07%	2/23/2018		90,000		90,000
Acquisition of Fire Engine	2.00%	2/24/2017	570,000		570,000	
	1.07%	2/23/2018	-	570,000		570,000
Various Improvements	1.07%	2/23/2018	-	189,500		189,500
Various Improvements	1.07%	2/23/2018	-	1,066,000	-	1,066,000
Total General Capital Fund			<u>\$ 4,123,000</u>	<u>\$ 5,210,000</u>	<u>\$ 4,123,000</u>	<u>\$ 5,210,000</u>

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

**NOTE 8 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (continued)**

**Bond Anticipation Notes**

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance December 31, 2015</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2016</u>
<b><u>2016</u></b>						
<b><u>General Capital Fund</u></b>						
Various Improvements	1.25%	2/26/2016	\$ 734,200		\$ 734,200	
	2.00%	2/24/2017		\$ 685,400		\$ 685,400
Various Improvements	1.25%	2/26/2016	381,650		381,650	
	2.00%	2/24/2017		354,650		354,650
Various Improvements	1.25%	2/26/2016	190,650		190,650	
	2.00%	2/24/2017		178,050		178,050
Various Imp & Acq. Of Equipment	1.25%	2/26/2016	1,474,400		1,474,400	
	2.00%	2/24/2017		1,474,400		1,474,400
Road Improvements	1.25%	2/26/2016	770,500		770,500	
	2.00%	2/24/2017		770,500		770,500
Acquisition of Various Vehicles	2.00%	2/24/2017		90,000		90,000
Acquisition of Fire Engine	2.00%	2/24/2017	-	570,000	-	570,000
Total General Capital Fund			<u>\$ 3,551,400</u>	<u>\$ 4,123,000</u>	<u>\$ 3,551,400</u>	<u>\$ 4,123,000</u>

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

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

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

**NOTE 9 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<b><u>2017</u></b>		
2017 Road Program	\$550,829	2018
<b><u>2016</u></b>		
2016 Road Program	\$87,086	2017

**NOTE 10 OTHER LONG-TERM LIABILITIES**

**A. Compensated Absences**

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$506,045 and \$461,779 at December 31, 2017 and 2016, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2017 and 2016, the Borough has reserved in the Current Fund \$389,366 and \$406,574, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

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

**NOTE 10 OTHER LONG-TERM LIABILITIES (Continued)**

**Changes in Other Long-Term Liabilities**

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

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

	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<b><u>2017</u></b>					
Compensated Absences	\$ 461,779	\$ 44,266		\$ 506,045	
Net Pension Liability - PERS	5,792,203		\$ 1,302,886	4,489,317	
Net Pension Liability - PFRS	<u>11,939,758</u>	<u>-</u>	<u>2,699,038</u>	<u>9,240,720</u>	<u>-</u>
 Total Other Long-Term Liabilities	 <u>\$ 18,193,740</u>	 <u>\$ 44,266</u>	 <u>\$ 4,001,924</u>	 <u>\$ 14,236,082</u>	 <u>\$ -</u>
	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<b><u>2016</u></b>					
Compensated Absences	\$ 439,238	\$ 50,798	\$ 28,257	\$ 461,779	
Net Pension Liability - PERS	4,328,018	1,637,926	173,741	5,792,203	
Net Pension Liability - PFRS	<u>10,449,772</u>	<u>1,999,602</u>	<u>509,616</u>	<u>11,939,758</u>	<u>-</u>
 Total Other Long-Term Liabilities	 <u>\$ 15,217,028</u>	 <u>\$ 3,688,326</u>	 <u>\$ 711,614</u>	 <u>\$ 18,193,740</u>	 <u>\$ -</u>

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS**

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

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

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

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

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

**Other Pension Funds**

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

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

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

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

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

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

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Basis of Accounting**

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

**Investment Valuation**

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

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

**Funded Status and Funding Progress**

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

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

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

**Actuarial Methods and Assumptions**

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

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

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Employer and Employee Pension Contributions**

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

**Annual Pension Cost (APC)**

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

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

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2017	\$ 509,616	\$ 176,243	\$ 1,101
2016	509,957	171,463	
2015	530,754	171,797	

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

**Public Employees Retirement System (PERS)**

At December 31, 2017 and 2016, the Borough reported a liability of \$4,489,317 and \$5,792,203, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Borough’s proportionate share of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the Borough’s proportionate share was .01929 percent, which was a decrease of .00027 percent from its proportionate share measured as of June 30, 2016 of .01956 percent.

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

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

For the year ended December 31, 2017 and 2016, the pension system has determined the Borough's pension expense to be \$251,460 and \$483,905 respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$176,243 and \$171,463 respectively. At December 31, 2017 and 2016, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2017		2016	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 105,708		\$ 107,717	
Changes of Assumptions	904,443	\$ 901,127	1,199,835	\$ 286,305
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	30,569		220,862	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>35,231</u>	<u>255,757</u>	<u>45,099</u>	<u>-</u>
Total	<u>\$ 1,075,951</u>	<u>\$ 1,156,884</u>	<u>\$ 1,573,513</u>	<u>\$ 286,305</u>

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

Year Ending <u>December 31,</u>	<u>Total</u>
2018	\$ 37,963
2019	96,093
2020	59,034
2021	(149,681)
2022	(124,342)
Thereafter	<u>-</u>
	<u>\$ (80,933)</u>

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

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

*Actuarial Assumptions*

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

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

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

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

**BOROUGH OF WOODCLIFF LAKE  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

***Long-Term Expected Rate of Return***

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

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

***Discount Rate***

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

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

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

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

*Discount Rate (Continued)*

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

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

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

*Sensitivity of Net Pension Liability*

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

	<b>1% Decrease <u>(4.00%)</u></b>	<b>Current Discount Rate <u>(5.00%)</u></b>	<b>1% Increase <u>(6.00%)</u></b>
<u>2017</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ 5,569,302	\$ 4,489,317	\$ 3,589,555
	<b>1% Decrease <u>(2.98%)</u></b>	<b>Current Discount Rate <u>(3.98%)</u></b>	<b>1% Increase <u>(4.98%)</u></b>
<u>2016</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ 7,097,669	\$ 5,792,203	\$ 4,714,428

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

**BOROUGH OF WOODCLIFF LAKE  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

*Pension Plan Fiduciary Net Position*

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

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

At December 31, 2017 and 2016, the Borough reported a liability of \$9,240,720 and \$11,939,758, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the Borough's proportionate share was .05986 percent, which was a decrease of .00264 percent from its proportionate share measured as of June 30, 2016 of .06250 percent.

For the years ended December 31, 2017 and 2016, the pension system has determined the Borough pension expense to be \$654,155 and \$1,165,776, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$509,616 and \$509,957, respectively. At December 31, 2017 and 2016, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough's financial statements are from the following sources:

	<u>2017</u>		<u>2016</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 59,948	\$ 54,235		\$ 78,267
Changes of Assumptions	1,139,484	1,513,360	\$ 1,653,755	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	176,335		836,595	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>104,720</u>	<u>742,231</u>	<u>152,978</u>	<u>570,950</u>
Total	<u>\$ 1,480,487</u>	<u>\$ 2,309,826</u>	<u>\$ 2,643,328</u>	<u>\$ 649,217</u>

**BOROUGH OF WOODCLIFF LAKE  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

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

Year Ending December 31,	<u>Total</u>
2018	\$ (72,092)
2019	149,667
2020	(154,697)
2021	(516,762)
2022	(235,455)
Thereafter	<u>-</u>
	<u>\$ (829,339)</u>

***Actuarial Assumptions***

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

**PFRS**

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

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

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

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

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

***Long-Term Expected Rate of Return***

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

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

***Discount Rate***

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

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

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

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

***Discount Rate (Continued)***

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

Period of Projected Benefit

Payments for which the Following  
Rates were Applied:

Long-Term Expected Rate of Return                      Through June 30, 2057

Municipal Bond Rate \*                                      From July 1, 2057  
and Thereafter

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

***Sensitivity of Net Pension Liability***

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

	<b>1% Decrease <u>(5.14%)</u></b>	<b>Current Discount Rate <u>(6.14%)</u></b>	<b>1% Increase <u>(7.14%)</u></b>
<u>2017</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 12,175,410</u>	<u>\$ 9,240,720</u>	<u>\$ 6,829,539</u>
	<b>1% Decrease <u>(4.55%)</u></b>	<b>Current Discount Rate <u>(5.55%)</u></b>	<b>1% Increase <u>(6.55%)</u></b>
<u>2016</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 15,395,442</u>	<u>\$ 11,939,758</u>	<u>\$ 9,121,855</u>

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

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

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

***Special Funding Situation – PFRS***

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

At December 31, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,035,038 and \$1,002,644, respectively. For the years ended December 31, 2017 and 2016, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$126,609 and \$128,061, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$51,756 and \$38,418, respectively. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

***Pension Plan Fiduciary Net Position***

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

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

**NOTE 12 POST-RETIREMENT MEDICAL BENEFITS**

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

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

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

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

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

**Basis of Accounting**

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

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

**NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Investment Valuation**

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

**Funded Status and Funding Progress**

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

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

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

**Actuarial Methods and Assumptions**

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

**Post-Retirement Medical Benefits Contribution**

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

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

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

**NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Post-Retirement Medical Benefits Contribution (Continued)**

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

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Borough's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended December 31, 2017, 2016 and 2015 were \$514,082, \$409,031 and \$349,077, respectively, which equaled the required contributions for each year. In addition, the Borough's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended December 31, 2017, 2016 and 2015 were \$19,732, \$19,302 and \$24,652, respectively.

**NOTE 13 RISK MANAGEMENT**

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

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

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

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

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

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

**NOTE 13 RISK MANAGEMENT (Continued)**

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

<u>Year Ended December 31</u>	<u>Borough Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017	\$ 5,091	\$ 12,751	\$ 33,148
2016	10,000	10,804	40,707
2015	25,001	23,519	41,401

**NOTE 14 CONTINGENT LIABILITIES**

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

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2017 and 2016. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2017 and 2016, the Borough reserved \$1,838,586 and \$1,694,912, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

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

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

**NOTE 15 FEDERAL ARBITRAGE REGULATIONS**

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

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

The Borough of Woodcliff Lake Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on August 9, 1999 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Woodcliff Lake approved the adoption of the Plan at the general election held on November 2, 1999.

The first year of eligibility for entrance into the Plan was calendar year 2000. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the First Aid Organization, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

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

The Borough of Woodcliff Lake has contributed \$1,586 and \$1,573 for 2017 and 2016, respectively, for each eligible volunteer fire department and volunteer ambulance corp. member into the Plan. The total Borough contributions were \$39,600 and \$39,325 for 2017 and 2016, respectively.

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

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

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

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

**Vesting and Benefits**

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

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

**Reporting Requirements**

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

**NOTE 17 TAX ABATEMENTS**

For the years ended December 31, 2017 and 2016, the Borough provided property tax abatements through certain programs authorized under State statutes. This program includes the New Jersey Housing and Mortgage Financing Act (NJHMFA).

- The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 15% of the annual gross revenue from each housing project. For the years ended December 31, 2017 and 2016 the Borough abated property taxes totaling \$76,139 and \$76,892, respectively, under the NJHMFA program. The Borough received \$17,313 and \$13,510 in PILOT payments under this program for the years ended December 31, 2017 and 2016, respectively.

**NOTE 18 SUBSEQUENT EVENTS**

**Bond Anticipation Notes**

On February 23, 2018 the Borough issued bond anticipation notes in the amount of \$6,280,000 to temporarily finance expenditures related to various capital projects. The Borough has awarded the sale of said notes to Oppenheimer & Co. at an interest rate of 2.50%. These notes dated February 23, 2018 will mature on February 22, 2019.

**SUPPLEMENTARY SCHEDULES**

**CURRENT FUND**

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF CASH - COLLECTOR-TREASURER**

Balance, January 1, 2017		\$ 5,466,769
Increased by Receipts:		
Current Taxes Receivable	\$ 40,941,057	
Receipts from Delinquent Taxes	306,153	
Non-Budget Revenue	115,494	
State of NJ - Senior Citizens' and Veterans' Deductions	30,778	
Revenue Accounts Receivable	1,811,016	
Construction Training Fees	20,229	
Prepaid Taxes	5,262,207	
Grants Receivable	99,133	
Tax Overpayments	114,547	
Aid in Lieu of Taxes	17,313	
Marriage License Fees	375	
Unappropriated Reserve	19,351	
Reserve for Prepaid Revenues	10,180	
Receipts from Animal Control Trust Fund	34	
Receipts from Other Trust Fund	344	
Receipts from General Capital Fund	2,618	
Receipts from Public Assistance	48	
Petty Cash	<u>500</u>	
		<u>48,751,377</u>
		54,218,146
Decreased by Disbursements:		
2017 Budget Appropriations	10,584,811	
2016 Appropriation Reserves	571,678	
Construction Training Fees	24,855	
Marriage License Fees	400	
Regional High School Tax	11,071,840	
County Tax	4,944,056	
Local District School Tax	15,527,546	
Appropriated Reserves	29,080	
Tax Overpayments	4,978	
Reserve for Tax Appeals	656,326	
Refund Prior Year Revenue	26,211	
Reserve for Terminal Leave	42,208	
Petty Cash	500	
Payments to Open Space Trust Fund	<u>198,709</u>	
		<u>43,683,198</u>
Balance, December 31, 2017		<u>\$ 10,534,948</u>

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF PETTY CASH FUNDS**

Increased by:		
Cash Receipts		\$ <u>500</u>
Decreased by:		
Cash Disbursements		\$ <u>500</u>

EXHIBIT A-6

**STATEMENT OF CHANGE FUNDS**

Balance, January 1, 2017	\$ <u>250</u>
Balance, December 31, 2017	\$ <u>250</u>

EXHIBIT A-7

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

Balance, January 1, 2017		\$ 7,521
Increased by:		
Cash Received from State of New Jersey	\$ 30,778	
Senior Citizens' Deductions Disallowed - 2016	<u>222</u>	
		<u>31,000</u>
		38,521
Decreased by:		
Senior Citizens' Deductions Per Tax Billings	750	
Veterans' Deductions Per Tax Billings	30,250	
Veterans' Deductions Allowed by Tax Collector	<u>500</u>	
		<u>31,500</u>
Balance, December 31, 2017		\$ <u>7,021</u>

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	2017 Levy	2016	2017	Senior Citizens' and Veterans' Deductions Allowed	Senior Citizens' and Veterans' Deductions Disallowed	Collections	Taxes Cancelled or Remitted or Abated	Balance, December 31, 2017
2016	\$ 306,317	\$ 222	\$ 306,153	\$ 31,500	\$ 222	\$ 306,153	\$ 386	\$ 225,178
2017	\$ -	\$ 72,924	\$ 40,941,057	\$ 31,500	-	\$ 40,941,057	\$ 39,322	\$ 225,178
	\$ 306,317	\$ 72,924	\$ 41,247,210	\$ 31,500	\$ 222	\$ 41,247,210	\$ 39,708	\$ 225,178

**TAX YIELD**

General Property Tax	\$ 41,496,991
Real Property Tax	72,924
Added Taxes (54:4-63.1 et seq.)	<u>\$ 41,569,915</u>

**TAX LEVY**

Local District School Tax (Abstract)	\$ 15,527,546
Regional School Tax (Abstract)	11,071,840
County Taxes (Abstract)	4,744,560
County Open Space Taxes	196,433
Municipal Open Space Preservation Trust Fund	198,360
Municipal Open Space Added Taxes (54:4-63.1)	349
Due County for Added Taxes (54:4-63.1)	<u>8,715</u>
	\$ 31,747,803

Local Tax for Municipal Purposes	9,755,108
Add Additional Tax Levied	<u>67,004</u>
	<u>\$ 9,822,112</u>
	<u>\$ 41,569,915</u>

**BOROUGH OF WOODCLIFF LAKE**  
**STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, January 1, <u>2017</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2017</u>
Borough Clerk				
Licenses				
Alcoholic Beverage Licenses		\$ 2,175	\$ 2,175	
Other Licenses		750	750	
Fees and Permits		100	100	
Collector-Treasurer				
Fees and Permits		4,910	4,910	
Construction Code Official				
Building Permits and Fees		320,424	320,424	
Planning and Zoning				
Fees and Permits		20,167	20,167	
Fire Prevention				
Miscellaneous Fees and Permits		4,947	4,947	
Police				
Fees and Permits		1,183	1,183	
Board of Health				
Fees and Permits		20,455	20,455	
Municipal Court				
Fines and Costs	\$ 4,814	74,487	73,988	\$ 5,313
Uniform Fire Safety Act- Local		50,979	50,979	
Uniform Fire Safety Act- LEA		17,118	17,118	
Interest and Cost on Taxes		81,168	81,168	
Watershed Moratorium Aid		11,186	11,186	
Energy Receipts Tax		509,389	509,389	
Verizon Franchise Fees		46,384	46,384	
Park Receipts		271,681	271,681	
Upper Saddle River Sewer Charges		17,320	17,320	
Cablevision Fees		54,675	54,675	
Hotel Tax		271,858	271,858	
Dept. of Public Works Recyclables	-	33,806	33,806	-
	<u>\$ 4,814</u>	<u>\$ 1,815,162</u>	<u>\$ 1,814,663</u>	<u>\$ 5,313</u>
			\$ 3,647	
			<u>1,811,016</u>	
			<u>\$ 1,814,663</u>	
Prepaid Revenue			\$ 3,647	
Cash Receipts			<u>1,811,016</u>	
Total			<u>\$ 1,814,663</u>	

**BOROUGH OF WOODCLIFF LAKE**  
**STATEMENT OF 2016 APPROPRIATION RESERVES**

	Balance, December 31, <u>2016</u>	<u>Transfers</u>	Balance After <u>Modification</u>	<u>Expended</u>	Transfers/ <u>Cancellations</u>	Balanced <u>Lapsed</u>
<b>Salaries and Wages</b>						
General Administration	\$ 2,888		\$ 2,888	\$ 685		\$ 2,203
Municipal Clerk	1,682	\$ (1,000)	682			682
Financial Administration	8,310		8,310	903		7,407
Revenue Administration	200		200			200
Police	96,578	(7,000)	89,578	10,986	\$ 25,000	53,592
Emergency Management Services	1,779		1,779			1,779
Fire Prevention Bureau	904		904			904
Road Repairs and Maintenance	21,829		21,829	8,833		12,996
Solid Waste Collection	7,973		7,973			7,973
Public Buildings and Grounds	1,923		1,923			1,923
Board of Health	1,902		1,902			1,902
Welfare Administration	64		64			64
Recreation Services and Programs	63		63			63
Uniform Construction Code	20,494		20,494	375		20,119
Sewer Processing and Disposal	1,559	-	1,559	-	-	1,559
	<u>168,148</u>	<u>(8,000)</u>	<u>160,148</u>	<u>21,782</u>	<u>25,000</u>	<u>113,366</u>
<b>Total Salaries and Wages</b>						
<b>Other Expenses</b>						
General Administration	7,989		13,072	8,705		4,367
Mayor & Council	1,259		12,313	11,553		760
Municipal Clerk	735	1,000	7,669	7,390		279
Financial Administration	2,279		3,811	3,811		-
Audit Services	986		38,786	38,750		36
Information Technology	2,625		2,975	350		2,625
Revenue Administration	283		1,371	1,231		140
Assessment of Taxes (Reserve for Tax Appeals)	36,192	(10,000)	32,292	12,111		20,181
Legal Services and Costs	7,727	10,000	22,280	13,898		8,382
Engineering Service and Costs	21,572	(7,000)	14,572	1,198		13,374
Planning Board	2,470	7,000	9,630	8,305		1,325
Zoning Board of Adjustment	2,928		2,928	1,680		1,248
General Liability	10,847		46,031	35,382		10,649
Employee Group Health	34,455		34,455	3,789		30,666
Workers Compensation	59		39,569	39,510		59

**BOROUGH OF WOODCLIFF LAKE**  
**STATEMENT OF 2016 APPROPRIATION RESERVES**

	Balance, December 31, <u>2016</u>	<u>Transfers</u>	Balance After <u>Modification</u>	<u>Expended</u>	Transfers/ <u>Cancellations</u>	Balanced <u>Lapsed</u>
Other Expenses (Continued)						
Police	\$ 841	\$ 7,000	\$ 28,002	\$ 23,001		5,001
Police Dispatch/911	537		26,309	25,772		537
Emergency Management Services	2,076		2,625	1,177		1,448
Aid to Volunteer Fire Companies	23,868		28,924	18,988		9,936
Aid to Volunteer Ambulance Companies	7,914		7,914			7,914
LOSAP - Ambulance Corp.			16,000	11,283		4,717
LOSAP - Fire Department			50,000	39,323		10,677
Fire Prevention Bureau	6,355		7,301	946		6,355
Fire Hydrant Services	2,752		2,752			2,752
Municipal Court	18,625		18,625	14,757		3,868
Road Repairs and Maintenance	37,937		39,584	2,743		36,841
Shade Tree Commission	436		436			436
Solid Waste Collection	25,925		58,912	54,073		4,839
Recycling Tax	1,931		-			-
Public Buildings and Grounds	34,324		40,744	13,978		26,766
Vehicle Maintenance	43,733		45,175	6,360		38,815
Board of Health	790		790			790
Welfare/Administration of Public Assist.	520		520	240		280
Recreation Services and Programs	5,409		6,156	1,660		4,496
Maintenance of Parks	804		1,095	291		804
Library Membership	6,450		6,975	525		6,450
Celebration of Public Events	2,509		2,974	1,314		1,660
Uniform Construction Code	7,139		7,430	2,991		4,439
Electricity	42,626		46,274	19,331		26,943
Street Lighting	20,660		26,512	16,643		9,869
Telephone	3,723		5,772	3,013		2,759
Water	3,059		3,059			3,059
Gasoline	37,167		39,562	10,895		28,667
Sewer Processing and Disposal	16,420		18,050	1,637		16,413
Sanitary Landfill Dump Fees	17,216		43,530	24,267		19,263
Borough of Montvale - Sewer Charges	90		90			90
Borough of Hillsdale - Sewer Charges	4,920		4,920			4,920
Social Security System (O.A.S.I)	1,806		1,806			1,806
Public Employees Retirement System of N.J.	295		295			295
Defined Contribution Retirement Program	1,500		1,500			1,500

**BOROUGH OF WOODCLIFF LAKE**  
**STATEMENT OF 2016 APPROPRIATION RESERVES**

	Balance, December 31, <u>2016</u>	<u>Transfers</u>	Balance After <u>Modification</u>	<u>Expended</u>	<u>Transfers/ Cancellations</u>	<u>Balanced Lapsed</u>
Other Expenses (Continued)						
Body Armor Fund	\$ 1,644		\$ 1,644		\$ 1,644	
Clean Communities	17,047		17,047	\$ 82	16,965	
Municipal Alliance - State	303		303		303	
NJ Highway - Drive Sober 2012 Statewide	7,410		7,410	2,809	4,601	
NJ Click It/Ticket	5,000		5,000		5,000	
NJ DEP - Recycling Bonus	3,100		3,100		3,100	
Various DPW Equipment	17,571		72,968	66,446		\$ 6,522
FEMA - Hazard Mitigation - Fire Generator	33,674		33,674	1,980	31,694	
Drunk Driving	3,184		3,184	1,478	1,706	
Senior Citizen Activity Grant (CDBG)	7,655		7,655		7,655	
State of NJ Recycling Tonnage	<u>17,808</u>	<u>-</u>	<u>17,808</u>	<u>1,000</u>	<u>16,808</u>	<u>-</u>
Total Other Expenses	<u>627,159</u>	<u>8,000</u>	<u>1,042,160</u>	<u>556,666</u>	<u>89,476</u>	<u>396,018</u>
Grand Total	<u>\$ 795,307</u>	<u>\$ -</u>	<u>\$ 1,202,308</u>	<u>\$ 578,448</u>	<u>\$ 114,476</u>	<u>\$ 509,384</u>
Appropriation Reserves			\$ 795,307			
Prior Year Encumbrances Payable - Restored			<u>407,001</u>			
			<u>\$ 1,202,308</u>			
Transfer to Accounts Payable				\$ 6,770		
Cash Disbursements				<u>571,678</u>		
				<u>\$ 578,448</u>		
Transfer to Reserve for Terminal Leave					\$ 25,000	
Transfer to Appropriated Reserves					<u>89,476</u>	
					<u>\$ 114,476</u>	

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF ACCOUNTS PAYABLE**

Balance, January 1, 2017	\$ 28,585
Increased by :	
Transfer from 2016 Appropriation Reserves	<u>6,770</u>
	35,355
Decreased by:	
Cancellations to Surplus	<u>1,524</u>
Balance, December 31, 2017	<u>\$ 33,831</u>

EXHIBIT A-12

**STATEMENT OF DUE TO STATE OF NEW JERSEY  
CONSTRUCTION TRAINING FEES PAYABLE**

Balance, January 1, 2017	\$ 8,230
Increased by:	
Collections	<u>20,229</u>
	28,459
Decreased by:	
Payments	<u>24,855</u>
Balance, December 31, 2017	<u>\$ 3,604</u>

EXHIBIT A-13

**STATEMENT OF DUE TO STATE OF NEW JERSEY  
MARRIAGE FEES**

Balance, January 1, 2017	\$ 125
Increased by:	
Collections	<u>375</u>
	500
Decreased by:	
Payments	<u>400</u>
Balance, December 31, 2017	<u>\$ 100</u>

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF RESERVE FOR TAX APPEALS**

Balance, January 1, 2017		\$ 1,694,912
Increased by:		
Transfer from 2017 Budget Appropriation	\$ 500,000	
Transfer from Current Year Tax Collections	<u>300,000</u>	
		<u>800,000</u>
		2,494,912
Decreased by:		
Cash Paid to Appellants		<u>656,326</u>
Balance, December 31, 2017		<u>\$ 1,838,586</u>

EXHIBIT A-15

**STATEMENT OF PREPAID TAXES**

Balance, January 1, 2017		\$ 332,858
Increased by:		
Collection of 2018 Taxes		<u>5,262,207</u>
		5,595,065
Decreased by:		
Application to 2017 Taxes		<u>332,858</u>
Balance, December 31, 2017		<u>\$ 5,262,207</u>

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2017	\$ 63,118
Increased by:	
Cash Receipts	<u>114,547</u>
	177,665
Decreased by:	
Cash Disbursements	<u>4,978</u>
Balance, December 31, 2017	<u>\$ 172,687</u>

EXHIBIT A-17

**STATEMENT OF REGIONAL HIGH SCHOOL TAX PAYABLE**

Balance, January 1, 2017	
Increased by:	
Levy - Calendar Year	<u>\$ 11,071,840</u>
Decreased by:	
Payments	<u>\$ 11,071,840</u>

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF COUNTY TAXES PAYABLE**

Balance, January 1, 2017		\$ 3,063
Increased by:		
2017 Levy	\$ 4,744,560	
Open Space Preservation	196,433	
Added Taxes (54:4-63.1 et seq.)	<u>8,715</u>	
		<u>4,949,708</u>
		4,952,771
Decreased by:		
Payments		<u>4,944,056</u>
Balance, December 31, 2017		<u>\$ 8,715</u>

EXHIBIT A-19

**STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2017		\$ 407,001
Increased by:		
Charges to 2017 Appropriations		<u>421,257</u>
		828,258
Decreased by:		
Restored to Appropriation Reserves		<u>407,001</u>
Balance, December 31, 2017		<u>\$ 421,257</u>

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF LOCAL DISTRICT SCHOOL TAX PAYABLE**

Increased by:	
Levy - Calendar Year	<u>\$ 15,527,546</u>
Decreased by:	
Payments	<u>\$ 15,527,546</u>

**STATEMENT OF UNAPPROPRIATED RESERVES**

	Balance, January 1, <u>2017</u>	Cash <u>Receipts</u>	Anticipated in 2017 <u>Budget</u>	Balance, December 31, <u>2017</u>
Body Armor Grant	\$ 440		\$ 440	-
Recycling Tonnage Grant	<u>-</u>	<u>\$ 19,351</u>	<u>-</u>	<u>\$ 19,351</u>
	<u>\$ 440</u>	<u>\$ 19,351</u>	<u>\$ 440</u>	<u>\$ 19,351</u>

**BOROUGH OF WOODCLIFF LAKE**  
**STATEMENT OF APPROPRIATED RESERVES**

	Balance, January 1, <u>2017</u>	Transferred from 2016 Appropriation <u>Reserves</u>	Paid or <u>Charged</u>	<u>Cancellations</u>	Balance, December 31, <u>2017</u>
Capital Improvements:					
Park & Recreation Sidewalk Imprvts.	\$ 40,312				\$ 40,312
Body Armor Fund	10,930	\$ 1,644			12,574
CDBG - Senior Activity County	2,974	7,655		\$ 2,974	7,655
Clean Communities	44,315	16,965	\$ 20,851		40,429
DWI- Overtime	6,725	1,706	3,629		4,802
NJ Highway Drive Sober		4,601		4,601	
Municipal Alliance - State	4,988	303		4,988	303
Municipal Alliance - Local	5,304			5,304	-
NJ Highway Click It or Ticket	527	5,000		527	5,000
FEMA - Hazard Mitigation Fire Dept		31,694		31,694	
Recreation Development Plan	25,000				25,000
Recycling Tonnage Grant	20,281	19,908	4,600	3,100	32,489
	<u>\$ 161,356</u>	<u>\$ 89,476</u>	<u>\$ 29,080</u>	<u>\$ 53,188</u>	<u>\$ 168,564</u>
			Grants Receivable	\$ 45,395	
			Surplus	<u>7,793</u>	
				<u>\$ 53,188</u>	

**BOROUGH OF WOODCLIFF LAKE**  
**STATEMENT OF GRANTS RECEIVABLE**

	Balance, January 1, <u>2017</u>	Accrued <u>2017</u>	Collected <u>2017</u>	<u>Cancellations</u>	Balance, December 31, <u>2017</u>
Alcohol Education		\$ 643	\$ 643		
Bergen County Community Dev. Senior Citizens	\$ 90			\$ 90	
Body Armor Grant		3,266	3,266		
Clean Communities Grant		14,483	14,483		
Drunk Driving Enforcement Fund		3,000	3,000		
FEMA - Fire Fighters Grant		148,572			\$ 148,572
FEMA Hazard Mitigation - Fire Department	74,120		42,966	31,154	-
Municipal Alliance Program	17,021	9,876	3,192	12,670	11,035
NJ Highway - Click It or Ticket	1,842			437	1,405
NJ Highway - Distracted Driving		5,500	4,166		1,334
NJ Highway - Drive Sober Grant	7,030	5,500	6,019	3,512	2,999
NJDEP - Green Communities Grant		3,000	3,000		-
NJDEP - Recreation Trails Grant		24,000			24,000
NJDEP - Recycling Grant		18,398	18,398		-
NJDEP - Reforestation/Tree Planting Grant	-	19,260	-	-	19,260
	<u>\$ 100,103</u>	<u>\$ 255,498</u>	<u>\$ 99,133</u>	<u>\$ 47,863</u>	<u>\$ 208,605</u>
			Appropriated Reserves	\$ 45,395	
			Surplus	2,468	
				<u>47,863</u>	

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF RESERVE FOR AID IN LIEU OF TAXES**

Balance, January 1, 2017	\$ 13,510
Increased by:	
Cash Receipts	<u>17,313</u>
	30,823
Decreased by:	
Realized as Budgeted Revenue	<u>13,510</u>
Balance, December 31, 2017	<u>\$ 17,313</u>

**STATEMENT OF RESERVE FOR TERMINAL LEAVE**

Balance, January 1, 2017	\$ 406,574
Increased by:	
Transfer from 2016 Appropriation Reserves	<u>25,000</u>
	431,574
Decreased by:	
Cash Disbursements	<u>42,208</u>
Balance, December 31, 2017	<u>\$ 389,366</u>

**STATEMENT OF RESERVE FOR PREPAID REVENUE  
FIRE PREVENTION PERMITS/REGISTRATION**

Balance, January 1, 2017	\$ 3,647
Increased by:	
Cash Receipts	<u>10,180</u>
	13,827
Decreased by:	
Realized as Budgeted Revenue	<u>3,647</u>
Balance, December 31, 2017	<u>\$ 10,180</u>

**TRUST FUND**

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF TRUST CASH**

	<u>Animal Control</u>	<u>Other Trust</u>	<u>Unemployment Trust</u>	<u>Open Space Trust</u>	<u>Community Development Trust</u>
Balance, January 1, 2017	\$ 10,239	\$ 961,750	\$ 43,599	\$ 1,981,319	\$ -
Increased by Receipts:					
Current Fund Budget Appropriation	\$ 4,000		\$ 5,091		
Tax Collections				\$ 198,709	
State Dog License Fees	734				
Animal License Fees Collected	3,689				
Miscellaneous Receipts and Late Fees	370				
Miscellaneous Reserves		\$ 492,801			
Interest on Deposits	34	1,345	101	12,584	
Escrow Deposits		40,258			
Net Payroll and Payroll Deductions		<u>4,798,377</u>			
	<u>8,827</u>	<u>5,332,781</u>	<u>5,192</u>	<u>211,293</u>	<u>\$ -</u>
Decreased by Disbursements:					
Net Payroll and Payroll Deductions	19,066	6,294,531	48,791	2,192,612	1
Miscellaneous Reserves		4,789,818		6,200	
Cash Disbursements - Animal Control		270,740			
Expenditures Under R.S. 4:19-15.11	11,560				
Payments to Current Fund	34	344			
Escrow Deposits		137,148			
Payments to State of New Jersey	<u>742</u>		<u>15,397</u>		
	<u>12,336</u>	<u>5,198,050</u>	<u>15,397</u>	<u>6,200</u>	<u>-</u>
Balance, December 31, 2017	<u>\$ 6,730</u>	<u>\$ 1,096,481</u>	<u>\$ 33,394</u>	<u>\$ 2,186,412</u>	<u>\$ -</u>

**BOROUGH OF WOODCLIFF LAKE**  
**STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES**  
**ANIMAL CONTROL FUND**

Balance, January 1, 2017		\$ 10,237
Increased by:		
Animal License Fees Collected	\$ 3,689	
Miscellaneous and Late Fees	370	
Budget Appropriation	<u>4,000</u>	
		<u>8,059</u>
		18,296
Decreased by:		
Expenditures Under R.S. 4:19-15.11		<u>11,560</u>
Balance, December 31, 2017		<u>\$ 6,736</u>

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

Balance, January 1, 2017		\$ 2
Increased by:		
Interest on Deposits		<u>34</u>
		36
Decreased by:		
Cash Disbursements		<u>34</u>
Balance, December 31, 2017		<u>\$ 2</u>

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF DUE TO/FROM STATE OF NEW JERSEY  
ANIMAL CONTROL FUND**

Increased by:		
State Registration Fees Collected	\$	734
Decreased by:		
Payments to State of New Jersey		<u>742</u>
Balance, December 31, 2017 - Due From	\$	<u>8</u>

**STATEMENT OF ESCROW DEPOSITS  
OTHER TRUST FUND**

Balance, January 1, 2017	\$	470,900
Increased by:		
Escrow Deposits Collected	\$	40,258
Interest on Deposits		<u>354</u>
		<u>40,612</u>
		511,512
Decreased by:		
Refund of Escrow Deposits		<u>137,148</u>
Balance, December 31, 2017	\$	<u>374,364</u>

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

Balance, January 1, 2017	\$	549
Increased by:		
Interest on Deposits		<u>991</u>
		1,540
Decrease by:		
Cash Disbursements		<u>344</u>
Balance, December 31, 2017	\$	<u>1,196</u>

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF MISCELLANEOUS RESERVES  
OTHER TRUST FUND**

	Balance January 1, <u>2017</u>	<u>Receipts</u>	<u>Payments</u>	Balance December 31, <u>2017</u>
Police Outside Duty	\$ 96,573	\$ 258,733	\$ 216,304	\$ 139,002
Causeway Beautification-Clock	1,796	-	-	1,796
Sidewalk	40,571	102	-	40,673
DARE Activities	8,260	7,500	986	14,774
Fire Prevention Penalty Fees	166	-	-	166
Renovation Westervelt Park	3,521	-	-	3,521
Affordable Housing Fees	315,576	226,465	53,450	488,591
Flex Spending	<u>603</u>	<u>1</u>	<u>-</u>	<u>604</u>
	<u>\$ 467,066</u>	<u>\$ 492,801</u>	<u>\$ 270,740</u>	<u>\$ 689,127</u>

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

Balance, January 1, 2017	\$ 23,235
Increased by:	
Cash Receipts - Net Payroll and Payroll Deductions	<u>4,798,377</u>
	4,821,612
Decreased by:	
Cash Disbursements - Net Payroll and Payroll Deductions	<u>4,789,818</u>
Balance, December 31, 2017	<u>\$ 31,794</u>

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF DUE TO STATE OF NEW JERSEY  
UNEMPLOYMENT TRUST FUND**

Balance, January 1, 2017		\$ 2,892
Increased by:		
Unemployment Claims		<u>12,751</u>
		15,643
Decreased by:		
Payments		<u>15,397</u>
		246
Balance, December 31, 2017		<u>\$ 246</u>

**STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION INSURANCE**

Balance, January 1, 2017		\$ 40,707
Increased by:		
Current Fund Budget Appropriations	\$ 5,091	
Interest on Deposits	<u>101</u>	
		<u>5,192</u>
		45,899
Decreased by:		
Due to State of New Jersey		<u>12,751</u>
		33,148
Balance, December 31, 2017		<u>\$ 33,148</u>

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF RESERVE FOR EXPENDITURES  
OPEN SPACE PRESERVATION TRUST FUND**

Balance, January 1, 2017		\$ 1,981,319
Increased by:		
Open Space Tax	\$ 198,360	
Additional Open Space Tax	349	
Interest on Deposits	<u>12,584</u>	
		211,293
Decreased by:		
Transfer to Reserve for Community Garden		<u>8,000</u>
Balance, December 31, 2017		<u>\$ 2,184,612</u>

**STATEMENT OF GRANTS RECEIVABLE  
OPEN SPACE PRESERVATION TRUST FUND**

	Balance, January 1, <u>2017</u>	Balance, December 31, <u>2017</u>
Woodcliff Lake Baseball Association- Bleachers	<u>\$ 10,000</u>	<u>\$ 10,000</u>
	<u>\$ 10,000</u>	<u>\$ 10,000</u>
Reserve for Grants Receivable		<u>\$ 10,000</u>

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF RESERVE FOR COMMUNITY GARDEN  
OPEN SPACE PRESERVATION TRUST FUND**

Increased by:		
Transfer from Open Space Reserve	\$	8,000
Decreased by:		
Cash Disbursements		<u>6,200</u>
Balance, December 31, 2017	\$	<u>1,800</u>

**STATEMENT OF DUE TO CURRENT FUND  
COMMUNITY DEVELOPMENT TRUST FUND**

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

**GENERAL CAPITAL FUND**

**BOROUGH OF WOODCLIFF LAKE**  
**STATEMENT OF GENERAL CAPITAL CASH - COLLECTOR-TREASURER**

Balance, January 1, 2017		\$ 262,584
Increased by Receipts:		
Bond Anticipation Note Proceeds	\$ 5,210,000	
Budget Appropriation- Capital Improvement Fund	50,000	
Bond Anticipation Notes Paid by Budget Appropriation	168,500	
Interest on Deposits	<u>2,707</u>	
		<u>5,431,207</u>
		5,693,791
Decreased by:		
Contracts Payable	298,860	
Payments to Current Fund	2,618	
Bond Anticipation Note Payments	4,123,000	
Improvement Authorizations	<u>417,710</u>	
		<u>4,842,188</u>
Balance, December 31, 2017		<u>\$ 851,603</u>

**BOROUGH OF WOODCLIFF LAKE  
ANALYSIS OF GENERAL CAPITAL CASH**

		Balance, December 31, <u>2017</u>
Fund Balance		\$ 58,486
Capital Improvement Fund		38,814
Due to Current Fund		185
Contract Payable		672,206
Excess Notes Proceeds Ord #12-02		4
Reserve for Payment of Notes		48
Improvement Authorizations:		
<u>Ord. No.</u>	<u>Improvement Description</u>	
	General Improvements:	
10-05	Westervelt/Lydecker Property	32,599
11-06	Various Capital Improvements	34,932
12-01	Refunding Bond Tax Appeals	32,283
12-02	Various Improvements	63,188
13-01	Various Improvements	57,597
14-07/14-11	Road & Curb Improvements	105,721
15-01	Acq. Of Various Vehicles	2,336
15-11	Acq. Of DPW Truck	556
15-13	Acq. Of Fire Engine	8,747
16-03	Various Imp & Acq. Of Equipment	261
16-14	Various Imp. & Acq. Of Vehicles	348,637
17-06	Various Imp. & Acq. Of Vehicles	<u>(604,997)</u>
		<u>\$ 851,603</u>

**BOROUGH OF WOODCLIFF LAKE**  
**STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED**

Balance, January 1, 2017	\$ 1,683,000
Decreased by:	
2017 Budget Appropriation to Pay Bond Principal	685,000
Balance, December 31, 2017	\$ 998,000

EXHIBIT C-5

**STATEMENT OF GRANTS RECEIVABLE**

	Balance, January 1, <u>2017</u>	Grant Awards	Balance, December 31, <u>2017</u>
<b>N.J. Department of Transportation</b>			
Ord. 11-06	\$ 37,500		\$ 37,500
Ord. 12-02	59,346		59,346
Ord. 17-06 Harriet & Shaw Road		\$ 300,000	300,000
<b>County of Bergen</b>			
Ord. 16-14	39,600	-	39,600
	\$ 136,446	\$ 300,000	\$ 436,446
<b><u>Balance Pledged to:</u></b>			
Reserve for Receivable			\$ 436,446

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

Ord. No.	Improvement Description	Analysis of Balance					Unexpended Improvement Authorizations
		Balance, January 1, 2017	2017 Authorizations	Notes Paid by Budget	Balance, December 31, 2017	Bond Anticipation Notes Issued	
11-06	Various Improvements	\$ 685,400		\$ 49,800	\$ 635,600	\$ 635,600	
12-02	Various Public Improvements	354,646		27,650	326,996	326,996	
12-12/12-16	Various Improvements	178,050		12,650	165,400	165,400	
13-01	Various Imp & Acq. Of Equipment	1,474,400		78,400	1,396,000	1,396,000	
14-07/14-11	Road & Curb Improvements	770,500			770,500	770,500	
15-01	Acq. Of Various Vehicles	90,000			90,000	90,000	
15-13	Acq. Of Fire Engine	570,000			570,000	570,000	
16-03	Various Imp & Acq. Of Equipment	189,500			189,500	189,500	
16-14	Various Improvements and Acq. Of Vehicles	1,066,000		-	1,066,000	1,066,000	
17-06	Various Improvements and Acq. Of Vehicles	-	\$ 1,277,750	-	1,277,750	-	\$ 672,753
		<u>\$ 5,378,496</u>	<u>\$ 1,277,750</u>	<u>\$ 168,500</u>	<u>\$ 6,487,746</u>	<u>\$ 5,209,996</u>	<u>\$ 672,753</u>

Bond Anticipation Notes	\$ 5,210,000
Less: Excess Note Proceeds Ordinance #12-02	<u>4</u>
	<u>\$ 5,209,996</u>

Improvement Authorization - Unfunded	\$ 1,294,172
Less: Unexpended Proceeds	
Ord 11-06	34,932
Ord 12-02	63,188
Ord 12-12/12-16	57,597
Ord 14-07/14-11	105,721
Ord 15-01	2,336
Ord 15-13	8,747
Ord 16-03	261
Ord 16-14	<u>348,637</u>
	<u>\$ 672,753</u>

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF GENERAL SERIAL BONDS PAYABLE**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding</u>		<u>Interest Rate</u>	<u>%</u>	<u>Balance, January 1, 2017</u>	<u>Decreased</u>	<u>Balance, December 31, 2017</u>
			<u>Date</u>	<u>Amount</u>					
General Improvement Bonds	12/1/1998	\$ 3,696,000	12/1/2018	\$ 191,000	4.375	\$	\$ 200,000	\$ 191,000	
General Improvement Bonds	10/1/2004	2,024,000	10/1/2018	169,000	3.25-4.0	%	339,000	170,000	169,000
General Improvement Bonds	6/1/2009	2,638,000	6/1/2018	320,000	1.250%-2.875	%	953,000	315,000	638,000
			6/1/2019	318,000			<u>\$ 1,683,000</u>	<u>\$ 685,000</u>	<u>\$ 998,000</u>
								<u>\$ 685,000</u>	

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

No.	Improvement Description	Ordinance Amount	Balance, January 1, 2017		2017 Authorizations	Contracts Cancelled	Paid or Charged	Balance, December 31, 2017	
			Funded	Unfunded				Funded	Unfunded
<u>General Improvements:</u>									
10-05	Westervelt/Lydecker Property	\$ 400,000	\$ 32,599					\$ 32,599	
11-06	Various Improvements	1,019,000		\$ 35,215	\$ 293	\$ 576		\$ 34,932	
12-01	Refunding Bond Tax Appeals	875,000	32,567			284		32,283	
12-02	Various Improvements	525,000		63,188					63,188
13-01	Various Imp & Acq. Of Equipment	1,570,000		57,881		284			57,597
14-07/14-11	Road & Curb Improvements	810,000		106,288		567			105,721
15-01	Acquisition of Various Vehicles	180,000		2,619		283			2,336
15-11	Acquisition of DPW Truck	70,000	556					556	
15-13	Acquisition of Fire Engine	600,000		9,031		284			8,747
16-03	Various Imp & Acq. Of Equipment	199,000		29,834		29,573			261
16-14	Various Imp & Acq. Of Vehicles	1,120,000	-	509,455		160,818			348,637
17-06	Various Imp & Acq. Of Vehicles	1,570,000	-	-		897,247			672,753
			\$ 65,722	\$ 813,511	\$ 1,570,000	\$ 293	\$ 1,089,916	\$ 65,438	\$ 1,294,172

Analysis

Deferred Charges Unfunded	\$ 1,277,750
Capital Improvement Fund	67,250
Fund Balance	<u>225,000</u>
	\$ 1,570,000

Cash Disbursed	\$ 417,710
Contracts Payable	<u>672,206</u>
	\$ 1,089,916

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF DUE TO CURRENT FUND**

Balance, January 1, 2017	\$	96
Increased by:		
Interest on Investments and Deposits		2,707
		2,803
Decreased by :		
Payments to Current Fund		2,618
Balance, December 31, 2017	\$	185

EXHIBIT C-10

**STATEMENT OF RESERVE FOR PAYMENT OF NOTES**

Balance, January 1, 2017	\$	48
Balance, December 31, 2017	\$	48

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF CONTRACTS PAYABLE**

Balance, January 1, 2017		\$ 299,153
Increased by:		
Charges to Improvement Authorizations		<u>672,206</u>
		971,359
Decreased by:		
Cancellations to Improvement Authorizations	\$ 293	
Payments	<u>298,860</u>	
		<u>299,153</u>
Balance, December 31, 2017		<u>\$ 672,206</u>

**STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, January 1, 2017		\$ 56,064
Increased by:		
2017 Budget Appropriation		<u>50,000</u>
		106,064
Decreased by:		
Appropriated to Finance Improvement Authorization		<u>67,250</u>
Balance, December 31, 2017		<u>\$ 38,814</u>



**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

Ord. No.	<u>Improvement Description</u>	Balance, January 1, 2017	2017 <u>Authorizations</u>	Bond Anticipation Notes Issued	Balance, December 31, 2017
	General Improvements:				
16-03	Various Imp & Acq. Of Equipment	\$ 189,500		\$ 189,500	
16-14	Various Improvements and Acq. Of Vehicles	1,066,000		1,066,000	
17-06	Various Improvements and Acq. Of Vehicles	-	\$ 1,277,750	-	\$ 1,277,750
		<u>\$ 1,255,500</u>	<u>\$ 1,277,750</u>	<u>\$ 1,255,500</u>	<u>\$ 1,277,750</u>



**PUBLIC ASSISTANCE FUND**

**BOROUGH OF WOODCLIFF LAKE**  
**STATEMENT OF PUBLIC ASSISTANCE CASH - TREASURER**

	PATF Account #1 (75)%	PATF Account #2 (100)%	<u>Total</u>
Balance, January 1, 2017	\$ 5,354	\$ 5,447	\$ 10,801
Increased by:			
Receipts	13	2,612	2,625
	5,367	8,059	13,426
Decreased by:			
Disbursements	48	3,403	3,451
Balance, December 31, 2017	\$ 5,319	\$ 4,656	\$ 9,975

**BOROUGH OF WOODCLIFF LAKE**  
**STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES**

	PATF <u>Account #1</u>	PATF <u>Account #2</u>	<u>Total</u>
Balance, January 1, 2017	\$ 3,139	\$ 5,436	\$ 8,575
Increased by:			
State Aid	<u>-</u>	<u>2,600</u>	<u>2,600</u>
	3,139	8,036	11,175
Decreased by:			
Assistance Reported	<u>-</u>	<u>3,403</u>	<u>3,403</u>
Balance, December 31, 2017	<u>\$ 3,139</u>	<u>\$ 4,633</u>	<u>\$ 7,772</u>

**BOROUGH OF WOODCLIFF LAKE  
STATEMENT OF DUE TO STATE OF NEW JERSEY**

Balance, January 1, 2017	<u>\$ 2,201</u>
Balance, December 31, 2017	<u>\$ 2,201</u>

## EXHIBIT D-4

**STATEMENT OF DUE TO CURRENT FUND**

Balance, January 1, 2017	\$ 25
Increased by:	
Interest Income	<u>25</u>
	50
Decreased by:	
Cash Disbursements to Current Fund	<u>48</u>
Balance, December 31, 2017	<u>\$ 2</u>

## EXHIBIT D-5

**STATEMENT OF EXPENDITURES**

Current Year Assistance (Reported)	
Maintenance Payments	\$ 2,693
Temporary Rental Assistance	<u>710</u>
Total Assistance Reported	<u>\$ 3,403</u>

**BOROUGH OF WOODCLIFF LAKE**  
**BERGEN COUNTY, NEW JERSEY**

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**PART II**

**GOVERNMENTAL AUDITING STANDARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
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DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
MARK SACO, CPA  
SHERYL M. LEIDIG, CPA, PSA  
ROBERT LERCH, CPA  
ADWOA BOACHIE, CPA

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

### INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and Members  
of the Borough Council  
Borough of Woodcliff Lake  
Woodcliff Lake, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Woodcliff Lake as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2018. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

#### **Internal Control over Financial Reporting**

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

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

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

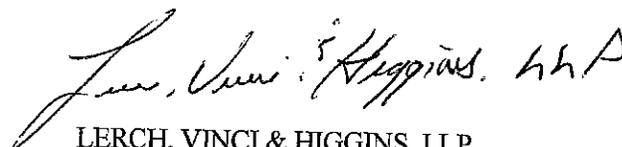
### **Compliance and Other Matters**

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

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

### **Purpose of this Report**

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



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



Paul J. Lerch  
Registered Municipal Accountant  
RMA Number CR00457

Fair Lawn, New Jersey  
June 19, 2018

**BOROUGH OF WOODCLIFF LAKE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED DECEMBER 31, 2017**

Federal Funding Department	CFDA Number	Grant Year	Grant Award Amount	2017 Receipts	Balance, January 1, 2017	Revenues Realized	Expenditures	Cancellations	Balance, December 31, 2017	Cumulative Expenditures
<b>Passed through County of Bergen - Housing &amp; Urban Development</b>										
Community Development Block Grant	14.218	2016	\$ 7,655		\$ 7,655				\$ 7,655	
Senior Citizen		2013	3,274		2,974			\$ (2,974)	-	\$ 300
										*
<b>U.S. Department of Homeland Security (Passed Through State Department of Law and Public Safety)</b>										
FEMA Assistance to Fire Fighters Grant	N/A	2017	148,572			\$ 148,572	\$ 148,572			148,572
										*
FEMA Hazard Mitigation- Fire Department Generator	97.039	2016	74,120	\$ 42,966	33,674	-	1,980	(31,694)	-	42,426
										*
					\$ 44,303	\$ 148,572	\$ 150,552	\$ (34,668)	\$ 7,655	*

Note: This schedule was not subject to Single Audit under U.S. Uniform Guidance.

**BOROUGH OF WOODCLIFF LAKE  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>State Grant Program</u>	<u>Project/Grant Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2017 Receipts</u>	<u>Balance, January 1, 2017</u>	<u>Revenue/Receipts</u>	<u>Expended</u>	<u>Adjustments (Cancellations)</u>	<u>Balance, December 31, 2017</u>	<u>Cumulative Expended</u>
<b>Department of Environmental Protection</b>										
Clean Communities Grant	042-00-4900-765-004	2017	\$ 14,483	\$ 14,483	\$ 17,047	\$ 14,483	\$ 60		\$ 14,423	\$ 60
		2016	17,047		14,906		82		16,965	82
		2015	14,906		12,068		3,510		14,906	-
		2014	12,269		9,572		7,769		8,558	3,711
		2013	13,080							13,080
		2012	11,206							11,206
Green Communities Grant	042-004870-100-038	2017	3,000	3,000		3,000			3,000	-
Recreational Trails Grant	N/A	2017	24,000			24,000			24,000	-
Reforestation/Tree Planting Grant	N/A	2017	19,260			19,260	19,260		-	19,260
<b>Division of Motor Vehicles</b>										
Drunk Driving Enforcement Fund- Police	1110-448-031020-22	2017	3,000	3,000		3,000			3,000	-
		2016	3,285	3,285	3,184		1,478		1,706	1,579
		2012	3,110		2,378				2,378	732
		2011	4,400		2,236		1,518		718	3,682
		2010	785		785		785		-	785
		2009	532		532		532		-	532
		2008	1,927		794		794		-	1,927
<b>Division of Highway Traffic Safety</b>										
Drive Sober Grant	066-00-1160-100-157	2017	5,500	2,501		5,500			5,500	-
		2016	15,000	3,518	7,410		2,809	(4,601)	-	10,399
Click It or Ticket	066-00-1160-100-155	2016	5,000	3,595	5,000				5,000	-
		2015	4,000		527			(527)	-	3,473
Distracted Driving Incentive	066-00-1160-100-158	2017	5,500	4,166		5,500	4,175		1,325	4,175
<b>Municipal Alliance on Alcoholism and Drug Abuse (Passed through County of Bergen)</b>										
	N/A	2017	9,876	3,192		9,876	9,876		-	9,876
		2016						303	303	
		2014	14,814		4,702			(4,702)	-	10,112
		2013	9,876		286			(286)	-	9,590



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

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

**NOTE 1 GENERAL**

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

**NOTE 2 BASIS OF ACCOUNTING**

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

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 148,572	\$ 392,883	\$ 541,455
Public Assistance Fund	<u>-</u>	<u>2,600</u>	<u>2,600</u>
	<u>\$ 148,572</u>	<u>\$ 395,483</u>	<u>\$ 544,055</u>

**NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

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

*Part I – Summary of Auditor’s Results*

**Financial Statements**

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

Internal control over financial reporting:

1) Material weakness(es) identified \_\_\_\_\_ yes  X  no

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

Noncompliance material to the financial statements noted? \_\_\_\_\_ yes  X  no

**Federal Awards Section**

NOT APPLICABLE

**State Awards Section**

NOT APPLICABLE

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

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

There were none.

**BOROUGH OF WOODCLIFF LAKE  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

**STATUS OF PRIOR YEAR FINDINGS**

**Finding 2016-001**

The Borough's payroll provider, Consolidated Human Resources (CHR) didn't provide a "Service Organization Controls Report (SOC)" on their internal controls for the year of audit.

**Current Status**

Corrective action has been taken.

**BOROUGH OF WOODCLIFF LAKE  
BERGEN COUNTY, NEW JERSEY**

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**PART III**

**SUPPLEMENTARY DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**BOROUGH OF WOODCLIFF LAKE  
SUPPLEMENTARY DATA**

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

	<u>Year 2017</u>		<u>Year 2016</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 1,050,000	2.33 %	\$ 950,000	2.14 %
Miscellaneous - From Other Than Local				
Property Tax Levies	2,203,361	4.89	2,196,301	4.94
Collection of Delinquent Taxes and Tax Title Liens	306,153	0.68	252,688	0.57
Collection of Current Tax Levy	41,005,415	90.95	40,657,971	91.43
Other Credits	519,374	1.15	413,141	0.92
	<u>45,084,303</u>	<u>100.00</u> %	<u>44,470,101</u>	<u>100.00</u> %
<b>EXPENDITURES</b>				
<b>Budget Expenditures</b>				
Municipal Purposes	12,188,390	27.72 %	11,725,734	27.03 %
Municipal Open Space Preservation Trust Fund Taxes	198,708	0.45	192,140	0.44
County Taxes	4,949,708	11.26	4,856,396	11.20
Regional School Taxes	11,071,840	25.18	11,459,851	26.42
Local District School Taxes	15,527,546	35.32	15,126,666	34.87
Other Expenditures	30,287	0.07	15,819	0.04
	<u>43,966,479</u>	<u>100.00</u> %	<u>43,376,606</u>	<u>100.00</u> %
Excess in Revenue	1,117,824		1,093,495	
Fund Balance, January 1	<u>1,640,875</u>		<u>1,497,380</u>	
	2,758,699		2,590,875	
Less Utilization as Anticipated Revenue	<u>1,050,000</u>		<u>950,000</u>	
Fund Balance, December 31	<u>\$ 1,708,699</u>		<u>\$ 1,640,875</u>	

**BOROUGH OF WOODCLIFF LAKE  
SUPPLEMENTARY DATA**

**Comparative Schedule of Tax Rate Information**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	<u>\$2.092</u>	<u>\$2.144</u>	<u>\$2.123</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.491	.496	.495
Municipal Open Space Preservation	.010	.009	.010
County (Including Open Space Tax)	.250	.254	.250
Regional School	.558	.597	.593
Local School	.783	.788	.775

Assessed Valuation

2017	<u>\$1,983,603,810</u>
2016	<u>\$1,920,311,555</u>
2015	<u>\$1,896,168,946</u>

**Comparison of Tax Levies and Collection Currently**

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2017	\$ 41,569,915	\$ 41,305,415	99.36%
2016	41,197,340	40,857,971	99.17%
2015	40,295,779	40,027,293	99.33%

**BOROUGH OF WOODCLIFF LAKE  
SUPPLEMENTARY DATA**

**Delinquent Taxes and Tax Title Liens**

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

December 31 <u>Year</u>	Amount of Delinquent <u>Taxes</u>	<u>Total</u>	Percentage of <u>Tax Levy</u>
2017	\$ 225,178	\$ 225,178	0.54%
2016	306,317	306,317	0.74%
2015	252,688	252,688	0.63%

**Property Acquired by Tax Title Lien Liquidation**

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

<u>Year</u>	<u>Amount</u>
2017	None
2016	None
2015	None

**Comparative Schedule of Fund Balance**

	<u>Year</u>	Balance, <u>December 31,</u>	Utilized In Budget of <u>Succeeding Year</u>
Current Fund	2017	\$1,708,699	\$1,200,000
	2016	1,640,875	1,050,000
	2015	1,497,380	950,000

**BOROUGH OF WOODCLIFF LAKE  
SUPPLEMENTARY DATA**

**OFFICIALS IN OFFICE AND SURETY BONDS**

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

<u>Name</u>	<u>Title</u>
Carlos Rendo	Mayor
Paul Piantino	Councilman
Corrado Belgiovine	Councilman
Kristy Herrington	Councilwoman
Jacqueline Gadaleta	Councilwoman
Thomas Panso	Councilman
Angela Hayes	Councilwoman
Tomas Padilla	Borough Administrator
Harold Laufeld III	Chief Financial Officer
Debbie Dakin	Borough Clerk
Lois Frezza	Tax Collector, Tax Search Officer
James Anzevino	Tax Assessor
Ronald Dario, Esq	Borough Attorney
Mike Neglia	Borough Engineer
Fariba Negahban	Finance Supervisor/Qualified Purchasing Agent/Payroll

\* All employees were insured by Public Employees Dishonesty coverage in the amount of \$1,000,000 each loss.

**BOROUGH OF WOODCLIFF LAKE  
SUPPLEMENTARY DATA**

**GENERAL COMMENTS**

**Current Year Comments**

Our audit revealed National Cooperative purchasing contracts were awarded for the purchase of various vehicles where the procedures required by State procurement guidelines for National Cooperative contract purchases were not followed by the Borough. It is recommended that purchases made under National Cooperative contracts be made in accordance with State procurement guidelines.

Review of the annual Federal and State tax report filings revealed that the Borough's third party payroll provider, Consolidated Human Resources (CHR) filed the Federal Tax Form 940 for tax year 2015. The filing of this form resulted in IRS penalties and interest to the Borough in the amount of \$43,425 as of May 2018. Inquiry and review of the Federal Tax Form 940 filing requirements revealed that Government entities are not required to file Federal Tax Form 940 and that the third party payroll provider (CHR) filed this form in error. It is recommended that the Borough pursue with the IRS for the removal of all penalties and interest resulting from the filing of the 2015 Federal Tax Form 940. In addition, the Borough to obtain and review copies of all Federal and State tax forms filed by their third party payroll provider.

**Prior Year Unresolved**

Our audit of the payroll agency account revealed the following:

- The payroll agency reserve had an insufficient balance at December 31, 2017 of \$1,838.
- The Net Payroll bank reconciliation had an unreconciled difference \$1,319 at December 31, 2017.

It is recommended that the Borough maintains a sufficient balance in the payroll agency reserve and that the payroll bank statements are reconciled to the Borough's books and all unreconciled differences be reviewed and cleared of record.

Our audit of the year end payroll reports revealed that certain employees' W-2 forms did include the excess group term life benefits as a taxable state wages as required, however the amounts reported were incorrect based upon the payroll records. It is recommended that all state taxable wages are reported correctly on the employees' W-2 forms at year end.

Our audit of vendor contract awards found that the political contribution disclosure forms were not obtained for certain vendors that were paid in excess of the \$17,500 threshold. It is recommended that Political Contribution Disclosure forms are obtained for vendors that exceed the \$17,500 threshold.

Our audit of expenditures revealed that numerous exceptions were noted where the departments ordered goods and/or services prior to the issuance of a purchase order. It is recommended that the Borough enhance their internal controls over purchasing procedures to ensure that purchase orders are issued when the goods and/or services are ordered.

Our audit of the police outside duty revealed that the accounts receivable ledger was not updated with all vendor activity and the Auditor was unable to verify the accounts receivable at year end. It is recommended that the police outside duty accounts receivable ledger be updated to include all vendor invoices and payments received and reconciled to the revenue report on a monthly basis.

**BOROUGH OF WOODCLIFF LAKE  
SUPPLEMENTARY DATA**

**GENERAL COMMENTS**

**Contracts and Agreements Required to be Advertised for NJS 40A:11-4**

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

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

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

2017 Road Improvements  
Woodcliff Lake Reservoir Walking Trail

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

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

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

**Collection of Interest on Delinquent Taxes and Assessments**

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

The Governing Body on January 3, 2017 adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED, by the Mayor and Council that the rate of interest on delinquent taxes for the year 2017 be fixed at the rate of 8% per annum on delinquent amounts up to \$1,500 and at 18% per annum on delinquent amounts on \$1,500 or more; and

BE IT FURTHER RESOLVED that an additional penalty be charged for delinquency in the excess of \$10,000 that is not paid prior to the end of the year, the additional penalty so fixed shall not exceed 6% of the amount of delinquency.

**BOROUGH OF WOODCLIFF LAKE  
SUPPLEMENTARY DATA**

**GENERAL COMMENTS**

**Delinquent Taxes and Tax Title Liens**

The last tax sale was held on November 16, 2016 and was complete. There were no delinquent properties for tax sale during 2017.

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

<u>Year</u>	<u>Number of Liens</u>
2017	None
2016	None
2015	None

**Suggestion to Management**

Fixed asset report to be updated with the current year and prior year fixed asset additions/deletions.

**BOROUGH OF WOODCLIFF LAKE  
SUPPLEMENTARY DATA**

**RECOMMENDATIONS**

It is recommended that:

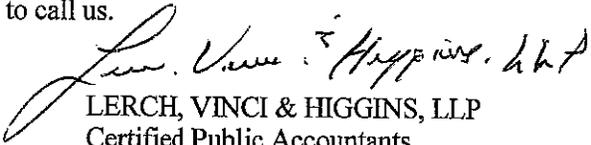
1. Purchases made under National Cooperative contracts be made in accordance with State procurement guidelines.
2. The Borough pursue with the IRS for the removal of all penalties and interest resulting from the filing of the 2015 Federal Tax Form 940. In addition, the Borough to obtain and review copies of all Federal and State tax forms filed by their third party payroll provider.
- \* 3. The Borough maintains a sufficient balance in the payroll agency reserve and that the payroll bank statements are reconciled to the Borough's books and all unreconciled differences be reviewed and cleared of record.
- \* 4. All state taxable wages are reported correctly on the employee's W-2 forms at year end.
- \* 5. Political Contribution Disclosure forms are obtained for vendors that exceed the \$17,500 threshold.
- \* 6. The Borough enhance their internal controls over purchasing procedures to ensure that purchase orders are issued when the goods and/or services are ordered.
- \* 7. The police outside duty accounts receivable ledger be updated to include all vendor invoices and payments received and reconciled to the revenue report on a monthly basis.

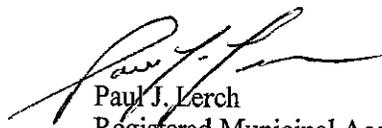
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A review was performed on all prior year recommendations and corrective action was taken on all except for those recommendations denoted with an asterisk (\*).

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

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

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

  
Paul J. Lerch  
Registered Municipal Accountant  
RMA Number CR00457