BOROUGH OF WOODCLIFF LAKE

BERGEN COUNTY, NEW JERSEY

REPORT OF AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2016

BOROUGH OF WOODCLIFF LAKE

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BOROUGH OF WOODCLIFF LAKE

BERGEN COUNTY, NEW JERSEY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED DECEMBER 31, 2016

LERCH, VINCI & HIGGINS. LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
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SHERYL M. NICOLOSI, CPA, PSA

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, 2016 and 2015, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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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, 2016 and 2015, 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, 2016 and 2015. The LOSAP Trust Fund financial activities are included in the Borough's Trust Funds, and represent 24 and 23 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2016 and 2015.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Woodcliff Lake as of December 31, 2016 and 2015, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2016 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of 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 15, 2017 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 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 15, 2017

EXHIBIT A

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

ASSETS	Reference	2016	2015
Cash and Cash Equivalents	A-4	$ 5,466,769	$ 4,369,151
Cash - Change Fund	A-6	250	250
Federal and State Grants Receivable	A-23	100,103	13,107
		5,567,122	4,382,508
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes Receivable	A-8	306,317	252,688
Revenue Accounts Receivable	A-9	4,814	3,766
Due from General Capital Fund	C-9	96	186
Due from Other Trust Fund - Escrow	B-8	549	383
Due from Public Assistance Fund	D-4	25	2
Due from Community Development Trust Fund	B-15	1	
Due from Animal Control Fund	B-5	2	2
		311,804	257,027
Total Assets		$ 5,878,926	$ 4,639,535
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,A-10	$ 795,307	$ 534,150
Encumbrances Payable	A-19	407,001	493,703
Accounts Payable	A-11	28,585	28,585
Due to State of New Jersey			
Senior Citizens' and Veterans' Deductions	A-7	7,521	8,021
Construction Training Fees Payable	A-12	8,230	6,191
Marriage Fees	A-13	125	125
Tax Overpayments	A-16	63,118	21,878
Reserve for Tax Appeals	A-14	1,694,912	1,024,000
Reserve for Terminal Leave	A-25	406,574	409,831
Prepaid Taxes	A-15	332,858	178,007
Reserve for Prepaid Revenue	A-26	3,647	13,286
Reserve for Aid in Lieu of Taxes	A-24	13,510	17,327
Regional School Taxes Payable	A-17		1
Due County for Added and Omitted Taxes	A-18	3,063	
Appropriated Reserves	A-22	161,356	130,279
Unappropriated Reserves	A-21	440	19,744
		3,926,247	2,885,128
Reserve for Receivables and Other Assets	A	311,804	257,027
Fund Balance	A-1	1,640,875	1,497,380
Total Liabilities, Reserves and Fund Balance		$ 5,878,926	$ 4,639,535

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, 2016 AND 2015
CURRENT FUND

	Reference	2016	2015
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	$ 950,000	$ 950,000
Miscellaneous Revenues Anticipated	A-2	2,032,845	1,823,623
Receipts from Delinquent Taxes	A-2	252,688	259,929
Receipts from Current Taxes	A-2	40,657,971	39,877,293
Non-Budget Revenues	A-2	163,456	57,083
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-10	412,568	453,497
Prior Year Interfunds Liquidated	A	573	291
Total Revenues		44,470,101	43,421,716
EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	4,282,750	4,194,550
Other Expenses	A-3	5,516,625	5,214,985
Capital Improvement Fund	A-3	171,550	50,000
Municipal Debt Service	A-3	892,594	865,284
Deferred Charges and Statutory Expenditures	A-3	862,215	1,161,833
County Taxes	A-18	4,853,333	4,714,678
Due County for Added and Omitted Taxes	A-18	3,063	4,724
Municipal Open Space Preservation Trust Fund	B-1	192,140	189,805
Local District School Taxes	A-20	15,126,666	14,711,253
Regional High School Taxes	A-17	11,459,851	11,242,662
Refund Prior Year Revenue	A-4	15,147	6,278
Interfund Advance Originating	A	672	573
Total Expenditures		43,376,606	42,356,625
Excess in Revenue		1,093,495	1,065,091
Fund Balance, January 1	A	1,497,380	1,382,289
		2,590,875	2,447,380
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	950,000	950,000
Fund Balance, December 31	A	$ 1,640,875	$ 1,497,380

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, 2016
CURRENT FUND

	Reference	Budget	Added by N.J.S.A 40A:4-87	Realized	Excess or (Deficit)
Surplus Anticipated	A-1	$ 950,000	-	$ 950,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-9	1,700		2,610	$ 910
Other	A-9	200		302	102
Fees and Permits					
Other	A-2	40,000		33,205	(6,795)
Fines and Costs					
Municipal Court	A-9	50,000		64,286	14,286
Interest and Costs on Taxes	A-9	50,000		76,811	26,811
Uniform Fire Safety Act - Local	A-9	45,000		64,879	19,879
Energy Receipts Tax	A-9	509,389		509,389	
Park Receipts	A-9	210,000		239,068	29,068
Upper Saddle River Sewer Charges	A-9	5,000		17,074	12,074
Cablevision Fees	A-9	55,959		55,959	
Dept. of Public Works - Recyclables	A-9	15,000		21,717	6,717
Hotel Tax	A-9	300,000		288,549	(11,451)
Verizon Franchise Fees	A-9	44,110		44,111	
Watershed Moratorium Aid	A-9	11,186		11,186	
Uniform Construction Code Fees	A-9	260,000		415,863	155,863
Uniform Fire Safety Act	A-9	8,000		11,434	3,434
Alcohol Education	A-23		$ 544	544	
Body Armor Grant	A-23	1,760	1,944	3,704	
Clean Communities Program	A-23		17,047	17,047	
Click It or Ticket It	A-23		5,000	5,000	
County of Bergen - Community Development Senior Citizens	A-23	4,125	3,530	7,655	
Drunk Driving Enforcement	A-23		3,285	3,285	
FEMA Hazard Mitigation Fire Dept Generator	A-23	74,120		74,120	
Municipal Alliance Grant	A-23	9,876		9,876	
NJDEP - Recycling Tax Bonus Grant	A-23	3,100		3,100	
NJ Highway Grant - Drive Sober	A-23	5,000	10,000	15,000	
Drunk Driving Enforcement - Unappropriated	A-21	1,186		1,186	
Recycling Tonnage - Unappropriated	A-21	18,558		18,558	
Reserve for Aid in Lieu of Taxes	A-24	17,327	-	17,327	-
Total Miscellaneous Revenues	A-1	1,740,596	41,350	2,032,845	250,898
Receipts from Delinquent Taxes	A-8,A-1	175,000	-	252,688	77,688
Amount to be Raised by Taxes for Support of Municipal Budget	A-2	9,536,238	-	9,740,368	204,130
Total General Revenues	A-3	$ 12,401,834	$ 41,350	12,975,901	$ 532,716
Non-Budget Revenue	A-1,A-2			163,456	
				$ 13,139,357	

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, 2016
CURRENT FUND
(Continued)

	Reference	Realized
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-8	$ 40,857,971
Less: Reserve for Tax Appeals	A-14	200,000
	A-1	40,657,971
Less: Allocation to School and County Taxes and Municipal Open Space Preservation Trust Fund	A-18,A-20,A-17, B-13	31,635,053
Balance for Support of Municipal Budget Appropriation		9,022,918
Add Appropriation - "Reserve for Uncollected Taxes"	A-3	717,450
Amount for Support of Municipal Budget Appropriations	A-2	$ 9,740,368
Fees and Permits		
Other		
Collector/Treasurer (Parking)	A-9	$ 8,650
Police	A-9	2,486
Board of Health	A-9	6,208
Planning & Zoning	A-9	13,307
Fire Prevention- Miscellaneous Fees	A-9	2,400
Borough Clerk	A-9	154
	A-2	$ 33,205
Analysis of Non-Budget Revenue		
Administrative Fee - Private Duty Account		$ 43,364
FEMA - Jonas		30,008
Miscellaneous		21,138
Interest on Investments		16,862
Bergen County Jif Dividend		11,931
MEL-Jif Tri-Boro Ambulance Montvale		7,914
Scrap Sale		7,767
Sale of Assets		6,275
BCUA Sewer Connection Rebate		5,000
Prior Year Refunds		4,334
Soil Removal		3,563
Street Tree Grant		3,400
Towing Applications		1,250
Administrative Fee on Senior and Veterans Discounts		650
	A-2	$ 163,456
Analysis of Non-Budget Revenue		
Cash Receipts	A-4	$ 160,420
Due from Animal Control Fund	B-5	27
Due from General Capital	C-9	2,511
Due from Public Assistance Fund	D-4	23
Due from Other Trust Fund	B-8	475
	A-2	$ 163,456

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, 2016
CURRENT FUND

	Appropriated		Expended	
OPERATIONS WITHIN "CAPS"	Budget	Budget After Modification	Paid or Charged	Reserves
GENERAL GOVERNMENT				
General Administration				
Salaries and Wages	$ 160,000	$ 160,000	$ 157,112	$ 2,888
Other Expenses	100,000	132,000	124,011	7,989
Mayor and Council				
Salaries and Wages	23,000	23,000	23,000	
Other Expenses	17,800	17,800	16,541	1,259
Municipal Clerk				
Salaries and Wages	83,000	83,000	81,318	1,682
Other Expenses	27,000	29,000	28,265	735
Financial Administration				
Salaries and Wages	150,000	142,500	134,190	8,310
Other Expenses	27,000	24,500	22,221	2,279
Audit Services				
Other Expenses	50,000	50,000	49,014	986
Information Technology				
Other Expenses	11,500	11,500	8,875	2,625
Revenue Administration (Tax Collection)				
Salaries and Wages	63,000	65,000	64,800	200
Other Expenses	8,600	12,100	11,817	283
Tax Assessment Administration				
Other Expenses	146,700	146,700	110,508	36,192
Legal Services and Costs				
Other Expenses	225,000	235,000	227,273	7,727
Engineering Services and Costs				
Other Expenses	50,000	45,000	23,428	21,572
MUNICIPAL LAND USE LAW (NJSA 40:55D-1)				
Planning Board				
Other Expenses	15,400	35,400	32,930	2,470
Zoning Board of Adjustment				
Other Expenses	10,650	10,650	7,722	2,928
INSURANCE				
Unemployment Insurance				
Other Expenses	10,000	10,000	10,000	-
Insurance (N.J.S.A. 40A:4-45.3(00))				
General Liability	173,400	173,400	162,553	10,847
Workers Compensation	158,100	158,100	158,041	59
Employee Group Health	1,150,000	1,150,000	1,115,545	34,455
PUBLIC SAFETY FUNCTIONS				
Police				
Salaries and Wages	2,319,600	2,314,600	2,218,022	96,578
Other Expenses	141,675	146,675	145,834	841
Police Dispatch/911				
Other Expenses	215,000	220,000	219,463	537

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, 2016
CURRENT FUND

	Appropriated		Expended	
OPERATIONS WITHIN "CAPS" (Continued)	Budget	Budget After Modification	Paid or Charged	Reserves
PUBLIC SAFETY FUNCTIONS (Continued)				
Emergency Management Services				
Salaries and Wages	$ 10,800	$ 10,800	$ 9,021	$ 1,779
Other Expenses	5,150	5,150	3,074	2,076
Aid to Volunteer Fire Companies				
Salaries and Wages	2,500	2,500	2,500	-
Other Expenses	139,000	139,000	115,132	23,868
Aid to Volunteer Ambulance Companies				
Contribution	20,000	20,000	12,086	7,914
Fire Prevention Bureau				
Salaries and Wages	42,000	46,000	45,096	904
Other Expenses	13,500	13,500	7,145	6,355
Fire Hydrant Services				
Other Expenses	24,000	24,000	21,248	2,752
PUBLIC WORKS FUNCTION				
Road Repairs and Maintenance				
Salaries and Wages	642,000	630,000	608,171	21,829
Other Expenses	90,450	90,450	52,513	37,937
Shade Tree Commission				
Other Expenses	17,000	19,500	19,064	436
Solid Waste Collection				
Salaries and Wages	202,000	202,000	194,027	7,973
Other Expenses	70,800	70,800	44,875	25,925
Public Buildings and Grounds				
Salaries and Wages	80,000	89,000	87,077	1,923
Other Expenses	170,000	168,000	133,676	34,324
Vehicle Maintenance				
Other Expenses	102,500	102,500	58,767	43,733
HEALTH AND HUMAN SERVICES				
Board of Health				
Salaries and Wages	2,250	2,250	348	1,902
Other Expenses	25,500	30,500	29,710	790
Animal Control Services				
Other Expenses	4,000	4,000	4,000	-
Welfare/Administration of Public Assistance				
Salaries and Wages	2,100	2,100	2,036	64
Other Expenses	600	600	80	520
PARKS AND EDUCATION FUNCTIONS				
Recreation Services and Programs				
Salaries and Wages	228,000	232,000	231,937	63
Other Expenses	85,150	85,150	79,741	5,409
Maintenance of Parks				
Other Expenses	26,400	26,400	25,596	804

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

	Appropriated		Expended	
OPERATIONS WITHIN "CAPS" (Continued)	Budget	Budget After Modification	Paid or Charged	Reserves
EDUCATIONAL FUNCTIONS				
Municipal/County Library				
Library Membership	$ 30,000	$ 30,000	$ 23,550	$ 6,450
OTHER COMMON OPERATING FUNCTIONS				
Celebration of Public Events				
Other Expenses	17,000	17,000	14,491	2,509
UNIFORM CONSTRUCTION CODE APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C 5:23-4-17)				
State Uniform Construction Code				
Salaries and Wages	197,000	193,000	172,506	20,494
Other Expenses	12,800	12,800	5,661	7,139
UTILITY EXPENSE AND BULK PURCHASES				
Electricity	160,000	140,000	97,374	42,626
Street Lighting	100,000	100,000	79,340	20,660
Telephone	33,000	33,000	29,277	3,723
Water	12,500	12,500	9,441	3,059
Gasoline	114,500	88,500	51,333	37,167
Sewer Processing and Disposal				
Salaries and Wages	80,000	85,000	83,441	1,559
Other Expenses	42,400	42,400	25,980	16,420
LANDFILL/SOLID WASTE DISPOSAL COSTS				
Sanitary Landfill Dump Fees				
Other Expenses	181,000	156,000	138,784	17,216
Total Operations Within "CAPS"	8,322,325	8,322,325	7,670,581	651,744
Detail:				
Salaries and Wages	4,287,250	4,282,750	4,114,602	168,148
Other Expenses (Including Contingent)	4,035,075	4,039,575	3,555,979	483,596
DEFERRED CHARGES AND STATUTORY EXPENDITURES				
- Municipal within "CAPS"				
Statutory Charges				
Social Security System (O.A.S.I.)	185,000	179,000	177,194	1,806
Public Employees Retirement System of N.J.	165,758	171,758	171,463	295
Police and Firemen's Retirement System of N.J.	509,957	509,957	509,957	
Defined Contribution Retirement Program	1,500	1,500	-	1,500
Total Deferred Charges & Statutory Expenditures - Municipal within "CAPS"	862,215	862,215	858,614	3,601
Total General Appropriations for Municipal Purposes within "CAPS"	9,184,540	9,184,540	8,529,195	655,345

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, 2016
CURRENT FUND

	Appropriated		Expended	
	Budget	Budget After Modification	Paid or Charged	Reserves
OPERATIONS - EXCLUDED FROM "CAPS"				
UTILITY EXPENSE AND BULK PURCHASE				
Bergen County Utilities Authority				
Share Costs Sewer Charges-Operating Costs	$ 419,159	$ 419,159	$ 419,159	
Share Costs Sewer Charges-Debt Service	171,247	171,247	171,247	
Borough of Montvale - Sewer Charges	60,100	60,100	60,010	$ 90
Borough of Hillsdale - Sewer Charges	27,000	27,000	22,080	4,920
PUBLIC SAFETY FUNCTION				
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	
LANDFILL/SOLID WASTE FUNCTION				
Recycling Tax	8,000	8,000	6,069	1,931
Reserve for Tax Appeals	500,000	500,000	500,000	
Interlocal Municipal Service Agreements				
Municipal Court (Tri-Boro)				
Other Expenses (Contractual)	64,000	64,000	45,375	18,625
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES				
Municipal Alliance-Local Matching Funds	9,876	9,876	9,876	-
Municipal Alliance-State	2,469	2,469	2,166	303
Clean Communities Grant		17,047		17,047
Drunk Driving	1,186	4,471	1,287	3,184
Senior Citizens Grant	4,125	7,655		7,655
Body Armor Fund	1,760	3,704	2,060	1,644
NJ Highway-Drive Sober 2012 Statewide	5,000	15,000	7,590	7,410
State of NJ Recycling Tonnage - Reserve	18,558	18,558	750	17,808
FEMA-Hazard Mitigation-Fire Generator	74,120	74,120	40,446	33,674
NJ DEP - Recycling Bonus	3,100	3,100		3,100
NJ Highway Click It/Ticket		5,000		5,000
Alcohol Education Rehabilitation	-	544	544	-
Total Operations - Excluded from "CAPS"	1,435,700	1,477,050	1,354,659	122,391
Detail:				
Other Expenses (Including Contingent)	1,435,700	1,477,050	1,354,659	122,391
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"				
Capital Improvement Fund	50,000	50,000	50,000	-
Various Building Improvements	58,300	58,300	58,300	
Various DPW Equipiment	63,250	63,250	45,679	17,571
Total Capital Improvements Excluded from "CAPS"	171,550	171,550	153,979	17,571

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, 2016
CURRENT FUND

	Appropriated		Expended	
	Budget	Budget After Modification	Paid or Charged	Reserves
MUNICIPAL DEBT SERVICE EXCLUDED FROM "CAPS"				
Payment of Bond Principal	$ 685,000	$ 685,000	$ 685,000	
Payment of Bond Anticipation Notes	88,400	88,400	88,400	
Interest on Bonds	74,924	74,924	74,924	
Interest on Notes	44,270	44,270	44,270	-
Total Municipal Debt Service - Excluded from "CAPS"	892,594	892,594	892,594	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	2,499,844	2,541,194	2,401,232	$ 139,962
Subtotal General Appropriations	11,684,384	11,725,734	10,930,427	795,307
RESERVE FOR UNCOLLECTED TAXES	717,450	717,450	717,450	-
Total General Appropriations	$ 12,401,834	$ 12,443,184	$ 11,647,877	$ 795,307
Reference	A-2		A,A-1	A,A-1

	Reference	Budget After Modification	Paid or Charged
Budget as Adopted	A-2	$ 12,401,834	
Added by N.J.S. 40A:4-87	A-2	41,350	
		$ 12,443,184	
Cash Disbursed	A-4		$ 10,023,426
Encumbrances Payable	A-19		407,001
Reserve for Tax Appeals	A-14		500,000
Reserve for Uncollected Taxes	A-2		717,450
			$ 11,647,877

See Accompanying Notes are an Integral Part of these Financial Statements

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

	Reference	2016	2015
ASSETS			
Animal Control Trust Fund			
Cash	B-3	$ 10,239	$ 6,435
Other Trust Fund			
Cash	B-3	961,750	1,088,717
Unemployment Insurance Trust Fund			
Cash	B-3	43,599	42,561
Municipal Open Space Preservation Trust Fund			
Cash	B-3	1,981,319	1,777,181
Grants Receivable	B-14	10,000	10,000
		1,991,319	1,787,181
Community Development Trust Fund			
Cash	B-3	1	-
Length of Service Award Program Fund - LOSAP (UNAUDITED)			
Investments	B	895,862	814,993
Contribution Receivable	B	39,325	35,713
		935,187	850,706
Total Assets		$ 3,942,095	$ 3,775,600

See Accompanying Notes are an Integral Part of these Financial Statements

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

	Reference	2016	2015
LIABILITIES, RESERVES AND FUND BALANCE			
Animal Control Trust Fund			
Due to Current Fund	B-5	$ 2	$ 2
Reserve for Animal Control Expenditures	B-4	10,237	6,433
		10,239	6,435
Other Trust Fund			
Due to Current Fund	B-8	549	383
Escrow Deposits Payable	B-7	470,900	278,844
Payroll Deductions Payable	B-10	23,235	34,741
Miscellaneous Reserves	B-9	467,066	774,749
		961,750	1,088,717
Unemployment Insurance Trust Fund			
Due to State of New Jersey	B-11	2,892	1,160
Reserve for Unemployment Claims	B-12	40,707	41,401
		43,599	42,561
Municipal Open Space Preservation Trust Fund			
Reserve for Grants Receivable	B-14	10,000	10,000
Reserve for Municipal Open Space Expenditures	B-13	1,981,319	1,777,181
		1,991,319	1,787,181
Community Development Trust Fund			
Due to Current fund	B-15	1	-
Length of Service Award Program Fund - LOSAP (UNAUDITED)			
Reserve for LOSAP Benefits	B	935,187	850,706
Total Liabilities, Reserves and Fund Balance		$ 3,942,095	$ 3,775,600

See Accompanying Notes are an Integral Part of these Financial Statements

EXHIBIT B-1

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF REVENUES-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Reference	2016 Budget	Realized in 2016	Excess
Amount to be Raised by Taxation	B-13	$ 192,031	$ 192,140	$ 109
Miscellaneous	B-13	-	11,998	11,998
		$ 192,031	$ 204,138	$ 12,107
	Reference	B-2	B-13	B-13

EXHIBIT B-2

STATEMENT OF APPROPRIATIONS-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

			2016 Expended	
		2016 Budget	Paid or Charged	Reserved
Down Payments on Improvements		$ 192,031	$ -	$ 192,031
	Reference	B-1	B-13	B-13

See Accompanying Notes are an Integral Part of these Financial Statements

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

	Reference	2016	2015
ASSETS			
Cash and Cash Equivalents	C-2, C-3	$ 262,584	$ 605,665
Deferred Charges to Future Taxation			
Funded	C-4	1,683,000	2,368,000
Unfunded	C-6	5,378,496	4,211,396
Grants Receivable	C-5	136,446	96,846
Total Assets		$ 7,460,526	$ 7,281,907
LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds Payable	C-7	$ 1,683,000	$ 2,368,000
Bond Anticipation Notes Payable	C-13	4,123,000	3,551,400
Improvement Authorizations			
Funded	C-8	65,722	32,599
Unfunded	C-8	813,511	296,765
Due to Current Fund	C-9	96	186
Reserve for Grants Receivable	C-5	136,446	96,846
Reserve for Payment of Notes	C-10	48	48
Contracts Payable	C-11	299,153	632,164
Capital Improvement Fund	C-12	56,064	69,564
Fund Balance	C-1	283,486	234,335
Total Liabilities, Reserves and Fund Balance		$ 7,460,526	$ 7,281,907

There were Bonds and Notes Authorized But Not Issued at December 31, 2016 and 2015 of $1,255,500 and $660,000, respectively (Exhibit C-14).

See Accompanying Notes are an Integral Part of these Financial Statements

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

	Reference	2016	2015
Balance, January 1, 2016	C	$ 234,335	$ 277,532
Increased by:			
Premium of Sale of Bond Anticipation Notes	C-2	49,151	26,957
Improvement Authorization Cancelled	C-1	-	84,846
		283,486	389,335
Decreased by:			
Appropriation to Finance Improvement Authorization	C-1	-	155,000
Balance, December 31, 2016	C	$ 283,486	$ 234,335

See Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF WOODCLIFF LAKE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
AS OF DECEMBER 31, 2016 AND 2015
PUBLIC ASSISTANCE FUND

	Reference	2016	2015
ASSETS			
Cash	D-1	$ 10,801	$ 10,745
Total Assets		$ 10,801	$ 10,745
LIABILITIES AND RESERVES			
Due to the State of New Jersey	D-3	$ 2,201	$ 2,201
Due to Current Fund	D-4	25	2
Reserve for Public Assistance Expenditures	D-2	8,575	8,542
Total Liabilities and Reserves		$ 10,801	$ 10,745

See Accompanying Notes are an Integral Part of these Financial Statements

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

	2016	2015
ASSETS		
Land	$ 7,207,218	$ 7,207,218
Building and Building Improvements	6,017,105	5,577,682
Machinery and Equipment	7,400,759	6,647,296
	$ 20,625,082	$ 19,432,196
FUND BALANCE		
Investment in General Fixed Assets	$ 20,625,082	$ 19,432,196

See Accompanying Notes are an Integral Part of these Financial Statements

NOTES TO FINANCIAL STATEMENTS

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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.

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, 2015 balances to conform to the December 31, 2016 presentation.

Financial Statements – Regulatory Basis

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

D. Measurement Focus and Basis of Accounting

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

The Borough of 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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.

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 estimated fair market 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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 2016 and 2015 the Borough Council increased the original budget by $41,350 and $21,393. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2016 and 2015.

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.

Bank balances are insured up to $250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to $250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of $250,000 for each failed brokerage firm. At December 31, 2016 and 2015, the book value of the Borough's deposits were $8,737,312 and $7,900,705 and bank and brokerage firm balances of the Borough's deposits amounted to $8,850,828 and $7,999,454, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

	Bank Balance	
	2016	2015
Depository Account		
Insured	$ 8,850,828	$ 7,999,454

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2016 and 2015, the Borough 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.

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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

	Fair Value
2016	
Investment:	
Lincoln Financial - Length of Service Award Program (LOSAP)	$ 895,862
MBIA-Class	$ 895,862
2015	
Investment:	
Lincoln Financial - Length of Service Award Program (LOSAP)	$ 814,993
MBIA-Class	$ 814,993

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2016 and 2015, $895,862 and $814,993 of the Borough's investments was exposed to custodial credit risk as follows:

	Fair Value
2016	
Uninsured and Collateralized	
Collateral held by pledging bank's trust department, but not in the Borough's name	$ 895,862
2015	
Uninsured and Collateralized	
Collateral held by pledging bank's trust department, but not in the Borough's name	$ 814,993

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, 2016 and 2015, the Borough's investment in Lincoln Financial Group was rated Baa1 by Moody's Investor Services.

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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 investments were 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, 2016 and 2015 consisted of the following:

	2016	2015
Current		
Property Taxes	$ 306,317	$ 252,688

In 2016 and 2015, the Borough collected $252,688 and $259,929 from delinquent taxes, which represented 100% of the prior year delinquent taxes receivable balance.

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	2016		2015	
	Due from Other Funds	Due to Other Funds	Due from Other Funds	Due to Other Funds
Current Fund	$ 673		$ 573	
Animal Control Trust Fund		$ 2		$ 2
Community Development Trust Fund		1		
Other Trust Fund-Escrow		549		383
Public Assistance Fund		25		2
General Capital Fund	-	96	-	186
Total	$ 673	$ 673	$ 573	$ 573

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:

	2016		2015	
	Fund Balance December 31,	Utilized in Subsequent Year's Budget	Fund Balance December 31,	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	$ 1,540,772	$ 1,050,000	$ 1,484,273	$ 950,000
Non-Cash Surplus	100,103	-	13,107	-
	$ 1,640,875	$ 1,050,000	$ 1,497,380	$ 950,000

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, 2016 and 2015.

	Balance December 31, 2015	Additions	Retirements	Balance, December 31, 2016
2016				
Land	$ 7,207,218			$ 7,207,218
Buildings and Building Improvement	5,577,682	$ 439,423		6,017,105
Machinery and Equipment	6,647,296	853,963	$ 100,500	7,400,759
	$ 19,432,196	$ 1,293,386	$ 100,500	$ 20,625,082

	Balance December 31, 2014	Additions	Retirements	Balance, December 31, 2015
2015				
Land	$ 7,207,218			$ 7,207,218
Buildings and Building Improvement	5,577,682			5,577,682
Machinery and Equipment	6,207,362	$ 439,934	$ -	6,647,296
	$ 18,992,262	$ 439,934	$ -	$ 19,432,196

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:

	2016	2015
Issued		
General		
Bonds and Notes	$ 5,806,000	$ 5,919,400
Less Funds Temporarily Held to Pay Bonds	52	52
Net Debt Issued	5,805,948	5,919,348
Authorized But Not Issued		
General		
Bonds and Notes	1,255,500	660,000
Net Bonds and Notes Issued and Authorized But Not Issued	$ 7,061,448	$ 6,579,348

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 .355% and .329% at December 31, 2016 and 2015, respectively.

	Gross Debt	Deductions	Net Debt
2016			
General Debt	$ 7,061,500	$ 52	$ 7,061,448
School Debt	11,337,007	11,337,007	-
Total	$ 18,398,507	$ 11,337,059	$ 7,061,448

	Gross Debt	Deductions	Net Debt
2015			
General Debt	$ 6,579,400	$ 52	$ 6,579,348
School Debt	12,404,993	12,404,993	-
Total	$ 18,984,393	$ 12,405,045	$ 6,579,348

NOTE 8 MUNICIPAL DEBT (Continued)

Statutory Borrowing Power

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

	2016	2015
3-1/2% of Equalized Valuation Basis (Municipal)	$ 69,555,589	$ 69,980,930
Less: Net Debt	7,061,448	6,579,348
Remaining Borrowing Power	$ 62,494,141	$ 63,401,582

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:

	2016	2015
$3,696,000, 1998 Bonds, due in annual installments of $191,000 to $200,000 through December, 2018, interest at 4.375%	$ 391,000	$ 591,000
$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%	339,000	509,000
$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%	953,000	1,268,000
	$ 1,683,000	$ 2,368,000

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

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

Calendar Year	General Principal	General Interest	Total
2017	$ 685,000	$ 52,121	$ 737,121
2018	680,000	28,659	708,659
2019	318,000	4,571	322,571
Total	$ 1,683,000	$ 85,351	$ 1,768,351

Changes in Long-Term Municipal Debt

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

	Balance, December 31, 2015	Additions	Reductions	Balance, December 31, 2016	Due Within One Year
2016					
General Capital Fund Bonds Payable	$ 2,368,000	$ -	$ 685,000	$ 1,683,000	$ 685,000

	Balance, December 31, 2014	Additions	Reductions	Balance, December 31, 2015	Due Within One Year
2015					
General Capital Fund Bonds Payable	$ 3,043,000	$ -	$ 675,000	$ 2,368,000	$ 685,000

NOTE 8 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

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

Bond Anticipation Notes

Purpose	Rate (%)	Maturity Date	Balance December 31, 2015	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2016
2016						
General Capital Fund						
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	
Road Improvements	2.00%	2/24/2017		770,500		770,500
Road Improvements	2.00%	2/24/2017		90,000		90,000
Road Improvements	2.00%	2/24/2017	-	570,000	-	570,000
Total General Capital Fund			$ 3,551,400	$ 4,123,000	$ 3,551,400	$ 4,123,000

NOTE 8 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

Purpose	Rate (%)	Maturity Date	Balance December 31, 2014	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2015
2015						
General Capital Fund						
Various Improvements	0.60%	2/27/2015	$ 783,000		$ 783,000	
Various Improvements	1.25%	2/26/2016		$ 734,200		$ 734,200
Various Improvements	0.60%	2/27/2015	409,000		409,000	
Various Improvements	1.25%	2/26/2016		381,650		381,650
Various Improvements	0.60%	2/27/2015	285,100		285,100	
Various Improvements	1.25%	2/26/2016		190,650		190,650
Various Imp & Acq. Of Equipment	0.60%	2/27/2015	1,474,400		1,474,400	
Various Imp & Acq. Of Equipment	1.25%	2/26/2016		1,474,400		1,474,400
Road Improvements	1.25%	2/26/2016	-	770,500	-	770,500
Total General Capital Fund			$ 2,951,500	$ 3,551,400	$ 2,951,500	$ 3,551,400

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.

NOTE 9 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

Capital Project	Construction Commitment	Estimated Date of Completion
2016		
2016 Road Program	$87,086	2017

As of December 31, the Borough has other significant commitments as follows:

Purpose	Remaining Commitment
2016	
Acquisition of Police Vehicle	$36,904
Acquisition of DPN Street Sweeper	71,386

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 $461,779 and $439,238 at December 31, 2016 and 2015, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2016 and 2015, the Borough has reserved in the Current Fund $406,574 and $409,831 respectively to fund compensated absences in accordance with NJSA 40A:4-39.

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, 2016 and 2015 were as follows:

	Balance, December 31, 2015	Additions	Reductions	Balance, December 31, 2016	Due Within One Year
2016					
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	10,449,772	1,999,602	509,616	11,939,758	-
Total Other Long-Term Liabilities	$ 15,217,028	$ 3,688,326	$ 711,614	$ 18,193,740	$ -

	Balance, December 31, 2014	Additions	Reductions	Balance, December 31, 2015	Due Within One Year
2015					
Compensated Absences	$ 431,677	$ 7,561		$ 439,238	$ 28,257
Net Pension Liability - PERS	3,901,705	592,071	$ 165,758	4,328,018	
Net Pension Liability - PFRS	8,692,438	2,267,291	509,957	10,449,772	-
Total Other Long-Term Liabilities	$ 13,025,820	$ 2,866,923	$ 675,715	$ 15,217,028	$ 28,257

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.

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 PFRS and new employees who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least $5,000 are eligible for participation in the DCRP. DCRP is a defined contribution pension plan.

Other Pension Funds

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

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

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

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

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

Basis of Accounting

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

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

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

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, which was rolled forward to June 30, 2016, the aggregate funded ratio for all the State administered retirement systems, including CPFPF, local PERS and local PFRS is 45.7 percent with an unfunded actuarial accrued liability of $50.3 billion. The CPFPF system is 19.15 percent funded with an unfunded actuarial accrued liability of $8.0 million. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 40.14 percent and $29.6 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 52.01 percent and $20.7 billion, respectively.

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

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

Actuarial Methods and Assumptions

In the July 1, 2015 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.65% for investment rate of return for all the retirement systems except CPFPF (2.85%) and (b) changes to projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for PERS and 2.10-9.98 percent based on age for PFRS.

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

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the years ended December 31, 2016 and 2015 for CPFPF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2016, 2015 and 2014, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

Year Ended December 31	PFRS	PERS	DCRP
2016	$ 509,957	$ 171,463	
2015	530,754	171,797	
2014	487,815	169,099	$ 150

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

Public Employees Retirement System (PERS)

At December 31, 2016 and 2015, the Borough reported a liability of $5,792,203 and $4,328,018, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2016, the Borough's proportionate share was .01956 percent, which was an increase of .00028 percent from its proportionate share measured as of June 30, 2015 of .01928 percent.

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2016 and 2015, the pension system has determined the Borough's pension expense to be $483,905 and $204,961, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of $171,463 and $171,797, respectively. At December 31, 2016 and 2015, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 107,717		$ 103,251	
Changes of Assumptions	1,199,835	$ 286,305	464,795	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	220,862			$ 69,586
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	45,099	-	-	365,262
Total	$ 1,573,513	$ 286,305	$ 568,046	$ 434,848

At December 31, 2016 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending December 31,	Total
2017	$ 354,842
2018	354,842
2019	354,842
2020	360,210
2021	(137,528)
	$ 1,287,208

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, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

PERS	2016	2015
Inflation Rate	3.08%	3.04%
Salary Increases:		
2012-2021		2.15-4.40% Based on Age
Through 2026	1.65-4.15% Based on Age	
Thereafter	2.65-5.15% Based on Age	3.15-5.40% Based on Age
Investment Rate of Return	7.65%	7.90%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial study for the period July 1, 2008 to June 30, 2011.

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

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

Discount Rate

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

Year	Measurement Date	Discount Rate
2016	June 30, 2016	3.98%
2015	June 30, 2015	4.90%

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

* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2016 and 2015 calculated using the discount rate of 3.98% and 4.90%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98% and 3.90%, respectively) or 1-percentage-point higher (4.98% and 5.90%, respectively) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
2016			
Borough's Proportionate Share of the PERS Net Pension Liability	$ 7,097,669	$ 5,792,203	$ 4,714,428

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
2015			
Borough's Proportionate Share of the PERS Net Pension Liability	$ 5,379,197	$ 4,328,018	$ 3,446,717

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

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.

Police and Firemen's Retirement System (PFRS)

At December 31, 2016 and 2015, the Borough reported a liability of $11,939,758 and $10,449,772 respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2016, the Borough's proportionate share was .06250 percent, which was a decrease of .00024 percent from its proportionate share measured as of June 30, 2015 of .06274 percent.

For the years ended December 31, 2016 and 2015, the pension system has determined the Borough pension expense to be $1,165,776 and $795,810, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of $509,957and $530,754, respectively. At December 31, 2016 and 2015, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough's financial statements are from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience		$ 78,267		$ 90,133
Changes of Assumptions	$ 1,653,755		$ 1,929,288	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	836,595			181,869
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	152,978	570,950	201,236	698,237
Total	$ 2,643,328	$ 649,217	$ 2,130,524	$ 970,239

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, 2016 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending December 31,	Total
2017	$ 518,439
2018	518,439
2019	518,439
2020	424,654
2021	14,140
	$ 1,994,111

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

PFRS

	2016	2015
Inflation Rate	3.08%	3.04%
Salary Increases:		
2012-2021		2.60-9.48% Based on Age
Through 2026	2.10-8.98% Based on Age	
Thereafter	3.10-9.98% Based on Age	3.60-10.48% Based on Age
Investment Rate of Return	7.65%	7.90%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2015 and July 1, 2014 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

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

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

Discount Rate

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

Year	Measurement Date	Discount Rate
2016	June 30, 2016	5.55%
2015	June 30, 2015	5.79%

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, 2050
Municipal Bond Rate *	From July 1, 2050 and Thereafter

* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PFRS net pension liability as of December 31, 2016 and 2015 calculated using the discount rate of 5.55% and 5.79%, respectively, as well as what the Borough's proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.55% and 4.79%, respectively) or 1-percentage-point higher (6.55% and 6.79%, respectively) than the current rate:

	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
2016			
Borough's Proportionate Share of the PFRS Net Pension Liability	$ 15,395,442	$ 11,939,758	$ 9,121,855

	1% Decrease (4.79%)	Current Discount Rate (5.79%)	1% Increase (6.79%)
2015			
Borough's Proportionate Share of the PFRS Net Pension Liability	$ 13,776,117	$ 10,449,772	$ 7,737,435

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

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 determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2016 and 2015, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is $1,002,644 and $916,410, respectively. For the years ended December 31, 2016 and 2015, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is $128,061 and $114,309, respectively, which is more than the actual contributions the State made on behalf of the Borough of $38,418 and $47,704, respectively. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

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

NOTE 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 584 state and local participating employers and contributing entities for Fiscal Year 2016.

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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.

Basis of Accounting

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

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the State had a $84.3 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of $25.9 billion for state active and retired members, $16.8 billion for local active and retired members and $41.6 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.

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Actuarial Methods and Assumptions

In the July 1, 2015 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, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed $1.37 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 $181.9 million for 10,725 eligible retired members for Fiscal Year 2016. This benefit covers the Police and Firemen's Retirement System.

P.L. 1997, c. 330 provides paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and 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 $48.3 million in Fiscal Year 2016 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, 2016, 2015 and 2014 were $409,031, $349,077 and $301,751, respectively, which equaled the required contributions for each year (or were not available). In addition, the Borough's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended December 31, 2016, 2015 and 2014 were $19,302, $24,652 and $26,330, 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.

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

Year Ended December 31	Borough Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2016	$ 10,000		$ 10,804	$ 40,707
2015	25,001		23,519	41,401
2014	25,000	$ 5,559	4,684	39,810

NOTE 14 CONTINGENT LIABILITIES

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

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2016 and 2015. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2016 and 2015, the Borough reserved $1,694,912 and $1,024,000, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2016 and 2015, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 15 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2016 and 2015, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

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

The Borough of 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.

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

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

The Borough of Woodcliff Lake has contributed $1,573 and $1,553 for 2016 and 2015, respectively, for each eligible volunteer fire department member into the Plan. The total Borough contributions were $39,325 and $35,713 for 2016 and 2015, respectively.

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

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

Vesting and Benefits

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

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

Reporting Requirements

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

NOTE 17 TAX ABATEMENTS

For the years ended December 31, 2016 and 2015, 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).

NOTE 17 TAX ABATEMENTS (Continued)

- 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, 2016 and 2015 the Borough abated property taxes totaling $76,892 and $76,139, respectively, under the NJHMFA program. The Borough received $13,510 and $17,813 in PILOT payments under this program for the years ended December 31, 2016 and 2015, respectively.

NOTE 18 SUBSEQUENT EVENTS

Bond Anticipation Notes

On February 24, 2017 the Borough issued bond anticipation notes in the amount of $5,210,000 to temporarily finance expenditures related to various capital projects. The Borough has awarded the sale of said notes to TD Bank at an interest rate of 1.07%. These notes dated February 24, 2017 will mature on February 23, 2018.

SUPPLEMENTARY SCHEDULES

CURRENT FUND

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF CASH - COLLECTOR-TREASURER

Balance, January 1, 2016		$ 4,369,151
Increased by Receipts:		
Current Taxes Receivable	$ 40,646,964	
Receipts from Delinquent Taxes	252,688	
Non-Budget Revenue	160,420	
State of NJ - Senior Citizens' and Veterans' Deductions	32,500	
Revenue Accounts Receivable	1,843,157	
Construction Training Fees	25,144	
Prepaid Taxes	332,858	
Grants Receivable	52,335	
Tax Overpayments	80,395	
Aid in Lieu of Taxes	13,510	
Marriage License Fees	450	
Unappropriated Reserve	440	
Reserve for Prepaid Revenues	3,647	
Receipts from Animal Control Trust Fund	27	
Receipts from Other Trust Fund	309	
Receipts from General Capital Fund	2,601	
Petty Cash	500	
		43,447,945
		47,817,096
Decreased by Disbursements:		
2016 Budget Appropriations	10,023,426	
2015 Appropriation Reserves	552,716	
Construction Training Fees	23,105	
Marriage License Fees	450	
Regional High School Tax	11,459,852	
County Tax	4,853,333	
Local District School Tax	15,126,666	
Appropriated Reserves	6,492	
Tax Overpayments	39,155	
Reserve for Tax Appeals	29,088	
Refund Prior Year Revenue	15,147	
Reserve for Terminal Leave	28,257	
Petty Cash	500	
Payments to Open Space Trust Fund	192,140	
		42,350,327
Balance, December 31, 2016		$ 5,466,769

EXHIBIT A-5

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF PETTY CASH FUNDS

Increased by:	
Cash Receipts	$ 500
Decreased by:	
Cash Disbursements	$ 500

EXHIBIT A-6

STATEMENT OF CHANGE FUNDS

Balance, January 1, 2016	$ 250
Balance, December 31, 2016	$ 250

EXHIBIT A-7

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

Balance, January 1, 2016		$ 8,021
Increased by:		
Cash Received from State of New Jersey		32,500
		40,521
Decreased by:		
Senior Citizens' Deductions Per Tax Billings	$ 750	
Veterans' Deductions Per Tax Billings	31,750	
Veterans' Deductions Allowed by Tax Collector	500	
		33,000
Balance, December 31, 2016		$ 7,521

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

Year	Balance, January 1, 2016	2016 Levy	Added Taxes	Senior Citizens' and Veterans' Deductions Disallowed	Collections 2015	Collections 2016	Senior Citizens' and Veterans' Deductions Allowed	Taxes Cancelled Remitted or Abated	Balance, December 31, 2016
2015	$ 252,688	-	-	-	-	$ 252,688	-	-	-
	252,688	-	-	-	-	252,688	-	-	-
2016	$ -	$ 41,171,480	$ 25,860	-	$ 178,007	40,646,964	$ 33,000	$ 33,052	$ 306,317
	$ 252,688	$ 41,171,480	$ 25,860	$ -	$ 178,007	$ 40,899,652	$ 33,000	$ 33,052	$ 306,317

TAX YIELD

General Property Tax		
Real Property Tax	$ 41,171,480	
Added Taxes (54:4-63.1 et seq.)	25,860	
		$ 41,197,340

TAX LEVY

Local District School Tax (Abstract)	$ 15,126,666	
Regional School Tax (Abstract)	11,459,851	
County Taxes (Abstract)	4,803,966	
County Open Space Taxes	49,367	
Municipal Open Space Preservation Trust Fund	192,031	
Municipal Open Space Added Taxes (54:4-63.1)	109	
Due County for Added Taxes (54:4-63.1)	3,063	
		$ 31,635,053
Local Tax for Municipal Purposes	9,536,238	
Add Additional Tax Levied	26,049	
		9,562,287
		$ 41,197,340

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, January 1, 2016	Accrued	Collected	Balance, December 31, 2016
Borough Clerk				
Licenses				
Alcoholic Beverage Licenses		$ 2,610	$ 2,610	
Other Licenses		302	302	
Fees and Permits		154	154	
Collector-Treasurer				
Fees and Permits		8,650	8,650	
Construction Code Official				
Building Permits and Fees		415,863	415,863	
Planning and Zoning				
Fees and Permits		13,307	13,307	
Fire Prevention				
Miscellaneous Fees and Permits		2,400	2,400	
Police				
Fees and Permits		2,486	2,486	
Board of Health				
Fees and Permits		6,208	6,208	
Municipal Court				
Fines and Costs	$ 3,766	65,334	64,286	$ 4,814
Uniform Fire Safety Act- Local		64,879	64,879	
Uniform Fire Safety Act- LEA		11,434	11,434	
Interest and Cost on Taxes		76,811	76,811	
Watershed Moratorium Aid		11,186	11,186	
Energy Receipts Tax		509,389	509,389	
Verizon Franchise Fees		44,111	44,111	
Park Receipts		239,068	239,068	
Upper Saddle River Sewer Charges		17,074	17,074	
Cablevision Fees		55,959	55,959	
Hotel Tax		288,549	288,549	
Dept. of Public Works Recyclables	-	21,717	21,717	-
	$ 3,766	$ 1,857,491	$ 1,856,443	$ 4,814

Prepaid Revenue	$ 13,286
Cash Receipts	1,843,157
	$ 1,856,443

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF 2015 APPROPRIATION RESERVES

	Balance, December 31, 2015	Transfers	Balance After Modification	Expended	Transfers/ Cancellations	Balanced Lapsed
Salaries and Wages						
General Administration	$ 1,259		$ 1,259	$ 555		$ 704
Municipal Clerk	2,202		2,202	1,443		759
Financial Administration	16,755		16,755	564		16,191
Revenue Administration	495		495			495
Police	53,017	$ (5,000)	48,017	3,086	$ 25,000	19,931
Emergency Management Services	40		40			40
Aid to Volunteer Fire Companies	2,500		2,500			2,500
Fire Prevention Bureau	1,700		1,700			1,700
Road Repairs and Maintenance	20,795		20,795			20,795
Solid Waste Collection	4,531		4,531			4,531
Public Buildings and Grounds	4,094	(2,000)	2,094			2,094
Board of Health	1,500		1,500			1,500
Welfare Administration	27		27			27
Recreation Services and Programs	942		942			942
Uniform Construction Code	7,966		7,966	375		7,591
Sewer Processing and Disposal	3,467	-	3,467	-	-	3,467
Total Salaries and Wages	121,290	(7,000)	114,290	6,023	25,000	83,267
Other Expenses						
General Administration	1,258		20,762	19,555		1,207
Mayor & Council	12,052	(3,000)	9,337	743		8,594
Municipal Clerk	5,281		7,256	1,548		5,708
Financial Administration	1,779		2,237	1,629		608
Audit Services	1,406		43,407	39,300		4,107
Information Technology	1,152	1,000	2,152	2,112		40
Revenue Administration	211		401	190		211
Assessment of Taxes (Reserve for Tax Appeals)	48,221		48,275	31,500		16,775
Legal Services and Costs	13,897		58,960	55,939		3,021
Engineering Service and Costs	231	1,000	23,758	22,033		1,725
Planning Board	3,616	500	5,115	4,706		409
Zoning Board of Adjustment	4,626	(500)	4,325	69		4,256
General Liability	2,681		38,680	36,197		2,483
Employee Group Health	21,796		22,499	392		22,107
Workers Compensation	949		40,460	39,511		949

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF 2015 APPROPRIATION RESERVES

	Balance, December 31, 2015	Transfers	Balance After Modification	Expended	Transfers/ Cancellations	Balanced Lapsed
Other Expenses (Continued)						
Police	$ 7,439	$ 5,000	$ 20,277	$ 9,753		$ 10,524
Police Dispatch/911	256		1,801			1,801
Emergency Management Services	1,428		3,837	2,221		1,616
Aid to Volunteer Fire Companies	12,456		24,314	21,039		3,275
Aid to Volunteer Ambulance Companies	24,152		24,152			24,152
LOSAP - Ambulance Corp.			16,000	11,644		4,356
LOSAP - Fire Department			50,000	35,713		14,287
Fire Prevention Bureau	101		152			152
Fire Hydrant Services	864		864			864
Municipal Court		500	14,234	13,889		345
Road Repairs and Maintenance	26,687		30,415	9,060		21,355
Shade Tree Commission	1,071		2,029	684		1,345
Solid Waste Collection	23,687		55,927	55,689		238
Recycling Tax	2,834		3,311	1,050		2,261
Public Buildings and Grounds	9,892	2,000	22,046	21,659		387
Vehicle Maintenance	35,526		43,417	6,545		36,872
Board of Health	370		979	605		374
Welfare/Administration of Public Assist.	28		28			28
Recreation Services and Programs	3,933		7,280	2,398		4,882
Maintenance of Parks	2,799		2,799			2,799
Library Membership	1,639	500	2,664	2,325		339
Celebration of Public Events	5,509		8,376	3,047		5,329
Uniform Construction Code	3,970		5,116	1,267		3,849
Electricity	1,485	(11,500)	30,247	11,328		18,919
Street Lighting	1,280	11,500	12,928	12,596		332
Telephone	4,402		8,088	2,200		5,888
Water	1,497		3,427	1,930		1,497
Gasoline	34,836		57,363	11,141		46,222
Sewer Processing and Disposal	19,203		20,804	2,521		18,283
Sanitary Landfill Dump Fees	20,245		41,776	22,676		19,100
Share Costs Sewer Charges - Debt Service	1		1			1
Borough of Montvale - Sewer Charges	34		34			34
Borough of Hillsdale - Sewer Charges	1,586		25,000	23,414		1,586
Social Security System (O.A.S.I)	2,976		2,976	667		2,309
Defined Contribution Retirement Program	1,500		1,500			1,500

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF 2015 APPROPRIATION RESERVES

	Balance, December 31, 2015	Transfers	Balance After Modification	Expended	Transfers/ Cancellations	Balanced Lapsed
Body Armor Fund	$ 256		$ 2,015	$ 1,760	$ 255	
Clean Communities	14,906		14,906		14,906	
Municipal Alliance - State	1,600		1,600		1,600	
NJ Click It/Ticket	527		527		527	
State of NJ Recycling Tonnage	22,729	-	22,729	2,448	20,281	-
Total Other Expenses	412,860	$ 7,000	913,563	546,693	37,569	329,301
Grand Total	$ 534,150	$ -	$ 1,027,853	$ 552,716	$ 62,569	$ 412,568

Appropriation Reserves	$ 534,150
Prior Year Encumbrances Payable - Restored	493,703
	$ 1,027,853

Cash Disbursements	$ 552,716

Transfer to Reserve for Terminal Leave	$ 25,000
Transfer to Appropriated Reserves	37,569
	$ 62,569

EXHIBIT A-11

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF ACCOUNTS PAYABLE

Balance, January 1, 2016	$ 28,585
Balance, December 31, 2016	$ 28,585

EXHIBIT A-12

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

Balance, January 1, 2016	$ 6,191
Increased by:	
Collections	25,144
	31,335
Decreased by:	
Payments	23,105
Balance, December 31, 2016	$ 8,230

EXHIBIT A-13

STATEMENT OF DUE TO STATE OF NEW JERSEY
MARRIAGE FEES

Balance, January 1, 2016	$ 125
Increased by:	
Collections	450
	575
Decreased by:	
Payments	450
Balance, December 31, 2016	$ 125

EXHIBIT A-14

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF RESERVE FOR TAX APPEALS

Balance, January 1, 2016		$ 1,024,000
Increased by:		
Transfer from Current Year Tax Collections	$ 200,000	
Transfer from 2016 Budget Appropriation	500,000	
		700,000
		1,724,000
Decreased by:		
Cash Paid to Appellants		29,088
Balance, December 31, 2016		$ 1,694,912

EXHIBIT A-15

STATEMENT OF PREPAID TAXES

Balance, January 1, 2016	$ 178,007
Increased by:	
Collection of 2017 Taxes	332,858
	510,865
Decreased by:	
Application to 2016 Taxes	178,007
Balance, December 31, 2016	$ 332,858

EXHIBIT A-16

STATEMENT OF TAX OVERPAYMENTS

Balance, January 1, 2016	$ 21,878
Increased by:	
Cash Receipts	80,395
	102,273
Decreased by:	
Cash Disbursements	39,155
Balance, December 31, 2016	$ 63,118

EXHIBIT A-17

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF REGIONAL HIGH SCHOOL TAX PAYABLE

Balance, January 1, 2016	$ 1
Increased by:	
Levy - Calendar Year	11,459,851
	11,459,852
Decreased by:	
Payments	11,459,852

EXHIBIT A-18

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:		
2016 Levy	$ 4,803,966	
Open Space Preservation	49,367	
Added Taxes (54:4-63.1 et seq.)	3,063	
		$ 4,856,396
Decreased by:		
Payments		4,853,333
Balance, December 31, 2016		$ 3,063

EXHIBIT A-19

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, January 1, 2016	$ 493,703
Increased by:	
Charges to 2016 Appropriations	407,001
	900,704
Decreased by:	
Restored to Appropriation Reserves	493,703
Balance, December 31, 2016	$ 407,001

EXHIBIT A-20

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF LOCAL DISTRICT SCHOOL TAX PAYABLE

Increased by:	
Levy - Calendar Year	$ 15,126,666
Decreased by:	
Payments	$ 15,126,666

EXHIBIT A-21

STATEMENT OF UNAPPROPRIATED RESERVES

	Balance, January 1, 2016	Cash Receipts	Anticipated in 2016 Budget	Balance, December 31, 2016
Body Armor Grant		$ 440		$ 440
Drunk Driving Enforcement	$ 1,186		$ 1,186	
Recycling Tonnage Grant	18,558	-	18,558	-
	$ 19,744	$ 440	$ 19,744	$ 440

EXHIBIT A-22

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF APPROPRIATED RESERVES

	Balance, January 1, 2016	Transferred from 2015 Appropriation Reserves	Paid or Charged	Balance, December 31, 2016
Capital Improvements:				
Park & Recreation Sidewalk Imprvts.	$ 40,312			$ 40,312
Body Armor Fund	10,675	$ 255		10,930
CDBG - Senior Activity County	2,974			2,974
Clean Communities	30,011	14,906	$ 602	44,315
DWI- Overtime	6,725			6,725
Municipal Alliance - Local	4,988			4,988
Municipal Alliance - State	3,704	1,600		5,304
NJ Highway Click It or Ticket	-	527		527
Recreation Development Plan	25,000			25,000
Recycling Tonnage Grant	5,890	20,281	5,890	20,281
	$ 130,279	$ 37,569	$ 6,492	$ 161,356
	Cash Disbursements		$ 6,492	

EXHIBIT A-23

STATEMENT OF GRANTS RECEIVABLE

	Balance, January 1, 2016	Accrued 2016	Collected 2016	Balance, December 31, 2016
Alcohol Education		$ 544	$ 544	
Bergen County Community Dev. Senior Citizens		7,655	7,565	$ 90
Body Armor Grant		3,704	3,704	
Clean Communities Grant		17,047	17,047	
Drunk Driving Enforcement Fund		3,285	3,285	
FEMA Hazard Mitigation - Fire Department		74,120		74,120
Municipal Alliance Program	$ 12,670	9,876	5,525	17,021
NJ Highway - Click It or Ticket	437	5,000	3,595	1,842
NJ Highway - Drive Sober Grant		15,000	7,970	7,030
NJDEP - Recycling Bonus Grant	-	3,100	3,100	-
	$ 13,107	$ 139,331	$ 52,335	$ 100,103

EXHIBIT A-24

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

Balance, January 1, 2016	$ 17,327
Increased by:	
Cash Receipts	13,510
	30,837
Decreased by:	
Realized as Budgeted Revenue	17,327
Balance, December 31, 2016	$ 13,510

EXHIBIT A-25

STATEMENT OF RESERVE FOR TERMINAL LEAVE

Balance, January 1, 2016	$ 409,831
Increased by:	
Transfer from 2015 Appropriation Reserves	25,000
	434,831
Decreased by:	
Cash Disbursements	28,257
Balance, December 31, 2016	$ 406,574

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF RESERVE FOR PREPAID REVENUE
FIRE PREVENTION PERMITS/REGISTRATION

Balance, January 1, 2016	$	13,286
Increased by:		
Cash Receipts		3,647
		16,933
Decreased by:		
Realized as Budgeted Revenue		13,286
Balance, December 31, 2016	$	3,647

TRUST FUND

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF TRUST CASH

	Animal Control		Other Trust		Unemployment Trust		Open Space Trust		Community Development Trust	
Balance, January 1, 2016		$ 6,435		$ 1,088,717		$ 42,561		$ 1,777,181		
Increased by Receipts:										
Current Fund Budget Appropriation	$ 4,000				$ 10,000					
Tax Collections							$ 192,140			
State Dog License Fees	826									
Animal License Fees Collected	4,688									
Miscellaneous Receipts and Late Fees	1,181									
Miscellaneous Reserves			$ 239,675							
Interest on Deposits	27		812		110		11,998		$ 1	
Community Development Trust Grant Receipts									4,125	
Escrow Deposits			283,969							
Net Payroll and Payroll Deductions	-		4,540,233		-		-		-	
		10,722		5,064,689		10,110		204,138		$ 4,126
		17,157		6,153,406		52,671		1,981,319		4,126
Decreased by Disbursements:										
Net Payroll and Payroll Deductions			4,551,739							
Miscellaneous Reserves			547,358							
Cash Disbursements - Animal Control Expenditures Under R.S. 4:19-15.11	6,065									
Payments to Current Fund	27		309						4,125	
Escrow Deposits			92,250							
Payments to State of New Jersey	826		-		9,072		-		-	
		6,918		5,191,656		9,072		-		4,125
Balance, December 31, 2016		$ 10,239		$ 961,750		$ 43,599		$ 1,981,319		$ 1

EXHIBIT B-4

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

Balance, January 1, 2016		$ 6,433
Increased by:		
Animal License Fees Collected	$ 4,688	
Miscellaneous and Late Fees	1,181	
Budget Appropriation	4,000	
		9,869
		16,302
Decreased by:		
Expenditures Under R.S. 4:19-15.11		6,065
Balance, December 31, 2016		$ 10,237

EXHIBIT B-5

STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL FUND

Balance, January 1, 2016	$ 2
Increased by:	
Interest on Deposits	27
	29
Decreased by:	
Cash Disbursements	27
Balance, December 31, 2016	$ 2

EXHIBIT B-6

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

Increased by:	
State Registration Fees Collected	$ 826
Decreased by:	
Payments to State of New Jersey	$ 826

EXHIBIT B-7

STATEMENT OF ESCROW DEPOSITS
OTHER TRUST FUND

Balance, January 1, 2016		$ 278,844
Increased by:		
Escrow Deposits Collected	$ 283,969	
Interest on Deposits	337	
		284,306
		563,150
Decreased by:		
Refund of Escrow Deposits		92,250
Balance, December 31, 2016		$ 470,900

EXHIBIT B-8

STATEMENT OF DUE TO CURRENT FUND
OTHER TRUST FUND

Balance, January 1, 201	$ 383
Increased by:	
Interest on Deposits	475
	858
Decrease by:	
Cash Disbursements	309
Balance, December 31, 2016	$ 549

EXHIBIT B-9

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF MISCELLANEOUS RESERVES
OTHER TRUST FUND

	Balance January 1, 2016	Receipts	Payments	Balance December 31, 2016
Police Outside Duty	$ 91,611	$ 140,907	$ 135,945	$ 96,573
Causeway Beautification-Clock	1,796			1,796
Sidewalk	40,469	102		40,571
DARE Activities	7,308	4,133	3,181	8,260
Fire Prevention Penalty Fees	166			166
Renovation Westervelt Park	3,521			3,521
Affordable Housing Fees	629,277	94,531	408,232	315,576
Flex Spending	601	2	-	603
	$ 774,749	$ 239,675	$ 547,358	$ 467,066

EXHIBIT B-10

STATEMENT OF PAYROLL DEDUCTIONS PAYABLE
OTHER TRUST FUND

Balance, January 1, 2016	$ 34,741
Increased by:	
Cash Receipts - Net Payroll and Payroll Deductions	4,540,233
	4,574,974
Decreased by:	
Cash Disbursements - Net Payroll and Payroll Deductions	4,551,739
Balance, December 31, 2016	$ 23,235

EXHIBIT B-11

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

Balance, January 1, 2016	$ 1,160
Increased by:	
Unemployment Claims	10,804
	11,964
Decreased by:	
Payments	9,072
Balance, December 31, 2016	$ 2,892

EXHIBIT B-12

STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION INSURANCE

Balance, January 1, 2016		$ 41,401
Increased by:		
Current Fund Budget Appropriations	$ 10,000	
Interest on Deposits	110	
		10,110
		51,511
Decreased by:		
Due to State of New Jersey		10,804
Balance, December 31, 2016		$ 40,707

EXHIBIT B-13

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

Balance, January 1, 2016		$ 1,777,181
Increased by:		
Open Space Tax	$ 192,031	
Additional Open Space Tax	109	
Interest on Deposits	11,998	
		204,138
Balance, December 31, 2016		$ 1,981,319

EXHIBIT B-14

STATEMENT OF GRANTS RECEIVABLE
OPEN SPACE PRESERVATION TRUST FUND

	Balance, January 1, 2016	Balance, December 31, 2016
Woodcliff Lake Baseball Association- Bleachers	$ 10,000	$ 10,000
	$ 10,000	$ 10,000
Reserve for Grants Receivable		$ 10,000

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF DUE TO CURRENT FUND
COMMUNITY DEVELOPMENT TRUST FUND

Increased by:		
Cash Receipts	$ 4,125	
Interest on Deposits	1	
		$ 4,126
Decreased by:		
Cash Disbursements		4,125
Balance, December 31, 2016		$ 1

GENERAL CAPITAL FUND

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

Balance, January 1, 2016		$ 605,665
Increased by Receipts:		
Premium on Notes	$ 49,151	
Bond Anticipation Note Proceeds	4,123,000	
Budget Appropriation- Capital Improvement Fund	50,000	
Bond Anticipation Notes Paid by Budget Appropriation	88,400	
Interest on Deposits	2,511	
		4,313,062
		4,918,727
Decreased by:		
Contracts Payable	612,659	
Payments to Current Fund	2,601	
Bond Anticipation Note Payments	3,551,400	
Improvement Authorizations	489,483	
		4,656,143
Balance, December 31, 2016		$ 262,584

BOROUGH OF WOODCLIFF LAKE
ANALYSIS OF GENERAL CAPITAL CASH

		Balance, December 31, 2016
Fund Balance		$ 283,486
Capital Improvement Fund		56,064
Due to Current Fund		96
Contract Payable		299,153
Excess Notes Proceeds Ord #12-02		4
Reserve for Payment of Notes		48
Improvement Authorizations:		
Ord. No.	Improvement Description	
	General Improvements:	
10-05	Westervelt/Lydecker Property	32,599
11-06	Various Capital Improvements	35,215
12-01	Refunding Bond Tax Appeals	32,567
12-02	Various Improvements	63,188
13-01	Various Improvements	57,881
14-07/14-11	Road & Curb Improvements	106,288
15-01	Acq. Of Various Vehicles	2,619
15-11	Acq. Of DPW Truck	556
15-13	Acq. Of Fire Engine	9,031
16-03	Various Imp & Acq. Of Equipment	(159,666)
16-14	Various Imp. & Acq. Of Vehicles	(556,545)
		$ 262,584

EXHIBIT C-4

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

Balance, January 1, 2016	$ 2,368,000
Decreased by:	
2016 Budget Appropriation to Pay Bond Principal	685,000
Balance, December 31, 2016	$ 1,683,000

EXHIBIT C-5

STATEMENT OF GRANTS RECEIVABLE/OTHER RECEIVABLE

	Balance, January 1, 2016	Grant Awards	Balance, December 31, 2016
N.J. Department of Transportation			
Ord. 11-06	$ 37,500		$ 37,500
Ord. 12-02	59,346		59,346
County of Bergen			
Ord. 16-14	-	$ 39,600	39,600
	$ 96,846	$ 39,600	$ 136,446

Balance Pledged to:	
Reserve for Receivable	$ 136,446

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

Ord. No.	Improvement Description	Balance, January 1, 2016	2016 Authorizations	Notes Paid by Budget	Balance, December 31, 2016	Analysis of Balance: Bond Anticipation Notes Issued	Analysis of Balance: Expenditures	Analysis of Balance: Unexpended Improvement Authorizations
11-06	Various Improvements	$ 734,200		$ 48,800	$ 685,400	$ 685,400		
12-02	Various Public Improvements	381,646		27,000	354,646	354,646		
12-12/12-16	Various Improvements	190,650		12,600	178,050	178,050		
13-01	Various Imp & Acq. Of Equipment	1,474,400			1,474,400	1,474,400		
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		$ 159,666	$ 29,834
16-14	Various Improvements and Acq. Of Vehicles	-	1,066,000	-	1,066,000	-	556,545	509,455
		$ 4,211,396	$ 1,255,500	$ 88,400	$ 5,378,496	$ 4,122,996	$ 716,211	$ 539,289

Bond Anticipation Notes	$ 4,123,000
Less: Excess Note Proceeds Ordinance #12-02	4
	$ 4,122,996

Improvement Authorization - Unfunded	$ 813,511
Less: Unexpended Proceeds	
Ord 11-06	35,215
Ord 12-02	63,188
Ord 12-12/12-16	57,881
Ord 14-07/14-11	106,288
Ord 15-01	2,619
Ord 15-13	9,031
	$ 539,289

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF GENERAL SERIAL BONDS PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2016 Date	Amount	Interest Rate	Balance, January 1, 2016	Decreased	Balance, December 31, 2016
General Improvement Bonds	12/1/1998	$ 3,696,000	12/1/2017	$ 200,000				
			12/1/2018	191,000	4.375 %	$ 591,000	$ 200,000	$ 391,000
General Improvement Bonds	10/1/2004	2,024,000	10/1/2017	170,000				
			10/1/2018	169,000	3.25-4.0 %	509,000	170,000	339,000
General Improvement Bonds	6/1/2009	2,638,000	6/1/2017	315,000				
			6/1/2018	320,000				
			6/1/2019	318,000	1.250%-2.875 %	1,268,000	315,000	953,000
						$ 2,368,000	$ 685,000	$ 1,683,000

Budget Appropriation $ 685,000

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF IMPROVEMENT AUTHORIZATIONS

No.	Improvement Description	Ordinance Amount	Balance, January 1, 2016 Funded	Balance, January 1, 2016 Unfunded	2016 Authorizations	Contracts Cancelled	Paid or Charged	Balance, December 31, 2016 Funded	Balance, December 31, 2016 Unfunded
	General Improvements:								
10-05	Westervelt/Lydecker Property	$ 400,000	$ 32,599					$ 32,599	
11-06	Various Improvements	1,019,000		$ 35,508			$ 293		$ 35,215
12-01	Refunding Bond Tax Appeals	875,000		32,860			293	32,567	
12-02	Various Improvements	525,000		43,683		$ 19,505			63,188
13-01	Various Imp & Acq. Of Equipment	1,570,000		58,175			294		57,881
14-07/14-11	Road & Curb Improvements	810,000		106,874			586		106,288
15-01	Acquisition of Various Vehicles	180,000		2,912			293		2,619
15-11	Acquisition of DPW Truck	70,000		556				556	
15-13	Acquisition of Fire Engine	600,000		16,197			7,166		9,031
16-03	Various Imp & Acq. Of Equipment	199,000			$ 199,000		169,166		29,834
16-14	Various Imp & Acq. Of Vehicles	1,120,000	-	-	1,120,000	-	610,545	-	509,455
			$ 32,599	$ 296,765	$ 1,319,000	$ 19,505	$ 788,636	$ 65,722	$ 813,511

Analysis	
Deferred Charges Unfunded	$ 1,255,500
Capital Improvement Fund	63,500
	$ 1,319,000

Cash Disbursed	$ 489,483
Contracts Payable	299,153
	$ 788,636

EXHIBIT C-9

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF DUE TO CURRENT FUND

Balance, January 1, 2016	$ 186
Increased by:	
Interest on Investments and Deposits	2,511
	2,697
Decreased by :	
Payments to Current Fund	2,601
Balance, December 31, 2016	$ 96

EXHIBIT C-10

STATEMENT OF RESERVE FOR PAYMENT OF NOTES

Balance, January 1, 2016	$ 48
Balance, December 31, 2016	$ 48

EXHIBIT C-11

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF CONTRACTS PAYABLE

Balance, January 1, 2016		$ 632,164
Increased by:		
Charges to Improvement Authorizations		299,153
		931,317
Decreased by:		
Cancellations to Improvement Authorizations	$ 19,505	
Payments	612,659	
		632,164
Balance, December 31, 2016		$ 299,153

EXHIBIT C-12

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, January 1, 2016	$ 69,564
Increased by:	
2016 Budget Appropriation	50,000
	119,564
Decreased by:	
Appropriated to Finance Improvement Authorization	63,500
Balance, December 31, 2016	$ 56,064

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF BOND ANTICIPATION NOTES PAYABLE

Ordinance	Purpose	Original Issue	Date of Original Issue	Date Issue	Date of Maturity	Interest Rate	Balance, January 1, 2016	Increased	Decreased	Balance, December 31, 2016
11-06	Various Improvements	$ 944,300	11/3/2011	2/27/2015	2/26/2016	1.25%	$ 734,200		$ 734,200	
				2/26/2016	2/24/2017	2.00%		$ 685,400		$ 685,400
12-01/12-02	Various Improvements	1,074,000	4/26/2012	2/27/2015	2/26/2016	1.25%	381,650		381,650	
				2/26/2016	2/24/2017	2.00%		354,650		354,650
12-12/12-16	Various Improvements	285,100	3/1/2013	2/27/2015	2/26/2016	1.25%	190,650		190,650	
				2/26/2016	2/24/2017	2.00%		178,050		178,050
13-01	Various Imp & Acq. Of Equipment	1,474,400	2/28/2014	2/27/2015	2/26/2016	1.25%	1,474,400		1,474,400	
				2/26/2016	2/24/2017	2.00%		1,474,400		1,474,400
14-07/14-11	Road Improvements - 2014	770,500	2/27/2015	2/27/2015	2/26/2016	1.25%	770,500		770,500	
				2/26/2016	2/24/2017	2.00%		770,500		770,500
15-01	Acquisition of Various Vehicles	90,000	2/26/2016	2/26/2016	2/24/2017	2.00%		90,000		90,000
15-13	Acquisition of Fire Engine	570,000	2/26/2016	2/26/2016	2/24/2017	2.00%	-	570,000	-	570,000
							$ 3,551,400	$ 4,123,000	$ 3,551,400	$ 4,123,000
					Renewals			$ 3,463,000	$ 3,463,000	
					Issued for Cash			660,000		
					Paid by Budget Appropriation			-	88,400	
								$ 4,123,000	$ 3,551,400	

EXHIBIT C-14

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

Ord. No.	Improvement Description	Balance, January 1, 2016	2016 Authorizations	Bond Anticipation Notes Issued	Balance, December 31, 2016
	General Improvements:				
15-01	Acq. Of Various Vehicles	$ 90,000		$ 90,000	
15-13	Acq. Of Fire Engine	570,000		570,000	
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
		$ 660,000	$ 1,255,500	$ 660,000	$ 1,255,500

PUBLIC ASSISTANCE FUND

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF PUBLIC ASSISTANCE CASH - TREASURER

	PATF Account #1 (75)%	PATF Account #2 (100)%	Total
Balance, January 1, 2016	$ 5,341	$ 5,404	$ 10,745
Increased by:			
Receipts	13	11,710	11,723
	5,354	17,114	22,468
Decreased by:			
Disbursements	-	11,667	11,667
Balance, December 31, 2016	$ 5,354	$ 5,447	$ 10,801

BOROUGH OF WOODCLIFF LAKE
STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

	PATF Account #1	PATF Account #2	Total
Balance, January 1, 2016	$ 3,139	$ 5,403	$ 8,542
Increased by:			
State Aid	-	11,700	11,700
	-	11,700	11,700
	3,139	17,103	20,242
Decreased by:			
Assistance Reported	-	11,667	11,667
	-	11,667	11,667
Balance, December 31, 2016	$ 3,139	$ 5,436	$ 8,575

EXHIBIT D-3

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

Balance, January 1, 2016	$ 2,201
Balance, December 31, 2016	$ 2,201

EXHIBIT D-4

STATEMENT OF DUE TO CURRENT FUND

Balance, January 1, 2016	$ 2
Increased by:	
Interest Income	23
Balance, December 31, 2016	$ 25

EXHIBIT D-5

STATEMENT OF EXPENDITURES

Current Year Assistance (Reported)		
Maintenance Payments	$ 5,067	
Temporary Rental Assistance	6,600	
Total Assistance Reported		$ 11,667

LERCH, VINCI & HIGGINS. LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of 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, 2016, and the related notes to the financial statements, and have issued our report thereon dated June 15, 2017. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund 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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2016-001 that we consider to be a significant deficiency in internal control over financial reporting.

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which are described in the accompanying schedule of findings and responses as item 2016-001.

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

Borough of Woodcliff Lake's Responses to Findings

The Borough of Woodcliff Lake's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Borough of Woodcliff Lake's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

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

Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457

Fair Lawn, New Jersey
June 15, 2017

BOROUGH OF WOODCLIFF LAKE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED DECEMBER 31, 2016

Federal Funding Department	CFDA Number	Grant Year	Grant Award Amount	2016 Receipts	Balance, January 1, 2016	Revenues Realized	Expenditures	Balance, December 31, 2016	Cumulative Expenditures
Passed through County of Bergen - Housing & Urban Development Community Development Block Grant	14.218								
Senior Citizen		2016	$ 7,655	$ 7,655		$ 7,655		$ 7,655	
		2013	3,274		$ 2,974			2,974	$ 300
U.S. Department of Homeland Security (Passed Through State Department of Law and Public Safety)									
FEMA Disaster Assistance Grant - Jonas	97.036	2016	30,008	30,008		30,008	$ 30,008		30,008
FEMA Hazard Mitigation- Fire Department Generator		2016	74,120		-	74,120	40,446	33,674	40,446
					$ 2,974	$ 111,783	$ 70,454	$ 44,303	

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

BOROUGH OF WOODCLIFF LAKE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2016

State Grant Program	Project/Grant Number	Grant Year	Grant Award	2016 Receipts	Balance, January 1, 2016	Revenue/ Receipts	Expended	Adjustments (Cancellations)	Balance, December 31, 2016		Cumulative Expended
Department of Environmental Protection										*	
Clean Communities Grant	042-00-4900-765-004	2016	$ 17,047	$ 17,047		$ 17,047			$ 17,047	*	
		2015	14,906		$ 14,906				14,906	*	
		2014	12,269		12,068				12,068	*	$ 201
		2013	13,080		9,572				9,572	*	3,508
		2012	11,206		8,371		$ 602		7,769	*	3,437
Division of Motor Vehicles										*	
Drunk Driving Enforcement Fund- Police	1110-448-031020-22	2016	3,285	3,285		3,285	101		3,184	*	101
		2015	1,186			1,186	1,186		-	*	1,186
		2012	3,110		2,378				2,378	*	732
		2011	4,400		2,236				2,236	*	2,164
		2010	785		785				785	*	
		2009	532		532				532	*	
		2008	1,927		794				794	*	1,133
Division of Highway Traffic Safety										*	
Drive Sober Grant	066-00-1160-100-157	2016	15,000	7,970		15,000	7,590		7,410	*	7,590
										*	-
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
Municipal Alliance on Alcoholism and Drug Abuse										*	
(Passed through County of Bergen)	N/A	2016	9,876	5,525		9,876	9,876		-	*	9,876
		2014	14,814		4,702				4,702	*	10,112
		2013	9,876		286				286	*	9,590
Department of Law and Public Safety										*	
Body Armor Replacement Program	066-00-1020-718-001	2016	3,704	3,704		3,704	2,060		1,644	*	2,060
		2015	2,016		256				256	*	1,760
		2014	2,018		2,018				2,018	*	-
		2013	3,830		2,255				2,255	*	1,575
		2012	2,076		2,076				2,076	*	
		2011	3,309		3,309				3,309	*	
		2010	4,051		151				151	*	3,900
		2009	3,422		866			$ (1)	865	*	2,557
Department of Environmental Protection										*	
State Tonnage Grant (Recycling)	042-00-4900-752-001	2016	3,100	3,100		3,100			3,100	*	-
		2015	18,558			18,558	750		17,808	*	750
		2014	25,132		22,729			(2,448)	20,281	*	4,851
		2013	16,547		5,572		5,572		-	*	16,547
		2012	15,899		318		318		-	*	15,899
Division of Judiciary										*	
Alcohol Ed and Rehab	098-00-9735-760-001	2016	544	544		544	544		-	*	544
										*	
Division of Family Development										*	
Human Services	054-15-7550-100-121	2016	11,700	11,700	-	11,700	6,534		5,166	*	6,534
		2015	15,000		5,133	-	5,133	-	-	*	15,000
										*	
					$ 101,840	$ 89,000	$ 40,266	$ (2,449)	$ 148,125	*	

Note: This schedule is not subject to Single Audit under NJ OMB 15-08.

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, 2016

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:

	Federal	State	Total
Current Fund	$ 111,783	$ 77,300	$ 189,083
Public Assistance Fund	-	11,700	11,700
	$ 111,783	$ 89,000	$ 200,783

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.

NOTE 6 DE MINIMIS INDIRECT COST RATE

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

BOROUGH OF WOODCLIFF LAKE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016

Part I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on financial statements Modified, 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)?	X	yes	_____	none reported
Noncompliance material to the financial statements noted?	X	yes	_____	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, 2016

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

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.

Criteria or Specific Requirement

Internal Controls over Payroll Reporting and Processing
Electronic Disbursement Controls for Payroll Purposes (N.J.A.C. 5:30-17.3)

Condition

The "Service Organization Controls Report" on the payroll provider's internal controls was not available for the audit.

Context

The Borough hasn't implemented internal control procedures with their payroll provider.

Effect

The payroll provider's internal controls over the payroll process couldn't be evaluated.

Cause

The payroll provider hasn't obtained a "Service Organization Controls Report (SOC)" on the controls in place and the operating effectiveness of those controls in place over payroll reporting and processing.

Recommendation

The Borough obtain a "Service Organization Controls Report (SOC)" from their payroll provider, Consolidated Human Resources on their controls in place and the operating effectiveness of those controls in place over payroll reporting and processing.

Views of Responsible Officials and Planned Corrective Action

The Borough has reviewed this finding and changed payroll provider which now provides a SOC report.

BOROUGH OF WOODCLIFF LAKE
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

STATUS OF PRIOR YEAR FINDINGS

Finding 2015-001

See Finding 2016-001

BOROUGH OF WOODCLIFF LAKE

BERGEN COUNTY, NEW JERSEY

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

BOROUGH OF WOODCLIFF LAKE
SUPPLEMENTARY DATA

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

	Year 2016		Year 2015	
	Amount	Percent	Amount	Percent
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	$ 950,000	2.14 %	$ 950,000	2.19 %
Miscellaneous - From Other Than Local Property Tax Levies	2,196,301	4.94	1,880,706	4.33
Collection of Delinquent Taxes and Tax Title Liens	252,688	0.57	259,929	0.60
Collection of Current Tax Levy	40,657,971	91.43	39,877,293	91.84
Other Credits	413,141	0.92	453,788	1.04
Total Income	44,470,101	100.00 %	43,421,716	100.00 %
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	11,725,734	27.03 %	11,486,652	27.12 %
Municipal Open Space Preservation Trust Fund Taxes	192,140	0.44	189,805	0.45
County Taxes	4,856,396	11.20	4,719,402	11.14
Regional School Taxes	11,459,851	26.42	11,242,662	26.54
Local District School Taxes	15,126,666	34.87	14,711,253	34.73
Other Expenditures	15,819	0.04	6,851	0.02
Total Expenditures	43,376,606	100.00 %	42,356,625	100.00 %
Excess in Revenue	1,093,495		1,065,091	
Fund Balance, January 1	1,497,380		1,382,289	
	2,590,875		2,447,380	
Less Utilization as Anticipated Revenue	950,000		950,000	
Fund Balance, December 31	$ 1,640,875		$ 1,497,380	

BOROUGH OF WOODCLIFF LAKE
SUPPLEMENTARY DATA

Comparative Schedule of Tax Rate Information

	2016	2015	2014
Tax Rate	$2.144	$2.123	$2.209
Apportionment of Tax Rate			
Municipal	.496	.495	.517
Municipal Open Space Preservation	.009	.010	.010
County (Including Open Space Tax)	.254	.250	.252
Regional School	.597	.593	.625
Local School	.788	.775	.805

Assessed Valuation	
2016	$1,920,311,555
2015	$1,896,168,946
2014	$1,784,775,577

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.

Year	Tax Levy	Cash Collections	Percentage of Collection
2016	$ 41,197,340	$ 40,857,971	99.17%
2015	40,295,779	40,027,293	99.33%
2014	39,543,214	39,263,672	99.29%

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 Year	Amount of Delinquent Taxes	Total	Percentage of Tax Levy
2016	$ 306,317	$ 306,317	0.74%
2015	252,688	252,688	0.63%
2014	254,897	254,897	0.64%

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:

Year	Amount
2016	None
2015	None
2014	None

Comparative Schedule of Fund Balance

	Year	Balance, December 31,	Utilized In Budget of Succeeding Year
Current Fund	2016	$1,640,875	$1,050,000
	2015	1,497,380	950,000
	2014	1,382,289	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:

Name	Title
Carlos Rendo	Mayor
Jeanine Chiavelli	Councilwoman
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
Fabia 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 of the payroll agency account revealed the following:

- The payroll agency reserve had an insufficient balance at December 31, 2016 of $10,959.
- The Net Payroll Bank reconciliation had an unreconciled difference of $12,488 at December 31, 2016 and had outstanding checks dating back to 2015 in the amount of $14,290 that should be cleared of record.

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 not include the excess group term life benefits as a taxable state wages. It is recommended that all state taxable wages are reported 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 the payroll deductions revealed that there are several employees potentially eligible for the Defined Contribution Retirement Plan (DCRP) that have not been enrolled. It is recommended that the Borough enroll all eligible employees into the Defined Contribution Retirement Plan (DCRP).

Prior Year Unresolved

Our audit of Payroll revealed that the Borough's payroll company, Consolidated Human Resources (CHR), did not provide a "Service Organization Controls Report (SOC)" for the year of audit. It is recommended that the Borough obtain a "Service Organization Control Report (SOC)" from the payroll provider, Consolidated Human Resources on their controls in place and the operating effectiveness of those controls in place over payroll reporting and processing.

Our audit of the State pension reports revealed that certain employee pension loan deductions were not properly reported on the State pension reports. It is recommended that employee pension loan deductions be reported correctly on the State pension reports.

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:

2016 Road and Curb Program

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 4, 2016 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 2016 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

RECOMMENDATIONS

It is recommended that:

* 1. The Borough obtain a "Service Organization Controls Report (SOC)" from their payroll provider, Consolidated Human Resources on their controls in place and the operating effectiveness of those controls in place over payroll reporting and processing.

* 2. Employee pension loan deductions be reported correctly on the State pension reports.

* 3. The Borough enhance their internal controls over purchasing procedures to ensure that purchase orders are issued when the goods and/or services are ordered.

* 4. 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.

5. 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.

6. All state taxable wages are reported on the employee's W-2 forms at year end.

7. Political Contribution Disclosure forms are obtained for vendors that exceed the $17,500 threshold.

8. The Borough enroll all eligible employees into the Defined Contribution Retirement Plan (DCRP).

* * * * * *

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

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

Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457