

BOROUGH OF CLIFFSIDE PARK
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2017

BOROUGH OF CLIFFSIDE PARK

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BOROUGH OF CLIFFSIDE PARK
BERGEN COUNTY, NEW JERSEY

PART I

REPORT OF AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2017



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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Unmodified 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, 2017 and 2016, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2017 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Cliffside Park as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and 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.

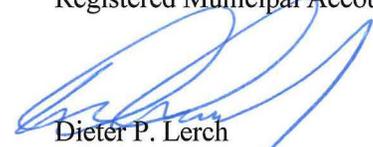
The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare 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 June 25, 2018 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 the effectiveness of the Borough of Cliffside Park's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of 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
June 25, 2018

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

ASSETS	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Cash	A-4	\$ 12,555,244	\$ 8,595,794
Cash - Change Funds	A-5	250	250
Grants Receivable	A-6	360,078	596,053
Due from State of NJ for Senior Citizens' and Veterans' Deductions	A-7	<u>8,250</u>	<u>6,500</u>
		<u>12,923,822</u>	<u>9,198,597</u>
Receivables and Other Assets with Full Reserves			
Delinquent Property Taxes Receivable	A-8	1,139,051	1,279,455
Tax Title Liens	A-9	2,920	13,245
Property Acquired for Taxes - Assessed Valuation	A-10	31,387	31,387
Revenue Accounts Receivable	A-11	32,620	39,871
Due from Animal Control Fund	B-9	3,867	
Due from General Capital Fund	C-12	<u>10,357</u>	<u>-</u>
		<u>1,220,202</u>	<u>1,363,958</u>
Deferred Charge- Overexpenditure of Appropriations	A-25	<u>-</u>	<u>21,918</u>
		<u>-</u>	<u>21,918</u>
Total Assets		<u>\$ 14,144,024</u>	<u>\$ 10,584,473</u>

**BOROUGH OF CLIFFSIDE PARK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2017 AND 2016
(Continued)**

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Liabilities			
Appropriation Reserves	A-3	\$ 939,594	\$ 681,254
Encumbrances Payable	A-14	835,137	729,197
Accounts Payable	A-22	27,343	35,281
Due to General Capital Fund	C-12	-	299,670
Due to Other Trust Fund	B-6	-	21,918
Tax Overpayments	A-13	29,721	151,411
Reserve for Tax Appeals	A-17	688,352	425,758
Prepaid Taxes	A-18	2,077,015	654,363
Local School District Taxes Payable	A-16	6	442,289
Reserve for Tax Stabilization	A-26	1,500,000	-
Reserve for FEMA Audit Recovery	A-23	75,693	100,000
Reserve for Summer Food Program	A-21	3,177	3,177
Reserve for Sewer Hook Up Fees	A-24	125,760	58,260
Reserve for Grants - Unappropriated	A-19	63,382	78,439
Reserve for Grants - Appropriated	A-20	<u>23,586</u>	<u>23,199</u>
		6,388,766	3,704,216
Reserve for Receivables	A	1,220,202	1,363,958
Fund Balance	A-1	<u>6,535,056</u>	<u>5,516,299</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 14,144,024</u>	 <u>\$ 10,584,473</u>

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

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 4,400,000	\$ 4,400,000
Miscellaneous Revenue Anticipated	A-2	5,521,322	6,365,090
Receipts from Delinquent Taxes	A-2	1,249,755	855,939
Receipts from Current Taxes	A-2	65,531,508	63,470,096
Non-Budget Revenue	A-2	849,923	296,278
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-12	626,746	415,755
Prior Year Interfunds Returned	A	-	573,290
Statutory Excess- Due from Animal Control Fund	B-9	3,867	
Tax Overpayments Cancelled	A-13	137,881	
Accounts Payable Cancelled	A-22	35,281	
Reserve for Sale of Assets Cancelled	A-1	-	39
Appropriated Grant Reserves Cancelled	A-1	-	27,110
		<u>78,356,283</u>	<u>76,403,597</u>
Total Income			
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	10,920,799	11,280,786
Other Expenses	A-3	15,448,697	14,943,384
Deferred Charges and Statutory Expenditures - Municipal	A-3	2,540,520	2,747,141
Capital Improvements	A-3	764,500	1,045,870
Municipal Debt Service	A-3	2,722,071	2,664,603
County Taxes Payable	A-15	7,441,270	7,223,085
Due County for Added and Omitted Taxes	A-15	28,280	23,831
County Open Space Tax	A-15	309,673	74,694
Local District School Taxes Payable	A-16	32,744,327	31,764,375
Other Debits to Income			
Interfunds Established	A	14,224	-
Refund Prior Year Revenue	A-4	3,165	105,410
Grants Receivable Cancelled	A-7	-	108,444
		<u>72,937,526</u>	<u>71,981,623</u>
Total Expenditures			
Excess in Revenues		5,418,757	4,421,974
Fund Balance, January 1	A	<u>5,516,299</u>	<u>5,494,325</u>
		10,935,056	9,916,299
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>4,400,000</u>	<u>4,400,000</u>
Fund Balance, December 31	A	<u>\$ 6,535,056</u>	<u>\$ 5,516,299</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, 2017**

	<u>Reference</u>	<u>2017 Budget</u>	<u>Added by NJS 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
FUND BALANCE ANTICIPATED	A-1	\$ 4,400,000	-	\$ 4,400,000	-
MISCELLANEOUS REVENUES					
Licenses					
Alcoholic Beverages	A-11	38,000		44,556	\$ 6,556
Other	A-11	20,000		14,595	(5,405)
Fees and Permits	A-2	55,000		73,935	18,935
Fines and Costs					
Municipal Court	A-11	425,000		458,769	33,769
Interest and Costs on Taxes	A-11	157,000		230,748	73,748
Parking Meters	A-11	45,000		69,755	24,755
Recreation Fees	A-11	115,000		140,176	25,176
Uniform Construction Code Fees	A-11	300,000		276,269	(23,731)
Interest on Investments and Deposits	A-11	20,000		32,017	12,017
Consolidated Municipal Property Tax Relief Act	A-11	90,649		90,649	-
Energy Receipts Tax	A-11	1,036,438		1,036,438	-
EMS Billing Contract	A-11	500,000		512,338	12,338
Cell Tower Rents	A-11	62,000		62,000	-
Developer's Fees	A-11	141,579		377,544	235,965
Developer's Fees-Ground Lease Payments	A-11	783,147		783,147	-
Developer's Minimum Preferred Dividend	A-11	600,000		544,488	(55,512)
Borough of Edgewater-CFO	A-11	15,000		15,000	-
Board of Education- Security Officers	A-11	76,500		76,500	-
Franchise Fees	A-11	301,000		304,053	3,053
State and Federal Revenues Offset with Appropriations					
CDBG- Grantwood Park Basketball Rehabilitation	A-6	120,000		120,000	-
NJDOT- Municipal Aid Program- St. Paul's Avenue	A-6	-	\$ 149,500	149,500	-
NJDOA- Summer Food Program	A-6	-	30,406	30,406	-
Reserve for Drunk Driving Enforcement Fund	A-19	1,342		1,342	-
Reserve for Alcohol Education & Rehab	A-19	9,246		9,246	-
Reserve for Clean Communities	A-19	45,114		45,114	-
Reserve for Drive Sober or Get Pulled Over	A-19	9,725		9,725	-
Reserve for Body Armor	A-19	4,590		4,590	-
Reserve for Click It or Ticket	A-19	4,975		4,975	-
Reserve for Municipal Alliance on Alcoholism and Rehabilitation	A-19	3,447	-	3,447	-
Total Miscellaneous Revenues		<u>4,979,752</u>	<u>179,906</u>	<u>5,521,322</u>	<u>361,664</u>
RECEIPTS FROM DELINQUENT TAXES	A-2	<u>1,000,000</u>	<u>-</u>	<u>1,249,755</u>	<u>249,755</u>
AMOUNT TO BE RAISED FOR SUPPORT OF MUNICIPAL BUDGET					
Local Tax for Municipal Purposes	A-2,A-8	25,190,559		28,357,409	3,166,850
Minimum Library Tax	A-2,A-8	1,019,851	-	1,019,851	-
Total Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>26,210,410</u>	<u>-</u>	<u>29,377,260</u>	<u>3,166,850</u>
Total General Revenues		<u>\$ 36,590,162</u>	<u>\$ 179,906</u>	40,548,337	<u>\$ 3,778,269</u>
Non-Budget Revenue	A-1,A-2			<u>849,923</u>	
				<u>\$ 41,398,260</u>	

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

	<u>Reference</u>	<u>2017</u>
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collection		
Revenue from Collections	A-8	\$ 65,831,508
Less: Transferred to Reserve for Tax Appeals	A-17	<u>300,000</u>
		65,531,508
Less: Allocated to School and County Taxes	A-15,A-16	<u>40,523,550</u>
Balance for Support of Municipal Budget Appropriations		25,007,958
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>4,369,302</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 29,377,260</u>
 Receipts from Delinquent Taxes		
Delinquent Tax Collections	A-2, A-8	1,247,588
Tax Title Liens Collected	A-2, A-9	<u>2,167</u>
		<u>\$ 1,249,755</u>
 Fees and Permits - Other		
Board of Adjustment	A-11	\$ 22,300
Planning Board	A-11	5,250
Board of Health	A-11	28,200
Police	A-11	8,420
Tax Collector	A-11	400
Borough Clerk	A-11	2,360
Registrar of Vital Statistics	A-11	<u>7,005</u>
	A-2	<u>\$ 73,935</u>

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

	<u>Reference</u>	<u>2017</u>
ANALYSIS OF NON-BUDGET REVENUES		
Redevelopment Reimbursements - Reso #2015-94 (Term Payment Deferral)	\$	160,000
Hurricane Sandy Reimbursement - FEMA		147,549
Housing Authority - In Lieu of Taxes		84,098
Fire Permits & Reports		76,341
BOE Fuel Reimbursements		61,517
Insurance Refunds		54,944
Fairview Fuel		51,093
Reimbursements		43,279
Sale of Assets		40,448
DEA Overtime Reimbursement		34,626
Grant in Aid- Housing		24,704
FEMA Reimbursement		19,146
Miscellaneous		18,302
North Bergen Sewer Charges		12,628
Uniform Fire Safety - State		8,041
DMV Inspections		6,323
Donations		3,100
2% Administrative Payment - Senior Citizen & Veterans' Deductions		1,685
Recreation		970
Election Rent		600
Borough Clerk		463
Duplicate Tax Bills		66
		<hr/>
	A-2	<u>\$ 849,923</u>
Cash Collected	A-4	<u>\$ 849,923</u>

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

	<u>Appropriations</u>		<u>Expended 2017</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserves</u>	
GENERAL APPROPRIATIONS					
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 173,000	\$ 173,000	\$ 170,816	\$ 2,184	
Other Expenses	70,000	70,000	68,936	1,064	
Mayor and Council					
Salaries and Wages	103,000	103,000	102,094	906	
Other Expenses	18,000	18,000	18,000		
Municipal Clerk					
Salaries and Wages	243,000	243,000	226,599	16,401	
Other Expenses	85,000	94,857	94,857	-	
Financial Administration					
Salaries and Wages	140,000	140,000	137,260	2,740	
Other Expenses	75,000	75,000	34,660	40,340	
Annual Audit	145,000	184,170	174,170	10,000	
Assessment of Taxes					
Salaries and Wages	75,000	75,000	73,389	1,611	
Other Expenses	45,000	47,801	47,801		
Revenue Administration (Tax Collection)					
Salaries and Wages	260,000	260,000	249,896	10,104	
Other Expenses	70,000	70,000	66,413	3,587	
Legal Services and Costs					
Other Expenses	350,000	350,000	311,242	38,758	
Engineering Services and Costs					
Other Expenses	160,000	220,821	215,821	5,000	
LAND USE ADMINISTRATION					
Planning Board					
Salaries and Wages	5,000	5,000	2,120	2,880	
Other Expenses	10,000	10,000	840	9,160	
Board of Adjustments					
Salaries and Wages	6,000	6,000	2,840	3,160	
Other Expenses	20,000	20,000	12,847	7,153	
INSURANCE					
General Liability	2,500,000	2,511,799	2,511,799	-	
Unemployment	10,000	20,000	20,000		
Employee Group Health	3,681,000	3,614,927	3,544,982	69,945	

BOROUGH OF CLIFFSIDE PARK
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Expended 2017		Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserves	
GENERAL APPROPRIATIONS (Continued)					
OPERATIONS WITHIN "CAPS" (Continued)					
PUBLIC SAFETY					
Fire					
Salaries and Wages	\$ 275,000	\$ 320,487	\$ 320,487		
Other Expenses	120,000	136,426	126,426	\$ 10,000	
Uniform Fire Safety Act (Ch. 383, P.L. 1983)					
Salaries and Wages	72,000	72,000	70,183	1,817	
Other Expenses	15,000	37,415	37,415		
Fire Hydrant Service	85,000	96,969	96,969	-	
Police					
Salaries and Wages	6,000,000	5,524,383	5,524,383		
Other Expenses					
Special Police	3,000	3,000	700	2,300	
Miscellaneous Other Expenses	300,000	300,000	239,258	60,742	
Purchase of Police Cars	-	-	-		
Municipal Prosecutor's Office					
Salaries & Wages	24,000	24,000	23,611	389	
Emergency Management Services					
Other Expenses	45,000	45,000	2,446	42,554	
School Security Officers-Other Salaries and Wages	140,000	140,000	137,606	2,394	
Emergency Management Services - Ambulance					
Salaries and Wages	90,000	90,000	43,343	46,657	
Other Expenses	70,000	70,000	67,799	2,201	
Alliance to Prevent Alcoholism & Drug Abuse	30,000	38,937	38,937		
Municipal Court					
Salaries and Wages	240,000	240,000	206,172	33,828	
Other Expenses	50,000	50,000	44,648	5,352	
Public Defender					
Salaries and Wages	7,500	7,500	6,423	1,077	
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries and Wages	1,200,000	1,200,000	1,137,049	62,951	
Other Expenses	40,000	40,000	15,088	24,912	
Snow Removal					
Salaries and Wages	50,000	50,000	16,007	33,993	
Other Expenses	85,000	85,000	49,679	35,321	
Other Public Works Functions					
Sewer System					
Salaries and Wages	4,800	4,800	4,800		
Other Expenses	25,000	25,000	23,160	1,840	
Parking Meters					
Other Expenses	2,000	2,000		2,000	

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

	<u>Appropriations</u>		<u>Expended 2017</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserves</u>	
GENERAL APPROPRIATIONS (Continued)					
OPERATIONS WITHIN "CAPS" (Continued)					
Other Public Works Functions (continued)					
Solid Waste Collection					
Salaries and Wages	\$ 460,000	\$ 460,000	\$ 393,263	\$ 66,737	
Other Expenses	10,000	10,000	-	10,000	
Buildings and Grounds					
Salaries and Wages	300,000	300,000	292,234	7,766	
Other Expenses	95,000	126,131	121,131	5,000	
Vehicle Maintenance	525,000	557,537	552,537	5,000	
Borough of Fairview Taxes	30,000	30,000	27,806	2,194	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	120,000	120,000	107,398	12,602	
Other Expenses	130,000	134,089	134,089		
Community Mental Health Organization					
Other Expenses	3,000	3,000	3,000		
PARK & RECREATION FUNCTIONS					
Maintenance of Parks					
Salaries and Wages	300,000	300,000	273,569	26,431	
Other Expenses	65,000	88,535	88,535		
Recreation Services & Programs					
Salaries and Wages	220,000	220,000	217,919	2,081	
Other Expenses	320,000	320,000	292,414	27,586	
Summer Food Program		30,406	19,906	10,500	
OTHER COMMON OPERATING FUNCTIONS					
Celebration of Public Event, Anniversary or Holiday					
Other Expenses	30,000	31,735	31,735	-	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED REVENUES (NJAC 5:23-4-17)					
CODE ENFORCEMENT AND ADMINISTRATION					
Building Inspector					
Salaries and Wages	260,000	267,597	267,597		
Other Expenses	12,000	12,640	12,640	-	
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, 2017**

	Appropriations		Expended 2017		
	<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	\$ 18,532	\$ 18,532		
Rent Leveling Board					
Other Expenses	10,000	25,844	25,844		
UTILITY EXPENSES AND BULK PURCHASES					
Fuel Oil	150,000	233,615	233,615		
Electricity	195,000	195,000	158,415	\$ 36,585	
Telephone	200,000	200,000	193,711	6,289	
Natural Gas	22,000	22,000	20,652	1,348	
Street Lighting	210,000	210,000	198,503	11,497	
Water	85,000	85,000	59,161	25,839	
LANDFILL/ SOLID WASTE DISPOSAL COSTS					
Contractual- Bergen County	<u>825,000</u>	<u>825,000</u>	<u>808,852</u>	<u>16,148</u>	<u>-</u>
Total Operations Within "CAPS"	21,818,300	21,753,953	20,885,029	868,924	-
Contingent	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Total Operations including Contingent - Within "CAPS"	<u>21,819,300</u>	<u>21,754,953</u>	<u>20,885,029</u>	<u>869,924</u>	<u>-</u>
Detail:					
Salaries and Wages	10,780,300	10,364,299	10,025,590	338,709	
Other Expenses (Including Contingent)	<u>11,039,000</u>	<u>11,390,654</u>	<u>10,859,439</u>	<u>531,215</u>	<u>-</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS" (Continued)					
Deferred Charges					
Overexpenditure of Appropriation Reserves	21,918	21,918	21,918		
Statutory Charges					
Social Security System (O.A.S.I.)	590,000	590,000	542,843	47,157	
Consolidated Police & Fireman's Pension Fund	16,000	16,000	14,299	1,701	
Defined Contribution Retirement Plan	30,000	30,000	16,972	13,028	
Police and Firemen's Retirement System	1,127,000	1,127,000	1,126,515	485	
Public Employees Retirement System	<u>587,000</u>	<u>587,000</u>	<u>586,255</u>	<u>745</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal within "CAPS"	<u>2,371,918</u>	<u>2,371,918</u>	<u>2,308,802</u>	<u>63,116</u>	<u>-</u>
Total General Appropriations for Municipal Purposes within "CAPS"	<u>24,191,218</u>	<u>24,126,871</u>	<u>23,193,831</u>	<u>933,040</u>	<u>-</u>

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, 2017**

	<u>Appropriations</u>		<u>Expended 2017</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserves</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Implementation of 9-1-1 System					
Police Communications					
Other Expenses	18,000	18,000	17,696	\$ 304	
Emergency Response Services-Ambulance					
Salaries & Wages	465,000	465,000	460,000	5,000	
Billing Services	35,000	35,000	35,000		
Recycling Tax	25,000	25,000	25,000		
EDUCATIONAL FUNCTIONS					
Maintenance of Free Public Library (Ch. 82 & 541, P.L.)	1,019,851	1,019,851	1,019,851		
UTILITY EXPENSES AND BULK PURCHASES					
Sewer Service Charges - Contractual BCUA, Fort Lee, Edgewater	<u>2,700,000</u>	<u>2,794,753</u>	<u>2,794,753</u>	<u>-</u>	<u>-</u>
 Total Other Operations Excluded from "CAPS"	 <u>4,262,851</u>	 <u>4,357,604</u>	 <u>4,352,300</u>	 <u>5,304</u>	 <u>-</u>
Public and Private Programs Offset by Revenues					
Alliance to Prevent Alcoholism and Drug Abuse	3,447	3,447	3,447		
Drive Sober or Get Pulled Over	9,725	9,725	9,725	-	
Body Armor	4,590	4,590	4,590	-	
Drunk Driving Enforcement Fund	1,342	1,342	1,342	-	
Alcohol Educ. & Rehab	9,246	9,246	9,246	-	
Click It Or Ticket	4,975	4,975	4,975	-	
Matching Fund for Grants	87,000	87,000	87,000	-	
Clean Communities	<u>45,114</u>	<u>45,114</u>	<u>45,114</u>	<u>-</u>	<u>-</u>
 Total Public and Private Programs Offset by Revenues	 <u>165,439</u>	 <u>165,439</u>	 <u>165,439</u>	 <u>-</u>	 <u>-</u>
Interlocal Municipal Service Agreements					
Borough of Edgewater (CFO)					
Salaries and Wages	15,000	15,000	15,000		
 Cliffside Park Board of Education					
Salaries and Wages- Security Officers	<u>76,500</u>	<u>76,500</u>	<u>76,500</u>	<u>-</u>	<u>-</u>
 Total Interlocal Municipal Service Agreements	 <u>91,500</u>	 <u>91,500</u>	 <u>91,500</u>	 <u>-</u>	 <u>-</u>
 Total Operations Excluded from "CAPS"	 <u>4,519,790</u>	 <u>4,614,543</u>	 <u>4,609,239</u>	 <u>5,304</u>	 <u>-</u>
Detail:					
Salaries and Wages	556,500	556,500	551,500	5,000	
Other Expenses	<u>3,963,290</u>	<u>4,058,043</u>	<u>4,057,739</u>	<u>304</u>	<u>-</u>

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

	<u>Appropriations</u>		<u>Expended 2017</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	\$ 100,000	\$ 100,000	\$ 100,000		
Improvements to Borough Streets	200,000	200,000	199,738	\$ 262	
Improvements to Borough Property	100,000	100,000	99,508	492	
Purchase of Computers	20,000	20,000	19,504	496	
Preliminary Expense for Capital Improvements	75,000	75,000	75,000		
CDBG-Grantwood Park Basketball Rehabilitation	120,000	120,000	120,000		
NJDOT- St. Paul's Avenue	-	149,500	149,500	-	-
Total Capital Improvements Excluded from "CAPS"	<u>615,000</u>	<u>764,500</u>	<u>763,250</u>	<u>1,250</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bonds Principal	1,200,000	1,200,000	1,200,000		
Payments of Bond Anticipation Notes and Capital Notes	238,000	238,000	238,000		
Interest on Notes	270,010	270,010	265,832		\$ 4,178
Interest on Bonds	1,018,240	1,018,240	1,018,239	-	1
Total Municipal Debt Service Excluded from "CAPS"	<u>2,726,250</u>	<u>2,726,250</u>	<u>2,722,071</u>	<u>-</u>	<u>4,179</u>
DEFERRED CHARGES					
General Capital- Cancelled Grants Receivable	29,100	29,100	29,100		
General Capital- Unfunded Ordinances	139,502	139,502	139,502	-	-
Total Deferred Charges	<u>168,602</u>	<u>168,602</u>	<u>168,602</u>	<u>-</u>	<u>-</u>
Total General Appropriations Excluded from "CAPS"	<u>8,029,642</u>	<u>8,273,895</u>	<u>8,263,162</u>	<u>6,554</u>	<u>4,179</u>
Subtotal General Appropriations	<u>32,220,860</u>	<u>32,400,766</u>	<u>31,456,993</u>	<u>939,594</u>	<u>4,179</u>
Reserve for Uncollected Taxes	<u>4,369,302</u>	<u>4,369,302</u>	<u>4,369,302</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 36,590,162</u>	<u>\$ 36,770,068</u>	<u>\$ 35,826,295</u>	<u>\$ 939,594</u>	<u>\$ 4,179</u>
	<u>Reference</u>	<u>A-2</u>		<u>A,A-1</u>	
		<u>Reference</u>			
Budget as Adopted	A-2	\$ 36,590,162			
Appropriations Added by 40A:4-87	A-2	<u>179,906</u>			
		<u>\$ 36,770,068</u>			
Cash Disbursed	A-4		\$ 30,431,336		
Encumbrances Payable	A-14		835,137		
Deferred Charges					
Overexpenditure of Appropriation Reserves	A-25		21,918		
General Capital- Cancelled Grants Receivable	C-12		29,100		
General Capital- Unfunded Ordinances	C-6		139,502		
Reserve for Uncollected Taxes	A-2		<u>4,369,302</u>		
			<u>\$ 35,826,295</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, 2017 AND 2016**

ASSETS	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ANIMAL CONTROL FUND			
Cash	B-1	\$ 13,089	\$ 9,007
OTHER TRUST FUND			
Cash	B-1	1,125,253	1,170,190
Due from Current Fund	B-6	-	21,918
		<u>1,125,253</u>	<u>1,192,108</u>
Total Assets		<u>\$ 1,138,342</u>	<u>\$ 1,201,115</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to Current Fund	B-9	\$ 3,867	
Reserve for Animal Control Fund Expenditures	B-10	9,222	\$ 9,007
		<u>13,089</u>	<u>9,007</u>
OTHER TRUST FUND			
Reserve for Unemployment Expenditures	B-3	3,721	6,971
Payroll Deductions Payable	B-5	6,179	10,847
Miscellaneous Reserves	B-7	1,111,124	1,164,120
Due to State of NJ - Unemployment Claims	B-4	4,229	10,170
		<u>1,125,253</u>	<u>1,192,108</u>
Total Liabilities and Reserves		<u>\$ 1,138,342</u>	<u>\$ 1,201,115</u>

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

ASSETS	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Cash	C-2, C-3	\$ 3,112,008	\$ 1,650,813
Cash and Cash Equivalents - Trustee	C-2, C-3	-	681,541
Deferred Charges - Funded	C-5	24,057,000	25,257,000
Deferred Charges - Unfunded	C-6	6,071,891	16,791,393
Due from Current Fund	C-12	-	299,670
Deferred Charge- Cancelled Grants Receivable	C	-	29,100
		<hr/>	<hr/>
Total Assets		<u>\$ 33,240,899</u>	<u>\$ 44,709,517</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Capital Improvement Fund	C-4	\$ 41,309	\$ 24,309
Bond Anticipation Notes Payable	C-7	6,058,374	16,742,000
Serial Bonds Payable	C-8	24,057,000	25,257,000
Improvement Authorizations			
Funded	C-9	166,072	261,699
Unfunded	C-9	1,349,033	751,772
Contracts/Accounts Payable	C-10	1,340,329	1,404,989
Due to Current Fund	C-12	10,357	-
Reserve for Payment of Debt	C-13	-	173,110
Reserve for Redevelopment Costs	C-11	131,408	-
Reserve for Special Counsel	C-14	-	7,621
Fund Balance	C-1	87,017	87,017
		<hr/>	<hr/>
Total Liabilities, Reserves and Fund Balance		<u>\$ 33,240,899</u>	<u>\$ 44,709,517</u>

There were bonds authorized but not issued at December 31, 2017 and 2016 of \$13,517 and \$153,019, respectively. (Exhibit C-15)

BOROUGH OF CLIFFSIDE PARK
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Balance, January 1	C	\$ <u>87,017</u>	\$ <u>87,017</u>
Balance, December 31	C	\$ <u><u>87,017</u></u>	\$ <u><u>87,017</u></u>

**BOROUGH OF CLIFFSIDE PARK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
FREE PUBLIC LIBRARY FUND
AS OF DECEMBER 31, 2017 AND 2016**

ASSETS	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Cash	D-2	<u>\$ 283,326</u>	<u>\$ 215,484</u>
Total Assets		<u>\$ 283,326</u>	<u>\$ 215,484</u>
 LIABILITIES, RESERVES AND FUND BALANCES			
Fund Balances			
General Fund	D-1	217,193	147,396
Gift Fund	D-1	<u>66,133</u>	<u>68,088</u>
Total Fund Balances		<u>283,326</u>	<u>215,484</u>
Total Liabilities, Reserves and Fund Balances		<u>\$ 283,326</u>	<u>\$ 215,484</u>

BOROUGH OF CLIFFSIDE PARK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - REGULATORY BASIS
FREE PUBLIC LIBRARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	General Fund	Gift Fund	Total Year 2017	Total Year 2016 (Memo Only)
Revenues:				
Borough Appropriations	\$ 1,019,851		\$ 1,019,851	\$ 987,656
State Library Aid	10,369		10,369	10,541
Fines, Lost Books, Cards, Misc.	19,610		19,610	23,781
Donations		\$ 250	250	12,750
Grant Money	22,500		22,500	15,000
Miscellaneous	3,469	-	3,469	8,607
	<u>1,075,799</u>	<u>250</u>	<u>1,076,049</u>	<u>1,058,335</u>
Total Revenues				
Expenditures:				
Salaries and Wages	598,528		598,528	562,302
Employee Benefits	140,541		140,541	162,570
Other Expenses				
Copier	8,908		8,908	8,469
Magazines, Newspapers, Newsletter	5,285		5,285	7,849
Library Supplies	4,311		4,311	4,156
Maintenance Supplies	2,093		2,093	3,121
Heating and Air Conditioning Maintenance	2,861		2,861	2,690
Utilities	15,521		15,521	35,423
Insurance	7,539		7,539	7,684
Materials	64,510		64,510	47,462
Meetings and Dues	3,592		3,592	4,530
Printing	54		54	180
Grounds Maintenance	36,148		36,148	26,017
Museum Membership	6,250		6,250	5,450
Furniture & Equipment	1,320		1,320	6,859
Miscellaneous	11,473		11,473	6,789
Computerization	24,106		24,106	8,934
BCCLS	38,619		38,619	57,289
Programs	34,343	2,205	36,548	35,045
	<u>1,006,002</u>	<u>2,205</u>	<u>1,008,207</u>	<u>992,819</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over/(Under)				
Expenditures	69,797	(1,955)	67,842	65,516
Fund Balance, January 1	<u>147,396</u>	<u>68,088</u>	<u>215,484</u>	<u>149,968</u>
Fund Balance, December 31	<u>\$ 217,193</u>	<u>\$ 66,133</u>	<u>\$ 283,326</u>	<u>\$ 215,484</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, 2017 AND 2016**

ASSETS	<u>2017</u>	<u>2016</u>
Land and Land Improvements	\$ 26,268,335	\$ 26,117,696
Buildings and Building Improvements	29,106,341	19,228,836
Machinery and Equipment	10,451,003	9,883,180
Construction in Progress	<u>-</u>	<u>9,877,505</u>
 Total Assets	 <u>\$ 65,825,679</u>	 <u>\$ 65,107,217</u>
 FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 65,825,679</u>	<u>\$ 65,107,217</u>

NOTES TO FINANCIAL STATEMENTS

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

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 and Council form of government. The Mayor is elected to serve a four-year term and may succeed that term by re-election. He is empowered, amongst his legal powers as head of the municipal government, to: (i) provide for the proper execution of local and State laws; (ii) recommend to the Borough Council measures he deems in the best interest of the Borough; (iii) nominate and, with the advice and consent of the Borough Council, appoint most subordinate officers of the Borough; and (iv) maintain peace and order. Although he presides over meetings of the Borough Council, the Mayor votes only in case of a tie. State law requires that he be a member of the Planning Board and the Board of Trustees of the Municipal Public Library. The six Council members are elected at-large, two each year, for terms of three years. The Council exercises general legislative powers conferred upon it by State law to protect and promote the general welfare of the Borough. Among these are the right to enact ordinances, approve resolutions, approve mayor appointments, adopt the annual budget and determine the tax levy. The Council, acting in committees, oversees the various departments and functions of the Borough Government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the volunteer fire department or 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, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

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

Community Development Block Grant Fund - This fund is used to account for grant proceeds, program income and related expenditures for Federal 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 from the Borough Library's 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.

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

Financial Statements – Regulatory Basis

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

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.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

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.

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

General Fixed Assets purchased after December 31, 1997 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General Fixed Assets purchased prior to December 31, 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.

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

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

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.

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

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 2017 and 2016 the Borough Council increased the original budget by \$179,906 and \$515,921. The increases in 2017 and 2016 were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2017 and 2016.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. Cash Deposits

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

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2017 and 2016, the book value of the Borough's deposits were \$17,089,170 and \$12,323,079 and bank and brokerage firm balances of the Borough's deposits amounted to \$18,684,521 and \$12,461,032, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2017</u>	<u>2016</u>
Insured	\$ 18,684,521	\$ 11,779,491
Uninsured and Collateralized	-	681,541
	<u>\$ 18,684,521</u>	<u>\$ 12,461,032</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2017 and 2016, the Borough's bank balances of \$0 and \$681,541 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>2017</u>	<u>2016</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department in the Borough's name	\$ -	\$ 681,541

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, 2017 and 2016 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, 2017 AND 2016**

NOTE 4 TAXES RECEIVABLE

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

	<u>2017</u>	<u>2016</u>
<u>Current</u>		
Property Taxes	\$1,139,051	\$1,279,455
Tax Title Liens	<u>2,920</u>	<u>13,245</u>
	<u>\$1,141,971</u>	<u>\$ 1,292,700</u>

In 2017 and 2016, the Borough collected \$1,249,755 and \$855,939 from delinquent taxes, which represented 97% and 98%, respectively 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>2017</u>		<u>2016</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	\$ 14,224			\$ 321,588
Trust Fund:				
Other Trust			\$ 21,918	
Animal Control Fund		\$ 3,867		
General Capital Fund	<u>-</u>	<u>10,357</u>	<u>299,670</u>	<u>-</u>
 Total	 <u>\$ 14,224</u>	 <u>\$ 14,224</u>	 <u>\$ 321,588</u>	 <u>\$ 321,588</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or 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, 2017 AND 2016**

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>2017</u>			
None			
<u>2016</u>			
Current Fund			
Overexpenditure of Appropriations	<u>\$21,918</u>	<u>\$21,918</u>	<u>-</u>
	<u>\$21,918</u>	<u>\$21,918</u>	<u>-</u>
General Capital Fund			
Cancelled Grants Receivable	<u>\$29,100</u>	<u>\$29,100</u>	<u>-</u>
	<u>\$29,100</u>	<u>\$29,100</u>	<u>-</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>2017</u>		<u>2016</u>	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 6,166,728	\$ 4,400,000	\$ 4,891,828	\$ 4,400,000
Non-Cash Surplus	<u>368,328</u>	<u>-</u>	<u>624,471</u>	<u>-</u>
	<u>\$ 6,535,056</u>	<u>\$ 4,400,000</u>	<u>\$ 5,516,299</u>	<u>\$ 4,400,000</u>

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

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, 2017 and 2016.

	Balance December 31, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Balance, December 31, <u>2017</u>
<u>2017</u>					
Land and Land Improvements	\$ 26,117,696	\$ 150,639			\$ 26,268,335
Buildings and Building Improvements	19,228,836			\$ 9,877,505	29,106,341
Machinery and Equipment	9,883,180	703,507	\$ 135,684		10,451,003
Construction in Progress	<u>9,877,505</u>	<u>-</u>	<u>-</u>	<u>(9,877,505)</u>	<u>-</u>
	<u>\$ 65,107,217</u>	<u>\$ 854,146</u>	<u>\$ 135,684</u>	<u>\$ -</u>	<u>\$ 65,825,679</u>
	Balance December 31, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>		Balance, December 31, <u>2016</u>
<u>2016</u>					
Land and Land Improvements		\$ 25,321,704	\$ 795,992		\$ 26,117,696
Buildings and Building Improvements		19,028,229	200,607		19,228,836
Machinery and Equipment		9,386,078	607,327	\$ 110,225	9,883,180
Construction in Progress		<u>8,285,165</u>	<u>1,592,340</u>	<u>-</u>	<u>9,877,505</u>
		<u>\$ 62,021,176</u>	<u>\$ 3,196,266</u>	<u>\$ 110,225</u>	<u>\$ 65,107,217</u>

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

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

The Borough's debt is summarized as follows:

	<u>2017</u>	<u>2016</u>
Issued		
General		
Bonds and Notes	\$ 30,115,374	\$ 41,999,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>-</u>	<u>103,626</u>
Net Debt Issued	30,115,374	41,895,374
Authorized But Not Issued		
General		
Bonds and Notes	<u>13,517</u>	<u>153,019</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 30,128,891</u>	<u>\$ 42,048,393</u>

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

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 .978% and 1.417% at December 31, 2017 and 2016, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General Debt	\$ 30,128,891	\$ -	\$ 30,128,891
School Debt	<u>740,000</u>	<u>740,000</u>	<u>-</u>
Total	<u>\$ 30,868,891</u>	<u>\$ 740,000</u>	<u>\$ 30,128,891</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2016</u>			
General Debt	\$ 42,152,019	\$ 103,626	\$ 42,048,393
School Debt	<u>1,110,000</u>	<u>1,110,000</u>	<u>-</u>
Total	<u>\$ 43,262,019</u>	<u>\$ 1,213,626</u>	<u>\$ 42,048,393</u>

Statutory Borrowing Power

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

	<u>2017</u>	<u>2016</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 107,823,494	\$ 103,873,423
Less: Net Debt	<u>30,128,891</u>	<u>42,048,393</u>
Remaining Borrowing Power	<u>\$ 77,694,603</u>	<u>\$ 61,825,030</u>

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

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>2017</u>	<u>2016</u>
\$12,005,000, 2011 Taxable Redevelopment Bonds, due in annual installments of \$295,000 to \$795,000 through February 1, 2038, interest at 5.00-6.125%	\$ 10,575,000	\$ 10,875,000
\$17,107,000 2012 General Improvement Bonds, due in annual installments of \$882,000 to \$900,000 through March 15, 2032, interest at 2.00-3.50%	<u>13,482,000</u>	<u>14,382,000</u>
Total	<u>\$ 24,057,000</u>	<u>\$ 25,257,000</u>

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

Calendar Year	General		Total
	Principal	Interest	
2018	\$ 1,210,000	\$ 1,002,989	\$ 2,212,989
2019	1,225,000	969,114	2,194,114
2020	1,235,000	934,195	2,169,195
2021	1,250,000	898,214	2,148,214
2022-2026	6,490,000	3,806,063	10,296,063
2027-2031	7,005,000	2,488,963	9,493,963
2032-2036	4,097,000	1,036,399	5,133,399
2037-2038	<u>1,545,000</u>	<u>96,009</u>	<u>1,641,009</u>
Total	<u>\$ 24,057,000</u>	<u>\$ 11,231,946</u>	<u>\$ 35,288,946</u>

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

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, 2017 and 2016 were as follows:

	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
General Capital Fund Bonds Payable	<u>\$ 25,257,000</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>	<u>\$ 24,057,000</u>	<u>\$ 1,210,000</u>
General Capital Fund Long-Term Liabilities	<u>\$ 25,257,000</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>	<u>\$ 24,057,000</u>	<u>\$ 1,210,000</u>
	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>					
General Capital Fund Bonds Payable	<u>\$ 26,452,000</u>	<u>\$ -</u>	<u>\$ 1,195,000</u>	<u>\$ 25,257,000</u>	<u>\$ 1,200,000</u>
General Capital Fund Long-Term Liabilities	<u>\$ 26,452,000</u>	<u>\$ -</u>	<u>\$ 1,195,000</u>	<u>\$ 25,257,000</u>	<u>\$ 1,200,000</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

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

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2016</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2017</u>
<u>2017</u>						
<u>General Capital Fund</u>						
Anderson Avenue Redevelopment			\$ 2,417,000		\$ 2,417,000	
Construction of Municipal Parking Fac.			9,746,000		9,746,000	
Various Public Improvements	1.50%	4/20/2018	<u>4,579,000</u>	<u>\$ 6,058,374</u>	<u>4,579,000</u>	<u>\$ 6,058,374</u>
Total Bond Anticipation Notes			<u>\$ 16,742,000</u>	<u>\$ 6,058,374</u>	<u>\$ 16,742,000</u>	<u>\$ 6,058,374</u>

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2015</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2016</u>
<u>2016</u>						
<u>General Capital Fund</u>						
Anderson Avenue Redevelopment	1.10%	2/10/2017	\$ 2,464,000	\$ 2,417,000	\$ 2,464,000	\$ 2,417,000
Construction of Municipal Parking Fac.	2.00%	7/21/2017	9,873,000	9,746,000	9,873,000	9,746,000
Various Public Improvements	0.90%	4/21/2017	<u>2,679,000</u>	<u>4,579,000</u>	<u>2,679,000</u>	<u>4,579,000</u>
Total Bond Anticipation Notes			<u>\$ 15,016,000</u>	<u>\$ 16,742,000</u>	<u>\$ 15,016,000</u>	<u>\$ 16,742,000</u>

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

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

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 2017 and 2016 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</u> <u>Date</u>	Balance, December 31, <u>2015</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2016</u>
<u>2017</u>						
None						
<u>2016</u>						
Hurricane Sandy Storm Damage			\$ 300,000	\$ -	\$ 300,000	\$ -
Total Special Emergency Notes			<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ -</u>

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

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>2017</u>		
Cedar Street Sanitary Sewer Improvements	\$ 29,992	2018
2017 Road Program	392,291	2018
Highbridge Avenue Sewer Improvements	172,155	2018
<u>2016</u>		
Little League Field Improvements	\$173,128	2017
2016 Road Program & Palisade Ave. (Phase 2) Streetscape	102,308	2017

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

<u>Purpose</u>	<u>Remaining Commitment</u>
<u>2017</u>	
Ambulance	\$235,429
<u>2016</u>	
Emergency Generators	\$161,555
Truck Chasis with Rear Loading Packer	214,572
Broom Street Sweeper with Belt Conveyor	212,850

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 for unused sick leave 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 for the unused sick pay would approximate \$430,600 and \$387,540 at December 31, 2017 and 2016, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

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

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

B. Capital Lease Agreement

The Borough entered into agreements for the leasing of a pumper fire truck totaling \$582,170 under capital leases. The capital lease agreements are for terms of ten year's payable in advance. The fire truck will not be received by the Borough until 2018. The following is a schedule of the future minimum lease payments under capital leases, and the present value of the net minimum lease payments at December 31, 2017.

<u>Years Ended December 31,</u>	<u>Amount</u>
2018	69,350
2019	69,348
2020	69,348
2021	69,348
2022	69,348
2023-2027	<u>346,740</u>
Total	693,482
Less: Amounts Representing Interest	<u>(111,312)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 582,170</u>

Changes in Other Long-Term Liabilities

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

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

	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
Compensated Absences	\$ 387,540	\$ 77,142	\$ 34,082	\$ 430,600	\$ 60,000
Capital Lease		582,170		582,170	69,350
Net Pension Liability - PERS	19,471,877		3,403,430	16,068,447	
Net Pension Liability - PFRS	<u>26,393,041</u>	<u>-</u>	<u>6,762,126</u>	<u>19,630,915</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>\$ 46,252,458</u>	<u>\$ 659,312</u>	<u>\$ 10,199,638</u>	<u>\$ 36,712,132</u>	<u>\$ 129,350</u>

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

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>					
Compensated Absences	\$ 538,250		\$ 150,710	\$ 387,540	\$ 60,000
Net Pension Liability - PERS	14,604,731	\$ 5,426,490	559,344	19,471,877	
Net Pension Liability - PFRS	<u>25,642,604</u>	<u>2,001,816</u>	<u>1,251,379</u>	<u>26,393,041</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>\$ 40,785,585</u>	<u>\$ 7,428,306</u>	<u>\$ 1,961,433</u>	<u>\$ 46,252,458</u>	<u>\$ 60,000</u>

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. CPFPPF is a cost-sharing plan with special funding situations.

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

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

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

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

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

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

Investment Valuation

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, which was rolled forward to June 30, 2017, the aggregate funded ratio for all the State administered retirement systems, including CPFPPF, local PERS and local PFRS is 35.79 percent with an unfunded actuarial accrued liability of \$142.3 billion. The CPFPPF system is 25.75 percent funded with an unfunded actuarial accrued liability of \$5.5 million. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 48.10 percent and \$23.3 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 58.60 percent and \$17.2 billion, respectively.

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

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

Actuarial Methods and Assumptions

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

Employer and Employee Pension Contributions

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

Annual Pension Cost (APC)

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC) (Continued)

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

Year Ended <u>December 31</u>	<u>CPFPP</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2017	\$ 14,299	\$ 1,126,515	\$ 586,255	\$ 16,972
2016		1,251,615	559,344	20,531
2015	8,023	1,133,902	542,709	18,372

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

Public Employees Retirement System (PERS)

At December 31, 2017 and 2016, the Borough reported a liability of \$16,068,447 and \$19,471,877, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the Borough's proportionate share was .06903 percent, which was an increase of .00328 percent from its proportionate share measured as of June 30, 2016 of .06575 percent.

For the year ended December 31, 2017 and 2016, the pension system has determined the Borough's pension expense to be \$1,436,137 and \$2,005,598, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$586,255 and \$559,344, respectively. At December 31, 2017 and 2016, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	<u>2017</u>		<u>2016</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 378,356		\$ 362,118	
Changes of Assumptions	3,237,238	\$ 3,225,370	4,033,533	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	109,415		742,480	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>1,033,577</u>	<u>70,633</u>	<u>621,163</u>	<u>\$ 96,602</u>
Total	<u>\$ 4,758,586</u>	<u>\$ 3,296,003</u>	<u>\$ 5,759,294</u>	<u>\$ 96,602</u>

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

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

Year Ending <u>December 31,</u>	<u>Total</u>
2018	\$ 642,008
2019	825,642
2020	536,100
2021	(286,390)
2022	(254,777)
Thereafter	<u>-</u>
	<u>\$ 1,462,583</u>

Actuarial Assumptions

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

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

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

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

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

Discount Rate

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

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

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

Sensitivity of Net Pension Liability

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

	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
<u>2017</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 19,933,999</u>	<u>\$ 16,068,447</u>	<u>\$ 12,847,963</u>
	1% Decrease <u>(2.98%)</u>	Current Discount Rate <u>(3.98%)</u>	1% Increase <u>(4.98%)</u>
<u>2016</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 23,860,513</u>	<u>\$ 19,471,877</u>	<u>\$ 15,848,678</u>

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

Police and Firemen’s Retirement System (PFRS)

At December 31, 2017 and 2016, the Borough reported a liability of \$19,630,915 and \$26,393,041, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Borough’s proportionate share of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the Borough’s proportionate share was .12716 percent, which was a decrease of .01100 percent from its proportionate share measured as of June 30, 2016 of .13816 percent.

For the years ended December 31, 2017 and 2016, the pension system has determined the Borough pension expense to be \$1,203,075 and \$2,532,241, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough’s financial statements of \$1,126,515 and \$1,251,615, respectively. At December 31, 2017 and 2016, the Borough’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough’s financial statements are from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 127,354	\$ 115,217		\$ 173,010
Changes of Assumptions	2,420,711	3,214,970	\$ 3,655,653	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	374,604		1849307	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	387,127	2,901,624	540,141	1,968,823
Total	\$ 3,309,796	\$ 6,231,811	\$ 6,045,101	\$ 2,141,833

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen’s Retirement System (PFRS) (Continued)

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

Year Ending December 31,	Total
2018	\$ (427,134)
2019	46,631
2020	(750,788)
2021	(1,194,239)
2022	(596,485)
Thereafter	<u>-</u>
	<u>\$ (2,922,015)</u>

Actuarial Assumptions

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

PFRS

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

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

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

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

Discount Rate

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen’s Retirement System (PFRS) (Continued)

Discount Rate (Continued)

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

Period of Projected Benefit

Payments for which the Following
Rates were Applied:

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

Municipal Bond Rate * From July 1, 2057
and Thereafter

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

Sensitivity of Net Pension Liability

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

	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
<u>2017</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 25,865,347</u>	<u>\$ 19,630,915</u>	<u>\$ 14,508,620</u>
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
<u>2016</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 34,031,891</u>	<u>\$ 26,393,041</u>	<u>\$ 20,164,018</u>

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Special Funding Situation – PFRS

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

At December 31, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$2,198,828 and \$2,216,361, respectively. For the years ended December 31, 2017 and 2016, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$268,966 and \$283,082, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$109,951 and \$84,924, respectively. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

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

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

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. The plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

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

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

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

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

Basis of Accounting

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

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits Contribution (Continued)

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

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Borough’s contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended December 31, 2017, 2016 and 2015 were \$1,501,095, \$1,390,296 and \$1,259,243, respectively, which equaled the required contributions for each year. In addition, the Borough’s reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended December 31, 2017, 2016 and 2015 were \$84,832, \$77,009 and \$73,219, respectively.

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.

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

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

<u>Year Ended December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017	\$ 20,000	\$ 18,485	\$ 41,735	\$ 3,721
2016	10,000	18,842	43,937	6,971
2015		17,448	20,203	22,066

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

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, 2017 and 2016. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2017 and 2016, the Borough reserved \$688,352 and \$425,758, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2017 and 2016, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough. As of December 31, 2017 and 2016 the Borough has reserved \$75,693 and \$100,000, respectively in the Current Fund for potential FEMA Audit Recovery due to FEMA based on insurance reimbursements paid to 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, 2017 and 2016, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 17 TAX ABATEMENTS

For the years ended December 31, 2017 and 2016, the Borough provided property tax abatements through certain programs authorized under State statutes. These programs include the Long Term Tax Exemption Law (the "LTTE Law") and the New Jersey Housing and Mortgage Financing Act (NJHMFA).

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

NOTE 17 TAX ABATEMENTS (Continued)

- The Long Term Tax Exemption Law (NJSA 40A:20 et.seq.) is focused on broad areas of redevelopment. It allows for a longer abatement term to carry out a larger development plan through declaring an area as being “in need of redevelopment”. These long-term property abatements may last up to 30 years from completion of a project or 35 years from execution of the financial agreement. The process is initiated when the municipality passes a resolution calling for the municipal planning board to study the need for designating an area “in need of redevelopment”. Upon adopting the planning board’s recommendations and formalizing the redevelopment area designation, a municipality adopts a redevelopment plan, engages redevelopment entities to carry out the plan, and may authorize long-term tax abatements in the process. Developers submit abatement applications to the governing body for review. The financial agreement is approved through adoption of a local ordinance. The agreement exempts a project from taxation, but requires a payment in lieu of taxes (PILOTs) in an amount based generally on a percentage of project costs or revenue generated by the project, depending on the type of project. The Borough received \$377,544 and \$141,579 in Annual Service Charge (PILOT) payments under this program for the years ended December 31, 2017 and 2016, respectively.

In addition, the Redeveloper also paid basic rent (“ground lease”) payments of \$783,147 for both years and minimum preferred dividends of \$544,488 and \$555,000 for the years ended December 31, 2017 and 2016, respectively, as set forth in the Operating Agreement as stipulated in the Ground Lease Agreements.

- The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the years ended December 31, 2017 and 2016 the Borough abated property taxes totaling \$988,518 and \$969,095, respectively, under the NJHMFA program. The Borough received \$84,098 and \$0 in PILOT payments under this program during the years ended December 31, 2017 and 2016, respectively.

CURRENT FUND

BOROUGH OF CLIFFSIDE PARK
STATEMENT OF CURRENT CASH - TREASURER

Balance, December 31, 2016		\$ 8,595,794
Increased by Receipts:		
Taxes Receivable	\$ 66,337,733	
Tax Title Liens	2,167	
Revenue Accounts Receivable	5,132,620	
Prepaid Taxes	2,077,015	
Grants Receivable	535,881	
Miscellaneous Revenue Not Anticipated	849,923	
Due from State - Senior Citizen and Veteran Deductions	85,250	
Tax Overpayments	48,308	
Reserve for Tax Stabilization	1,500,000	
Reserve for Grants - Unappropriated	63,382	
Reserve for Sewer Hook Up Fees	67,500	
	76,699,779	
		85,295,573
Decreased by:		
2017 Budget Appropriations	30,431,336	
2016 Appropriation Reserves	98,512	
Encumbrances Payable	657,463	
Tax Overpayments	32,117	
County Taxes	7,779,223	
School Taxes	33,186,610	
Payments to Other Trust Fund	21,918	
Payments to General Capital Fund	299,670	
Payments to General Capital Fund- Budget Appropriations	168,602	
Reserve for Tax Appeals	37,406	
Reserve for FEMA Audit Recovery	24,307	
Refund Prior Year Revenue	3,165	
	72,740,329	
Balance, December 31, 2017		\$ 12,555,244

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

	<u>Change Fund</u>
Balance, December 31, 2016	\$ 250
Balance, December 31, 2017	<u>\$ 250</u>

Analysis of Balance, December 31, 2017

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

STATEMENT OF GRANTS RECEIVABLE

	Balance, December 31, <u>2016</u>	<u>Accrued</u>	Cash <u>Collected</u>	Balance, December 31, <u>2017</u>
Grants:				
NJ DOT- ADA Curb Ramp Improvements	\$ 49,578			\$ 49,578
NJ DOT- Lawton and Jersey Ave	74,500		\$ 74,500	-
CDBG- Palisade Ave Streetscape Phase II	165,500		113,877	51,623
CDBG-Manhattan Place Pump Station Emergency Generator	25,000		25,000	-
CDBG- Little League Field Improvements	154,000		154,000	-
FEMA- Hazardous Mitigation Grant- Generator	75,000			75,000
Bergen County Open Space- Little League Field Impvts.	52,475		52,474	1
CDBG- Grantwood Park Basketball Court Rehab.		\$ 120,000		120,000
NJDOT- St. Paul's Avenue		149,500	87,097	62,403
NJDOA- Summer Food Program	-	<u>30,406</u>	<u>28,933</u>	<u>1,473</u>
	<u>\$ 596,053</u>	<u>\$ 299,906</u>	<u>\$ 535,881</u>	<u>\$ 360,078</u>
			Cash Receipts	<u>\$ 535,881</u>

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

Balance, December 31, 2016		\$ 6,500
Increased by:		
Senior Citizens' Deductions Per Tax Billings	\$ 20,500	
Veterans' Deductions Per Tax Billings	65,000	
Veterans' Deductions Per Tax Collector	1,500	
Senior Citizens' Deductions Per Tax Collector	<u>250</u>	
		<u>87,250</u>
		93,750
Decreased by:		
Cash Received from State	85,250	
Senior Citizens' Deductions Disallowed per Tax Collector	<u>250</u>	
		<u>85,500</u>
Balance, December 31, 2017		<u>\$ 8,250</u>

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

Year	Balance, December 31, 2016	2017 Levy	Added Taxes	Senior Citizens' and Veterans' Deductions Disallowed	Collected In		Senior Citizens' and Veterans' Deductions Allowed	Cancelled	Transferred to Tax Title Liens	Balance, December 31, 2017
					2016	2017				
2016	\$ 1,279,455	-	-	-	-	\$ 1,247,588	-	-	\$ 5,323	\$ 26,544
	1,279,455	-	-	-	-	1,247,588	-	-	5,323	26,544
2017	-	\$ 66,715,211	\$ 243,326	\$ 250	\$ 654,363	65,090,145	\$ 87,250	\$ 13,486	1,036	1,112,507
	\$ 1,279,455	\$ 66,715,211	\$ 243,326	\$ 250	\$ 654,363	\$ 66,337,733	\$ 87,250	\$ 13,486	\$ 6,359	\$ 1,139,051

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Analysis of 2017 Property Tax Levy

TAX YIELD

General Purpose Tax	\$ 66,715,211
Added Taxes (RS 54:4-36.1 et seq.)	243,326
	<u>\$ 66,958,537</u>

TAX LEVY

Local District School Tax (Abstract)	\$ 32,744,327
County Tax (Abstract)	7,750,943
Due County for Added and Omitted Taxes (54:4-63.1)	<u>28,280</u>
	\$ 40,523,550
Local Tax for Municipal Purposes (Abstract)	25,190,559
Minimum Library Tax	1,019,851
Add Additional Tax Levied	<u>224,577</u>
	<u>26,434,987</u>
	<u>\$ 66,958,537</u>

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

Balance, December 31, 2016		\$ 13,245
Increased by:		
Transfer from Taxes Receivable		<u>6,359</u>
		19,604
Decreased by:		
Lien Redeemed	\$ 2,167	
Liens Cancelled	<u>14,517</u>	
		<u>16,684</u>
Balance, December 31, 2017		<u>\$ 2,920</u>

STATEMENT OF PROPERTY ACQUIRED FOR TAXES (AT ASSESSED VALUATION)

Balance, December 31, 2016	\$ <u>31,387</u>
Balance, December 31, 2017	<u>\$ 31,387</u>

BOROUGH OF CLIFFSIDE PARK
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2016</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2017</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 44,556	\$ 44,556	
Other		14,595	14,595	
Uniform Construction Code - Fees and Permits		276,269	276,269	
Board of Health				
Fees and Permits		28,200	28,200	
Registrar of Vital Statistics				
Fees and Permits		7,005	7,005	
Police Department				
Fees and Permits		8,420	8,420	
Borough Clerk				
Fees and Permits		2,360	2,360	
Board of Adjustment				
Fees and Permits		22,300	22,300	
Planning Board				
Fees and Permits		5,250	5,250	
Tax Collector				
Fees and Permits		400	400	
Municipal Court				
Fines and Costs	\$ 39,871	451,518	458,769	\$ 32,620
Interest and Costs on Taxes		230,748	230,748	
Interest on Investments and Deposits		32,017	32,017	
Energy Receipts Tax		1,036,438	1,036,438	
Consolidated Municipal Property Tax Relief Act		90,649	90,649	
Franchise Fees		304,053	304,053	
Borough of Edgewater- CFO		15,000	15,000	
Board of Education- Security Officers		76,500	76,500	
EMS Billing Contract		512,338	512,338	
Cell Tower Rents		62,000	62,000	
Parking Meters		69,755	69,755	
Recreation Fees		140,176	140,176	
Developer's Minimum Preferred Dividend		544,488	544,488	
Developer's Fees- Ground Lease Payments		783,147	783,147	
Developer's Fees	-	377,544	377,544	-
	<u>\$ 39,871</u>	<u>\$ 5,135,726</u>	<u>\$ 5,142,977</u>	<u>\$ 32,620</u>
Due from General Capital				
Fund (Interest on Investments)			\$ 10,357	
Cash Receipts			<u>5,132,620</u>	
			<u>\$ 5,142,977</u>	

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF 2016 APPROPRIATION RESERVES**

	Balance, December 31, <u>2017</u>	Encumbrances Payable <u>Restored</u>	Balance After <u>Modification</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Municipal Clerk					
Other Expenses	\$ 2,573	\$ 85	\$ 2,658		\$ 2,658
Financial Administration					
Annual Audit	1,512		1,512		1,512
Revenue Administration					
Other Expenses	2,249	1,630	3,879		3,879
General Liability					-
Other Expenses	11,568		11,568		11,568
Fire					
Other Expenses	22,965		22,965	\$ 13,674	9,291
Uniform Fire Safety					
Other Expenses		15	15		15
Emergency Management Services					
Other Expenses		525	525		525
Fire Hydrant Service	4,175		4,175		4,175
Municipal Prosecutor					
Salaries & Wages	837		837		837
Police					
Miscellaneous Other Expenses	3,347	3,966	7,313		7,313
Emergency Management Services-Ambulance					
Other Expenses		311	311		311
Alliance to Prevent Alcoholism & Drug Abuse		387	387	387	-
Municipal Court					
Salaries and Wages	17,507		17,507		17,507
Other Expenses	5,758	557	6,315		6,315
Public Defender					-
Salaries & Wages	88		88		88
Vehicle Maintenance					
Other Expenses		11,569	11,569		11,569
Solid Waste Collection					
Salaries & Wages	957		957		957
Buildings & Grounds					
Salaries & Wages	83,330		83,330		83,330
Other Expenses		2,764	2,764		2,764
Board of Health					
Salaries & Wages	6		6		6
Maintenance of Parks					
Salaries & Wages	51,549		51,549		51,549
Other Expenses		27	27		27
Recreation Services and Programs					
Salaries & Wages					
Other Expenses	8,624	267	8,891		8,891
Summer Food Program	13,800		13,800	13,800	
Other Expenses	-	11,531	11,531		11,531
Celebration of Public Event, Anniversary or Holiday					
Other Expenses	234		234		234
Building Inspector					
Other Expenses		30	30		30

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF 2016 APPROPRIATION RESERVES**

	Balance, December 31, <u>2017</u>	Encumbrances Payable <u>Restored</u>	Balance After <u>Modification</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Streets & Road Maintenance					
Salaries & Wages	\$ 97,687		\$ 97,687	\$ 26,039	\$ 71,648
Other Expenses	32,218		32,218		32,218
Snow Removal					
Salaries & Wages	24,614		24,614		24,614
Other Expenses	2,255		2,255		2,255
Sewer System					
Other Expenses	13,082		13,082		13,082
Parking Meters					
Other Expenses	2,000		2,000		2,000
Fuel Oil	70,608		70,608		70,608
Electricity	1,997	\$ 7,159	9,156		9,156
Telephone		6	6		6
Natural Gas	6,927	125	7,052		7,052
Street Lighting	52,974		52,974		52,974
Water		549	549		549
Sanitary Landfill	6,107	330	6,437		6,437
Contingent	1,000		1,000		1,000
Public Employees Retirement System	656		656		656
Police and Firemen's Retirement System	3,385		3,385		3,385
Consolidated Police & Fireman's Pension Fund	16,000		16,000		16,000
Defined Contribution Retirement Plan	4,469		4,469		4,469
Emergency Response Services-Ambulance					
Salaries & Wages	2,023		2,023		2,023
Sewer Service Charges-Contractual					
BCUA, Fort Lee, Edgewater	58,995		58,995		58,995
Improvements to Borough Streets	53,177		53,177	44,999	8,178
Purchase of Computers		2,558	2,558		2,558
Bergen County Open Space- Little League Field	1	-	1	-	1
	<u>\$ 681,254</u>	<u>\$ 44,391</u>	<u>\$ 725,645</u>	<u>\$ 98,899</u>	<u>\$ 626,746</u>
Cash Disbursed				\$ 98,512	
Transferred to Appropriated Grant Reserves				<u>387</u>	
				<u>\$ 98,899</u>	

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

Balance, December 31, 2016		\$ 151,411
Increased by:		
Cash Receipts		<u>48,308</u>
		199,719
Decreased by:		
Cash Disbursements	\$ 32,117	
Cancelled to Operations	<u>137,881</u>	
		<u>169,998</u>
Balance, December 31, 2017		<u><u>\$ 29,721</u></u>

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, December 31, 2016		\$ 729,197
Increased by:		
Charges to 2017 Budget Appropriations		<u>835,137</u>
		1,564,334
Decreased by:		
Cash Disbursements	\$ 657,463	
Transfer to Accounts Payable	27,343	
Restored to Appropriation Reserves	<u>44,391</u>	
		<u>729,197</u>
Balance, December 31, 2017		<u><u>\$ 835,137</u></u>

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

Increased by:		
2017 Tax Levy		
County Tax (Abstract)	\$ 7,441,270	
County Open Space Preservation (Abstract)	309,673	
County Tax for Added Taxes (54:4-63.1)	<u>28,280</u>	
		<u>\$ 7,779,223</u>
		7,779,223
Decreased by:		
Payments		<u>7,779,223</u>
Balance, December 31, 2017		<u>\$ -</u>

EXHIBIT A-16

STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Balance, December 31, 2016		\$ 442,289
Increased by:		
Levy - Calendar Year 2017		<u>32,744,327</u>
		33,186,616
Decreased by:		
Payments		<u>33,186,610</u>
Balance, December 31, 2017		<u>\$ 6</u>

EXHIBIT A-17

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, December 31, 2016		\$ 425,758
Increased by:		
Transferred From 2017 Tax Collections		<u>300,000</u>
		725,758
Decreased by:		
Cash Paid to Appellants		<u>37,406</u>
Balance, December 31, 2017		<u>\$ 688,352</u>

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

Balance, December 31, 2016	\$ 654,363
Increased by:	
Collection of 2018 Taxes	<u>2,077,015</u>
	2,731,378
Decreased by:	
Applied to 2017 Taxes Receivable	<u>654,363</u>
Balance, December 31, 2017	<u>\$ 2,077,015</u>

EXHIBIT A-19

STATEMENT OF RESERVE FOR GRANTS - UNAPPROPRIATED

	Balance, December 31, 2016	<u>Receipts</u>	Appropriated in 2017 <u>Budget</u>	Balance, December 31, 2017
Drunk Driving Enforcement	\$ 1,342		\$ 1,342	
Alcohol Education & Rehab	9,246	\$ 6,177	9,246	\$ 6,177
Drive Sober	9,725	10,500	9,725	10,500
Clean Communities	45,114	38,327	45,114	38,327
Body Armor Grant	4,590	4,758	4,590	4,758
Click It or Ticket	4,975		4,975	-
Municipal Alliance	3,447	3,620	3,447	3,620
	<u>\$ 78,439</u>	<u>\$ 63,382</u>	<u>\$ 78,439</u>	<u>\$ 63,382</u>

EXHIBIT A-20

STATEMENT OF RESERVE FOR GRANTS - APPROPRIATED

	Balance, December 31, 2016	Transfers from 2016 Appropriations	Balance, December 31, 2017
Driver Sober	\$ 5,000		\$ 5,000
Body Armor	8,806		8,806
Drunk Driving	3,023		3,023
Clean Communities	935		935
Alcohol Education & Rehab	5,435	\$ 387	5,822
	<u>\$ 23,199</u>	<u>\$ 387</u>	<u>\$ 23,586</u>

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

Balance, December 31, 2016	<u>\$ 3,177</u>
Balance, December 31, 2017	<u>\$ 3,177</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2016	\$ 35,281
Increased by:	
Transfer from Encumbrances Payable	<u>27,343</u>
	62,624
Decreased by:	
Cancelled to Operations	<u>35,281</u>
Balance, December 31, 2017	<u>\$ 27,343</u>

STATEMENT OF RESERVE FOR FEMA AUDIT RECOVERY

Balance, December 31, 2016	\$ 100,000
Decreased by:	
Cash Disbursements	<u>24,307</u>
Balance, December 31, 2017	<u>\$ 75,693</u>

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

Balance, December 31, 2016	\$ 58,260
Increased by:	
Cash Receipts	<u>67,500</u>
Balance, December 31, 2017	<u>\$ 125,760</u>

**STATEMENT OF DEFERRED CHARGE -
OVEREXPENDITURES OF APPROPRIATIONS**

Balance, December 31, 2016	\$ 21,918
Decreased by:	
Raised in 2017 Budget	<u>21,918</u>
Balance, December 31, 2017	<u>\$ -</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF RESERVE FOR TAX STABILIZATION**

Balance, December, 31, 2016	-
Increased by:	
Cash Receipts- Developer (Towne Centre)	<u>\$ 1,500,000</u>
Balance, December 31, 2017	<u>\$ 1,500,000</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, 2016	\$ 9,007	\$ 1,170,190	
Increased by Receipts:			
Payroll Deductions - Unemployment		\$ 18,485	
Budget Appropriation- Unemployment		20,000	
Receipts from Current Fund		21,918	
Borough's Share of Dog Licenses	\$ 4,082		
State Share - Dog Fee	352		
Miscellaneous Reserves		1,982,322	
Receipts from Community Development			\$ 292,877
Payroll Deductions	<u>-</u>	<u>17,593,626</u>	
	<u>4,434</u>	<u>19,636,351</u>	<u>-</u> <u>\$ 292,877</u>
	13,441	20,806,541	292,877
Decreased by Disbursements:			
Payroll Deductions Payable		17,598,294	
Payment to State - Dog Fee	352		
Payments to Current Fund - Community Development			
Grant Receipts			292,877
Payments to Current Fund - Other Trust Fund			
Payments Due From Current Fund			
Payments to State of NJ - Unemployment Insurance Benefits		47,676	
Miscellaneous Reserves	<u>-</u>	<u>2,035,318</u>	<u>-</u>
	<u>352</u>	<u>19,681,288</u>	<u>292,877</u>
Balance, December 31, 2017	<u>\$ 13,089</u>	<u>\$ 1,125,253</u>	<u>\$ -</u>

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**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF DUE TO CURRENT FUND
COMMUNITY DEVELOPMENT TRUST FUND**

Balance, December 31, 2016		\$ -
Increased by:		
Grant Receipts from Community Development		<u>292,877</u>
		292,877
Decreased by:		
Payments to Current Fund		<u>292,877</u>
Balance, December 31, 2017		<u><u>\$ -</u></u>

**STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION
OTHER TRUST FUND**

Balance, December 31, 2016		\$ 6,971
Increased by:		
Payroll Deductions/Miscellaneous	\$ 18,485	
Budget Appropriation	<u>20,000</u>	
		<u>38,485</u>
		45,456
Decreased by:		
Unemployment Insurance Benefits Claims		<u>41,735</u>
Balance, December 31, 2017		<u><u>\$ 3,721</u></u>

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

Balance, December 31, 2016	\$ 10,170
Increased by:	
Unemployment Insurance Benefit Claims	<u>41,735</u>
	51,905
Decreased by:	
Cash Disbursements	<u>47,676</u>
Balance, December 31, 2017	<u>\$ 4,229</u>

EXHIBIT B-5

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

Balance, December 31, 2016	\$ 10,847
Increased by:	
Cash Receipts	<u>17,593,626</u>
	17,604,473
Decreased by:	
Cash Disbursements	<u>17,598,294</u>
Balance, December 31, 2017	<u>\$ 6,179</u>

EXHIBIT B-6

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

Balance, December 31, 2016	\$ 21,918
Decreased by:	
Cash Receipts	<u>21,918</u>
Balance, December 31, 2017	<u>\$ -</u>

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

	Balance, December 31, <u>2016</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2017</u>
Street Opening Deposits	\$ 36,000	\$ 400		\$ 36,400
P.O.A.A.	48,974	6,398		55,372
Recycling	721	91,502	\$ 41,108	51,115
Redemption of Outside Liens	1,500	339,541	339,541	1,500
Uniform Fire Safety Fines	4,124	2,450		6,574
Escrow Deposits	399,040	180,724	209,859	369,905
Premium on Tax Sale	590,200	211,900	327,300	474,800
Educated PAL - Municipal Alliance	3,844			3,844
Montvale Escrow	57,768	1		57,769
Reserve for Police Detail	-	1,059,018	1,059,018	-
Confiscated Funds	21,900	90,388	58,492	53,796
Jr. Police Academy	49	-	-	49
	<u>\$ 1,164,120</u>	<u>\$ 1,982,322</u>	<u>\$ 2,035,318</u>	<u>\$ 1,111,124</u>

EXHIBIT B-8

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

Balance, December 31, 2016	\$ -
Increased by:	
Dog License Fees - State Share	<u>352</u>
	352
Decreased by:	
Payments to State	<u>352</u>
Balance, December 31, 2017	<u><u>\$ -</u></u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL FUND**

Increased by:	
Statutory Excess	\$ <u>3,867</u>
Balance, December 31, 2017	\$ <u><u>3,867</u></u>

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

Balance, December 31, 2016	\$ 9,007
Increased by:	
Dog License Fees - Borough Share	<u>4,082</u>
	13,089
Decreased by:	
Statutory Excess	<u>3,867</u>
Balance, December 31, 2017	\$ <u><u>9,222</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2016	\$ 4,434
2015	<u>4,788</u>
	\$ <u><u>9,222</u></u>

GENERAL CAPITAL FUND

BOROUGH OF CLIFFSIDE PARK
STATEMENT OF GENERAL CAPITAL CASH AND CASH EQUIVALENTS -
TREASURER & TRUSTEE

Balance, December 31, 2016 \$ 2,332,354

Increased by:

Reserve for Redevelopment Costs	\$	65,000	
Redevelopment Proceeds		11,989,000	
Capital Improvement Fund- Budget Appropriation		100,000	
Deferred Charges Unfunded- Budget Appropriation		139,502	
Deferred Charge- Cancelled Receivable- Budget Appropriation		29,100	
Interest Earnings		10,357	
Bond Anticipation Notes		8,428,374	
Budget Appropriation- Bond Anticipation Notes		238,000	
Cash Receipts- Interest (Developer)		4,143	
Cash Receipts Premium-Due to Developer		385	
Payments from Current Fund		<u>299,670</u>	
			<u>21,303,531</u>

23,635,885

Decreased by:

Improvement Authorizations		361,679	
Contracts/Accounts Payable		936,474	
Bond Anticipation Notes		19,112,000	
Payments for Reserve for Redevelopment Costs		106,103	
Payments for Special Counsel/Professional Fees		<u>7,621</u>	
			<u>20,523,877</u>

Balance, December 31, 2017 \$ 3,112,008

Analysis of Balance

Cash - Treasurer \$ 3,112,008

\$ 3,112,008

BOROUGH OF CLIFFSIDE PARK
ANALYSIS OF GENERAL CAPITAL CASH AND CASH EQUIVALENTS

		Balance, December 31, <u>2017</u>
Contracts/Accounts Payable		\$ 1,340,329
Fund Balance		87,017
Capital Improvement Fund		41,309
Reserve for Redevelopment Costs		131,408
Due to Current Fund		10,357
Ord.		
<u>No.</u>	<u>Improvement Authorizations</u>	
2-2005	Various Capital Improvements	41
3-2005	Anderson Ave Redevelopment	44,386
9-2007	Various Improvements	4,056
7-2008	Various Capital Improvements	1,500
9-2010	Acquisition of Fire Truck	26,648
2-2011/14-2011	Various Improvements	2,465
8-2012	Sanitary and Storm Sewer Improvements	586
6-2013	Auxiliary Field Improvements	49,572
2-2014	Various Public Improvements and the Acquisition of New Automotive Vehicles	154,119
5-2015	Various Public Improvements and the Acquisition of Equipment and Machinery	18,858
3-2016	Various Public Improvements and the Acquisition of Equipment, Machinery and Vehicle	375,340
4-2016	Various Sewer System Improvements	36,818
6-2017	Various Public Improvements and the Acquisition of Equipment, Machinery and Vehicle	<u>787,199</u>
		<u>\$ 3,112,008</u>

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

Balance, December 31, 2016	\$ 24,309
Increased by:	
2017 Budget Appropriation	<u>100,000</u>
	124,309
Decreased by:	
Appropriated to Fund Improvement Authorization	<u>83,000</u>
Balance, December 31, 2017	<u>\$ 41,309</u>

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION- FUNDED

Balance, December 31, 2016	\$25,257,000
Decreased by:	
Payment of General Serial Bonds Principal	<u>1,200,000</u>
Balance, December 31, 2017	<u>\$24,057,000</u>

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

Ord. No.	Improvement Description	Balance, December 31, 2016	2017 Authorization	Redevelopment Receipts	Paid by Budget Appropriation	Balance, December 31, 2017	Bond Anticipation Notes	Analysis of Balance	
								December 31, 2017	
								Expended	
General Improvements									
3-2005	Anderson Ave Redevelopment	\$ 2,417,009		\$ 2,370,000	\$ 47,009				
9-2007	Various Capital Improvements	733			733				
9-2010	Acquisition of a Fire Truck	527			527				
4-2011	Construction of Municipal Parking Facilities and Other Public Areas (Anderson Ave.)	9,746,000		9,619,000	127,000				
14-2011	Various Improvements	1,750			1,750				
17-2011	Library Renovations and Expansion	150,000			136,483	\$ 13,517			\$ 13,517
2-2014	Various Public Improvements and the Acquisition of New Automotive Vehicles	1,699,374			64,000	1,635,374	\$ 1,635,374		
5-2015	Various Public Improvements and Acquisition of Machinery and Equipment	876,000				876,000	876,000		
3-2016	Various Public Improvements and Acquisition of Machinery and Equipment	1,900,000				1,900,000	1,900,000		
6-2017	Various Public Improvements and Acquisition of Machinery and Equipment	-	\$ 1,647,000	-	-	1,647,000	1,647,000	-	-
		<u>\$ 16,791,393</u>	<u>\$ 1,647,000</u>	<u>\$ 11,989,000</u>	<u>\$ 377,502</u>	<u>\$ 6,071,891</u>	<u>\$ 6,058,374</u>	<u>\$ -</u>	<u>\$ 13,517</u>
					Bond Anticipation Note Principal	\$ 238,000			
					Deferred Charges Unfunded	139,502			
						<u>\$ 377,502</u>			
							Improvement Authorizations		\$ 1,349,033
							Less: Unexpended Note Proceeds		
							Ord. 2-2014	154,119	
							Ord. 5-2015	18,858	
							Ord. 3-2016	375,340	
							Ord. 3-2016	787,199	
								<u>1,335,516</u>	
									<u>\$ 13,517</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, 2016	Increased	Decreased	Balance, December 31, 2017
3-2005	Anderson Avenue Redevelopment	7/25/2008	2/11/2016	2/10/2017	1.10	% \$ 570,196		\$ 570,196	
			2/10/2017	7/21/2017	1.25		\$ 559,108	\$ 559,108	
3-2005	Anderson Avenue Redevelopment	3/4/2009	2/11/2016	2/10/2017	1.10	590,818		590,818	
			2/10/2017	7/21/2017	1.25		579,329	579,329	
3-2005	Anderson Avenue Redevelopment	10/9/2009	2/11/2016	2/10/2017	1.10	921,626		921,626	
			2/10/2017	7/21/2017	1.25		903,705	903,705	
3-2005	Anderson Avenue Redevelopment	2/11/2010	2/11/2016	2/10/2017	1.10	334,360		334,360	
			2/10/2017	7/21/2017	1.25		327,858	327,858	
4-2011	Construction of a Municipal Parking Facility and Public Plaza	7/18/2012	7/22/2016	7/21/2017	2.00	9,746,000		9,746,000	
2-2014	Various Public Improvements and the Acquisition of New Automotive Vehicles	4/25/2014	4/22/2016	4/21/2017	0.90	1,803,000		1,803,000	
			4/21/2017	4/20/2018	1.50		1,635,374	\$ 1,635,374	
5-2015	Various Public Improvements and the Acquisition of Equipment or Machinery	11/5/2015	4/22/2016	4/21/2017	0.90	876,000		876,000	-
			4/21/2017	4/20/2018	1.50		876,000		876,000
3-2016	Various Public Improvements and the Acquisition of Equipment or Machinery	11/10/2016	11/10/2016	4/21/2017	0.90	1,900,000		1,900,000	
			4/21/2017	4/20/2018	1.50		1,900,000		1,900,000
6-2017	Various Public Improvements and the Acquisition of Equipment or Machinery	11/9/2017	11/9/2017	4/20/2018	1.50	-	1,647,000	-	1,647,000
						<u>\$ 16,742,000</u>	<u>\$ 8,428,374</u>	<u>\$ 19,112,000</u>	<u>\$ 6,058,374</u>
							\$ 6,781,374	\$ 6,781,374	
							1,647,000		
								11,989,000	
								103,626	
							-	238,000	
							<u>\$ 8,428,374</u>	<u>\$ 19,112,000</u>	

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

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding</u>		<u>Interest Rate</u>		<u>Balance, December 31, 2016</u>	<u>Decreased</u>	<u>Balance, December 31, 2017</u>
			<u>Date</u>	<u>Amount</u>					
Taxable Redevelopment Bonds of 2011	2/14/2011	\$ 12,005,000	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							
							\$ 10,875,000	\$ 300,000	\$ 10,575,000
General Improvement Bonds of 2012	3/15/2012	17,107,000	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				
							<u>14,382,000</u>	<u>900,000</u>	<u>13,482,000</u>
							<u>\$ 25,257,000</u>	<u>\$ 1,200,000</u>	<u>\$ 24,057,000</u>
								<u>\$ 1,200,000</u>	

Paid by Budget Appropriation \$ 1,200,000

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

Balance, December 31, 2016		\$ 1,404,989
Increased by:		
Charges to Improvement Authorizations	\$ 867,437	
Charges to Reserve for Redevelopment Costs	<u>5,127</u>	
		<u>872,564</u>
		2,277,553
Decreased by:		
Cancelled Payables Restored to Improvement Authorization	\$ 750	
Cash Disbursements	<u>936,474</u>	
		<u>937,224</u>
Balance, December 31, 2017		<u>\$ 1,340,329</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF RESERVE FOR REDEVELOPMENT COSTS**

Balance, December 31, 2016		\$ -
Increased by:		
Transfer from Reserve for Payment of Debt	\$ 177,638	
Cash Receipts	<u>65,000</u>	
		<u>242,638</u>
Decreased by:		
Cash Disbursements	\$ 106,103	
Transfer to Contracts/Accounts Payable	<u>5,127</u>	
		<u>111,230</u>
Balance, December 31, 2017		<u>\$ 131,408</u>

EXHIBIT C-12

STATEMENT OF DUE TO/FROM CURRENT FUND

Balance, December 31, 2016 (Due from)		\$ 299,670
Increased by:		
2017 Budget Appropriation-Deferred Charged- Cancelled Grant Receivable		<u>29,100</u>
		328,770
Decreased by:		
Interest Earnings	\$ 10,357	
Payments from Current Fund	299,670	
Payments from Current Fund Budget Appropriation	<u>29,100</u>	
		<u>339,127</u>
Balance, December 31, 2017 (Due to)		<u>\$ (10,357)</u>

BOROUGH OF CLIFFSIDE PARK
STATEMENT OF RESERVE FOR PAYMENT OF DEBT

Balance, December 31, 2016		\$ 173,110
Increased by:		
Cash Receipts- Interest (Developer)	\$ 4,143	
Cash Receipts Premium-Due to Developer	<u>385</u>	
		<u>4,528</u>
		\$ 177,638
Decreased by:		
Transfer to Reserve for Redevelopment Costs		<u>177,638</u>
Balance, December 31, 2017		<u>\$ -</u>

**BOROUGH OF CLIFFSIDE PARK
STATEMENT OF RESERVE FOR SPECIAL COUNSEL/PROFESSIONAL FEES**

Balance, December 31, 2016	\$ 7,621
Decreased by:	
Cash Disbursements	7,621
Balance, December 31, 2017	\$ -

STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. No.	<u>Improvement Description</u>	Balance, December 31 <u>2016</u>	2017 <u>Authorizations</u>	Notes <u>Issued</u>	Budget <u>Appropriation</u>	Balance, December 31, <u>2017</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	150,000			136,483	\$ 13,517
6-2017	Various Improvements	-	\$ 1,647,000	\$ 1,647,000	-	-
		<u>\$ 153,019</u>	<u>\$ 1,647,000</u>	<u>\$ 1,647,000</u>	<u>\$ 139,502</u>	<u>\$ 13,517</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, 2016	\$ 215,484	\$ 142,527	\$ 69,064	\$ 3,893
Increased by Receipts:				
Revenues	<u>935,509</u>	<u>934,058</u>	<u>1,201</u>	<u>250</u>
Total Cash Receipts	<u>935,509</u>	<u>934,058</u>	<u>1,201</u>	<u>250</u>
	<u>1,150,993</u>	<u>1,076,585</u>	<u>70,265</u>	<u>4,143</u>
Decreased by:				
Expenditures	<u>867,667</u>	<u>849,813</u>	<u>15,649</u>	<u>2,205</u>
Total Cash Disbursements	<u>867,667</u>	<u>849,813</u>	<u>15,649</u>	<u>2,205</u>
Balance, December 31, 2017	<u>\$ 283,326</u>	<u>\$ 226,772</u>	<u>\$ 54,616</u>	<u>\$ 1,938</u>

BOROUGH OF CLIFFSIDE PARK
PART II
GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

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

INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of 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, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2018. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

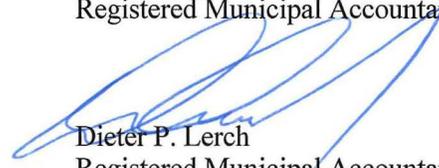
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Cliffside Park in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of 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 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
June 25, 2018

**BOROUGH OF CLIFFSIDE PARK
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Grant <u>Year</u>	Federal CFDA <u>Number</u>	Grant Award <u>Amount</u>	2017 Grant <u>Receipts</u>	Balance, January 1, <u>2017</u>	Revenue <u>Realized</u>	<u>Expenditures</u>	Balance December 31, <u>2017</u>	(Memo) Cumulative <u>Expenditures</u>
U.S. Dept. of Housing and Urban Development (Passed through Bergen County Dept. of Community Development)									
Community Development- Grantwood Park Basketball Rehab	2017	14.218	\$ 120,000			\$ 120,000	\$ 120,000		\$ 120,000
Community Development- Palisade Avenue Phase II	2016	14.218	165,500	\$ 113,877					
Community Development- Manhattan Place Pump Station	2016	14.218	25,000	25,000					
Community Development- Little League Field Improvements	2016	14.218	154,000	154,000					
U.S. Department of Homeland Security (Passed through State Department of Law and Public Safety)									
Public Disaster- Hurricane Sandy	2013	97.036	147,549			147,549	147,549	-	147,549
Severe Winter Storm and Snow Storm	2016	97.036	19,146			19,146	19,146		19,146
68 U.S. Department of Transportation - Highview Planning & Constr.									
Drive Sober or Get Pulled Over	2014	20.601	5,000		\$ 5,000			\$ 5,000	
Drive Sober or Get Pulled Over	2016	20.601	9,725			9,725	9,725		9,725
Drive Sober or Get Pulled Over	2017	20.601	10,500	10,500					
Click It or Ticket	2016	20.602	4,975			4,975	4,975		4,975
New Jersey Trust Fund									
NJ Transportation Trust Fund- St. Paul's Avenue	2017	20.205	149,500	87,097		149,500	149,500		149,500
NJ Transportation Trust Fund- Impvts to Lawton and Jersey Ave	2015	20.205		74,500					
U.S. Department of Agriculture									
Summer Food Service Program		10.559	30,406	28,933	-	30,406	19,906	10,500	19,906
					<u>\$ 5,000</u>	<u>\$ 481,301</u>	<u>\$ 470,801</u>	<u>\$ 15,500</u>	

Note: This schedule was not subject to the Single Audit requirements of U.S. Uniform Guidance.

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

<u>State Grant Program</u>	<u>Grant Year</u>	<u>Grant Number</u>	<u>Grant Award Received</u>	<u>2017 Grant Receipts</u>	<u>Balance, January 1, 2017</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Adjustment</u>	<u>Balance, December 31, 2017</u>	<u>(Memo) Cumulative Expenditures</u>
Drunk Driving Enforcement Fund	2016	1110-448-031020-22	\$ 1,342			\$ 1,342	\$ 1,342			
	2014				\$ 3,023				\$ 3,023	\$ 1,342
Alcohol Education & Rehab	2015	9735-760-001-14			5,435			\$ 387 (A)	5,822	
	2016		9,246			9,246	9,246		-	9,246
	2017		6,177	\$ 6,177						
06 Body Armor	2015	1020-718-001-15			8,806				8,806	
	2016		4,590			4,590	4,590			4,590
	2017		4,758	4,758						
Clean Communities	2013				-				-	
	2015		39,473		935				935	
	2016		45,114			45,114	45,114			45,114
	2017		38,327	38,327						
Municipal Alliance	2016		3,447			3,447	3,447			3,447
	2017		3,620	3,620	-	-	-	-	-	
					<u>\$ 18,199</u>	<u>\$ 63,739</u>	<u>\$ 63,739</u>	<u>\$ 387</u>	<u>\$ 18,586</u>	

Note: This schedule was not subject to the Single Audit requirements of NJ OMB 15-08.

(A)- Encumbrances payable restored.

**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, 2017**

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 schedules of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 481,301	\$ 63,739	\$ 545,040
Total Financial Awards	<u>\$ 481,301</u>	<u>\$ 63,739</u>	<u>\$ 545,040</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 RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

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? _____ yes _____ no X none
- C) Noncompliance material to financial statements noted? _____ yes X no

Federal Awards Section

Not Applicable

State Awards Section

Not Applicable

**BOROUGH OF CLIFFSIDE PARK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

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*.

There are none.

**BOROUGH OF CLIFFSIDE PARK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

Not Applicable

CURRENT YEAR STATE AWARDS

Not Applicable

**BOROUGH OF CLIFFSIDE PARK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

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. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

There were none.

BOROUGH OF CLIFFSIDE PARK

PART III

SUPPORTING DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

**BOROUGH OF CLIFFSIDE PARK
SUPPORTING DATA**

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

	<u>Year 2017</u>		<u>Year 2016</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 4,400,000	6% %	\$ 4,400,000	6% %
Miscellaneous - From Other Than Local				
Property Tax Levies	6,371,245	8%	6,661,368	9%
Collection of Delinquent Taxes and Tax Title Liens	1,249,755	2%	855,939	1%
Collection of Current Tax Levy	65,531,508	84%	63,470,096	83%
Other Credits	<u>803,775</u>	<u>1%</u>	<u>1,016,194</u>	<u>1%</u>
 Total Income	 <u>78,356,283</u>	 <u>100% %</u>	 <u>76,403,597</u>	 <u>100% %</u>
 EXPENDITURES				
Budget Expenditures				
Municipal Purposes	32,396,587	44%	32,681,784	46%
County Taxes	7,779,223	11%	7,321,610	10%
Local School Taxes	32,744,327	45%	31,764,375	44%
Other Expenditures	<u>17,389</u>	<u>0%</u>	<u>213,854</u>	<u>0%</u>
 Total Expenditures	 <u>72,937,526</u>	 <u>100% %</u>	 <u>71,981,623</u>	 <u>100% %</u>
 Excess in Revenue	 5,418,757		 4,421,974	
 Adjustment to Income Before Fund Balance				
Expenditures Included Above Which by Statute are Deferred Charges to Succeeding Year's Budget	 <u>-</u>		 <u>-</u>	
 Statutory Excess to Fund Balance	 5,418,757		 4,421,974	
 Fund Balance, January 1	 <u>5,516,299</u>		 <u>5,494,325</u>	
	10,935,056		9,916,299	
 Less Utilization as Anticipated Revenue	 <u>4,400,000</u>		 <u>4,400,000</u>	
 Fund Balance, December 31	 <u>\$ 6,535,056</u>		 <u>\$ 5,516,299</u>	

**BOROUGH OF CLIFFSIDE PARK
SUPPORTING DATA**

Comparative Schedule Of Tax Rate Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	<u>\$2.392</u>	<u>\$2.345</u>	<u>\$2.275</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.903	.894	.867
County	.278	.265	.253
Local School	1.174	1.151	1.120
Library	.037	.035	.035

Assessed Valuation

2017	<u>\$2,789,097,465</u>
2016	<u>\$2,761,817,249</u>
2015	<u>\$2,745,295,409</u>

Comparison Of Tax Levies And Collection Currently

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

<u>Year</u>		<u>Tax Levy</u>		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2017	\$	66,958,537	\$	65,831,508	98.31%
2016		64,976,197		63,670,096	97.98%
2015		62,636,246		61,741,579	98.57%

**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 Taxes</u>	<u>Percentage of Tax Levy</u>
2017	\$ 2,920	\$ 1,139,051	\$ 1,141,971	1.71%
2016	13,245	1,279,455	1,292,700	1.99%
2015	12,725	858,251	870,976	1.39%

Property Acquired By Tax Title Lien Liquidation

No properties have been acquired in 2017 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>
2017	\$31,387
2016	31,387
2015	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>		
2017	\$6,535,056	\$4,400,000
2016	5,516,299	4,400,000
2015	5,494,325	4,400,000
2014	5,283,509	4,300,000
2013	5,512,021	4,300,000

**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>
Thomas Calabrese	Mayor	
Kenneth Corcoran	Council President	
Larry Bongard	Councilman	
Bernard Fontana	Councilman	
Dana Martinotti	Councilwoman	
Donna Spoto	Councilwoman	
Peter Colao	Councilman	
Matthew Rinaldi	Assessor	
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	
Jamie Riggi	Registrar of Vital Statistics	
John Candelmo	Construction Code Official	
Michael Sestanovich	Plumbing Inspector	
Arthur E. Balsamo	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	
Nicole Martone	Library Treasurer	
Richard Gaito	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**

LETTER OF COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

Prior Year Unresolved Comments

Our audit of the Borough's fixed assets revealed the Public Parking Garage and certain prior year additions for building improvements, land improvements and machinery and equipment that were not reflected on the Borough's fixed asset appraisal report. The financial statements were adjusted to reflect these additions. It is recommended that the Borough's fixed asset appraisal report be properly updated for all additions and reconciled to audit balances.

Current Year General Comments

Our audit of the Construction Code Department revealed that the fee ordinance was amended during 2017; however, the Borough's UCC system was not updated to assess the revised fee amounts. It is recommended that the Borough's UCC system be updated to assess proper fees in accordance with the most current Borough fee ordinance.

Our audit of Borough contracts found that the Borough was not formally approving change orders to contracts, which resulted in an overpayment to a vendor of \$26,048. It is recommended that all change orders be presented for council approval and that the Borough formally request the return of the overpayment from the vendor.

With respect to the Recreation Department, our audit revealed:

- a) Bank reconciliations are not being completed monthly. In addition, the department utilized Community Pass for registration and payment functions, however, Community Pass reports are not generated and reconciled to actual bank deposits.
- b) No inventory of concession stand items purchased is being maintained. In addition, no ledger is being maintained for the sale of concession stand items.

It is recommended that:

- a) Bank reconciliations be completed and Community Pass reports reconciled monthly to actual bank deposits.
- b) Internal controls over the collections and operations of the concession stand be enhanced.

With respect to the Municipal Court, our audit revealed:

- a) Although the Court now utilizes electronic tickets, there are numerous prior year tickets still on the Tickets Assigned but not Issued and Issued but not Assigned Reports.
- b) Cash bail on account per ATS/ACS system does not agree to the December 31, 2017 reconciled bail bank account balance.

It is recommended that:

- a) Ticket reports be reviewed and action taken to recall and remove prior year assigned but not issued and issued but not assigned tickets from the ATS/ACS system.
- b) Cash bail on account per ATS/ACS system be properly reconciled to the bail bank account balance.

**BOROUGH OF CLIFFSIDE PARK
SUPPORTING DATA**

LETTER OF COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

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 \$40,000. 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:

Cedar Street Sanitary Sewer Improvements
2017 Road Program
Highridge Avenue Sewer Improvements
Outsourcing of Borough's Solid Waste Collection

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, 2017 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.

**BOROUGH OF CLIFFSIDE PARK
SUPPORTING DATA**

LETTER OF COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

Delinquent Taxes and Tax Title Liens

The last tax sale was held on November 30, 2017 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>
2017	6
2016	5
2015	3

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

**BOROUGH OF CLIFFSIDE PARK
SUPPORTING DATA**

RECOMMENDATIONS

It is recommended that:

- * 1. The Borough's fixed asset appraisal report be properly updated for all additions and reconciled to audit balances.
- 2. The Borough's UCC system be updated to assess the proper fees in accordance with the most current Borough fee ordinance.
- 3. All change orders be presented for council approval and that the Borough formally request the return of the overpayment from the vendor.
- 4. With respect to the Recreation Department:
 - a) Bank reconciliations be completed and Community Pass reports reconciled monthly to actual bank deposits.
 - b) Internal controls over the collections and operations of the concession stand be enhanced.
- 5. With respect to the Municipal Court:
 - a) Ticket reports be reviewed and action taken to recall and remove prior year tickets assigned but not issued and issued but not assigned from the ATS/ACS system.
 - b) Cash bail on account per ATS/ACS system be properly reconciled to bail bank account balance.

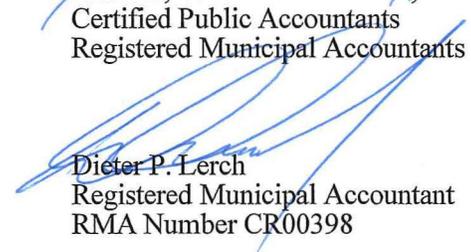
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A review was performed on all prior years' recommendations and corrective action was taken on all except the item denoted with an asterisk.

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