

BOROUGH OF CLIFFSIDE PARK
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2013

BOROUGH OF CLIFFSIDE PARK

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BOROUGH OF CLIFFSIDE PARK

PART I

**REPORT OF AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2013**



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Cliffside Park
Cliffside Park, 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 Cliffside Park, as of December 31, 2013 and 2012, 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 Current Fund for the year ended December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the requirement that the Borough of Cliffside Park prepare and present its financial statements on the regulatory basis of accounting as discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph above, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Cliffside Park as of December 31, 2013 and 2012, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, 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 Cliffside Park as of December 31, 2013 and 2012, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the revenues – regulatory basis and expenditures – regulatory basis of the Current Fund for the year ended December 31, 2013 in accordance with the basis of financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Required Supplementary Information

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

Other Information

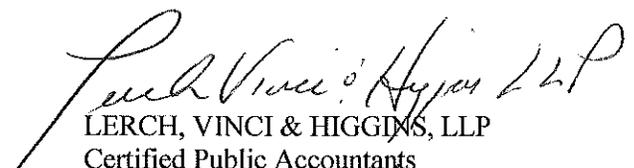
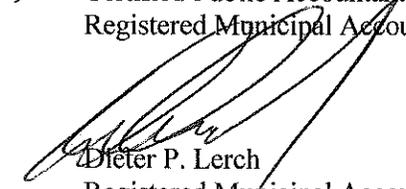
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Cliffside Park as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, schedule of expenditures of state financial assistance, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Cliffside Park.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 2, 2014 on our consideration of the Borough of Cliffside Park'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 Cliffside Park's internal control over financial reporting and compliance.


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

Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
May 2, 2014

**BOROUGH OF CLIFFSIDE PARK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2013 AND 2012**

ASSETS	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	A-4	\$ 7,780,905	\$ 8,844,569
Cash - Change Funds	A-5	250	250
Grants Receivable	A-6	904,235	438,374
Due from State of NJ for Senior Citizens' and Veterans' Deductions	A-7	-	2,500
		<u>8,685,390</u>	<u>9,285,693</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes Receivable	A-8	1,072,145	1,349,396
Tax Title Liens	A-9	13,322	13,342
Property Acquired for Taxes - Assessed Valuation	A-10	31,387	31,387
Revenue Accounts Receivable	A-11	27,455	27,129
Prepaid School Tax Levy	A-16	254,639	
Due from General Capital Fund	C-12	128,592	3,051
Due from Animal Control Fund	B-10	8,334	8,334
		<u>1,535,874</u>	<u>1,432,639</u>
Deferred Charges-Special Emergency Authorizations	A-26	<u>1,360,000</u>	<u>1,720,000</u>
Total Assets		<u>\$ 11,581,264</u>	<u>\$ 12,438,332</u>

BOROUGH OF CLIFFSIDE PARK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2013 AND 2012
(Continued)

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Liabilities			
Appropriation Reserves	A-3	\$ 695,909	\$ 910,814
Encumbrances Payable	A-14	658,214	1,159,801
Accounts Payable	A-22	146,500	122,800
Accrued Salaries and Wages	A-23	-	151,731
Due to Other Trust Fund	B-7	102,289	102,289
Tax Overpayments	A-13	98,135	90,475
Reserve for Tax Appeals	A-17	423,441	526,623
Prepaid Taxes	A-18	933,616	524,410
Special Emergency Note Payable	A-28	1,200,000	1,500,000
Other Payable - Due to Municipal Court	A-29	17,065	
Reserve for Pension	A-25	785	
Reserve for Insurance Proceeds	A-27	-	150,000
Reserve for Summer Food Program	A-21	1,168	1,168
Reserve for Sewer Hook Up Fees	A-24	175,457	158,957
Reserve for Grants - Unappropriated	A-19	53,590	42,257
Reserve for Grants - Appropriated	A-20	<u>27,200</u>	<u>27,200</u>
		4,533,369	5,468,525
Reserve for Receivables	A	1,535,874	1,432,639
Fund Balance	A-1	<u>5,512,021</u>	<u>5,537,168</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 11,581,264</u>	 <u>\$ 12,438,332</u>

BOROUGH OF CLIFFSIDE PARK
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 4,300,000	\$ 4,000,000
Miscellaneous Revenue Anticipated	A-2	6,702,337	4,676,074
Receipts from Delinquent Taxes	A-2	1,326,509	1,168,981
Receipts from Current Taxes	A-2	58,563,256	57,050,996
Non-Budget Revenue	A-2	587,698	688,189
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-12	441,811	535,051
Cancelled Accrued Salaries and Wages	A-23	1,130	
Statutory Excess- Due from Animal Control Fund	B-11		3,949
Interfunds/Accounts Receivable Liquidated	A		10,613
Tax Overpayments Cancelled	A-13	<u>2,542</u>	<u>84,500</u>
 Total Income		 <u>71,925,283</u>	 <u>68,218,353</u>
EXPENDITURES			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	10,617,669	10,515,895
Other Expenses	A-3	13,178,765	14,914,244
Deferred Charges and Statutory Expenditures - Municipal	A-3	2,612,873	2,298,000
Capital Improvements	A-3	2,499,691	984,600
Municipal Debt Service	A-3	2,443,752	1,607,017
County Taxes Payable	A-15	6,704,281	6,466,824
Due County for Added and Omitted Taxes	A-15	74,311	19,387
County Open Space Tax	A-15	12,749	76,732
Local District School Taxes Payable	A-16	29,126,159	28,571,966
Interfunds/Accounts Receivable Established	A	125,541	3,949
Prepaid School Tax Established	A-16	254,639	
Refund of Prior Year Revenue	A-4		29,454
Other Receivables Cancelled (Sen. Citizen/Veteran Deductions)	A-7	<u>-</u>	<u>84,500</u>
 Total Expenditures		 <u>67,650,430</u>	 <u>65,572,568</u>
 Excess in Revenues		 4,274,853	 2,645,785
Adjustments to Income Before Fund Balance			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-26	<u>-</u>	<u>1,600,000</u>
 Statutory Excess to Fund Balance		 4,274,853	 4,245,785
 Fund Balance, January 1	A	 <u>5,537,168</u>	 <u>5,291,383</u>
		9,812,021	9,537,168
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>4,300,000</u>	<u>4,000,000</u>
 Fund Balance, December 31	A	 <u>\$ 5,512,021</u>	 <u>\$ 5,537,168</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF CLIFFSIDE PARK
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Reference	2013 Budget	Added by NJS 40A:4-87	Realized	Excess or (Deficit)
FUND BALANCE ANTICIPATED	A-1	\$ 4,300,000	-	\$ 4,300,000	-
MISCELLANEOUS REVENUES					
Licenses					
Alcoholic Beverages	A-11	26,000		30,666	\$ 4,666
Other	A-11	8,000		6,740	(1,260)
Fees and Permits	A-2	90,000		66,782	(23,218)
Fines and Costs					
Municipal Court	A-11	440,000		411,721	(28,279)
Interest and Costs on Taxes	A-11	150,000		184,691	34,691
Parking Meters	A-11	40,000		73,762	33,762
Uniform Construction Code Fees	A-11	225,000		281,877	56,877
Interest on Investments and Deposits	A-11	28,000		23,640	(4,360)
Consolidated Municipal Property Tax Relief Act	A-11	120,105		120,105	
Energy Receipts Tax	A-11	1,006,982		1,006,982	
EMS Billing Contract	A-11	590,000		585,690	(4,310)
Cell Tower Rents	A-11	68,000		84,000	16,000
Developer's Fees	A-11	141,000		141,579	579
Developer's Fees-Ground Lease Payments	A-11	783,147		827,249	44,102
Developer's Minimum Preferred Dividend	A-11	365,000		427,000	62,000
Duc from Trust Fund- DEA (Confiscated) Funds	A-4	39,535		39,535	
Hurricane Sandy Insurance Proceeds-2013	A-11	550,000		550,000	
Reserve for Insurance Proceeds- 2012	A-27	150,000		150,000	
State and Federal Revenues Offset with Appropriations					
CDBG-Lawton Ave Sewer Improvements	A-6		\$ 399,000	399,000	
CDBG-Improvements to Memorial Park Phase II	A-6		73,000	73,000	
CDBG- Auxiliary Field Improvements	A-6		342,500	342,500	
Bergen County Open Space- Auxiliary Fields	A-6		59,000	59,000	
Green Acres- Auxiliary Fields	A-6		151,350	151,350	
CDBG-Streetscape Improvements to Palisades Avenue	A-6		100,000	100,000	
CDBG-Lawton Ave Sewer Improvements- Phase II	A-6		119,440	119,440	
Bergen County Open Space- Auxiliary Field Synthetic Turf	A-6		59,500	59,500	
NJ DOT- ADA Curb Ramp Improvements	A-6		311,300	311,300	
NJDOA- Summer Food Program	A-6		21,294	21,294	
Municipal Alliance	A-6	11,677		11,677	
Reserve for Alcohol Ed. and Rehabilitation Fund	A-19	1,124		1,124	
Reserve for Drunk Driving Enforcement Fund	A-19	5,999		5,999	
Reserve for Body Armor	A-19	4,353		4,353	
Reserve for Clean Communities	A-19	29,506		29,506	
Reserve for Municipal Alliance on Alcoholism and Rehabilitation	A-19	1,275	-	1,275	-
Total Miscellaneous Revenues		<u>4,874,703</u>	<u>1,636,384</u>	<u>6,702,337</u>	<u>191,250</u>
RECEIPTS FROM DELINQUENT TAXES	A-2	<u>1,250,000</u>	-	<u>1,326,509</u>	<u>76,509</u>
AMOUNT TO BE RAISED FOR SUPPORT OF MUNICIPAL BUDGET					
Local Tax for Municipal Purposes	A-2,A-8	22,770,003	-	26,123,095	3,353,092
Minimum Library Tax	A-2,A-8	989,130	-	989,130	-
Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>23,759,133</u>	-	<u>27,112,225</u>	<u>3,353,092</u>
Total General Revenues		<u>\$ 34,183,836</u>	<u>\$ 1,636,384</u>	<u>39,441,071</u>	<u>\$ 3,620,851</u>
Non-Budget Revenue	A-1,A-2			<u>587,698</u>	
				<u>\$ 40,028,769</u>	

BOROUGH OF CLIFFSIDE PARK
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Reference</u>	<u>2013</u>
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collection		
Revenue from Collections	A-8	\$ 58,563,256
Less: Allocated to School and County Taxes	A-15,A-16	<u>35,917,500</u>
Balance for Support of Municipal Budget Appropriations		22,645,756
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>4,466,469</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>\$ 27,112,225</u></u>
 Receipts from Delinquent Taxes		
Delinquent Tax Collection	A-8	\$ 1,326,007
Tax Title Liens	A-9	<u>502</u>
	A-2	<u><u>\$ 1,326,509</u></u>
 Fees and Permits - Other		
Board of Adjustment	A-11	\$ 23,100
Board of Health	A-11	22,045
Police	A-11	6,666
Tax Collector	A-11	150
Borough Clerk	A-11	630
Registrar of Vital Statistics	A-11	<u>14,191</u>
	A-2	<u><u>\$ 66,782</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF CLIFFSIDE PARK
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Reference</u>	<u>2013</u>
ANALYSIS OF NON-BUDGET REVENUES		
Vision Cable		\$ 166,669
Verizon Franchise Fee		115,806
Cliffside Park Housing Authority (In Lieu)		72,602
Fire Permits & Reports		73,597
Reimbursements		31,191
NJ State Police Public Assistance Grant - FEMA		12,956
Sale of Assets		30,346
Uniform Fire Safety - State		13,543
North Bergen Sewer Charges		9,894
Donations		3,000
Miscellaneous		30,519
Grant in Aid- Housing		10,198
2% Administrative Payment		2,350
Property Maintenance Fines		4,386
Election Rent		1,200
Cliffside Reward Program		350
Borough Clerk		9,079
Duplicate Tax Bills		<u>12</u>
	A-2	<u>\$ 587,698</u>
Cash Collected	A-4	<u>\$ 587,698</u>

BOROUGH OF CLIFFSIDE PARK
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

GENERAL APPROPRIATIONS OPERATIONS WITHIN "CAPS"	Appropriations		Expended 2013		
	Budget	Budget After Modification	Paid or Charged	Reserves	Cancelled
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 130,000	\$ 170,235	\$ 170,235		
Other Expenses	65,000	77,000	73,043	\$ 3,957	
Mayor and Council					
Salaries and Wages	94,000	94,902	94,902		
Other Expenses	18,000	18,000	18,000		
Municipal Clerk					
Salaries and Wages	175,000	175,000	175,000		
Other Expenses	50,000	66,070	66,070		
Financial Administration					
Salaries and Wages	166,000	167,609	167,609		
Other Expenses	50,000	50,000	50,000		
Annual Audit	100,000	150,000	137,835	12,165	
Assessment of Taxes					
Salaries and Wages	75,000	52,679	52,679		
Other Expenses	100,000	45,051	45,051		
Revenue Administration (Tax Collection)					
Salaries and Wages	172,000	164,250	164,250		
Other Expenses	55,000	60,000	52,404	7,596	
Legal Services and Costs					
Salaries and Wages	76,200	76,157	76,157		
Other Expenses	280,000	480,000	460,458	19,542	
Engineering Services and Costs					
Other Expenses	140,000	140,000	127,957	12,043	
LAND USE ADMINISTRATION					
Planning Board					
Salaries and Wages	5,000	4,840	4,840		
Other Expenses	10,000	9,441	9,441		
Board of Adjustments					
Salaries and Wages	4,000	4,700	4,700		
Other Expenses	25,000	18,505	18,505		
INSURANCE					
Unemployment Compensation (NJSA 43:21-3 et seq.)	50,000	50,000	50,000		
General Liability	2,155,000	2,058,071	2,030,374	27,697	
Employee Group Health	3,150,000	2,795,000	2,758,235	36,765	

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Appropriations</u>		<u>Expended 2013</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserves</u>	<u>Cancelled</u>
GENERAL APPROPRIATIONS (Continued)					
OPERATIONS WITHIN "CAPS" (Continued)					
PUBLIC SAFETY					
Fire					
Salaries and Wages	\$ 285,000	\$ 285,000	\$ 224,292	\$ 60,708	
Other Expenses	140,000	144,450	144,450		
Uniform Fire Safety Act (Ch. 383, P.L. 1983)					
Salaries and Wages	60,000	61,933	61,933		
Other Expenses	2,000	10,566	10,566		
Fire Hydrant Service	120,000	120,000	87,072	32,928	
Police					
Salaries and Wages	5,980,000	5,919,368	5,919,368		
Other Expenses					
Special Police	1,000	1,000	896	104	
Miscellaneous Other Expenses	225,000	210,000	188,928	21,072	
Purchase of Police Cars	85,000	85,000	82,667	2,333	
Municipal Prosecutor's Office					
Salaries & Wages	28,000	28,000	27,820	180	
Emergency Management Services					
Other Expenses	15,000	33,364	33,364		
Emergency Management Services - Ambulance					
Salaries and Wages	80,000	103,596	103,596		
Other Expenses	35,000	93,559	93,559		
Alliance to Prevent Alcoholism & Drug Abuse	10,000	21,425	21,425		
Municipal Court					
Salaries and Wages	260,000	260,000	260,000		
Other Expenses	40,000	40,000	40,000		
Public Defender					
Salaries and Wages	5,200	5,200		5,200	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries and Wages	1,095,000	1,095,000	1,079,526	15,474	
Other Expenses	60,000	60,000	30,968	29,032	
Snow Removal					
Salaries and Wages	20,000	30,544	30,544		
Other Expenses	30,000	50,000	26,287	23,713	
Other Public Works Functions					
Sewer System					
Salaries and Wages	5,000	5,000	4,800	200	
Other Expenses	15,000	15,000	5,727	9,273	
Parking Meters					
Other Expenses	2,000	2,000	1,845	155	

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Appropriations</u>		<u>Expended 2013</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserves</u>	<u>Cancelled</u>
GENERAL APPROPRIATIONS (Continued)					
OPERATIONS WITHIN "CAPS" (Continued)					
Other Public Works Functions (continued)					
Solid Waste Collection					
Salaries and Wages	\$ 370,000	\$ 374,871	\$ 374,871		
Other Expenses	10,000	10,000		\$ 10,000	
Buildings and Grounds					
Salaries and Wages	175,000	207,149	207,149		
Other Expenses	50,000	66,049	66,049		
Vehicle Maintenance	380,000	380,000	376,806	3,194	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	110,000	110,000	105,358	4,642	
Other Expenses	145,000	145,000	112,204	32,796	
Animal Control Services					
Other Expenses	1,000	1,000		1,000	
Community Mental Health Organization					
Other Expenses	3,000	3,000	3,000		
PARK & RECREATION FUNCTIONS					
Maintenance of Parks					
Salaries and Wages	305,000	311,818	311,818		
Other Expenses	40,000	40,444	40,444		
Recreation Services & Programs					
Salaries and Wages	155,000	156,310	156,310		
Other Expenses	150,000	150,000	127,963	22,037	
Summer Food Program					
Other Expenses		21,293	13,911	7,382	
OTHER COMMON OPERATING FUNCTIONS					
Celebration of Public Event, Anniversary or Holiday					
Other Expenses	30,000	30,000	22,677	7,323	
UNIFORM CONSTRUCTION CODE APPROPRIATIONS OFFSET BY DEDICATED REVENUES (NJAC 5:23-4-17)					
CODE ENFORCEMENT AND ADMINISTRATION					
Building Inspector					
Salaries and Wages	195,000	191,646	191,646		
Other Expenses	5,000	3,454	3,454		
Elevator Inspector					
Other Expenses	12,000	12,000	12,000		

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Appropriations</u>		<u>Expended 2013</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserves</u>	<u>Cancelled</u>
GENERAL APPROPRIATIONS (Continued)					
OPERATIONS WITHIN "CAPS" (Continued)					
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED REVENUES (NJAC 5:23-4-17) (Continued)					
Electrical Inspector					
Salaries and Wages	\$ 12,000	\$ 11,862	\$ 11,862		
Rent Leveling Board					
Other Expenses	3,000	9,064	9,064		
Housing Inspector					
Salaries and Wages	500				
Other Expenses	100				
UTILITY EXPENSES AND BULK PURCHASES					
Fuel Oil	260,000	260,000	175,257	\$ 84,743	
Electricity	195,000	195,000	167,004	27,996	
Telephone	145,000	159,743	159,743		
Natural Gas	25,000	25,000	23,779	1,221	
Street Lighting	210,000	221,219	221,219		
Water	35,000	47,420	47,420	-	-
LANDFILL/ SOLID WASTE DISPOSAL COSTS					
Contractual- Bergen County	675,000	701,263	701,263	-	-
Total Operations Within "CAPS"	19,440,000	19,452,120	18,929,649	522,471	
Contingent	1,000	1,000	-	1,000	-
Total Operations including Contingent - Within "CAPS"	19,441,000	19,453,120	18,929,649	523,471	-
Detail:					
Salaries and Wages	10,037,900	10,067,669	9,981,265	86,404	
Other Expenses (Including Contingent)	9,403,100	9,385,451	8,948,384	437,067	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS" (Continued)					
Statutory Charges					
Social Security System (O.A.S.I.)	490,000	499,173	499,173		
Consolidated Police & Fireman's Pension Fund	15,700	15,700	15,681	19	
Defined Contribution Retirement Plan	15,000	15,000	11,561	3,439	
Police and Firemen's Retirement System	1,228,000	1,228,000	1,227,138	862	
Public Employees Retirement System	495,000	495,000	494,786	214	-
Total Deferred Charges & Statutory Expenditures - Municipal within "CAPS"	2,243,700	2,252,873	2,248,339	4,534	-
Total General Appropriations for Municipal Purposes within "CAPS"	21,684,700	21,705,993	21,177,988	528,005	-

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Appropriations</u>		<u>Expended 2013</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserves</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Group Insurance					
Implementation of 9-1-1 System					
Police Communications					
Other Expenses	\$ 18,000	\$ 18,000		\$ 18,000	
Emergency Response Services-Ambulance					
Salaries & Wages	550,000	550,000	\$ 550,000		
Billing Services	40,000	40,000	25,764	14,236	
Recycling Tax	25,000	25,000	25,000		
EDUCATIONAL FUNCTIONS					
Maintenance of Free Public Library (Ch. 82 & 541, P.L.)	1,021,380	1,021,380	1,021,380		
UTILITY EXPENSES AND BULK PURCHASES					
Sewer Service Charges - Contractual					
BCUA, Fort Lee, Edgewater	2,635,000	2,635,000	2,634,677	323	-
Total Other Operations Excluded from "CAPS"	<u>4,289,380</u>	<u>4,289,380</u>	<u>4,256,821</u>	<u>32,559</u>	<u>-</u>
Public and Private Programs Offset by Revenues					
Municipal Court Alcohol Education and Rehabilitation Fund	1,124	1,124	1,124		
Alliance to Prevent Alcoholism and Drug Abuse	12,952	12,952	12,952		
Body Armor	4,353	4,353	4,353		
Drunk Driving Enforcement Fund	5,999	5,999	5,999		
Clean Communities	29,506	29,506	29,506	-	-
Total Public and Private Programs Offset by Revenues	<u>53,934</u>	<u>53,934</u>	<u>53,934</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>4,343,314</u>	<u>4,343,314</u>	<u>4,310,755</u>	<u>32,559</u>	<u>-</u>
Detail:					
Salaries and Wages	550,000	550,000	550,000		
Other Expenses	3,793,314	3,793,314	3,760,755	32,559	-

BOROUGH OF CLIFFSIDE PARK
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Appropriations</u>		<u>Expended 2013</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserves</u>	<u>Cancelled</u>
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund					
Improvements to Borough Streets	\$ 100,000	\$ 100,000	\$ 70,666	\$ 29,334	
Improvements to Borough Property	100,000	100,000	99,090	910	
Purchase of Computers	10,000	10,000	7,781	2,219	
Purchase of Fire Equipment	99,600	99,600		99,600	
Preliminary Expense for Capital Improvements	75,000	75,000	75,000		
Hurricane Sandy Repairs/Renovations	500,000	500,000	497,745	2,255	
Bergen County ADA		311,300	311,300		
CDBG-Auxiliary Field		342,500	342,500		
Green Acres-Auxiliary		151,350	151,350		
CDBG-Lawton Avenue		399,000	399,000		
CDBG-Memorial Park		73,000	71,973	1,027	
OST-Auxiliary Field		59,001	59,001		
CDBG-Streetscape		100,000	100,000		
CDBG-Lawton Avenue		119,440	119,440		
OST-Auxiliary Field	-	59,500	59,500	-	-
Total Capital Improvements Excluded from "CAPS"	<u>884,600</u>	<u>2,499,691</u>	<u>2,364,346</u>	<u>135,345</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bonds Principal	720,000	720,000	720,000		
Payments of Bond Anticipation Notes and Capital Notes	405,000	405,000	404,000		\$ 1,000
Interest on Notes	192,264	192,264	192,263		1
Interest on Bonds	<u>1,127,489</u>	<u>1,127,489</u>	<u>1,127,489</u>	<u>-</u>	<u>-</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>2,444,753</u>	<u>2,444,753</u>	<u>2,443,752</u>	<u>-</u>	<u>1,001</u>
DEFERRED CHARGES					
Emergency Authorization	<u>360,000</u>	<u>360,000</u>	<u>360,000</u>	<u>-</u>	<u>-</u>
Total Deferred Charges	<u>360,000</u>	<u>360,000</u>	<u>360,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations Excluded from "CAPS"	<u>8,032,667</u>	<u>9,647,758</u>	<u>9,478,853</u>	<u>167,904</u>	<u>1,001</u>
Subtotal General Appropriations	<u>29,717,367</u>	<u>31,353,751</u>	<u>30,656,841</u>	<u>695,909</u>	<u>1,001</u>
Reserve for Uncollected Taxes	<u>4,466,469</u>	<u>4,466,469</u>	<u>4,466,469</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$34,183,836</u>	<u>\$35,820,220</u>	<u>\$35,123,310</u>	<u>\$ 695,909</u>	<u>\$ 1,001</u>
<u>Reference</u>	A-2			A,A-1	
	<u>Reference</u>				
Budget as Adopted	A-2	\$34,183,836			
Appropriations Added by 40A:4-87	A-2	<u>1,636,384</u>			
		<u>\$35,820,220</u>			
Cash Disbursed	A-4		\$29,638,627		
Encumbrances Payable	A-14		658,214		
Reserve for Uncollected Taxes	A-2		4,466,469		
Deferred Charges-Special Emergency Authorization	A-26		<u>360,000</u>		
			<u>\$35,123,310</u>		

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF CLIFFSIDE PARK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2013 AND 2012**

ASSETS	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ANIMAL CONTROL FUND			
Cash	B-1	\$ 8,925	\$ 14,756
OTHER TRUST FUND			
Cash	B-1	776,697	543,317
Due from General Capital Fund	B-2	190,899	190,899
Due from Current Fund	B-7	<u>102,289</u>	<u>102,289</u>
		<u>1,069,885</u>	<u>836,505</u>
COMMUNITY DEVELOPMENT TRUST FUND			
Due from Community Development Agency	B	<u>-</u>	<u>-</u>
Total Assets		<u>\$ 1,078,810</u>	<u>\$ 851,261</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to Current Fund	B-10	\$ 8,334	\$ 8,334
Reserve for Animal Control Fund Expenditures	B-11	<u>591</u>	<u>6,422</u>
		<u>8,925</u>	<u>14,756</u>
OTHER TRUST FUND			
Reserve for Unemployment Expenditures	B-4	35,023	5,179
Payroll Deductions Payable	B-6	10,011	16,494
Miscellaneous Reserves	B-8	1,022,105	813,319
Due to State of NJ - Unemployment Claims	B-5	<u>2,746</u>	<u>1,513</u>
		<u>1,069,885</u>	<u>836,505</u>
COMMUNITY DEVELOPMENT TRUST FUND			
Due to Current Fund	B-3	<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,078,810</u>	<u>\$ 851,261</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF CLIFFSIDE PARK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2013 AND 2012**

ASSETS	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Cash	C-2, C-3	\$ 8,591,685	\$ 12,663,664
Deferred Charges - Funded	C-5	28,392,000	29,112,000
Deferred Charges - Unfunded	C-6	14,014,019	14,418,019
Insurance Proceeds/Other Accounts Receivable- Library Fire	C-14	<u>140,728</u>	<u>140,728</u>
 Total Assets		 <u>\$ 51,138,432</u>	 <u>\$ 56,334,411</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Capital Improvement Fund	C-4	\$ 109,309	\$ 109,309
Bond Anticipation Notes Payable	C-7	13,861,000	14,265,000
Serial Bonds Payable	C-8	28,392,000	29,112,000
Improvement Authorizations			
Funded	C-9	790,654	1,360,390
Unfunded	C-9	243,643	9,574,326
Contracts/Accounts Payable	C-10	7,182,463	1,234,884
Due to Current Fund	C-12	128,592	3,051
Due to Other Trust Fund	C-16	190,899	190,899
Reserve for Payment of Debt	C-13	133,500	
Reserve for Interest (Developer)	C-11	8,925	4,230
Reserve for Premium- Due to Developer	C-15	10,430	10,430
Fund Balance	C-1	<u>87,017</u>	<u>469,892</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 51,138,432</u>	 <u>\$ 56,334,411</u>

There were bonds authorized but not issued at December 31, 2013 and 2012 of \$153,019, respectively. (Exhibit C-17)

BOROUGH OF CLIFFSIDE PARK
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Balance, January 1	C	\$ 469,892	\$ 417,045
Increased By:			
Premium on Sale of Notes	C-2	<u>17,125</u>	<u>52,847</u>
		487,017	469,892
Decreased By:			
Appropriated to Fund Improvement Authorizations	C-9	<u>400,000</u>	<u>-</u>
Balance, December 31	C	<u>\$ 87,017</u>	<u>\$ 469,892</u>

**BOROUGH OF CLIFFSIDE PARK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
FREE PUBLIC LIBRARY FUND
AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Cash	D-2	\$ 296,277	\$ 487,996
Total Assets		<u>\$ 296,277</u>	<u>\$ 487,996</u>
LIABILITIES, RESERVES AND FUND BALANCES			
Encumbrances Payable	D-3	\$ 25,125	\$ 10,523
Total Liabilities		<u>25,125</u>	<u>10,523</u>
Fund Balances			
General Fund	D-1	198,044	354,217
Gift Fund	D-1	<u>73,108</u>	<u>123,256</u>
Total Fund Balances		<u>271,152</u>	<u>477,473</u>
Total Liabilities, Reserves and Fund Balances		<u>\$ 296,277</u>	<u>\$ 487,996</u>

BOROUGH OF CLIFFSIDE PARK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - STATUTORY BASIS
FREE PUBLIC LIBRARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	General Fund	Gift Fund	Capital Fund	Total Year 2013	Total Year 2012 (Memo Only)
Revenues:					
Borough Appropriations	\$ 1,021,380			\$ 1,021,380	\$ 1,021,380
State Library Aid	10,337			10,337	10,442
Fines, Lost Books, Cards, Misc.	9,916			9,916	366
Donations	1,554	\$ 1,114		2,668	18,026
Grant Money		9,995		9,995	2,350
Miscellaneous		2,651	\$ 4,694	7,345	
Interest Earned on Investments	23	-	-	23	228
	<u>1,043,210</u>	<u>13,760</u>	<u>4,694</u>	<u>1,061,664</u>	<u>1,052,792</u>
Total Revenues					
Expenditures:					
Salaries and Wages	726,431			726,431	683,277
Employee Benefits	157,723			157,723	156,929
Other Expenses					
Books	62,906			62,906	47,646
Copier	6,457			6,457	4,339
A.V. Supplies	18,232			18,232	18,300
Magazines, Newspapers, Newsletter	30,377			30,377	8,282
Library Supplies	14,520	440		14,960	8,234
Maintenance Supplies	6,335			6,335	2,542
Repairs and Improvements	4,410			4,410	2,677
Heating & Air Conditioning	1,889			1,889	2,770
Utilities	38,158			38,158	33,652
Insurance	7,147			7,147	6,888
Meetings and Dues	2,980			2,980	1,565
Grounds Maintenance	2,973			2,973	6,003
Alarm Systems	3,242			3,242	3,762
Furniture & Equipment	4,081			4,081	13,503
Miscellaneous	12,999	7,076		20,075	12,504
Computerization	15,057			15,057	9,744
ESL	2,988			2,988	1,232
BCCLS	43,387			43,387	37,767
Programs	16,760	54,092		70,852	28,151
Capital Improvements	20,331	2,300	4,694	27,325	91,315
	<u>1,199,383</u>	<u>63,908</u>	<u>4,694</u>	<u>1,267,985</u>	<u>1,181,082</u>
Total Expenditures					
Excess (Deficiency) of Revenues over Expenditures	(156,173)	(50,148)	-	(206,321)	(128,290)
Fund Balance, January 1	<u>354,217</u>	<u>123,256</u>	<u>-</u>	<u>477,473</u>	<u>605,763</u>
Fund Balance, December 31	<u>\$ 198,044</u>	<u>\$ 73,108</u>	<u>\$ -</u>	<u>\$ 271,152</u>	<u>\$ 477,473</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF CLIFFSIDE PARK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2013 AND 2012**

ASSETS	<u>2013</u>	<u>2012</u>
Land and Land Improvements	\$ 25,204,188	\$ 24,596,568
Buildings and Building Improvements	19,028,229	19,028,229
Machinery and Equipment	10,031,929	9,654,788
Construction in Progress	<u>2,966,950</u>	<u>-</u>
 Total Assets	 <u>\$ 57,231,296</u>	 <u>\$ 53,279,585</u>
 FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 57,231,296</u>	<u>\$ 53,279,585</u>

The Accompanying Notes are an Integral Part of these Financial Statements

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Cliffside Park (the "Borough") was incorporated in 1895 and operates under an elected Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the volunteer fire department and redevelopment agency 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 Cliffside Park have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

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

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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.

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

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.

Free Public Library Fund – This fund is used to account for receipts and disbursements of funds from the Borough Library activities generated by services provided in the community.

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.

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.

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Cliffside Park 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. 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.

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

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

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

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items in the current fund, except for prepaid debt service, are offset by a reserve, created by a charge to operations. GAAP does not require the establishment of a reserve for prepaid items.

Deferred Charges - Certain expenditures, operating deficits and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures, operating deficits and certain other items generally to be recognized when incurred, if measurable.

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

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

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

Fixed Assets purchased after December 31, 1997 are stated as cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

Fixed Assets purchased prior to December 31, 1997 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

Reclassifications - Certain reclassifications have been made to the December 31, 2012 balances to conform to the December 31, 2013 presentation.

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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:

General Capital Fund
Trust Funds

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 2013 and 2012 the Borough Council increased the original budget by \$1,636,384 and \$1,937,500. In 2013, the increases were funded by additional aid allotted to the Borough. The increases in 2012 were funded by additional aid totaling \$337,500 allotted to the Borough and emergency resolution for Hurricane Sandy in the amount of \$1,500,000 and the preparation for a master plan in the amount of \$100,000. In addition, the governing body approved several budget transfers during 2013 and 2012.

NOTE 3 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. **Deposits**

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

**BOROUGH OF CLIFFSIDE PARK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

A. Deposits (Continued)

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2013 and 2012, the book value of the Borough's deposits were \$17,454,739 and \$22,554,552 and bank and brokerage firm balances of the Borough's deposits amounted to \$17,630,300 and \$23,527,495, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2013</u>	<u>2012</u>
Insured	\$ 17,630,300	\$ 23,527,495

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. However, none of the Borough's deposits were 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).

As of December 31, 2013 and 2012 the Borough had no outstanding investments.

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

**BOROUGH OF CLIFFSIDE PARK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
<u>Current</u>		
Property Taxes	\$1,072,145	\$1,349,396
Tax Title Liens	<u>13,322</u>	<u>13,342</u>
	<u>\$1,085,467</u>	<u>\$1,362,738</u>

In 2013 and 2012, the Borough collected \$1,326,509 and \$1,108,981 from delinquent taxes, which represented 97% and 97% 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:

	<u>2013</u>		<u>2012</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund:				
Regular	136,926	102,289	11,385	102,289
Trust Fund:				
Animal Control		8,334		8,334
Other Trust	293,188		293,188	
General Capital Fund	<u>-</u>	<u>319,491</u>	<u>-</u>	<u>193,950</u>
 Total	 <u>\$ 430,114</u>	 <u>\$ 430,114</u>	 <u>\$ 304,573</u>	 <u>\$ 304,573</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and revenues being received by one fund on behalf of another.

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

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	<u>Balance, December 31</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2013</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	<u>\$1,360,000</u>	<u>\$360,000</u>	<u>\$1,000,000</u>
	<u>Balance, December 31</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2012</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	<u>\$1,720,000</u>	<u>\$360,000</u>	<u>\$1,360,000</u>

NOTE 7 FUND BALANCES APPROPRIATED

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

	<u>Fund Balance December 31, 2013</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31, 2012</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 4,447,786	\$ 4,300,000	\$ 4,876,294	\$ 4,300,000
Non-Cash Surplus	<u>1,064,235</u>	<u>-</u>	<u>660,874</u>	<u>-</u>
	<u>\$ 5,512,021</u>	<u>\$ 4,300,000</u>	<u>\$ 5,537,168</u>	<u>\$ 4,300,000</u>

The above fund balance amount appropriated represents the surplus anticipated in the 2014 introduced municipal budget. The 2014 municipal budget has not been legally adopted as of the date of audit.

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 8 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2013 and 2012.

	Balance December 31, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2013</u>
<u>2013</u>				
Land and Land Improvements	\$ 24,596,568	\$ 607,620		\$ 25,204,188
Buildings and Building Improvements	19,028,229			19,028,229
Machinery and Equipment	9,654,788	738,343	\$ 361,202	10,031,929
Construction in Progress	-	2,966,950	-	2,966,950
	<u>\$ 53,279,585</u>	<u>\$ 4,312,913</u>	<u>\$ 361,202</u>	<u>\$ 57,231,296</u>
	Balance December 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2012</u>
<u>2012</u>				
Land and Land Improvements	\$ 24,596,568			\$ 24,596,568
Buildings and Building Improvements	19,028,229			19,028,229
Machinery and Equipment	9,250,369	\$ 504,030	\$ 99,611	9,654,788
	<u>\$ 52,875,166</u>	<u>\$ 504,030</u>	<u>\$ 99,611</u>	<u>\$ 53,279,585</u>

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2013</u>	<u>2012</u>
Issued		
General		
Bonds, Notes and Loans	\$ 42,253,000	\$ 43,377,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>133,500</u>	<u>-</u>
Net Debt Issued	42,119,500	43,377,000.00
Authorized But Not Issued		
General		
Bonds and Notes	<u>153,019</u>	<u>153,019</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 42,272,519</u>	<u>\$ 43,530,019</u>

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of 1.414% and 1.388% at December 31, 2013 and 2012, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2013</u>			
General Debt	\$ 42,406,019	\$ 463,500	\$ 41,942,519
School Debt	<u>2,135,000</u>	<u>2,135,000</u>	<u>-</u>
Total	<u>\$ 44,541,019</u>	<u>\$ 2,598,500</u>	<u>\$ 41,942,519</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2012</u>			
General Debt	\$ 43,530,019	\$ 660,000	\$ 42,870,019
School Debt	<u>2,460,000</u>	<u>\$ 2,460,000</u>	<u>-</u>
Total	<u>\$ 45,990,019</u>	<u>\$ 3,120,000</u>	<u>\$ 42,870,019</u>

Statutory Borrowing Power

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

	<u>2013</u>	<u>2012</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 103,843,638	\$ 108,090,910
Net Debt	<u>41,942,519</u>	<u>42,870,019</u>
Remaining Borrowing Power	<u>\$ 61,901,119</u>	<u>\$ 65,220,891</u>

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

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

General Obligation Bonds

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

	<u>2013</u>	<u>2012</u>
\$12,005,000, 2011 Taxable Redevelopment Bonds, due in annual installments of \$280,000 to \$795,000 through February 1, 2038, interest at 4.00% - 6.125%	\$ 11,735,000	\$ 12,005,000
\$17,107,000, 2012 General Improvement Bonds, due in annual installments of \$475,000 to \$900,000 through March 15, 2032, interest at 2.00% - 3.50%	<u>16,657,000</u>	<u>17,107,000</u>
	<u>\$ 28,392,000</u>	<u>\$ 29,112,000</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2013 is as follows:

Calendar <u>Year</u>	General		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2014	\$ 755,000	\$ 1,107,239	\$ 1,862,239
2015	1,185,000	1,082,189	2,267,189
2016	1,195,000	1,051,114	2,246,114
2017	1,200,000	1,018,239	2,218,239
2018	1,210,000	984,989	2,194,989
2019-2023	6,255,000	4,356,357	10,611,357
2024-2028	6,675,000	3,171,112	9,846,112
2029-2033	6,347,000	1,754,388	8,101,388
2034-2038	<u>3,570,000</u>	<u>566,353</u>	<u>4,136,353</u>
Total	<u>\$ 28,392,000</u>	<u>\$ 15,091,980</u>	<u>\$ 43,483,980</u>

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2013 and 2012 were as follows:

	Balance, December 31, <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>One Year</u>
<u>2013</u>					
General Capital Fund Bonds Payable	\$ <u>29,112,000</u>	\$ <u>-</u>	\$ <u>720,000</u>	\$ <u>28,392,000</u>	\$ <u>755,000</u>
General Capital Fund Long-Term Liabilities	\$ <u>29,112,000</u>	\$ <u>-</u>	\$ <u>720,000</u>	\$ <u>28,392,000</u>	\$ <u>755,000</u>
	Balance, December 31, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	Due Within <u>One Year</u>
<u>2012</u>					
General Capital Fund Bonds Payable	\$ <u>12,005,000</u>	\$ <u>17,107,000</u>	\$ <u>-</u>	\$ <u>29,112,000</u>	\$ <u>720,000</u>
General Capital Fund Long-Term Liabilities	\$ <u>12,005,000</u>	\$ <u>17,107,000</u>	\$ <u>-</u>	\$ <u>29,112,000</u>	\$ <u>720,000</u>

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2013 and 2012 was as follows:

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2012</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2013</u>
2013						
<u>General Capital Fund</u>						
Anderson Avenue Redevelopment	0.60%	2/14/2014	\$ 2,605,000	\$ 2,558,000	\$ 2,605,000	\$ 2,558,000
Acquisition of Property (BCIA)	1.25%	4/25/2014	1,000,000	973,000	1,000,000	973,000
Construction of Municipal Parking Fac.	0.75%	7/24/2014	10,000,000	10,000,000	10,000,000	10,000,000
Tax Appeal Refundings	1.25%	4/25/2014	660,000	330,000	660,000	330,000
Total Bond Anticipation Notes Payable			<u>\$ 14,265,000</u>	<u>\$ 13,861,000</u>	<u>\$ 14,265,000</u>	<u>\$ 13,861,000</u>

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2011</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2012</u>
2012						
<u>General Capital Fund</u>						
Combined Sewer Outfalls			\$ 165,199		\$ 165,199	
Various Capital Improvements			15,681,078		15,681,078	
Anderson Avenue Redevelopment	1.40%	2/14/2013	2,647,000	\$ 2,605,000	2,647,000	\$ 2,605,000
Acquisition of Property (BCIA)	0.50%	4/26/2013	2,095,000	1,000,000	2,095,000	1,000,000
Acquisition of Fire Truck			165,723		165,723	
Construction of Municipal Parking Fac.	1.50%	7/24/2013		10,000,000		10,000,000
Tax Appeal Refundings	2.00%	4/26/2013	980,000	660,000	980,000	660,000
Total Bond Anticipation Notes Payable			<u>\$21,734,000</u>	<u>\$ 14,265,000</u>	<u>\$21,734,000</u>	<u>\$14,265,000</u>

The purpose of these short-time 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.

**BOROUGH OF CLIFFSIDE PARK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

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

In addition to the debt shown in the above schedule, municipalities may issue debt to finance emergency or special emergency appropriations or to meet cash flow needs (Tax Anticipation Notes) to temporarily finance operating expenditures. This debt which is not included in the Borough's statutory debt limit calculation is reported in the Current Fund for the years 2013 and 2012 as follows:

Special Emergency Notes

Following the adoption of an ordinance or resolution for special emergency appropriations, the Borough may borrow money and issue special emergency notes which may be renewed from time to time, but at least 1/5 of all such notes and the renewal thereof, shall mature and be paid in each year so that all notes have been paid by the end of the fifth year following the date of the special emergency resolution.

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2012</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	Balance, December 31, <u>2013</u>
<u>2013</u>						
Hurricane Sandy Storm Drainage	1.25%	4/25/2014	\$ 1,500,000	-	\$ 300,000	\$ 1,200,000
Total Special Emergency Notes			\$ 1,500,000	\$ -	\$ 300,000	\$ 1,200,000
<u>2012</u>						
			Balance, December 31, <u>2011</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	Balance, December 31, <u>2012</u>
Hurricane Sandy Storm Drainage	0.50%	4/26/2013	-	\$ 1,500,000	-	\$ 1,500,000
Total Special Emergency Notes			\$ -	\$ 1,500,000	\$ -	\$ 1,500,000

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2013</u>		
2012 Columbia Ave Improvements	\$121,463	2014
Lawton Ave Sanitary Sewer and Storm Drainage Improvements – Phase II	50,652	2014
Auxiliary Field Improvements	109,135	2014
ADA Ramps – Palisade Ave and Gorge Road	302,143	2014
<u>2012</u>		
2011 Road Program	\$114,567	2013
770 Fairview Ave Environmental and Site Improvement	371,681	2013
Existing Retaining Walls at Borough Hall	62,975	2013
Grounding and Lighting Protection Improvements At Borough Hall	73,000	2013
Drainage Improvements to Anderson Ave., Hudson Place	66,889	2013

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

<u>2013</u>	<u>Purpose</u>	<u>Remaining Commitment</u>
There are none.		
<u>2012</u>		
2013 Braun Chief XL Ford E450 Emergency Vehicle		\$179,897
Garbage Packer		237,472
Street Sweeper		189,200

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused vacation benefits and sick leave 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.

The maximum benefit an employee is entitled to at retirement is \$40,000 for police officers and \$20,000 for all other Borough employees.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$440,000 and \$300,000 at December 31, 2013 and 2012, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

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

Consolidated Police and Firemen's Pension fund (CPFPPF) – established in January 1952, under the provisions of N.J.S.A. 43:16 to provide coverage to municipal police and firemen who were appointed prior to July 1, 1944. The fund is a closed system with no active members.

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

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

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

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employers 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.

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds

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

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

The cost of living increase for 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 or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Significant Legislation

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

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

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65. The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation (Continued)

- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2013, the PERS member contribution rate was 6.64%. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

Investment Valuation

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

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

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including CPFPPF, PERS and PFRS, is 64.5 percent with an unfunded actuarial accrued liability of \$47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 56.7 percent and \$34.4 billion, respectively, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 76.1 percent and \$12.8 billion, respectively.

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress (Continued)

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, 2012 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) 7.90% for investment rate of return for all the retirement systems except CPFPPF (2.00%) and (b) changes to projected salary increases, which vary by fund.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% plus an additional 1% phased-in over 7 years beginning in July 2012 for PERS, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation. The member contribution for PERS was 6.64% in fiscal year 2013.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2013 for CPFPPF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

**BOROUGH OF CLIFFSIDE PARK
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC) (Continued)

During the years ended December 31, 2013, 2012 and 2011, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended December 31</u>	<u>CPFPF</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2013	\$ 15,681	\$ 1,227,138	\$ 494,786	\$ 11,561
2012	15,738	1,249,868	500,947	6,000
2011	12,074	1,246,047	504,943	5,036

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

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

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and the Teacher’s Pension and Annuity (TPAF) are combined and reported as Pension and Other Employee Benefit Trust Funds in the State’s Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost sharing multiple-employer plan. The post-retirement benefit programs had a total of 585 state and local participating employers and contributing entities for Fiscal Year 2013.

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.

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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.

Significant Legislation

P.L. 2011, c.78, effective October, 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary. For those employed on or after June 28, 2011 the 4-year phase in does not apply, and contributions based on the full percentage rate of contribution are required.

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, 2012, the most recent actuarial valuation date, the State had a \$51.5 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$19.3 billion for state active and retired members and \$32.2 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Actuarial Methods and Assumptions

In the July 1, 2012 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contribution

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2012, there were 100,134 retirees receiving post-retirement medical benefits, and the State contributed \$1.07 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 \$139.8 million for 9,404 eligible retired members for Fiscal Year 2013. 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 \$38.0 million in Fiscal Year 2013 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, 2013, 2012 and 2011 were \$1,061,239, \$947,673 and \$919,950, 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, 2013, 2012 and 2011 were \$94,016, \$89,896 and \$80,960, respectively.

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 14 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.

NOTE 15 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, 2013 and 2012. 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, 2013 and 2012, the Borough reserved \$423,441 and \$526,623, 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, 2013 and 2012, 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 16 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, 2013 and 2012, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

**BOROUGH OF CLIFFSIDE PARK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 17 HURRICANE SANDY

On October 29, 2012 Hurricane Sandy, the largest Atlantic hurricane on record made landfall in New Jersey and resulted in severe damage in numerous communities and a federal disaster was declared throughout the State. The Borough has incurred significant costs in the clean up and recovery from this federal disaster. The Federal Emergency Management Agency ("FEMA") provides emergency grant assistance (voluntary nonexchange transaction) to help government's cope with losses. Although the Borough has applied for reimbursement from FEMA, the total amount to be received in conjunction with this event is not considered to be measurable with sufficient reliability and therefore has not been recognized in the financial statements as of December 31, 2013. As of December 31, 2013, the Borough has received \$234,592 in FEMA reimbursements relating to Hurricane Sandy which have been reflected in the financial statements.

NOTE 18 SUBSEQUENT EVENTS

Bond Anticipation Notes

On February 14, 2014 the Borough issued Bond Anticipation Notes in the amount of \$2,511,000 to temporarily finance expenditures related to the Anderson Avenue Redevelopment project. The Borough has awarded the sale of said notes at an interest rate of .70%. These notes dated February 14, 2014 will mature on February 13, 2015.

SUPPLEMENTARY SCHEDULES

CURRENT FUND

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF CURRENT CASH - TREASURER**

Balance, December 31, 2012		\$ 8,844,569
Increased by Receipts:		
Taxes Receivable	\$ 59,226,353	
Tax Title Liens	502	
Revenue Accounts Receivable	4,816,383	
Prepaid Taxes	933,616	
Tax Overpayments	74,168	
Grants Receivable	1,062,760	
Miscellaneous Revenue Not Anticipated	587,698	
Municipal Court Receipts Posted in Current Fun	17,065	
Due from State - Senior Citizen and Veteran Deductions	141,000	
Reserve for Pension Receipts	785	
Receipts Due to Other Trust Fund	39,535	
Reserve for Grants - Unappropriated	53,590	
Reserve for Sewer Hook Up Fees	16,500	
Other Payable - Due to Municipal Court	<u>17,065</u>	
		<u>66,969,955</u>
		75,814,524
Decreased by:		
2013 Budget Appropriations	29,638,627	
2012 Appropriation Reserves	968,945	
Encumbrances Payable	636,159	
County Taxes	6,791,341	
School Taxes	29,380,798	
Accrued Salaries and Wages	150,601	
Special Emergency Note Payable	300,000	
Tax Overpayments	63,966	
Tax Appeal Payments	<u>103,182</u>	
		<u>68,033,619</u>
Balance, December 31, 2013		<u>\$ 7,780,905</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF CHANGE FUND**

	<u>Change Fund</u>
Balance, December 31, 2012	\$ 250
Balance, December 31, 2013	<u>\$ 250</u>

Analysis of Balance, December 31, 2013

Tax Collector	\$ 100
Municipal Court	100
Board of Health	<u>50</u>
	<u>\$ 250</u>

STATEMENT OF GRANTS RECEIVABLE

	Balance, December 31, <u>2012</u>	<u>Accrued</u>	Cash <u>Collected</u>	Balance, December 31, <u>2013</u>
Grants:				
COPS-CAD Technology Grant	\$ 1,280			\$ 1,280
NJ Transportation Trust Fund	150,000		\$ 150,000	
Bergen County Open Space	15,816			15,816
NJ Transportation Trust Fund-Columbia Avenue	146,500		109,875	36,625
CDBG-Sewer	65,578			65,578
Bergen County Open Space	59,200			59,200
Municipal Alliance		\$ 11,677	11,677	
CDBG-Lawton Ave Sewer Improvements		399,000	369,777	29,223
CDBG-Improvements to Memorial Park		73,000	59,648	13,352
CDBG- Auxiliary Fields		342,500	342,500	
Bergen County Open Space-Auxiliary Fields		59,000		59,000
Green Acres-Auxiliary Fields		151,350		151,350
CDBG- Streetscape Improvements to Palisades Avenue		100,000		100,000
CDBG- Lawton Ave Sewer Improvements-Phase II		119,440	119,440	
Bergen County Open Space-Auxiliary Fields		59,500		59,500
NJ DOT- ADA Curb Ramp Improvements		311,300		311,300
NJDOA-Summer Food Program	-	21,294	19,283	2,011
	<u>\$ 438,374</u>	<u>\$ 1,648,061</u>	<u>\$ 1,182,200</u>	<u>\$ 904,235</u>
			\$ 1,062,760	
			<u>119,440</u>	
			<u>\$ 1,182,200</u>	
Cash Receipts			\$ 1,062,760	
Due from General Capital Fund			<u>119,440</u>	
			<u>\$ 1,182,200</u>	

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF DUE FROM STATE OF NEW JERSEY
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, December 31, 2012	\$ 2,500
Increased by:	
Senior Citizens' Deductions Per Tax Billings	\$ 44,500
Veterans' Deductions Per Tax Billings	92,000
Senior Citizens' Deductions Allowed by Collector	1,000
Veterans' Deductions Allowed by Collector	<u>1,000</u>
	<u>138,500</u>
	141,000
Decreased by:	
Cash Received from State	<u>141,000</u>
Balance, December 31, 2013	<u><u>\$ -</u></u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

<u>Year</u>	<u>Balance, December 31, 2012</u>	<u>2013 Levy</u>	<u>Added Taxes</u>	<u>2012 Collected In</u>	<u>2013 Collected In</u>	<u>Senior Citizens' and Veterans' Deductions Allowed</u>	<u>Cancelled</u>	<u>Transferred to Tax Title Liens</u>	<u>Balance, December 31, 2013</u>
2011	\$ 3,747	-	-	\$ -	\$ 3,747	-	-	-	-
2012	<u>1,345,649</u>	-	-	-	<u>1,322,260</u>	-	<u>\$ 23,389</u>	-	-
2013	-	<u>\$ 59,681,317</u>	<u>\$ 111,671</u>	<u>\$ 524,410</u>	<u>\$ 57,900,346</u>	<u>\$ 138,500</u>	<u>\$ 154,564</u>	<u>\$ 3,023</u>	<u>\$ 1,072,145</u>
	<u>\$ 1,349,396</u>	<u>\$ 59,681,317</u>	<u>\$ 111,671</u>	<u>\$ 524,410</u>	<u>\$ 59,226,353</u>	<u>\$ 138,500</u>	<u>\$ 177,953</u>	<u>\$ 3,023</u>	<u>\$ 1,072,145</u>

Analysis of 2013 Property Tax Levy

TAX YIELD	
General Purpose Tax	\$ 59,681,317
Added Taxes (RS 54:4-36.1 et seq.)	<u>111,671</u>
	<u>\$ 59,792,988</u>
TAX LEVY	
Local District School Tax (Abstract)	\$ 29,126,159
County Tax (Abstract)	6,778,592
Due County for Added and Omitted Taxes (54:4-63.1)	<u>12,749</u>
	<u>\$ 35,917,500</u>
Local Tax for Municipal Purposes (Abstract)	22,770,003
Minimum Library Tax	989,130
Add Additional Tax Levied	<u>116,355</u>
	<u>23,875,488</u>
	<u>\$ 59,792,988</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF TAX TITLE LIENS**

Balance, December 31, 2012		\$ 13,342
Increased by:		
Transfer from 2013 Taxes Receivable		<u>3,023</u>
		16,365
Decreased by:		
Lien Redeemed	\$ 502	
Adjustment	<u>2,541</u>	
		<u>3,043</u>
Balance, December 31, 2013		<u>\$ 13,322</u>

EXHIBIT A-10

STATEMENT OF PROPERTY ACQUIRED FOR TAXES (AT ASSESSED VALUATION)

Balance, December 31, 2012		<u>\$ 31,387</u>
Balance, December 31, 2013		<u>\$ 31,387</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF 2012 APPROPRIATION RESERVES**

	Balance, December 31, <u>2012</u>	<u>Transfers</u>	Encumbrances Payable <u>Cancelled</u>	Balance After <u>Modification</u>	<u>Expended</u>	Balance <u>Lapsed</u>
General Administration						
Salaries & Wages	\$ 12,289			\$ 12,289		\$ 12,289
Mayor & Council						
Salaries & Wages		\$ 1,336	\$ 200	1,536	\$ 1,536	
Municipal Clerk						
Other Expenses			110	110		110
Annual Audit		3,256	70,000	73,256	73,256	
Assessment of Taxes						
Salaries & Wages	1,006			1,006		1,006
Other Expenses		300		300	300	
Revenue Administration						
Salaries & Wages	2,704			2,704		2,704
Legal Services & Costs						
Salaries & Wages	1,336			1,336		1,336
Board of Adjustment						
Salaries & Wages	1,160			1,160		1,160
Building Inspector						
Salaries & Wages		3,110		3,110	3,110	
Other Expenses	970			970		970
Housing Inspector						
Salaries & Wages	500			500		500
Other Expenses	100			100		100
Planning Board						
Preparation of Master Plan	33,526		12,760	46,286	40,776	5,510
Emergency			183	183	110	73
Fire						
Salaries and Wages	9,508			9,508		9,508
Other Expenses		4,628	26,176	30,804	30,286	518
Uniform Fire Safety Act						
Salaries & Wages		887	4,013	4,900	4,900	
Other Expenses		265		265	265	
Municipal Prosecutor						
Salaries & Wages		3,543		3,543	3,543	
Police						
Salaries & Wages	173,239	(69,061)		104,178		104,178
Miscellaneous Other Expenses	3,534	2,697		6,231	6,231	
Purchase of Police Cars	3,064			3,064	1,140	1,924
Emergency Management Services-Ambulance						
Salaries and Wages	18,989			18,989		18,989
Other Expenses			1,836	1,836	1,441	395
Municipal Court						
Other Expenses	1,198			1,198		1,198
Buildings and Grounds						
Salaries & Wages	15,133			15,133		15,133
Other Expenses	17,877		805	18,682	\$ 18,631	51
Vehicle Maintenance						
Other Expenses		20,427	17,970	38,397	28,403	9,994
Solid Waste Collection						
Salaries & Wages	11,394			11,394		11,394
Board of Health						
Salaries & Wages	2,716			2,716		2,716
Other Expenses		1,378	268	1,646	1,618	28
Animal Control Services						
Other Expenses	1,000			1,000		1,000
Maintenance of Parks						
Salaries & Wages		4,936		4,936	4,936	
Other Expenses	1,880			1,880		1,880

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF 2012 APPROPRIATION RESERVES**

	Balance, December 31, <u>2012</u>	<u>Transfers</u>	Encumbrances Payable <u>Cancelled</u>	Balance After <u>Modification</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Recreation Services and Programs						
Salaries & Wages		\$ 1,460		\$ 1,460	\$ 1,460	
Other Expenses	\$ 15,829		\$ 5,061	20,890	7,404	\$ 13,486
Celebration of Public Event, Anniversary or Holiday						
Other Expenses		400	679	1,079	1,079	
Streets & Road Maintenance						
Salaries & Wages		15,597	5,594	21,191	21,191	
Other Expenses	3,295	4,841		8,136	8,136	
Snow Removal						
Salaries & Wages	6,271			6,271		6,271
Other Expenses	10,000			10,000	10,000	
Sewer System						
Salaries & Wages	200			200		200
Other Expenses	16,296		294	16,590	16,525	65
Parking Meters						
Other Expenses	2,000			2,000		2,000
Contingent	1,000			1,000		1,000
Social Security System (O.A.S.I)	8,988			8,988		8,988
Public Employees Retirement System	53			53		53
Police and Firemen's Retirement System	132			132		132
Consolidated Police & Fireman's Pension Fund	262			262		262
Employee Group Health			252,000	252,000	251,420	580
Fuel Oil	29,489		245	29,734	20,045	9,689
Telephone	77			77		77
Natural Gas	10,806			10,806		10,806
Street Lighting	41,830			41,830		41,830
Water	765			765		765
Implementation of 9-1-1 System						
Police Communications						
Other Expenses	18,000			18,000		18,000
Emergency Response Services-Ambulance						
Billing Services	16,358			16,358	3,182	13,176
Sewer Service Charges-Contractual						
BCUA, Fort Lee, Edgewater						
Sanitary Landfill	44,993		120,000	164,993	61,794	103,199
NJ Transportation Trust Fund-Columbia Avenue	146,500			146,500	146,500	
Bergen County Open Space	59,200			59,200	59,200	
Bergen County Open Space-Match	59,200			59,200	59,200	
Capital Improvements						
Improvements to Borough Streets	56,247			56,247	56,247	
Improvements to Borough Property	40,681		5,448	46,129	40,738	5,391
Purchase of Computers	1,123			1,123		1,123
Purchase of Fire Equipment	54			54		54
CDBG Road Program-Lawton Avenue	8,042	-	-	8,042	8,042	-
	<u>\$ 910,814</u>	<u>\$ -</u>	<u>\$ 523,642</u>	<u>\$ 1,434,456</u>	<u>\$ 992,645</u>	<u>\$ 441,811</u>
Cash Disbursed					\$ 968,945	
Transferred to Accounts Payable					23,700	
					<u>\$ 992,645</u>	

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF TAX OVERPAYMENTS**

Balance, December 31, 2012		\$ 90,475
Increased by:		
Cash Receipts		<u>74,168</u>
		164,643
Decreased by:		
Refunds	\$ 63,966	
Cancelled to Operations	<u>2,542</u>	
		<u>66,508</u>
Balance, December 31, 2013		<u>\$ 98,135</u>

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, December 31, 2012		\$ 1,159,801
Increased by:		
Charges to 2013 Budget Appropriations		<u>658,214</u>
		1,818,015
Decreased by:		
Cash Disbursed	\$ 636,159	
Cancelled to Appropriation Reserves	<u>523,642</u>	
		<u>1,159,801</u>
Balance, December 31, 2013		<u>\$ 658,214</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF COUNTY TAXES PAYABLE**

Increased by:		
2013 Tax Levy		
County Tax (Abstract)	\$ 6,704,281	
County Open Space Preservation (Abstract)	74,311	
County Tax for Added Taxes (54:4-63.1)	<u>12,749</u>	
		<u>\$ 6,791,341</u>
		6,791,341
Decreased by:		
Payments		<u>6,791,341</u>
Balance, December 31, 2013		<u>\$ -</u>

EXHIBIT A-16

STATEMENT OF LOCAL DISTRICT SCHOOL TAXES

Increased by:		
Levy - Calendar Year 2013		29,126,159
Decreased by:		
Payments		<u>29,380,798</u>
Balance, December 31, 2013 (Prepaid)		<u>\$ (254,639)</u>

EXHIBIT A-17

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, December 31, 2012		\$ 526,623
Decreased by:		
Cash Paid to Appellants		<u>103,182</u>
Balance, December 31, 2013		<u>\$ 423,441</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2012	\$ 524,410
Increased by:	
Collection of 2014 Taxes	<u>933,616</u>
	1,458,026
Decreased by:	
Applied to 2013 Taxes Receivable	<u>524,410</u>
Balance, December 31, 2013	<u>\$ 933,616</u>

EXHIBIT A-19

STATEMENT OF RESERVE FOR GRANTS - UNAPPROPRIATED

	Balance, December 31, 2012	Receipts	Appropriated in 2013 Budget	Balance, December 31, 2013
Drunk Driving Enforcement	\$ 5,999	\$ 12,587	\$ 5,999	\$ 12,587
Municipal Court- Alcohol Ed. and Rehabilitation	1,124		1,124	
Clean Communities	29,506	34,644	29,506	34,644
Body Armor Grant	4,353	5,523	4,353	5,523
Municipal Alliance	<u>1,275</u>	<u>836</u>	<u>1,275</u>	<u>836</u>
	<u>\$ 42,257</u>	<u>\$ 53,590</u>	<u>\$ 42,257</u>	<u>\$ 53,590</u>

EXHIBIT A-20

STATEMENT OF RESERVE FOR GRANTS - APPROPRIATED

	Balance, December 31, 2012	Balance, December 31, 2013
CDBG-Sewer Rehab	\$ 5,758	\$ 5,758
CAD Grant	15	15
Stormwater Management Grant	4,466	4,466
Clean Communities	16,886	16,886
200 Club-Rescue System-Local Match	<u>75</u>	<u>75</u>
	<u>\$ 27,200</u>	<u>\$ 27,200</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF RESERVE FOR SUMMER FOOD PROGRAM**

Balance, December 31, 2012	\$ <u>1,168</u>
Balance, December 31, 2013	\$ <u>1,168</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2012	\$ 122,800
Increased by:	
Transfer from 2012 Appropriation Reserves	<u>23,700</u>
Balance, December 31, 2013	\$ <u>146,500</u>

STATEMENT OF ACCRUED SALARIES AND WAGES

Balance, December 31, 2012	\$ 151,731
Decreased by:	
Cash Disbursements	\$ 150,601
Cancelled to Operations	<u>1,130</u>
	<u>151,731</u>
Balance, December 31, 2013	\$ <u>-</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF RESERVE FOR SEWER HOOK UP FEES**

Balance, December 31, 2012	\$ 158,957
Increased by:	
Cash Receipts	<u>16,500</u>
Balance, December 31, 2013	<u>\$ 175,457</u>

EXHIBIT A-25

STATEMENT OF RESERVE FOR PENSION

Increased by:	
Cash Receipt	<u>\$ 785</u>
Balance, December 31, 2013	<u>\$ 785</u>

BOROUGH OF CLIFFSIDE PARK
STATEMENT OF DEFERRED CHARGES - SPECIAL EMERGENCY AUTHORIZATIONS

<u>Purpose</u>	<u>Amount</u> <u>Authorized</u>	Balance, December 31, <u>2012</u>	Decreased by: Budget <u>Appropriation</u>	Balance, December 31, <u>2013</u>
Revaluation Update	\$ 200,000	\$ 120,000	\$ 40,000	\$ 80,000
Preparation of Master Plan	100,000	100,000	20,000	80,000
Hurricane Sandy Storm Damage	1,500,000	<u>1,500,000</u>	<u>300,000</u>	<u>1,200,000</u>
		<u>\$ 1,720,000</u>	<u>\$ 360,000</u>	<u>\$ 1,360,000</u>

EXHIBIT A-27

STATEMENT OF RESERVE FOR INSURANCE PROCEEDS

Balance, December 31, 2012	\$ 150,000
Decreased by:	
Anticipated as Current Fund Revenue	<u>150,000</u>
Balance, December 31, 2013	<u>\$ -</u>

EXHIBIT A-28

STATEMENT OF SPECIAL EMERGENCY NOTE PAYABLE

Balance, December 31, 2012	\$ 1,500,000
Decreased by:	
Paydown of Note	<u>300,000</u>
Balance, December 31, 2013	<u>\$ 1,200,000</u>

EXHIBIT A-29

STATEMENT OF OTHER PAYABLE- DUE TO MUNICIPAL COURT

Increased by:	
Court Receipt Deposited into Current Fund	<u>\$ 17,065</u>
Balance, December 31, 2013	<u>\$ 17,065</u>

TRUST FUNDS

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF TRUST CASH - TREASURER**

	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>	<u>Community Development Trust Fund</u>
Balance, December 31, 2012	\$ 14,756	\$ 543,317	
Increased by Receipts:			
Budget Appropriation - Unemployment	\$ 50,000		
Payroll Deductions - Unemployment	16,521		
Borough's Share of Dog Licenses	\$ 7,032		
State Share - Dog Fee	664		
Miscellaneous Reserves	1,304,340		
Receipts from Community Development			\$ 418,807
Payroll Deductions	<u>7,696</u>	<u>19,228,364</u>	<u>\$ 418,807</u>
	22,452	19,771,681	418,807
Decreased by Disbursements:			
Payroll Deductions Payable	17,863,986		
Payment to State - Dog Fee	664		
Payments to Current Fund - Community Development			418,807
Grant Receipts			
Payments to State of NJ - Unemployment Insurance Benefits	12,863		
Miscellaneous Reserves	<u>13,527</u>	<u>18,994,984</u>	<u>418,807</u>
Balance, December 31, 2013	<u>\$ 8,925</u>	<u>\$ 776,697</u>	<u>\$ -</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF DUE FROM GENERAL CAPITAL FUND
OTHER TRUST FUND**

Balance, December 31, 2012	<u>\$ 190,899</u>
Balance, December 31, 2013	<u>\$ 190,899</u>

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

Balance, December 31, 2012	\$ -
Increased by:	
Grant Receipts from Community Development	<u>418,807</u>
	418,807
Decreased by:	
Payments to Current Fund	<u>418,807</u>
Balance, December 31, 2013	<u>\$ -</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION
OTHER TRUST FUND**

Balance, December 31, 2012		\$ 5,179
Increased by:		
Payroll Deductions/Miscellaneous	\$ 16,521	
2013 Budget Appropriation	<u>50,000</u>	
		<u>66,521</u>
		71,700
Decreased by:		
Unemployment Insurance Benefits Claims	<u>36,677</u>	
		<u>36,677</u>
Balance, December 31, 2013		<u>\$ 35,023</u>

**STATEMENT OF DUE TO STATE OF NEW JERSEY -
UNEMPLOYMENT COMPENSATION BENEFITS
OTHER TRUST FUND**

Balance, December 31, 2012		\$ 1,513
Increased by:		
Unemployment Insurance Benefit Claims	<u>36,677</u>	
		38,190
Decreased by:		
Cash Disbursements	<u>35,444</u>	
Balance, December 31, 2013		<u>\$ 2,746</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF NET PAY AND PAYROLL DEDUCTIONS PAYABLE
OTHER TRUST FUND**

Balance, December 31, 2012	\$ 16,494
Increased by:	
Cash Receipts	<u>17,857,503</u>
	17,873,997
Decreased by:	
Cash Disbursements	<u>17,863,986</u>
Balance, December 31, 2013	<u>\$ 10,011</u>

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

Balance, December 31, 2012	<u>\$ 102,289</u>
Balance, December 31, 2013	<u>\$ 102,289</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF MISCELLANEOUS RESERVES
OTHER TRUST FUND**

	Balance, December 31, <u>2012</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2013</u>
Street Opening Deposits	\$ 7,000	\$ 9,000		\$ 16,000
P.O.A.A.	27,881	5,614		33,495
Recycling	72,828	57,209	\$ 100,684	29,353
Redemption of Outside Liens		234,677	234,677	
Uniform Fire Safety Fines	5,119	1,300	1,881	4,538
Escrow Deposits	193,641	83,723	67,540	209,824
Premium on Tax Sale	295,500	403,200	194,500	504,200
Educated PAL - Municipal Alliance	3,844			3,844
Montvale Escrow	57,768			57,768
Reserve for Police Detail	3,979	238,202	242,181	-
Zalewski Park	52,000			52,000
Confiscated Funds	78,314	271,415	254,091	95,638
Miscellaneous	15,445	-	-	15,445
	<u>\$ 813,319</u>	<u>\$ 1,304,340</u>	<u>\$ 1,095,554</u>	<u>\$ 1,022,105</u>

EXHIBIT B-9

**STATEMENT OF DUE TO STATE OF NEW JERSEY
ANIMAL CONTROL FUND**

Increased by:	
Dog License Fees- State Share	<u>\$ 664</u>
Decreased by:	
Payments to State	<u>\$ 664</u>

EXHIBIT B-10

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

Balance, December 31, 2012	<u>\$ 8,334</u>
Balance, December 31, 2013	<u>\$ 8,334</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES
ANIMAL CONTROL FUND**

Balance, December 31, 2012	\$	6,422
Increased by:		
Dog License Fees - Borough Share		7,032
		13,454
Decreased by:		
Cash Disbursements		12,863
Balance, December 31, 2013	\$	591

License Fees Collected

<u>Year</u>	<u>Amount</u>
2012	\$ 3,445
2011	2,611
	\$ 6,056

GENERAL CAPITAL FUND

BOROUGH OF CLIFFSIDE PARK
STATEMENT OF GENERAL CAPITAL CASH - TREASURER

Balance, December 31, 2012		\$ 12,663,664
Increased by:		
Reserve for Developer - Interest Earnings	\$ 4,695	
Current Fund Grant Receipts Deposited into General Capital Fund	119,440	
Receipts for Reserve for Payment of Debt	133,500	
Interest Earnings	6,101	
Premium on Sale of Notes	<u>17,125</u>	
		<u>280,861</u>
		12,944,525
Decreased by:		
Improvement Authorizations	3,274,376	
Contracts/Accounts Payable	<u>1,078,464</u>	
		<u>4,352,840</u>
Balance, December 31, 2013		<u>\$ 8,591,685</u>

**BOROUGH OF CLIFFSIDE PARK
ANALYSIS OF GENERAL CAPITAL CASH**

		Balance, December 31, <u>2013</u>
Insurance Proceeds/Other Accounts Receivable-Library Fire		\$ (140,728)
Contracts/Accounts Payable		7,182,463
Fund Balance		87,017
Capital Improvement Fund		109,309
Reserve for Payment of Debt		133,500
Reserve for Interest (Developer)		8,925
Reserve for Premium-Due to Developer		10,430
Due to Current Fund		128,592
Due to Other Trust Fund		190,899
Ord.		
<u>No.</u>	<u>Improvement Authorizations</u>	
2-2005	Various Capital Improvements	41
3-2005	Anderson Ave Redevelopment	90,624
9-2007	Various Improvements	260,617
9-2010	Acquisition of Fire Truck	26,121
2-2011/14-2011	Various Improvements	224,863
17-2011	Renovation and Expansion of the Library	4,245
8-2012	Sanitary and Storm Sewer Improvements	586
6-2013	Auxiliary Field Improvements	274,181
		<hr/>
		\$ <u>8,591,685</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, December 31, 2012	<u>\$ 109,309</u>
Balance, December 31, 2013	<u>\$ 109,309</u>

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION- FUNDED

Balance, December 31, 2012	\$29,112,000
Decreased by:	
Payment of General Serial Bonds	<u>720,000</u>
Balance, December 31, 2013	<u>\$28,392,000</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

Ord. No.	Improvement Description	Balance, December 31, 2012	Paid by Budget Appropriation	Balance, December 31, 2013	Analysis of Balance December 31, 2013	
					Bond Anticipation Notes	Unexpended Improvement Authorization
	General Improvements					
3-2005	Anderson Ave Redevelopment	\$ 2,605,009	\$ 47,000	\$ 2,558,009	\$ 2,558,000	\$ 9
9-2007	Various Capital Improvements	733	733	733		733
1-2010	Acquisition of 770 Fairview Ave.	1,000,000	27,000	973,000	973,000	
9-2010	Acquisition of a Fire Truck	527	527	527		527
4-2011	Construction of Municipal Parking Facilities and Other Public Areas (Anderson Ave.)	10,000,000		10,000,000	10,000,000	
9-2011	Tax Appeal Refundings	660,000	330,000	330,000	330,000	
14-2011	Various Improvements	1,750		1,750		1,750
17-2011	Library Renovations and Expansion	150,000	-	150,000	-	150,000
		<u>\$ 14,418,019</u>	<u>\$ 404,000</u>	<u>\$ 14,014,019</u>	<u>\$ 13,861,000</u>	<u>\$ 153,019</u>
	Improvement Authorizations					\$ 243,643
	Less: Unexpended Note Proceeds Ord. 3-2005			<u>\$ 90,624</u>		<u>90,624</u>
						<u>\$ 153,019</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF BOND ANTICIPATION NOTES PAYABLE**

Ord. No.	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance, December 31, 2012	Change		Balance, December 31, 2013
							Increased	Decreased	
3-2005	Anderson Avenue Redevelopment	7/25/2008	2/14/2012 2/14/2013	2/14/2013 2/14/2014	1.40 0.60	\$ 632,916	\$ 617,230	\$ 632,916	\$ 617,230
3-2005	Anderson Avenue Redevelopment	3/4/2009	2/14/2012 2/14/2013	2/14/2013 2/14/2014	1.40 0.60	631,018	620,970	631,018	620,970
3-2005	Anderson Avenue Redevelopment	10/9/2009	2/14/2012 2/14/2013	2/14/2013 2/14/2014	1.40 0.60	984,326	968,652	984,326	968,652
3-2005	Anderson Avenue Redevelopment	2/11/2010	2/14/2012 2/14/2013	2/14/2013 2/14/2014	1.40 0.60	356,740	351,148	356,740	351,148
1-2010	Acquisition of Property (BCLA)	4/28/2010	12/4/2012 4/26/2013	4/26/2013 4/25/2014	0.50 1.25	1,000,000	973,000	1,000,000	973,000
4-2011	Construction of a Municipal Parking Facility and Public Plaza	7/18/2012	7/24/2012 7/24/2013	7/24/2013 7/24/2014	1.50 0.75	10,000,000	10,000,000	10,000,000	10,000,000
9-2011	Tax Appeal Refundings	12/16/2011	12/14/2012 4/26/2013	4/26/2013 4/25/2014	0.50 1.25	660,000	330,000	660,000	330,000
						<u>\$ 14,265,000</u>	<u>\$ 13,861,000</u>	<u>\$ 14,265,000</u>	<u>\$ 13,861,000</u>
Renewals								\$ 13,861,000	\$ 13,861,000
Paid by Budget Appropriation								<u>404,000</u>	<u>404,000</u>
						<u>\$ 13,861,000</u>	<u>\$ 13,861,000</u>	<u>\$ 14,265,000</u>	<u>\$ 14,265,000</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF SERIAL BONDS PAYABLE**

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance, December 31, 2012	Decreased	Balance, December 31, 2013
			Date	Outstanding December 31, 2013 Amount				
Taxable Redevelopment Bonds of 2011	2/14/2011	\$ 12,005,000	2/1/2014	\$ 280,000	4.00			
			2/1/2015	285,000	4.00			
			2/1/2016	295,000	5.00			
			2/1/2017	300,000	5.00			
			2/1/2018	310,000	5.00			
			2/1/2019	325,000	5.00			
			2/1/2020	335,000	5.25			
			2/1/2021	350,000	5.25			
			2/1/2022	365,000	5.25			
			2/1/2023	380,000	5.25			
			2/1/2024	395,000	5.50			
			2/1/2025	415,000	5.50			
			2/1/2026	435,000	5.50			
			2/1/2027	455,000	5.75			
			2/1/2028	475,000	6.00			
			2/1/2029	500,000	6.00			
			2/1/2030	525,000	6.00			
			2/1/2031	550,000	6.00			
			2/1/2032	580,000	6.00			
			2/1/2033	610,000	6.00			
		2/1/2034	640,000	6.00				
		2/1/2035	675,000	6.00				
		2/1/2036	710,000	6.00				
		2/1/2037	750,000	6.125				
		2/1/2038	795,000	6.125				
						\$ 12,005,000	\$ 270,000	\$ 11,735,000
General Improvement Bonds of 2012	3/15/2012	17,107,000	3/15/2014	475,000	2.00			
			3/15/2015	900,000	2.00			
			3/15/2016	900,000	2.00			
			3/15/2017	900,000	2.00			
			3/15/2018	900,000	2.00			
			3/15/2019	900,000	2.00			
			3/15/2020	900,000	2.00			
			3/15/2021	900,000	3.00			
			3/15/2022	900,000	3.00			
			3/15/2023	900,000	3.00			
			3/15/2024	900,000	3.00			
			3/15/2025	900,000	3.00			
			3/15/2026	900,000	3.00			
			3/15/2027	900,000	3.00			
			3/15/2028	900,000	3.00			
			3/15/2029	900,000	3.250			
			3/15/2030	900,000	3.250			
			3/15/2031	900,000	3.375			
			3/15/2032	882,000	3.50			
							17,107,000	450,000
						\$ 29,112,000	\$ 720,000	\$ 28,392,000

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	2013 Authorizations		Contracts Payable Restored	Expended	Balance, December 31, 2013	
			Balance, December 31, 2012				Funded	Unfunded
			Funded	Unfunded			Capital Surplus	
General Improvements								
2-2005	Various Capital Improvements	\$ 3,500,000	\$ 29,879			\$ 29,838	\$ 41	
3-2005	Anderson Ave Redevelopment	15,000,000		\$ 171,437		80,804		\$ 90,633
9-2007	Various Capital Improvements	4,000,000	512,501	733		251,884	260,617	733
1-2010	Acquisition of 770 Fairview Ave (BCIA)	2,200,000		92,679	\$ 156,420	249,099		
9-2010	Acquisition of Fire Truck	850,000	26,121	527			26,121	527
4-2011	Construction of Municipal Parking Facilities and Other Public Areas (Anderson Ave. Redevelopment)	10,000,000		9,157,200		9,157,200		
2-2011/14-2011	Various Improvements	3,565,000	743,235	1,750		518,372	224,863	1,750
17-2011	Renovation and Expansion of the Library	330,000	4,245	150,000			4,245	150,000
8-2012	Sanitary and Storm Sewer Improvements		44,409			43,823	586	
6-2013	Auxiliary Field Improvements	400,000	-	-		125,819	274,181	-
		<u>\$ 47,845,000</u>	<u>\$ 1,360,390</u>	<u>\$ 9,574,326</u>	<u>\$ 156,420</u>	<u>\$10,456,839</u>	<u>\$ 790,654</u>	<u>\$ 243,643</u>
				Cash Disbursements		\$ 3,274,376		
				Contracts Payable		7,182,463		
						<u>\$10,456,839</u>		

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF CONTRACTS/ACCOUNTS PAYABLE**

Balance, December 31, 2012		\$1,234,884
Increased by:		
Charges to Improvement Authorizations		<u>7,182,463</u>
		8,417,347
Decreased by:		
Cash Disbursements	\$ 1,078,464	
Cancellations Restored to Improvement Authorizations	<u>156,420</u>	
		<u>1,234,884</u>
Balance, December 31, 2013		<u>\$7,182,463</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF RESERVE FOR INTEREST (DEVELOPER)**

Balance, December 31, 2012	\$ 4,230
Increased by:	
Cash Receipts - Interest Earnings	<u>4,695</u>
Balance, December 31, 2013	<u>\$ 8,925</u>

STATEMENT OF DUE TO CURRENT FUND

Balance, December 31, 2012	\$ 3,051
Increased by:	
Interest Earnings	\$ 6,101
Current Fund Grant Receipts Deposited into General Capital Fund	<u>119,440</u>
	<u>125,541</u>
Balance, December 31, 2013	<u>128,592</u>

STATEMENT OF RESERVE FOR PAYMENT OF DEBT

Increased by:	
Cash Receipts	<u>\$ 133,500</u>
Balance, December 31, 2013	<u>\$ 133,500</u>

BOROUGH OF CLIFFSIDE PARK
STATEMENT OF INSURANCE PROCEEDS/OTHER ACCOUNTS RECEIVABLE-LIBRARY FIRE

Balance, December 31, 2012	<u>\$ 140,728</u>
Balance, December 31, 2013	<u>\$ 140,728</u>

STATEMENT OF RESERVE FOR PREMIUM DUE TO DEVELOPER

Balance, December 31, 2012	<u>\$ 10,430</u>
Balance, December 31, 2013	<u>\$ 10,430</u>

STATEMENT OF DUE TO OTHER TRUST FUND

Balance, December 31, 2012	<u>\$ 190,899</u>
Balance, December 31, 2013	<u>\$ 190,899</u>

BOROUGH OF CLIFFSIDE PARK
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	Balance, December 31, <u>2012</u>	Balance, December 31, <u>2013</u>
3-2005	Anderson Avenue Redevelopment	\$ 9	\$ 9
9-2007	Various Capital Improvements	733	733
9-2010	Acquisition of Fire Truck	527	527
14-2011	Various Improvements	1,750	1,750
17-2011	Library Renovations and Expansion	<u>150,000</u>	<u>150,000</u>
		<u>\$ 153,019</u>	<u>\$ 153,019</u>

FREE PUBLIC LIBRARY FUND

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF CASH - BOARD OF TRUSTEES**

	<u>Total</u>	<u>General Fund</u>	<u>Capital Fund</u>	<u>Gift Fund</u>
Balance, December 31, 2012	\$ 487,996	\$ 185,701	\$ 243,234	\$ 59,061
Increased by Receipts:				
Revenues	<u>903,941</u>	<u>885,487</u>	<u>4,694</u>	<u>13,760</u>
Total Cash Receipts	<u>903,941</u>	<u>885,487</u>	<u>4,694</u>	<u>13,760</u>
	<u>1,391,937</u>	<u>1,071,188</u>	<u>247,928</u>	<u>72,821</u>
Decreased by:				
Expenditures	1,085,137	913,158	108,071	63,908
Encumbrances Payable	<u>10,523</u>	<u>10,523</u>	<u>-</u>	<u>-</u>
Total Cash Disbursements	<u>1,095,660</u>	<u>923,681</u>	<u>108,071</u>	<u>63,908</u>
Balance, December 31, 2013	<u>\$ 296,277</u>	<u>\$ 147,507</u>	<u>\$ 139,857</u>	<u>\$ 8,913</u>

EXHIBIT D-3

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, December 31, 2012	\$ 10,523
Increased by:	
Current Year Encumbrances Payable	<u>25,125</u>
	35,648
Decreased by:	
Payment of Encumbrances Payable	<u>10,523</u>
Balance, December 31, 2013	<u>\$ 25,125</u>

BOROUGH OF CLIFFSIDE PARK
PART II
GOVERNMENT AUDITING STANDARDS
AND
SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

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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 Cliffside Park
Cliffside Park, 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 Cliffside Park, as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated May 2, 2014. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the requirements of the State of New Jersey for municipal government entities as described in Note 1.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Cliffside Park’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 Cliffside Park’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Cliffside Park’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying findings and questioned costs as item 2013-001 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 Borough of Cliffside Park'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 an instance of noncompliance or other matters that is 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 is described in the accompanying schedule of findings and questioned costs as item 2013-001.

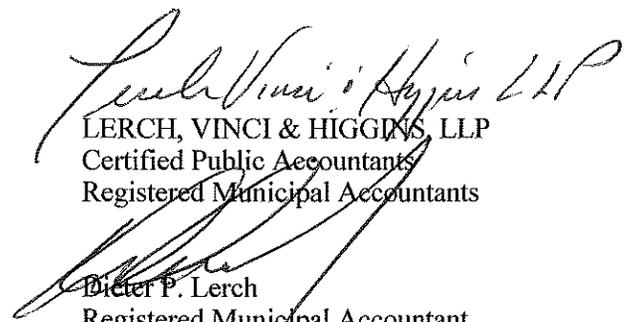
We also noted certain matters that we reported to management of the Borough of Borough of Cliffside Park in Part III of this report of audit entitled; "Letter of Comments and Recommendations".

Borough of Borough of Cliffside Park's Responses to Findings

The Borough of Borough of Cliffside Park's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Borough of Borough of Cliffside Park'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 Borough of Cliffside Park'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 Borough of Cliffside Park's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants
Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
May 2, 2014

LVH LERCH, VINCI & HIGGINS, LLP

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
U.S. OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Cliffside Park
Cliffside Park, New Jersey

Report on Compliance for Each Major Federal Program

We have audited the Borough of Cliffside Park's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Borough of Cliffside Park's major federal programs for the year ended December 31, 2013. The Borough of Cliffside Park's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of Cliffside Park's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and Circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Borough of Cliffside Park's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Borough of Cliffside Park's compliance.

Opinion on Each Major Federal Program

In our opinion, the Borough of Cliffside Park complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the Borough of Cliffside Park is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough of Cliffside Park's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Cliffside Park's internal control over compliance.

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

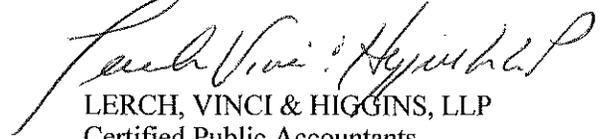
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

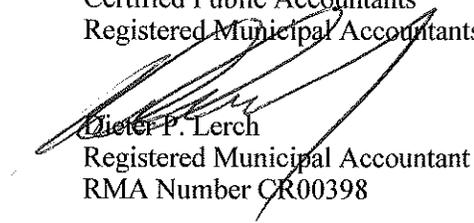
Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements - regulatory basis of the Borough of Cliffside Park as of and for the year ended December 31, 2013, and the related notes to the financial statements and have issued our report thereon dated May 2, 2014, which contained a modified opinion on those financial statements because they were not prepared and presented in accordance with accounting principles generally accepted in the United States of America and also contained an unmodified opinion on those financial statements prepared and presented in accordance with the regulatory basis of accounting. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by OMB Circular A-133 and schedule of expenditures of state financial assistance are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



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



Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398

Fair Lawn, New Jersey
May 2, 2014

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

**BOROUGH OF CLIFFSIDE PARK
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2013**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 1,761,121	\$ 205,284	\$ 1,966,405
Total Financial Awards	<u>\$ 1,761,121</u>	<u>\$ 205,284</u>	<u>\$ 1,966,405</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

**BOROUGH OF CLIFFSIDE PARK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Part I – Summary of Auditor’s Results

Financial Statement Section

- A) Type of auditor's report issued: Unmodified Opinion-Regulatory Basis
- B) Internal control over financial reporting:
- 1) Material weakness(es) identified? _____ yes X no
- 2) Were significant deficiency(s) identified that were not considered to be material weaknesses? X yes _____ no _____ none
- C) Noncompliance material to general purpose financial statements noted? X yes _____ no

Federal Awards Section

- D) Dollar threshold used to determine Type A programs: \$ 300,000
- E) Auditee qualified as low-risk auditee? _____ yes X no _____ n/a
- F) Type of auditor's report on compliance for major programs: Unmodified
- G) Internal Control over compliance:
- 1) Material weakness(es) identified? _____ yes X no
- 2) Were significant deficiency(s) identified that were not considered to be material weaknesses? _____ yes X no
- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section.510(a)) _____ yes X no
- I) Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.218</u>	<u>U.S. Dept. of Housing and Urban Development -</u>
	<u>Community Development Block Grant</u>
<u>20.205</u>	<u>U.S. Department of Transportation</u>

**BOROUGH OF CLIFFSIDE PARK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Part 2 – Schedule of Financial Statement Findings

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 2013-001

Our audit revealed that certain General Capital Fund contracts were not encumbered when awarded by the Council.

Criteria or specific requirement:

- N.J.A.C. 5:30-5.2 Encumbrance Systems.

Condition:

Purchase orders were not always issued for contracts awarded.

Questioned Costs:

Unknown.

Context:

Total contracts of \$7,102,431 in the General Capital Fund for various capital improvements and acquisitions that were not encumbered when the contracts were awarded were recorded by audit adjustment.

Effect:

Commitments may exist and not be recorded in the financial statements. Audit adjustments have been made to record known encumbrances.

Cause:

Unknown.

Recommendation:

The encumbrance system be enhanced to ensure that outstanding purchase orders are reviewed to determine their validity and that any contracts awarded are properly encumbered.

Management's Response:

The Borough has reviewed this finding and has indicated corrective action will be taken.

**BOROUGH OF CLIFFSIDE PARK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

CURRENT YEAR FEDERAL AWARDS

There are none

CURRENT YEAR STATE AWARDS

Not Applicable

**BOROUGH OF CLIFFSIDE PARK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

This section identifies the status of prior-year findings related to the financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

Finding 2012-1

Condition

Certain outstanding purchase orders were deemed invalid upon review and cancelled. In addition, purchase orders were not always issued for contracts awarded.

Current Status

See Finding 2013-001

BOROUGH OF CLIFFSIDE PARK



PART III

SUPPORTING DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2013

**BOROUGH OF CLIFFSIDE PARK
SUPPORTING DATA**

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

	<u>Year 2013</u>		<u>Year 2012</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 4,300,000	6% %	\$ 4,000,000	5.86 %
Miscellaneous - From Other Than Local				
Property Tax Levies	7,290,035	10%	5,364,263	7.86
Collection of Delinquent Taxes and Tax Title Liens	1,326,509	2%	1,168,981	1.72
Collection of Current Tax Levy	58,563,256	81%	57,050,996	83.63
Other Credits	<u>445,483</u>	<u>1%</u>	<u>634,113</u>	<u>0.93</u>
Total Income	<u>71,925,283</u>	<u>100% %</u>	<u>68,218,353</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	31,352,750	46%	30,319,756	46.24 %
County Taxes	6,791,341	10%	6,562,943	10.01
Regional School Taxes	29,126,159	43%	28,571,966	43.57
Other Expenditures	<u>380,180</u>	<u>1%</u>	<u>117,903</u>	<u>0.18</u>
Total Expenditures	67,650,430	100% %	65,572,568	100.00 %
Less: Expenditures to be Raised by Future Revenue	<u>-</u>		<u>1,600,000</u>	
Total Adjusted Expenditures	<u>67,650,430</u>		<u>63,972,568</u>	
Excess in Revenue	4,274,853		4,245,785	
Fund Balance, January 1	<u>5,537,168</u>		<u>5,291,383</u>	
	9,812,021		9,537,168	
Less Utilization as Anticipated Revenue	<u>4,300,000</u>		<u>4,000,000</u>	
Fund Balance, December 31	<u>\$ 5,512,021</u>		<u>\$ 5,537,168</u>	

**BOROUGH OF CLIFFSIDE PARK
SUPPORTING DATA**

Comparative Schedule Of Tax Rate Information

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Tax Rate</u>	<u>\$2.181</u>	<u>\$2.138</u>	<u>\$2.095</u>
 <u>Apportionment of Tax Rate</u>			
Municipal	.832	.818	.805
County	.249	.240	.228
Local School	1.064	1.043	1.022
Library (1)	.036	.037	.040

(1) Beginning in 2011, the Library appropriation is raised as a separate tax on the apportionment of taxes. Previously, this was included as part of the municipal tax rate.

Assessed Valuation

2013	<u>\$2,736,419,565</u>
2012	<u>\$2,739,132,121</u>
2011	<u>\$2,741,653,071</u>

Comparison Of Tax Levies And Collection Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2013	\$ 59,792,988	\$ 58,563,256	97.94%
2012	58,735,395	57,350,996	97.64%
2011	57,516,382	56,245,728	97.79%

**BOROUGH OF CLIFFSIDE PARK
SUPPORTING DATA**

Delinquent Taxes and Tax Title Liens

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

<u>December 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>
2013	\$ 13,322	\$ 1,072,145	\$ 1,085,467
2012	13,342	1,349,396	1,362,738
2011	13,169	1,186,279	1,199,448

Property Acquired By Tax Title Lien Liquidation

No properties have been acquired in 2013 by foreclosure or deed, as a result of liquidation of tax title liens.

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

<u>Year</u>	<u>Amount</u>
2013	\$31,387
2012	31,387
2011	31,387

Comparative Schedule of Fund Balances

<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
<u>Current Fund</u> 2013	\$5,512,021	\$4,300,000
2012	5,537,168	4,300,000
2011	5,291,383	4,000,000

**BOROUGH OF CLIFFSIDE PARK
SUPPORTING DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Gerald A. Calabrese	Mayor	
Thomas Calabrese	Council President	
Larry Bongard	Councilman	
Bernard Fontana	Councilman	
Dana Martinotti	Councilwoman	
Kenneth Corcoran	Councilman	
Donna Spoto	Councilwoman	
Frank Berardo	Tax Collector/Chief Financial Officer/ Purchasing Agent	\$250,000(A)
Sercan Zoklu	Borough Clerk/Deputy Borough Administrator	
Joseph Rutch	Borough Administrator	
Christos Diktas	Borough Attorney	
Kevin Boswell	Borough Engineer	
Peter Colao	Assessor	
Jamie Riggi	Registrar of Vital Statistics	
John Candelmo	Construction Code Official	
Michael Sestanovich	Plumbing Inspector	
Michael Shuhala	Magistrate	\$50,000(B)
Linda D'Angelo	Court Clerk and Violations Clerk	\$50,000(B)
Janet Merrill	President Library Board of Trustees	
Stephanie Bellucci	Library Director	
Barbara Bracco	Secretary of Board of Adjustment	
Kathleen Miller	Secretary of Planning Board	
Ann Petito	Library Treasurer	
Donald Keane	Chief of Police	

(A) Bond written by Western Surety Company

(B) Blanket Bond written by Peerless Insurance Company

Public Employees' Honesty Blanket Position Bond issued by the Fidelity and Deposit Company of Maryland covers all employees (except persons required by law to furnish an individual bond) in the amount of \$50,000 each.

**BOROUGH OF CLIFFSIDE PARK
SUPPORTING DATA**

GENERAL COMMENTS

Prior Year Unresolved Comments

With respect to the Municipal Court, our audit revealed the following:

- a) One thousand seventy-six (1,076) tickets were greater than six months old on Tickets Assigned but not Issued Report.
- b) Eighty-six (86) tickets reported on the In-Court Payment/Disposition Error Report.

It is recommended that all municipal court monthly reports be generated, reviewed and action be taken in accordance with guidelines established by the State of New Jersey Administrative Office of Courts.

With respect to the Library, our audit revealed the bank accounts are not being reconciled on a monthly basis. It is recommended that Library bank accounts be reconciled monthly.

Current Year General Comments

With respect to the Library, our audit revealed the following:

- a) Supporting documentation for certain disbursements were not available for audit.
- b) Numerous instances were noted where operating expenses were coded classified as capital purchases in the accounting software.

With respect to the Library, it is recommended that:

- a) All disbursements have proper supporting documentation prior to payment
- b) Expenses be properly classified in internal records.

Our audit revealed that payments made utilizing a store card were paid based upon receipts and not invoices. Statements, which are not addressed to Borough Hall, are not being received and reconciled by the accounts payable department. With respect to the use of a store card, it is recommended that payment be made based upon invoices and that statements be properly addressed to the Borough and reconciled by the accounts payable department.

Our audit revealed that approval of part-time reference librarians' hourly rate was not available. It is recommended that hourly rates of library employees be formally approved by resolution of the Library Board.

**BOROUGH OF CLIFFSIDE PARK
SUPPORTING DATA**

GENERAL COMMENTS (continued)

Current Year General Comments (continued)

With respect to the Recreation Department, our audit revealed the following;

- a) No log inventory of concession stand items purchased is being maintained. In addition, no ledger is being maintained for the sale of concession stand items.
- b) There was no governing body resolution or ordinance approving fees charged.

It is recommended that:

- a) Internal controls over the collections and operations of the concession stand be enhanced.
- b) The governing body approve a resolution or ordinance establishing fees charged.

Our audit of the Borough's fixed assets revealed \$4,312,914 of additions that were not reflected on the Borough's fixed asset appraisal report. It is recommended that the Borough's fixed asset appraisal report be properly updated for all current year additions.

Contracts and Agreements Required to be Advertised for N.J.S. 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 \$21,000 except by contract or agreement."

If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c. 198 (C.40A:11-9), the Borough may establish that the bid threshold may be up to \$36,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section. The Governing Body has designated the Chief Financial Officer as the qualified purchasing agent for the Borough.

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 a question arises as to whether any contract 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:

- Improvements to Community Honor Park and Memorial Park Phase II
- Columbia Ave Improvements
- Lawton Avenue Sanitary Sewer and Storm Drainage Improvements Phase II
- Auxiliary Field Improvements
- Municipal Ambulance Services

**BOROUGH OF CLIFFSIDE PARK
SUPPORTING DATA**

GENERAL COMMENTS

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

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.

Collection of Interest on Delinquent Taxes and Assessments

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

The Governing Body on January 3, 2013 adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, N.J.S.A. 54:4-67 implies that affirmative action on the part of the Governing Body is required in fixing the rate of interest on delinquent taxes and assessments;

NOW, THEREFORE, BE IT RESOLVED, that the Mayor and Council of the Borough of Cliffside Park does hereby establish an interest rate of 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500 on delinquent taxes and assessments to be calculated from the date the tax was payable until the date of actual payment, and

BE IT FURTHER RESOLVED, that no interest shall be, charged if payment of any installment is made within ten (10) days after the date upon which the same became due.

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

**BOROUGH OF CLIFFSIDE PARK
SUPPORTING DATA**

GENERAL COMMENTS

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 15, 2013, and was complete.

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit.

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

<u>Year</u>	<u>Number of Liens</u>
2013	4
2012	4
2011	4

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

**BOROUGH OF CLIFFSIDE PARK
SUPPORTING DATA**

RECOMMENDATIONS

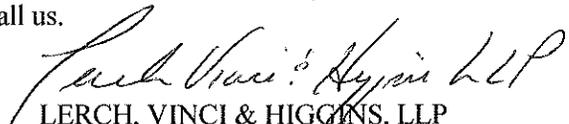
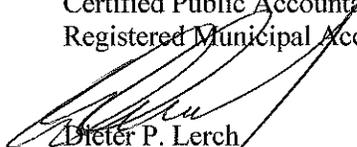
It is recommended that:

- * 1. The encumbrance system be enhanced to ensure that outstanding purchase orders are reviewed to determine their validity and that any contracts awarded are properly encumbered.
- * 2. All Municipal Court monthly reports be generated, reviewed and action taken in accordance with guidelines established by the State of New Jersey Administrative Office of Courts.
- 3. With respect to the Library:
 - a) All disbursements have proper supporting documentation prior to payment
 - b) Expenses be properly classified in internal records
 - c) Hourly rates of library employees be formally approved by resolution of the Library Board
- * 4. With respect to the use of store cards, it is recommended that payment be made based upon invoices and that statements be properly addressed to the Borough and reconciled by the accounts payable department.
- 5. With respect to the Recreation Department:
 - a) Internal controls over the collections and operations of the concession stand be enhanced.
 - b) The governing body approve a resolution or ordinance establishing fees charged.
- 6. The Borough's fixed asset appraisal report be properly updated for all current year additions.

A review was performed on all prior years' recommendations and corrective action was taken with the exception of those items denoted with an asterisk.

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

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


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

Dieter P. Lerch
Registered Municipal Accountant
RMA Number CR00398