

**BOROUGH OF ENGLEWOOD CLIFFS
BERGEN COUNTY, NEW JERSEY**

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

FOR THE YEARS ENDED DECEMBER 31, 2018

BOROUGH OF ENGLEWOOD CLIFFS
BERGEN COUNTY, NEW JERSEY

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BERGEN COUNTY, NEW JERSEY

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
Of the Englewood Cliffs Council
Borough of Englewood Cliffs, New Jersey

Report on the Financial Statements

We have audited the accompanying comparative balance sheets - regulatory basis of the various funds of the Borough of Englewood Cliffs, County of Bergen, State of New Jersey (the "Borough"), as of December 31, 2018 and 2017, and the related comparative statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statements of revenues and expenditures - regulatory basis, and comparative statement of general fixed assets - regulatory basis for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements - regulatory basis (the "financial statements") in accordance with the financial reporting provision of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough's preparation and fair representation 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.

The Length of Service Awards Program (LOSAP) of the Borough has not been audited, and we were not required by the Division to audit nor were we engaged to audit the LOSAP financial statements as part of our audit of the Borough's financial statements.

Basis for Qualified Opinion- Scope Limitation

The Borough's Attorneys at balance sheet date and the date of this report have not provided a description and an evaluation of any litigation, impending litigation, claims, contingent liabilities, unasserted claims or assessments (Statement of Financial Accounting Standards No.5) or statutory violations, which involve the Borough, and which might materially affect the December 31, 2018 financial position or results of operations or subsequent events. The Borough has indicated in the management representation letter, that there are no such matters that might materially affect the December 31, 2018 financial position or results of operations.

Qualified Opinion- Scope Limitation

In our opinion, because of the effects, if any, to the financial statements, described in "Basis for Qualified Opinion- Scope Limitation", the financial statements referred to above *may not* present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough as of December 31, 2018 and 2017, or the changes in financial position for the years then ended.

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

As described in Note 1, the financial statements are prepared and presented by the Borough on the basis of the financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirement of the State of New Jersey for municipal government entities. The effect on financial statements of the variances between the regulatory accounting practices and accounting principles of 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 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 conformity with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough as of December 31, 2018 and 2017, or the changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph, with the exception of the Length of Services Awards Program and scope limitation described above, present fairly, in all material respects, the comparative financial position – regulatory basis, of each funds and account group of the Borough as of December 31, 2018 and 2017, and each fund's respective operations and changes in financial position and fund balance – regulatory basis for the years then ended, on the basis of the financial reporting provisions of the Division as described in Note 1.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. A management discussion and analysis is not required by the financial accounting and reporting principles and practices prescribed by the Division, to supplement the financial statements and therefore it has not been presented by management. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The supplementary schedules and the schedules of federal and state financial assistance are presented for purpose of additional analysis as required by the Division, and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2019 on our consideration of the Borough's internal control over financial reporting and 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 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's internal control over financial reporting and compliance.



Paul W. Garbarini, CPA
Registered Municipal Accountant
No. 534



Garbarini & Co. P.C.
Certified Public Accountants

May 28, 2019
Carlstadt, New Jersey

**BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
AT DECEMBER 31, 2018 AND 2017**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

	<u>Reference</u>	<u>A</u> At December 31,	
		<u>2018</u>	<u>2017</u>
<u>ASSETS</u>			
Current Fund:			
Cash and Cash Equivalents	A-4	\$ 3,431,414.17	\$ 7,420,472.31
Change Fund	A-5	200.00	200.00
Petty Cash	A-6	700.00	700.00
		3,432,314.17	7,421,372.31
Intergovernmental Receivables:			
Due from State of New Jersey - Seniors / Veterans Deductions	A-8	1,278.04	1,528.04
Receivable and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-9	340,808.87	352,052.00
Tax Title Lien Receivable	A-11	168.30	
Property Acquired for Taxes - Assessed Valuation	A-10	39,528.00	39,528.00
Revenue Accounts Receivable	A-12	3,356.19	2,722.10
Interfund Receivable			
General Capital Fund	A-21	76.29	198.01
Payroll Account	E		28,370.17
Trust Fund	A-21	35.70	
	A	383,973.35	422,870.28
Deferred Charges:			
Emergency Authorizations	A-22		
Over-Expenditure of Appropriation Reserves	A-3		
Special Emergency Authorizations	A-22	140,280.00	233,520.00
		140,280.00	233,520.00
Total Current Fund		3,957,845.56	8,079,290.63
Federal and State Grants Fund:			
Federal and State Grants Receivable:			
Federal and State Grants Receivable:	A-7	32,897.42	74,084.58
Amount Due from Current Fund	A-21	216,467.19	196,281.43
Total Federal and State Grant Fund		249,364.61	270,366.01
TOTAL ASSETS		\$ 4,207,210.17	\$ 8,349,656.64

See Accompanying Notes to Financial Statements.

**BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
AT DECEMBER 31, 2018 AND 2017**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

A

	<u>Reference</u>	<u>At December 31,</u>	
		<u>2018</u>	<u>2017</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE:</u>			
Current Fund:			
Appropriation Reserves	A-3, A-13	\$ 545,532.32	\$ 484,925.20
Encumbrances	A-14	470,603.57	398,702.71
Prepaid Taxes	A-17	490,758.43	4,203,409.35
Tax Overpayments	A-18	1,158.68	-
County Taxes Payable	A-19	35,154.62	32,718.65
Due to State and Federal Grant Fund	A-21	216,467.19	196,281.43
Due to Other Trust Fund	A-21	-	26,604.17
Due to Escrow / Trust	A-21	185.94	185.94
Accounts Payable	A-23		
Reserve for:			
Tax Appeals	A-23	249,409.69	
State Library Aid	A-23	5,518.00	5,518.00
Recreation Community Pass	A-23	-	249.08
Master Plan	A-23	1,675.00	1,675.00
BCUA Recycling Grant	A-23	11,445.00	11,445.00
Outside Tax Title Lien Redemptions	A-23	10,233.00	10,233.00
Police Outside Duty- Due to Officers	A-23	7,500.60	
Emergency Notes Payable	A-24	140,280.00	233,520.00
		<u>2,185,922.04</u>	<u>5,605,467.53</u>
Reserve for Receivables	A	383,973.35	422,870.28
Fund Balance	A-1	<u>1,387,950.17</u>	<u>2,050,952.82</u>
Total Liabilities, Reserves and Fund Balance - Current Fund		<u>3,957,845.56</u>	<u>8,079,290.63</u>
Federal and State Grant Fund:			
Appropriation Reserves	A-15	236,439.25	260,383.56
Unappropriated Reserves	A-16	12,925.36	9,982.45
Total Federal and State Grant Fund		<u>249,364.61</u>	<u>270,366.01</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 4,207,210.17</u>	<u>\$ 8,349,656.64</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
AT DECEMBER 31, 2018 AND 2017

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS

A-1

	<u>Reference</u>	<u>For the Years Ended December 31,</u>	
<u>REVENUE AND OTHER INCOME REALIZED</u>		<u>2018</u>	<u>2017</u>
Fund Balance Utilized	A-2	\$ 1,545,000.00	\$ 1,300,000.00
Miscellaneous Revenue Anticipated	A-2	2,735,065.32	3,051,794.31
Receipts from Delinquent Taxes	A-2	349,651.19	331,040.20
Receipts from Current Taxes	A-2	34,816,744.26	33,133,787.01
Non-Budget Revenues	A-2	82,702.55	141,806.21
Other Credits to Income:			
Interfunds Returned		28,568.18	
Cancelled Trust Reserves	A-21	-	4,372.00
Animal License Fund Excess	A-21	1,550.86	3,059.20
Prior Year Revenue Accounts Receivable	A-12	2,722.10	1,886.54
Unexpended Balance of Appropriations	A-3	1,876.19	1,251.74
Unexpended Balance of Appropriation Reserves	A-13	507,931.09	427,994.98
Total Income		40,071,811.74	38,396,992.19
 Budgetary and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	5,954,164.75	5,774,007.00
Other Expenses	A-3	7,134,856.51	6,497,465.70
Deferred Charges and Statutory Expenditures	A-3	1,796,152.00	1,769,974.16
Capital Improvements	A-3	60,000.00	100,000.00
Debt Service	A-3	2,453,202.00	2,332,473.61
	A-18		8,196.58
Bank Service Charges	A-4	0.12	
Tax Overpayments- Appeals refunded	A-18		
Local District School Tax	A-20	13,263,666.00	12,959,027.00
County Taxes	A-19	8,489,144.21	7,781,514.04
County Added/Omitted Taxes	A-19	35,154.62	32,718.65
Current Year Rev. Accounts Receivable Accrued	A-12	3,356.19	2,722.10
Interfunds Advanced		111.99	198.01
Cancel Trust Reserves		6.00	
	A-4		838.71
Total Expenditures		39,189,814.39	37,259,135.56
 Surplus in Operations		 881,997.35	 1,137,856.63
 Adjustments to Income Before Fund Balance			
Which are by Statute Deferred to Budget of Succeeding Year	A-22		
 Fund Balance, Beginning of Year	A	 2,050,952.82	 2,213,096.19
Decreased by:		2,932,950.17	3,350,952.82
Utilized as Anticipated Revenue	A-2	1,545,000.00	1,300,000.00
Fund Balance, End of Year	A	\$ 1,387,950.17	\$ 2,050,952.82

See independent auditor's report and the notes to the financial statements.

**BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

A-2

STATEMENT OF REVENUES - REGULATORY BASIS

	<u>Reference</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	A-1	\$ 1,545,000.00	\$ 1,545,000.00	\$ -
Miscellaneous Revenues:				
Licenses				
Alcoholic Beverages		20,000.00	20,500.00	500.00
Fees and Permits				
Construction Code Official		513,000.00	620,388.00	107,388.00
Other		39,000.00	48,859.83	9,859.83
Fines and Costs:				
Municipal Court		49,000.00	45,935.51	(3,064.49)
Interest and Costs on Taxes		83,000.00	99,388.57	16,388.57
Interest on Investments and Deposits		13,000.00	15,863.69	2,863.69
Recreation Fees		84,000.00	74,395.00	(9,605.00)
Commercial Sewer User Fees		250,000.00	267,001.59	17,001.59
Sewer Hook-up fees		166,000.00	192,000.00	26,000.00
Energy Receipts Taxes		691,474.00	691,474.00	-
Cable TV Annual Leases		20,000.00	17,271.80	(2,728.20)
Cell Tower- Annual Lease		319,000.00	342,383.83	23,383.83
Elevator Fees		39,000.00	26,216.00	(12,784.00)
Burglar Alarm Fees		8,000.00	525.00	(7,475.00)
Police Traffic Fines		70,000.00	62,880.05	(7,119.95)
General Capital Fund -Fund Balance		200,000.00	200,000.00	-
Recycling Tonnage Grant		9,982.45	9,982.45	-
Total Miscellaneous Revenues		<u>2,574,456.45</u>	<u>2,735,065.32</u>	<u>160,608.87</u>
Receipts From Delinquent Taxes	A-1, A-9	331,040.00	349,651.19	18,611.19
Amt. to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes Including		<u>13,649,878.81</u>	<u>13,698,577.43</u>	<u>48,698.62</u>
BUDGET TOTALS		<u>\$ 18,100,375.26</u>	18,328,293.94	<u>\$ 227,918.68</u>
NON BUDGET REVENUES			<u>82,702.55</u>	
			<u>\$ 18,410,996.49</u>	

See independent auditor's report and the notes to the financial statements.

**BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

STATEMENT OF REVENUES - REGULATORY BASIS

A-2

	<u>Reference</u>	<u>Realized</u>
<u>Allocation of Current Tax Collections:</u>		
Current Tax Revenue	A-1, A-9	\$ 34,816,744.26
Less: Allocated to School and County Taxes	A-9	(21,820,166.83)
Add: Appropriation for Uncollected Taxes	A-3	<u>702,000.00</u>
 Amount for Support of Municipal Budget Appropriations	 Above	 <u><u>\$ 13,698,577.43</u></u>

ANALYSIS OF NON-BUDGET REVENUE

OPRA Requests	2,131.16
Copies	354.59
FICA Refund	6,471.23
ACT Data - MURA Refund	3,242.28
State of NJ - Unclaimed Funds	11,977.60
BCUA Rebate	7,529.50
Reimbursement from COAH 2015-2017 Salary	4,500.00
Transfer from Accrtract Account	15,049.76
Auctioned Police Cars	3,984.20
PSE&G Rebate	600.00
Fire Prevention Fines	615.00
Building Inspection Fines	100.00
Dedicated Penalties	575.00
D.A.R.E.	10,795.14
Polling Places	80.00
Miscellaneous	2,122.33
Bus Shelter Franchise	1,394.00
Online Payment Fees	421.15
FEMA - Sandy	75.28
LEA Rebates	10,164.33
2% Senior/Veteran Admin Fee	520.00
	<u><u>\$ 82,702.55</u></u>
A-1,4	

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND

FOR THE YEAR ENDED DECEMBER 31, 2013

A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	APPROPRIATIONS			EXPENDED	
	Budget	Modified Budget	Paid or Charged	Reserved	Overexpended
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS:					
Administrative and Executive					
Salaries and Wages	\$ 231,510.00	\$ 231,510.00	\$ 230,214.78	\$ 1,295.22	\$
Other Expenses	82,100.00	82,100.00	66,104.12	15,995.88	
Governing Body					
Salaries and Wages	4,500.00	4,500.00	4,500.00		
Financial Administration					
Salaries and Wages	7,430.00	7,430.00	7,428.98	1.02	
Other Expenses	73,800.00	79,800.00	78,986.80	813.20	
Collection of Taxes					
Salaries and Wages	157,150.00	161,150.00	158,055.30	3,094.70	
Other Expenses	43,950.00	43,950.00	41,389.89	2,560.11	
Assessment of Taxes					
Salaries and Wages	23,120.00	23,120.00	23,110.88	9.12	
Other Expenses	9,850.00	9,850.00	133.77	9,716.23	
Legal Services and Costs					
Other Expenses	650,000.00	650,000.00	638,153.76	11,846.24	
Appraisal Fees	30,000.00	20,000.00	15,950.00	4,050.00	
Engineering Services and Costs					
Other Expenses	40,000.00	80,000.00	72,081.58	7,918.42	
Insurance (N.J.S.A. 40A:4-45.3(00))					
Other Insurance Premiums	786,000.00	801,000.00	800,494.05	505.95	
Group Insurance Plan for Employee	1,648,000.00	1,573,000.00	1,522,170.88	50,829.12	
MUNICIPAL LAND USE LAW (NISA 40A:55D-1):					
Planning Board					
Salaries and Wages	10,200.00	10,200.00	10,000.00	200.00	
Other Expenses	38,200.00	38,200.00	53,876.81	4,323.19	

See independent auditor's report and the notes to the financial statements.

(Continued Next Page)

**BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

STATEMENT OF EXPENDITURES - REGULATORY BASIS

APPROPRIATIONS

Expenditures OPERATIONS WITHIN "CAPS" (cont'd) PUBLIC SAFETY:	Ref.	Budget	Modified Budget	Paid or Charged	Reserved	Overexpended	Lapsed
Police							
Salaries and Wages		\$ 4,043,600.00	\$ 4,184,088.75	\$ 4,184,088.75	\$ -	\$ -	
Other Expenses		275,049.00	275,049.00	251,574.72	23,474.28		
Terminal Leave		230,725.98	155,237.23	155,237.23			
Fire							
Salaries and Wages		58,000.00	58,000.00	48,383.00	9,617.00		
Fire Hydrant Services		100,000.00	100,000.00	90,317.10	9,682.90		
Other Expenses		66,950.00	76,950.00	71,993.51	4,956.49		
Clothing Expenses		24,000.00	24,000.00	20,550.00	3,450.00		
Municipal Court							
Salaries and Wages - Prosec/Pub Defender		14,000.00	14,000.00	14,000.00			
PUBLIC WORKS FUNCTIONS:							
Road Repair and Maintenance							
Salaries and Wages		889,150.00	849,150.00	780,116.07	69,033.93		
Other Expenses		112,400.00	122,400.00	114,318.30	8,081.70		
Gasoline		61,500.00	61,500.00	60,000.00	1,500.00		
Garbage and Trash Removal							
Other Expenses		402,500.00	412,500.00	352,636.34	59,863.66		
Recycling							
Other Expenses		1,125.00	1,125.00	681.00	444.00		
Public Buildings and Grounds							
Other Expenses		45,050.00	65,050.00	50,507.05	14,542.95		
Sewer System							
Other Expenses		15,000.00	15,000.00	14,903.44	96.56		
Shade Tree							
Salaries and Wages		1.00	1.00	-	1.00		
Other Expenses		82,800.00	52,800.00	26,879.05	25,920.95		

See independent auditor's report and the notes to the financial statements.

(Continued Next Page)

**BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Expenditures OPERATIONS WITHIN "CAPS" (Cont'd)	Ref.	APPROPRIATIONS			EXPENDED		
		Budget	Modified Budget	Paid or Charged	Reserved	Overexpended	Lapsed
HEALTH AND WELFARE:							
Board of Health							
Salaries and Wages		\$ 10,200.00	\$ 10,200.00	\$ 10,000.12	\$ 199.88	\$ -	\$ -
Other Expenses		43,162.83	43,162.83	40,205.73	2,957.10	-	-
Environmental Commission							
Other Expenses		1,250.00	1,250.00	135.84	1,114.16	-	-
Senior Citizens Committee							
Other Expenses		18,000.00	18,000.00	13,143.45	4,856.55	-	-
Parks and Playgrounds							
Salaries and Wages		101,500.00	101,500.00	79,314.95	22,185.05	-	-
Other Expenses		100,600.00	100,600.00	92,181.39	8,418.61	-	-
Celebration of Public Event, Anniversary or Holiday		18,000.00	18,000.00	12,946.00	5,054.00	-	-
STATE UNIFORM CONSTRUCTION CODE OFFICIAL:							
Construction Officials							
Salaries and Wages		141,300.00	141,300.00	112,907.91	28,392.09	-	-
Other Expenses		45,500.00	45,500.00	34,246.14	11,253.86	-	-
Plumbing Inspector							
Salaries and Wages		16,000.00	16,000.00	9,862.00	6,138.00	-	-
Fire Sub-Code Official							
Salaries and Wages		12,000.00	12,000.00	10,000.00	2,000.00	-	-
Sewer Inspection							
Salaries and Wages		6,000.00	6,000.00	6,000.00	-	-	-
Fire Prevention							
Salaries and Wages		17,000.00	17,000.00	17,000.00	-	-	-
Other Expenses		3,450.00	3,450.00	1,866.50	1,583.50	-	-
Electrical Inspection							
Salaries and Wages		23,000.00	23,000.00	23,000.00	-	-	-

See independent auditor's report and the notes to the financial statements.

(Continued Next Page)

BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

Expenditures OPERATIONS WITHIN "CAPS" (Cont'd)	Ref.	APPROPRIATIONS			EXPENDED		Overexpended	Lapsed
		Budget	Modified Budget	Paid or Charged	Reserved			
MUNICIPAL COURT:								
Salaries and Wages		\$ 84,015.00	\$ 84,015.00	\$ 81,907.96	\$ 2,107.04	\$ -	\$ -	\$ -
Other Expenses		13,400.00	13,400.00	7,097.92	6,302.08	-	-	-
ACCUMULATED ABSENCES		50,000.00	50,000.00	50,000.00	-	-	-	-
COAH EXPENSES		300,000.00	300,000.00	290,310.18	9,689.82	-	-	-
UNCLASSIFIED:								
Electricity and Heating Oil		120,000.00	110,000.00	108,844.37	1,155.63	-	-	-
Telephone and Fax		97,500.00	97,500.00	85,182.41	12,317.59	-	-	-
Street Lighting		146,500.00	126,500.00	126,415.65	84.35	-	-	-
Water		35,000.00	20,000.00	18,588.23	1,411.77	-	-	-
Total Operations within "CAPS"		11,661,038.81	11,661,038.81	11,189,993.91	471,044.90			
CONTINGENT		135,000.00	135,000.00	104,315.62	30,684.38	-	-	-
Total Operations Including Contingent within "CAPS"		11,796,038.81	11,796,038.81	11,294,309.53	501,729.28			
Detail:								
Salaries and Wages	A-1	5,849,676.00	5,954,164.75	5,809,890.70	144,274.05	-	-	-
Other Expenses	A-1	5,946,362.81	5,841,874.06	5,484,418.83	357,455.23	-	-	-
Deferred Charges								
Tax Appeal Emergency		250,000.00	250,000.00	250,000.00	-	-	-	-
STATUTORY EXPENDITURES:								
Contribution to:								
Social Security System (O.A.S.I.)		233,000.00	233,000.00	200,589.78	32,410.22	-	-	-
Police and Fireman's Retirement System of N.J.		1,038,602.00	1,038,602.00	1,038,602.00	-	-	-	-
Public Employees' Retirement Fund		176,310.00	176,310.00	176,309.61	0.39	-	-	-
DCRP		5,000.00	5,000.00	1,620.61	3,379.39	-	-	-
Total Deferred Charges and Statutory Expenditures - Municipal within "CAPS"	A-1	1,702,912.00	1,702,912.00	1,667,122.00	35,790.00	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"		13,498,950.81	13,498,950.81	12,961,431.53	537,519.28			

(Continued Next Page)

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
STATEMENT OF EXPENDITURES - REGULATORY BASIS

A-3

OPERATIONS - EXCLUDED FROM "CAPS"	Ref.	APPROPRIATIONS			EXPENDED		
		Budget	Modified Budget	Paid or Charged	Reserved	Overexpended	Lapsed
Sewer - Contractual - BCUA Service Charges		\$ 1,020,000.00	\$ 1,026,600.00	\$ 1,026,547.49	\$ 52.51	\$ -	\$ -
Sewer Charges - Borough of Tenafly		18,000.00	13,100.00	13,082.15	17.85	-	-
Sewer Charges - City of Englewood		40,000.00	38,300.00	37,372.32	927.68	-	-
LOSAP		25,000.00	25,000.00	17,985.00	7,015.00	-	-
Tax Appeals		-	-	-	-	-	-
Library Services		-	-	-	-	-	-
Maintenance of Free Public Library		180,000.00	180,000.00	180,000.00	-	-	-
Public and Private Programs Offset by Revenues		-	-	-	-	-	-
Recycling Tonnage Grant		9,982.45	9,982.45	9,982.45	-	-	-
Total Operations - Excluded from "CAPS"		1,292,982.45	1,292,982.45	1,284,969.41	8,013.04	-	-
Salaries and Wages	A-1	-	-	-	-	-	-
Other Expenses	A-1	1,292,982.45	1,292,982.45	1,284,969.41	8,013.04	-	-

(Continued Next Page)

See independent auditor's report and the notes to the financial statements.

**BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

A-3

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Expenditures	Ref.	APPROPRIATIONS			EXPENDED		
		Budget	Modified Budget	Paid or Charged	Reserved	Overexpended	Lapsed
Capital Improvement Fund - Excluded from "CAPS"	A-1	\$ 60,000.00	\$ 60,000.00	\$ 60,000.00	\$ -	\$ -	\$ -
Capital Improvement Fund							
Municipal Debt Service							
Payment of Bond Principal		1,510,000.00	1,510,000.00	1,510,000.00			
Payment of Bond Anticipation Notes and Capital Notes		514,202.00	514,202.00	514,202.00			909.65
Interest on Bonds		280,000.00	280,000.00	279,090.35			911.39
Interest on Notes		59,477.00	59,477.00	58,565.61			19.15
Interest on Special Emergency Notes		2,523.00	2,523.00	2,503.85			
Bergen County Improvement Authority:							
Principal on Capital Leases		72,000.00	72,000.00	72,000.00			
Interest on Capital Leases		15,000.00	15,000.00	14,964.00			36.00
Total Municipal Debt Service-Excluded from "CAPS"		2,453,202.00	2,453,202.00	2,451,325.81			1,876.19
Deferred Charges:							
Special Emergency Authorizations - Unfunded Capital Ordinances:							
#98-08,03-01,03-09,05-20,05-27							
5 Years (N.J.S. 40A:4-55)		93,240.00	93,240.00	93,240.00			
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES - EXCLUDED FROM "CAPS"		3,899,424.45	3,899,424.45	3,889,535.22	8,013.04		1,876.19
Subtotal General Appropriations		17,398,375.26	17,398,375.26	16,850,966.75	545,532.32		1,876.19
Reserve for Uncollected Taxes	A-2	702,000.00	702,000.00	702,000.00			
TOTAL GENERAL APPROPRIATIONS		18,100,375.26	18,100,375.26	17,552,966.75	545,532.32		1,876.19
Adopted Budget	Ref.	A-2	Below	Below	A	A	A-1
Added Chapter 159's	Above	18,100,375.26					
Modified Budget	Above	\$ 18,100,375.26				\$ 545,532.32	\$ 1,876.19
Cash Disbursements	Reference	A-4					
Budget Contras- Refunds	A-4			\$ 15,950,000.32			
Deferred Charges	A-22			(608,131.05)			
Due to Capital Fund	A-21			93,240.00			
Due to Trust Fund	A-21			635,271.46			
Encumbrances Payable	A-14			50,000.00			
Reserve for State Tax Appeals	A-23			470,603.57			
Non-cash Expenditure - Federal and State Grant Fund	A-21			250,000.00			
Non-cash Expenditure - Reserve for Uncollected Taxes	A-2			9,982.45			
Above				702,000.00			
				\$ 17,552,966.75			

See independent auditor's report and the notes to the financial statements

**BOROUGH OF ENGLEWOOD CLIFFS
TRUST FUNDS
AT DECEMBER 31, 2018 AND 2017**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

B

	<u>Reference</u>	<u>At December 31,</u>	
		<u>2018</u>	<u>2017</u>
<u>ASSETS</u>			
Assessment/Other Trust Fund:			
Cash	B-1	\$ 1,889,843.26	\$ 2,089,649.53
Assessment liens receivable	B-2	-	-
Tax sale receivable	B-3	50.00	50.00
Due from Current Fund:			
Escrow Trust Fund	B-6	185.94	185.94
Other Trust Fund	B-6	-	26,604.17
		<u>1,890,079.20</u>	<u>2,116,489.64</u>
Dog License Trust Fund:			
Cash	B-1	3,178.80	2,815.00
Due from State of New Jersey	B-5	-	-
		<u>3,178.80</u>	<u>2,815.00</u>
Recycling Trust Fund:			
Cash	B-1	14,033.50	27,251.67
Due from Trust Fund	B-1	185.40	-
		<u>14,218.90</u>	<u>27,251.67</u>
Shade Tree Trust Fund:			
Cash	B-1	11,487.52	16,130.43
COAH Development Trust			
Cash	B-1	925,695.78	2,757,022.69
Emergency Services Volunteer Length of Service Award Program (unaudited):			
Cash in Plan	B-1	894,001.30	951,750.98
Contributions receivable	B-4	16,740.00	17,985.00
		<u>910,741.30</u>	<u>969,735.98</u>
DEA Forfeiture Trust:			
Cash	B-1	70,701.11	645.61
TOTAL ASSETS		\$ 3,826,102.61	\$ 5,890,091.02

See independent auditor's report and the notes to the financial statements.

**BOROUGH OF ENGLEWOOD CLIFFS
TRUST FUNDS
AT DECEMBER 31, 2018 AND 2017**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

B

	<u>Reference</u>	<u>At December 31,</u>	
		<u>2018</u>	<u>2017</u>
<u>LIABILITIES, RESERVES and FUND BALANCE</u>			
Assessment/Other Trust Fund:			
Due to Current Fund:			
Escrow Trust Fund	B-6		
Other Trust Fund	B-6	35.70	
Due to State of New Jersey	B-7	8,268.00	22,510.00
Due to Recycling Trust Fund	B-1	185.40	-
Reserve for:			
Other Trust deposits	B-9	1,881,590.10	2,093,979.64
		<u>1,890,079.20</u>	<u>2,116,489.64</u>
 Dog License Fund:			
Due to State of New Jersey	B-5	13.80	
Reserve for Dog Fund expenditures	B-10	3,165.00	2,815.00
		<u>3,178.80</u>	<u>2,815.00</u>
 Recycling Trust Fund:			
Due to Other Trust Fund	B-6		
Reserve for Recycling expenditures	B-11	14,218.90	27,251.67
		<u>14,218.90</u>	<u>27,251.67</u>
 Shade Tree Trust Fund:			
Due to Current Fund	B-6		
Reserve for Shade Tree expenditures	B-12	11,487.52	16,130.43
		<u>11,487.52</u>	<u>16,130.43</u>
 COAH Development Trust:			
Reserve for COAH Development expenditures	B-13	925,695.78	2,757,022.69
 Emergency Services Volunteer Length of Service Award Program (unaudited):			
Net Assets available for Benefits	B-14	910,741.30	969,735.98
 DEA Forfeiture Trust			
Reserve for expenditures	B-15	70,701.11	645.61
		<u>70,701.11</u>	<u>645.61</u>
TOTAL LIABILITIES AND RESERVES		<u>\$ 3,826,102.61</u>	<u>\$ 5,890,091.02</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

C

	<u>Reference</u>	<u>At December 31,</u>	
ASSETS		2018	2017
Cash	C-2,3	\$ 1,123,769.90	\$ 714,533.07
Grants Receivable			
New Jersey Department of Transportation	C-4	215,759.77	150,000.00
Bergen County -ADA Grant	C-4	46,000.00	46,000.00
Due from Ambulance Corp.	C	100,000.00	100,000.00
Deferred Charges to Future Taxation:			
Funded	C-14	11,208,000.00	12,790,000.00
Unfunded	C-7	6,853,825.00	6,379,727.00
TOTAL ASSETS		<u>\$ 19,547,354.67</u>	<u>\$ 20,180,260.07</u>
LIABILITIES, RESERVE AND FUND BALANCE			
Due To Current Fund	C-5	76.29	198.01
Bond Anticipation Notes	C-8	5,843,858.00	5,421,060.00
General Serial Bonds	C-9	10,720,000.00	12,230,000.00
Capital Leases Payable	C-10	488,000.00	560,000.00
Encumbrance Payable	C-11	383,341.21	249,310.46
Improvement Authorizations			
Funded	C-11	290,076.39	213,706.29
Unfunded	C-11	1,673,149.47	1,225,062.00
Capital Improvement Fund	C-13	77,338.60	60,338.60
Reserve for Costs of Issuance	C-12	4,085.81	4,085.81
Fund Balance	C-1	67,428.90	216,498.90
TOTAL LIABILITIES, RESERVE AND FUND BALANCE		<u>\$ 19,547,354.67</u>	<u>\$ 20,180,260.07</u>

There were bonds and notes authorized but not issued on December 31, 2018 in the amount of \$ 1,009,967 (Exhibit C-15).

STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Reference</u>	<u>C-1</u>
Balance December 31, 2017	C	\$ 216,498.90
Increased by:		
Premium on Bond Anticipation Note	C-2	50,930.00
		<u>267,428.90</u>
Decreased by:		
Fund New Ordinance	C-7,15	
Due to Current Fund- Anticipated Revenue	C-5	200,000.00
		<u>200,000.00</u>
Balance December 31, 2018	C	<u>\$ 67,428.90</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
GENERAL FIXED ASSETS ACCOUNTS GROUP
AT DECEMBER 31, 2018 AND 2017

COMPARATIVE STATEMENT OF GENERAL FIXED ASSETS
GROUP OF ACCOUNTS - REGULATORY BASIS

D

	At December 31,	
	<u>2018</u>	<u>2017</u>
<u>General Fixed Assets</u>		
Land (per assessed valuations)	\$ 59,996,400.00	\$ 60,858,472.00
Buildings (per assessed valuations)	15,440,900.00	12,411,237.00
Vehicles and Equipment	<u>7,638,172.00</u>	<u>7,582,846.00</u>
	<u>\$ 83,075,472.00</u>	<u>\$ 80,852,555.00</u>
<u>Investment in General Fixed Assets</u>	<u>\$ 83,075,472.00</u>	<u>\$ 80,852,555.00</u>

See independent auditor's report and the notes to the financial statements.

**BOROUGH OF ENGLEWOOD CLIFFS
PAYROLL ACCOUNT
AT DECEMBER 31, 2018 AND 2017**

COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

E

	<u>Reference</u>	<u>At December 31,</u>	
		<u>2018</u>	<u>2017</u>
			<u>(Restated)</u>
<u>ASSETS</u>			
Cash	A	\$ 45,813.45	\$ 73,009.86
TOTAL ASSETS		<u>\$ 45,813.45</u>	<u>\$ 73,009.86</u>
 <u>LIABILITIES AND RESERVES</u>			
Payroll Agency Payable		\$ 45,813.45	\$ 44,639.69
Due to Current Fund	A	<u> </u>	<u>28,370.17</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 45,813.45</u>	<u>\$ 73,009.86</u>

See independent auditor's report and the notes to the financial statements.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes seven fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP).

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

A. Reporting Entity

The Borough of Englewood Cliffs (the "Borough") operates under a Borough Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

However, the municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the volunteer fire department which is considered a component unit under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

B. Fund Accounting

The accounting policies of the Borough conform to the accounting principles applicable to municipalities, which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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. The accounts of the Borough are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts, which include its assets, liabilities, fund equity, revenues, and expenses or expenditures. The following funds and groups of accounts are used by the Borough:

Current Fund - This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

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

Other Trust Fund - This fund is established to account for the assets and resources which are also held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds.

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

Shade Tree Trust Fund - This fund is used to account for all fees and donations collected for the removal and replacement of trees.

Recycling Trust Fund - This fund is used to account for all fees collected from the sale of Recyclable materials.

Emergency Services Volunteer Length of Service Award Program - This fund is used to account for the cumulative payments to participant's in the emergency services volunteer length of service award program, including any income, gains, losses or increases or decreases in market value attributable to the investment of the participant's length of service awards.

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

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

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Under this method of accounting, revenues, except for State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from GAAP applicable to local government units. The more significant differences are as follows:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal 5-

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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 tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

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

Grant Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Budgets and Budgetary Accounting -An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures of the current fund. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq. Transfers can be made during the last two months and the first three months of the following year. The budget may also be amended by emergency appropriation, which must be raised in the succeeding year's budget. Special items of revenue and corresponding expenditure may be added to the budget with special written consent from the Division of Local Government Services (Chapter 159).

The Borough is not required to adopt budgets for the following funds: General Capital Fund and Trust Funds

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. During 2018, the mayor and council approved several budget transfers. Expenditures may not legally exceed budgeted appropriations at the line item level.

See independent auditor's report

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

Inventories -The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

Cash and Investments -Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at cost which approximates fair value and are limited by N.J.S.A. 40A5-15.1(a) to bonds or obligations of the Federal Government and bonds or other obligations of Federal or local units having a maturity date not more than twelve months from the date of purchase.

Incurred but Not Reported (IBNR) Reserves - The Borough has not created a reserve for any potential unreported losses which have taken place but for which the Borough has not received notice or report of losses. Additionally, the Borough has not recorded a liability for those claims, which have been filed but have not yet been paid. GAAP requires the establishment of reserves for such potential claims if material.

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 and not when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

General Fixed Assets - N.J.A.C. 5:30-5.6 codifies fixed asset accounting, the Technical Accounting Directive No. 86-2 (the "TAD") took effect in 1986. This TAD required local units to create and maintain a fixed asset accounting system for their physical assets. The requirement has now been codified as N.J.A.C. 5:30-5.6. The codification updates the definition of a fixed asset to refer to the 1997 edition of the U.S. Office of Management and Budget Circular A-87, Cost Principals for State, Local and Indian Governments. The regulation continues the requirement of the local units to:

- i. Place a value of all fixed assets put into service
- ii. Have a subsidiary ledger of detailed records of fixed assets
- iii. Provide property management standards to control fixed assets
- iv. Provide a statement of fixed assets in the annual audit.

Fixed Assets purchased after December 31, 1989 are stated at cost.

Fixed Assets purchased prior to December 31, 1989 are stated as follows:

Land and Buildings	Assessed Valuations
Machinery and Equipment	Estimated Market Value

No depreciation has been provided for in the financial statements. Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation. GAAP requires that fixed assets be capitalized at historical cost or at estimated historical cost if actual historical cost is not available

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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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

Foreclosed Property - Foreclosed property is recorded in the Current Fund when such property was acquired and is fully reserved.

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

D. Basic Financial Statements

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

NOTE 2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A: 5-15.1(a) that are treated as cash equivalents. As of December 31, 2018 and 2017, \$0 of the Borough's bank balance \$ 8,146,248 and \$12,422,285.50, respectively, were exposed to custodial credit risk.

Investments

Interest Rate Risk - The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A: 5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk - New Jersey Statutes 40A: 5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk - The Borough places no limit on the amount the Borough may invest in any one issuer.

Unaudited Investments - As more fully described in Note 17, the Borough has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Borough. All investments are valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by Lincoln Financial Group (Lincoln), which is an authorized provider by the Division of Local Government Services. The balance in the account on December 31, 2018 and 2017 amounted to \$894,001.30 and \$951,751 respectively.

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 2. CASH AND CASH EQUIVALENTS (Continued)

The following investments represent the total invested with AIG on December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Aggressive Growth Lifestyle		8,571
Asset Allocation Fund	38,321	41,406
Blue Chip Growth Fund	59,537	57,440
Capital Conservation	1,458	1,489
Core Equity Fund	564	
Dividend Value	39,617	43,970
Emerging Economies	1,808	2,099
Fixed Account Plus	86,997	82,941
Global Strategy	7,271	8,008
Government Money Market I	53,518	
Government Securities Fund	923	927
Growth Fund	4,089	3,990
Growth & Income Fund	3,281	6,599
Health Sciences	23,327	23,017
High Yield Bond Fund	2,142	2,230
International Equities Fund	7,432	8,618
International Opportunities	1,813	2,215
Large CAP Core	1,406	1,588
Large CAP Value Fund	765	896
Mid Cap Growth Fund	904	984
Mid Cap Index Fund	72,339	80,969
Mid Cap Value Fund	179,399	207,366
Moderate Growth Lifestyle	4,167	4,514
Money Market I Fund		51,719
NASDAQ-100R Index Fund	4,062	4,711
Science & Technology Fund	162,626	164,175
Small Cap Index Fund	9,405	7,474
Small Cap Value Fund	2,663	3,177
Stock Index Fund	121,689	128,095
Strategic Bond Fund	2,478	2,563
	<u>894,001</u>	<u>951,751</u>

NOTE 3. PROPERTY TAXES RECEIVABLE, TAX TITLE LIENS

In accordance with the accounting principles prescribed by the State of New Jersey, taxes receivable and tax title liens are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of taxes receivable and tax title liens that are uncollectible.

For the year ended December 31, 2018 and 2017, property taxes receivable were \$340,809 and \$352,052, respectively and the borough had no tax title liens receivable.

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 4. MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes to finance capital expenditures. General obligation bonds have been issued for the general capital fund. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond Anticipation Notes, which are issued to temporarily finance capital projects, must be paid off within 10 years and five months or retired by the issuance of bonds.

A. Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .487% and .524% as of December 31, 2018 and 2017. The Equalized Valuation Basis of the Borough was \$3,435,991,468 and \$3,313,451,631 as of December 31, 2018 and 2017.

<u>2018</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ 1,020,000.00	\$ 1,020,000.00	\$ -
General Debt-Excluding Capital Leases	<u>17,573,825.00</u>	<u>831,667.00</u>	<u>16,742,158.00</u>
	<u>\$ 18,593,825.00</u>	<u>\$ 1,851,667.00</u>	<u>\$ 16,742,158.00</u>
<u>2017</u>			
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ 1,350,000.00	\$ 1,350,000.00	\$ -
General Debt-Excluding Capital Leases	<u>18,609,727.00</u>	<u>1,241,667.00</u>	<u>17,368,060.00</u>
	<u>\$ 19,959,727.00</u>	<u>\$ 2,591,667.00</u>	<u>\$ 17,368,060.00</u>

B. Borrowing Power Under N.J.S.A. 40A:2-6 as amended

<u>Borrowing Power Under N.J.S.A. 40A:2-6 As Amended</u>	<u>2018</u>	<u>2017</u>
3 1/2% of Equalized Valuation Basis (Municipal)	\$ 120,259,701.38	\$ 115,970,807.10
Net Debt	<u>16,742,158.00</u>	<u>17,368,060.00</u>
Remaining Borrowing Power	<u>\$ 103,517,543.38</u>	<u>\$ 98,602,747.10</u>

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 4. MUNICIPAL DEBT (Continued)

C. Summary of Municipal Debt (Excluding Current Operating Debt)

<u>Issued</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>General Capital Fund:</u>			
Serial Bonds	\$ 10,720,000.00	\$ 12,230,000.00	\$ 13,715,000.00
Capital Leases Payable	488,000.00	560,000.00	627,000.00
Bond Anticipation Notes	<u>5,843,858.00</u>	<u>5,421,060.00</u>	<u>4,844,725.00</u>
Total Issued	<u>17,051,858.00</u>	<u>18,211,060.00</u>	<u>19,186,725.00</u>
 <u>Authorized but not Issued</u>			
<u>General:</u>			
Bonds and Notes	<u>1,009,967.00</u>	<u>958,667.00</u>	<u>1,025,464.16</u>
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 18,061,825.00</u>	<u>\$ 19,169,727.00</u>	<u>\$ 20,212,189.16</u>

The Borough's long-term debt consisted of permanent financing at December 31, 2018:

<u>General Serial Bonds</u>	<u>2018</u>	<u>2017</u>
\$2,495,000 Refunding bonds issued June 28, 2012, due through October 15, 2018 at variable rates of 1.50% - 3.00%	\$ -	\$ 510,000.00
\$9,885,000 General improvement bonds issued March 15, 2014, due through March 15, 2030 at variable rates of 2.00% to 3.00%	8,035,000.00	8,585,000.00
\$3,205,000 Refunding bonds issued April 1, 2016, due through July 15, 2023 at rate of 1.55%	<u>2,685,000.00</u>	<u>3,135,000.00</u>
Total General Serial Bonds	<u>\$ 10,720,000.00</u>	<u>\$ 12,230,000.00</u>

General capital serial bonds are direct obligations of the Borough for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within the Borough.

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 4. MUNICIPAL DEBT (Continued)

Debt Service- Permanent Financing (Bonds)

<u>Year End</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2019	1,490,567.50	1,245,000.00	245,567.50
2020	1,488,432.50	1,265,000.00	223,432.50
2021	1,505,775.00	1,305,000.00	200,775.00
2022	1,507,540.00	1,330,000.00	177,540.00
2023	828,750.00	675,000.00	153,750.00
2024-2030	5,414,500.00	4,900,000.00	514,500.00
	<u>\$ 12,235,565.00</u>	<u>\$ 10,720,000.00</u>	<u>\$ 1,515,565.00</u>

At December 31, 2018 and 2017, the Borough had authorized but not issued debt as follows:

	<u>2018</u>	<u>2017</u>
General Capital Fund	\$ 1,009,967	\$ 958,667

NOTE 5. CAPITAL LEASES PAYABLE

The Borough entered into an \$870,000 capital lease through the Bergen County Improvement Authority for the retirement of its outstanding unfunded pension liability. Principal and interest payments are due demi-annually through 2023. During 2012, the Borough entered into a new lease agreement to refinance the original unfunded pension liability. Principal and interest payments are due semi-annually through 2023. The following is a schedule of the future minimum lease payments under the agreements, and the present value of the net minimum lease payments at December 31, 2018:

Schedule of Annual Debt Service for Principal and Interest for

<u>Year End</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2019	93,261.92	80,000.00	13,261.92
2020	99,149.00	88,000.00	11,149.00
2021	105,543.69	97,000.00	8,543.69
2022	111,460.81	106,000.00	5,460.81
2023	118,906.52	117,000.00	1,906.52
	<u>\$ 528,321.94</u>	<u>\$ 488,000.00</u>	<u>\$ 40,321.94</u>

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 6. BOND ANTICIPATION NOTES

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid or retired. A second and third legal installment must be paid if the notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.

On December 31, 2018 the Borough had a total of \$5,843,858 in outstanding General Capital bond anticipation notes which matured on February 22, 2019 at an interest rate of 2.50%.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Oppenheimer & Co., Inc.		\$ 5,843,858.00		\$ 5,843,858.00
1st Constitutional Bank	5,421,060.00		5,421,060.00	-
	<u>\$ 5,421,060.00</u>	<u>\$ 5,843,858.00</u>	<u>\$ 5,421,060.00</u>	<u>\$ 5,843,858.00</u>

NOTE 7. SPECIAL EMERGENCY NOTES & EMERGENCY NOTES PAYABLE

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 1/3 or 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 third or fifth year following the date of the special emergency resolution. The Borough may also borrow money to fund emergency authorizations approved during the year for budget emergencies. These emergency notes must be paid for by the last day of the following year in which the notes were issued and the emergency appropriation authorized.

On December 31, 2018 and 2017, the Borough had \$140,280 and \$233,520, respectively, in outstanding Current Fund Special Emergency/ Emergency notes.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Interest Rate</u>
Oppenheimer & Co., Inc.		\$ 140,280.00		\$ 140,280.00	2.50%
1st Constitutional Bank	233,520.00		233,520.00	-	1.08%
	<u>\$ 233,520.00</u>	<u>\$ 140,280.00</u>	<u>\$ 233,520.00</u>	<u>\$ 140,280.00</u>	

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 8. FUND BALANCE APPROPRIATED

The fund balance at December 31, 2018 which has been appropriated as revenue in the 2019 introduced budget is as follows:

Current Fund \$1,217,114

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at December 31, 2018 and 2017 were as follows:

<u>Fund Type</u>	<u>2018</u>		<u>2017</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Receivables</u>	<u>Payables</u>
Current Fund	\$ 111.99	\$ 216,653.13	\$ 28,568.18	\$ 223,071.54
Federal and State Grant Fund	216,467.19		196,281.43	
Trust Fund	371.34	221.10	26,790.11	
Capital Fund		76.29		198.01
Payroll and Payroll Agency Fund				28,370.17
	<u>\$ 216,950.52</u>	<u>\$ 216,950.52</u>	<u>\$ 251,639.72</u>	<u>\$ 251,639.72</u>

NOTE 10. DEFERRED CHARGES

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2018 and 2017, the following deferred charges are shown on the balance sheet of the various funds:

<u>2018 Current Fund:</u>	<u>Balance December 31, 2018</u>	<u>2019 Budget Appropriation</u>	<u>Balance to Succeeding Budget</u>
Special Emergency- N.J.S.A. 40A:4-55	\$ 140,280.00	\$ 93,240.00	\$ 47,040.00
	<u>\$ 140,280.00</u>	<u>\$ 93,240.00</u>	<u>\$ 47,040.00</u>
<u>2017 Current Fund:</u>	<u>Balance December 31, 2017</u>	<u>2018 Budget Appropriation</u>	<u>Balance to Succeeding Budget</u>
Special Emergency- N.J.S.A. 40A:4-55	\$ 233,520.00	\$ 93,240.00	\$ 140,280.00
	<u>\$ 233,520.00</u>	<u>\$ 93,240.00</u>	<u>\$ 140,280.00</u>

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 10. PROPERTY TAX CALENDAR

Property tax revenues are collected in quarterly installments due February 1, May 1, August 1 and November 1. Property taxes unpaid on April 1 of the year following their final due date are subject to tax sale in accordance with State statutes. The amount of tax levied includes not only the amount required in support of the Borough's annual budget, but also the amounts required in support of the budget of the entities that follow. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. GAAP requires such revenue to be recognized when they are available and measurable, reduced by an allowance for doubtful accounts.

School Taxes

The Borough is responsible for levying, collecting and remitting school taxes for the Board of Education. Operations are charged for the full amount required to be raised from taxation to operate the local school district.

County Taxes

The municipality is responsible for levying, collecting and remitting county taxes for the County of Bergen. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year, and due to be paid to the County by February 15 of the following year.

Prepaid Taxes

Taxes collected in advance are recorded as cash liabilities in the financial statements and were \$490,758.43 and \$4,203,409.35 for the year ended December 31, 2018 and 2017, respectively.

Reserve for Uncollected Taxes

The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Borough's annual budget protects the Borough from taxes not paid currently. The Reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. A Reserve for Uncollected Taxes is not established under GAAP.

NOTE 11. LOCAL DISTRICT SCHOOL TAXES

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

The Borough has elected to defer school taxes as of December 31, 2018 and 2017 as follows:

	Balance <u>Dec. 31, 2018</u>	Balance <u>Dec. 31, 2017</u>
Balance of Tax	\$ 6,647,934.00	\$ 6,615,732.00
Deferred	6,647,934.00	6,615,732.00
Prepaid Taxes	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 12. FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group as of December 31, 2018.

<u>2018</u>	<u>Dec. 31, 2017</u>	<u>Additions</u>	<u>Deletions/Adjust</u>	<u>Dec. 31, 2018</u>
Land	\$ 60,858,472		\$ 862,072	\$ 59,996,400
Buildings	12,411,237	3,029,663		15,440,900
Vehicles & Equipment	7,582,846	236,765	181,439	7,638,172
	<u>\$ 80,852,555</u>	<u>\$ 3,266,428</u>	<u>\$ 1,043,511</u>	<u>\$ 83,075,472</u>

<u>2017</u>	<u>Dec. 31, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2017</u>
Land	\$ 60,856,672	\$ 1,800		\$ 60,858,472
Buildings	12,411,137	100		12,411,237
Vehicles & Equipment	6,900,772	683,874	1,800	7,582,846
	<u>\$ 80,168,581</u>	<u>\$ 685,774</u>	<u>\$ 1,800</u>	<u>\$ 80,852,555</u>

NOTE 13. PENSION PLANS

Description of Plans

Substantially all of the Borough's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Police and Firemen's Retirement System (PFRS) or the Public Employees' Retirement System- (PERS). Those systems are sponsored and administered by the State of New Jersey and are considered a cost sharing multiple-employer plans. According to the State of New Jersey Administrative Code, all obligations of the systems will be assumed by the State of New Jersey should the systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for PERS and PFRS. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625 or can be found at <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 13. PENSION PLANS (Continued)

Summary of Significant Accounting Policies -PERS and PFRS

GASB 68, *Accounting and Financial Reporting for Pensions*, is effective beginning with the year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

Amendments to and further clarification of GASB 68, include GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB 67 and 68.*, and GASB 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*.

New Jersey municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C. 5:30-6.1(c)(2) requires municipalities and counties to disclose GASB 68 information in the Notes to the Financial Statements. Therefore, the following information with regards to GASB 68 and its amendments is for disclosure purposes only.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System (PERS) was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

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

At June 30, 2018 and June 30, 2017, the Borough had disclosed a liability of \$3,184,025 and \$4,177,152, respectively, for its proportionate share of the net pension liability for reporting purposes only. The net pension liability was measured as of June 30, 2018, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016. The Borough's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2018 and 2017. At June 30, 2018, the Borough's proportion was 0.01617%, which was a decrease of .001774% from its proportion measured as of June 30, 2017.

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 13. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS)

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

For the year ended December 31, 2018, the Borough recognized pension expense of \$176,310 as measured at June 30, 2017. At June 30, 2018, the Borough had deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	June 30, 2018		June 30, 2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 60,720	\$ 16,418	\$ 98,358	
Changes of assumptions	524,675	1,018,082	841,552	838,467
Net difference between projected and actual earnings on pension plan investments		29,866	28,444	
Changes in proportion and differences between Borough and proportionate share of contributions	168,248		261,265	
Borough contributions subsequent to the measurement date		395,295		92,243
Total	<u>\$ 753,643</u>	<u>\$ 1,459,661</u>	<u>\$ 1,229,619</u>	<u>\$ 930,710</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>
2019	\$ 22,099
2020	(30,596)
2021	(219,399)
2022	(190,178)
2023	(60,898)
Total	<u>\$ (478,972)</u>

	<u>6/30/2018</u>	<u>6/30/2017</u>
Collective deferred outflows of resources	\$ 3,619,985,444	\$ 5,396,431,901
Collective deferred inflows of resources	6,581,869,368	4,672,602,040
Collective net pension liability (Non-State-Local Group)	19,689,501,539	23,278,401,588
Borough's portion of net pension liability	3,184,025	4,177,152
Borough's proportion %	0.0161711800%	0.01794432%

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 13. PENSION PLANS (Continued)

Actuarial assumptions. The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The actuarial valuation used the following actuarial assumptions:

Inflation:	2.25%
Salary Increases:	
Through 2026	1.65% – 4.15% based on age
Thereafter	2.65% – 5.15% based on age
Investment Rate of Return:	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disability Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not conform to these assumptions. To the extent the actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00 % at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real
		Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
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 estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non- U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buy-outs/venture capital	8.25%	13.08%

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 13. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS)

Discount rate. The discount rate used to measure the total pension liability was 5.66% and 5.00% as of June 30, 2018 and 2017, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.00%, and a municipal bond rate of 3.87% and 3.58% as of June 30, 2018 and 2017, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. The long-term expected rate of return on plan investments was applied to projected payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the Borough's proportionate share of the net pension liability measured as of June 30, 2018 and 2017, calculated using the discount rate of 5.66% and 5.00% respectively, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	<u>1% Decrease</u> <u>(4.66%)</u>	<u>Rate</u> <u>(5.66%)</u>	<u>1% Increase</u> <u>(6.66%)</u>
Borough's proportionate share of the net pension liability	\$ 4,003,545	\$ 3,184,025	\$ 2,496,500
	June 30, 2017		
	<u>1% Decrease</u> <u>(4.00%)</u>	<u>Rate</u> <u>(5.00%)</u>	<u>1% Increase</u> <u>(6.00%)</u>
Borough's proportionate share of the net pension liability	\$ 5,182,041	\$ 4,177,152	\$ 3,339,955

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 13. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS)

PERS Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service or under disability provisions of PERS. Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 23 and 4 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts

Police and Firemen's Retirement System (PFRS)

The Police and Firemen's Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to its members. Membership is mandatory for all full-time county and municipal police and firemen, and state firemen or officer employees with police powers appointed after June 30, 1944.

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

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

At June 30, 2018 and June 30, 2017, the Borough has disclosed a liability of \$14,642,207 and \$17,087,839, respectively, for its proportionate share of the net pension liability for reporting purposes only. The net pension liability was measured as of June 30, 2018, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016. The Borough's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PFRS during the years ended June 30, 2018 and 2017. At June 30, 2018, the Borough's proportion was 0.108207%, which was a decrease of 0.002479% from its proportion measured as of June 30, 2017.

A special funding situation exists for Local employers of the PFRS, in which the State of New Jersey is required to pay additional costs incurred by Local employers under 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. Since the local participating employers do not contribute under this legislation, there is no pension liability, deferred inflows or outflows to report. The amount of the Borough's proportionate share of collective net pension liability at June 30, 2018 and 2017 respectively was \$ 1,988,902 and \$1,913,982.

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 13. PENSION PLANS (Continued)

Police and Firemen's Retirement System (PFRS)

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

For the year ended December 31, 2018, the Borough recognized pension expense of \$1,038,602. At June 30, 2018, the Borough had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	June 30, 2018		June 30, 2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 148,965	\$ 60,593	\$ 110,856	\$ 100,291
Changes of assumptions	1,256,836	3,752,545	2,107,121	2,798,488
Net difference projected and actual earnings on pension plan investments		80,106	326,076	
Changes in proportion and differences between Borough's and proportionate share of contributions	1,210,852	493,423	1,815,060	282,617
Borough contributions subsequent to the measurement date				
Total	<u>\$ 2,616,653</u>	<u>\$ 4,386,667</u>	<u>\$ 4,359,113</u>	<u>\$ 3,181,396</u>

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>
2019	\$ 125,925
2020	(424,486)
2021	(1,187,555)
2022	(1,060,325)
2023	(238,997)
Total	<u>\$ (2,785,438)</u>

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 13. PENSION PLANS (Continued)

Police and Firemen's Retirement System (PFRS)

	<u>6/30/2018</u>	<u>6/30/2017</u>
Collective deferred outflows of resources	\$ 1,299,176,853	\$ 2,298,433,198
Collective deferred inflows of resources	3,597,955,452	2,618,912,538
Collective net pension liability (Non-State-Local Group)	15,369,699,278	17,167,260,198
Borough's portion of net pension liability	14,642,207	17,087,839
Borough's portion of net pension liability	0.1082071177%	0.11068639%

Actuarial assumptions. The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The actuarial valuation used the following actuarial assumptions:

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

Pre-retirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from base year 2000 to 2013 using Projection Scale BB and Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from base year 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. Disability mortality rates were based on custom table with representative rates and no mortality improvement assumed.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 13. PENSION PLANS (Continued)

Police and Firemen's Retirement System (PFRS)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00%) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
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 estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non- U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buy-outs/venture capital	8.25%	13.08%

Police and Firemen's Retirement System (PFRS)

Discount rate. The discount rate used to measure the total pension liability was 6.51% and 6.14% as of June 30, 2018 and 2017, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.00, and a municipal bond rate of 3.87% and 3.58% as of June 30, 2018 and 2017, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employees contributed 100% of their actuarially determined contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 13. PENSION PLANS (Continued)

Police and Firemen's Retirement System (PFRS)

Sensitivity of the Borough's proportionate share of the net pension liability to changes in the discount rate. The following presents the Borough's proportionate share of the net pension liability measured as of June 30, 2018 and 2017, calculated using the discount rate of 6.51% and 6.14%, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u> <u>(5.51%)</u>	June 30, 2018 <u>Rate</u> <u>(6.51%)</u>	<u>1% Increase</u> <u>(7.51)</u>
Borough's proportionate share of the net pension liability	\$ 27,257,196	\$ 20,365,875	\$ 14,681,790
	<u>1% Decrease</u> <u>(5.14%)</u>	June 30, 2017 <u>Rate</u> <u>(6.14%)</u>	<u>1% Increase</u> <u>(7.14)</u>
Borough's proportionate share of the net pension liability	\$ 22,514,635	\$ 17,087,839	\$ 12,629,109

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

PFRS Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:16A. All benefits vest after ten years of service, except for disability benefits that vest after 4 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 2% of the final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek early retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tier 1 and tier 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 13. PENSION PLANS (Continued)

Funding Policy- PERS and PFRS

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employees. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS and 8.5% for PFRS of the employees' annual compensation, as defined. Under the provisions of Chapter 78, P.L. 2012, PERS employee pension contribution rates increased from 5.5% to 6.5% of salary, effective October 1, 2012. An additional increase to be phased over the next 7 years will bring the total pension contribution rate to 7.5% of salary. PFRS employee pension contribution rates increased from 8.5% to 10% of salary, effective October 1, 2012. Employers are required to contribute at an actuarially determined rate in PERS and PFRS. The Borough's contributions to PERS and PFRS were as follows:

Year Ended December 31,	PERS Amount	PFRS Amount	Total
2018	\$ 176,310.00	\$ 1,038,602.00	\$ 1,214,912.00
2017	166,062.00	904,413.00	1,070,475.00
2016	172,786.00	898,325.00	1,071,111.00
2015	146,568.00	879,901.00	1,026,469.00
2014	127,038.00	708,186.00	835,224.00

Significant Legislation

On March 07, 2009, the legislative of the State of New Jersey enacted Public Laws 2009, c19(S-21) the "Pension Deferral Program." This law allows the Division of Pensions and Benefits to provide non-state governmental pension system employers the option of paying their full amount, or an amount that reflects a 50 percent reduction on the normal and accrued liability component of the Public Employees' Retirement System and/or the Police and Firemen's Retirement System obligation for payment due to State Fiscal Year ending June 30, 2009. The amount deferred will be repaid starting April 2012 and over a 15-year period and 8 ¼ percent. The amount will fluctuate based on pension system investment earnings on the deferred amount. The local employer is allowed to payoff the obligation at any time prior to April 2012. The Borough of Englewood Cliffs opted for this deferral in the amount of \$436,241. The amount outstanding at December 31, 2018 and 2017 respectively was \$222,072 and \$289,250.

Defined Contribution Retirement Program

The Defined Contributions Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000 annually, the official may choose to waive participation on the DCRP for the office or position. The waiver is irrevocable.

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 13. PENSION PLANS (Continued)

Defined Contribution Retirement Program

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee, employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment option provided by the employer.

The law requires that three classes of employees enroll in the DCRP detailed as follows:

All elected officials taking office on or after July 1, 2007, except that a person who is re-elected to an elected office held prior to that date without a break in service may remain in the PERS. A Governor appointee by an elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator, or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to join or remain in PERS.

Contributions made by employees for DCRP are currently at 5.5% of the base wages. Member contributions are matched by a 3.0% employer contribution.

Deferred Compensation Plan

The Borough of Englewood Cliffs maintains a Deferred Compensation Plan in accordance with Internal Revenues Code Section 457.

Any employee of the Borough is eligible to participate in the Plan. Participation in the Plan is entirely voluntary on the part of each employee. The Borough does not and is not required to make contributions to the Plan. Valic, Nationwide Retirement Solutions, and Axa-Equitable Equivest are the Administrators of the Plan. Fund assets at December 31, 2018 and December 31, 2017 totaled \$2,496,113 and \$2,602,819 respectively.

NOTE 14. OTHER POST EMPLOYMENT BENEFITS

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

State Health Benefit Program Fund- Local Government Retired (the Plan) (including Prescription Drug Program Fund) - N.J.S.A. 43 :3c-24 established a separate trust fund for certain non-State participating employers to provide funding for State Health Benefit Program coverage to its eligible retirees. Under the provisions of Chapter 330, P.L. 1997, 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. For additional information about the Plan, please refer to the State Division of Pensions and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 14. OTHER POST EMPLOYMENT BENEFITS (Continued)

The Plan provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retires with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retires and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiation agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52: 14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level coverage.

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.

Measurement Focus and Basis of Accounting

The financial statements of the OPEB plan are prepared in accordance with U.S. generally accepted accounting principles as applicable to government organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB). The accrual basis of accounting is used for measuring financial position and changes in net position of the other postemployment benefit plan. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 14. OTHER POST EMPLOYMENT BENEFITS (Continued)

Investment Valuation

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

Funded Status and Funding Progress

As of June 30, 2018, the most recent measurement date, the State had a \$15.7 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$6.2 billion for state non-employer active and retired members, \$9.5 billion for local participating employer active and retired members.

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

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

Actuarial Methods and Assumptions

In the June 30, 2018 OPEB actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Plan Membership and Contributing Employers

At June 30, 2017, the OPEB plan membership and contributing employers consisted of the following:

<u>Local Government Retired</u>	<u>June 30, 2017</u>
Active Plan Members	61,789
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	<u>26,277</u>
Total Plan Members	88,066
 Contributing Employers	 579

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 14. OTHER POST EMPLOYMENT BENEFITS (Continued)

Post-Retirement Medical Benefits Contribution

The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members. The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1967, as disclosed previously. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis.

The employers participating in the OPEB plan made contributions of \$421.2 million and the State of New Jersey, as the non-employer contributing entity, contributed \$53.5 million for the fiscal year June 30, 2018.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan-using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Borough's contributions to the State Health Benefits Program Fund Local Government Retired Plan for post-retirement benefits for the years ended December 31, 2018 and 2017 were \$683,477 and \$660,660, respectively, which equaled the required contributions for each year. Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Borough of Englewood Cliffs on a monthly basis. Funds for retiree health premiums are raised each year in the municipality via property taxes.

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The regulatory basis of accounting requires participating employers in the State Health Benefit Program Fund – Local Government Retired Plan to disclose in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2017 and 2016. Employer allocation percentages have been rounded for presentation purposes.

At December 31, 2018 and 2017, the Borough reported a liability of \$12,404,672 and \$15,761,806, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and 2017, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The Borough's proportionate share of the net OPEB liability was based on the ratio of the Borough's proportionate share of the OPEB liability attributable to the Borough at December 31, 2018 and 2017 to the total OPEB liability for the State Health Benefit Program Fund- Local Government Retired Plan at June 30, 2018 and 2017, respectively. As of the measurement date of June 30, 2018 the Borough's proportionate share was .079179 percent, which was an increase of .001975 percent from its proportionate share measured as of June 30, 2017 of .077204 percent.

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 14. OTHER POST EMPLOYMENT BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the year ended December 31, 2018 the Plan has determined the Borough's OPEB expense to be \$290,191 based on the actuarial valuations which are less than the actual contributions reported in the Borough's financial statements of \$683,477. At December 31, 2018, measured at June 30, 2018, the Borough's deferred outflows of resources and deferred inflows of resources related to the OPEB plan which are not reported on the Borough's financial statements are from the following resources:

	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflow of</u>	<u>Outflows of</u>	<u>Inflow of</u>
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>
Difference between expected and actual experience		\$ 2,518,591		
Changes of assumptions		3,146,607		1,749,426
Net difference projected and actual earnings on OPEB plan investments	6,555		2,701	
Changes in proportion and differences between Borough's and proportionate share of contributions				1,743,223
Borough contributions subsequent to the measurement date	392,872	1,495,606		
Total	<u>\$ 399,427</u>	<u>\$ 7,160,804</u>	<u>\$ 2,701</u>	<u>\$ 3,492,649</u>

At June 30, 2018 the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows:

	<u>Year Ended June 30:</u>
2019	\$ (830,897)
2020	(830,897)
2021	(830,897)
2022	(831,589)
2023	(832,709)
Thereafter	(1,501,656)
Total	<u>\$ (5,658,643)</u>

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 14. OTHER POST EMPLOYMENT BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions

The Borough's total OPEB liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total OPEB 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

Inflation:	2.25%
Salary Increases*:	
Through 2026	1.65-8.98%
Thereafter	2.65-9.98%
Investment Rate of Return:	1.00%
Mortality	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.

*Salary increases are based on the defined benefit pension plan that the member is enrolled in and his or her age.

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, initially is 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight year. For self-insured post-65 PPO medical benefits and HMO benefits, the trend rate is 4.5 percent. For prescription drug benefits, the initial trend rate is 8 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent long-term trend rate after 7 years. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

The actuarial assumptions used in the June 30, 2018 and 2017 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% and 1.00% as of June 30, 2018 and 2017, respectively.

Discount rate. The discount rate used to measure the total pension liability was 3.87% and 3.58% as of June 30, 2018 and 2017, respectively.

The discount rate represents the municipal bond return rate as chosen by the Division. 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 14. OTHER POST EMPLOYMENT BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of Net OPEB Liability to Changes in the Discounts Rate

The following presents the Borough's proportionate share of the OPEB net liability as of December 31, 2018 and 2017 calculated using the discount rate of 3.87% and 3.58%, respectively, as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
	2.87%	3.87%	4.87%
Borough's proportionate share of the net OPEB liability	\$ 14,553,960	\$ 12,404,672	\$ 10,687,877

	June 30, 2017		
	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
	2.58%	3.58%	4.58%
Borough's proportionate share of the net OPEB liability	\$ 18,591,521	\$ 15,761,806	\$ 13,516,453

The sensitivity analysis was based on the proportionate share of the Borough's net OPEB liability at June 30, 2018 and 2017. A sensitivity analysis specific to the Borough's net OPEB liability was not provided by the Plan.

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the Borough's proportionate share of the OPEB net liability as of June 30, 2018 and 2017 calculated using the healthcare trend rates as disclosed above as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Health Cost Trend Rates- June 30, 2018		
	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
Borough's proportionate share of the net OPEB liability	\$ 10,347,485	\$ 12,404,672	\$ 15,066,977

	Health Cost Trend Rates- June 30, 2017		
	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
Borough's proportionate share of the net OPEB liability	\$ 13,098,490	\$ 15,761,806	\$ 19,229,711

The sensitivity analysis was based on the proportionate share of the Borough's net OPEB liability at June 30, 2018 and 2017.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 14. OTHER POST EMPLOYMENT BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Special Funding Situation

Under N.J.S.A. 43:3C-24 the Borough is responsible for their own OPEB 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 330, P.L. 1997 and Chapter 271, P.L., 1989. Under Chapter 330, P.L. 1997, the State pays the premiums or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. 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. 75 and the State is treated as a non-employer contributing entity. Accordingly, the Borough's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 75 is zero percent and the State's proportionate share is 100% of OPEB under this legislation.

At December 31, 2018, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$0. For the year ended December 31, 2017 the plan has determined the State's proportionate share of the OPEB expense attributable to the Borough for the OPEB special funding situation is \$0. At December 31, 2018, (measurement date June 30, 2018), the State's share of the OPEB liability attributable to the Borough was 0 percent. The State's proportionate share attributable to the Borough was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

OPEB Plan Fiduciary Net Position

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

NOTE 15. ACCRUED SICK AND VACATION BENEFITS

The Borough permits employees to accrue (with certain restrictions) unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$2,774,901 and \$2,482,753 as of December 31, 2018 and 2017, respectively. This amount is not reported either as an expenditure or liability.

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 16. CONTINGENCIES

Litigation

The Borough is in litigation in various lawsuits, unusual for a municipality of its size and scope of operation. The legal fees expended are material and have doubled from prior years to approximately \$638,000. The Borough's Attorneys at balance sheet date and the date of this report have not provided a description and an evaluation of any litigation, impending litigation, claims, contingent liabilities, unasserted claims or assessments (Statement of Financial Accounting Standards No.5) or statutory violations, which involve the Borough, and which might materially affect the December 31, 2018 financial position or results of operations or subsequent events. The Borough has indicated in the management representation letter, that there are no such matters that might materially affect the December 31, 2018 financial position or results of operations.

Pending Tax Appeals:

Various tax appeal cases were pending in the tax court at December 31, 2018 and 2017. As reported by the tax appeal attorney, the assessed value of the largest commercial property currently under appeal is between \$100,981,500 to \$119,981,500, with a potential exposure of \$2,000,000. Other remaining state tax court appeals deal with matters which resolution would individually be less than \$6,000 per appeal. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the DLGS, the Borough does not recognize a liability, if any, until these cases have been adjudicated and may be material. Funding of any ultimate liability would be provided for in succeeding years' budget, fund balance or property tax refunding bond ordinances.

Federal and State Awards

The Municipality 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, 2018 and 2017, 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 any of the individual governmental funds or the overall financial position of the Borough.

NOTE 17. EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP)

On December 6, 2001, the Division of Local Government Services approved the Borough's LOSAP plan, provided by the Variable Annuity Life Insurance Company (VALIC). The purpose of this plan is to enhance the Borough's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

VALIC will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plan shall provide for an annual contribution of \$1,150 to all eligible members, subject to periodic increases as permitted by N.J.A.C. 5:30-14.9. The Borough's contribution shall be included in the current year's budget. All amounts awarded under a length of service award plan shall remain the asset of the sponsoring agency; the obligation of the sponsoring agency to participating volunteers shall be contractual only; and no preferred or special interest in the awards made shall accrue to such participants. Such money shall be subject to the claims of the sponsoring agency's general creditors until distributed to any or all participants.

We have reviewed the plan for the year ended December 31, 2018 in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Review Services.

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

NOTE 18. RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Borough is a member of the South Bergen County Municipal Joint Insurance Fund (the "JIF"). The JIF is a self-administered group of municipalities established for the purpose of providing its members the following low cost coverage:

General liability	Law enforcement professional liability
Automobile liability	Employee benefits liability

Members are insured up to \$250,000. The Borough pays actuarial assessments annually. If these assessments prove deficient, additional assessments may be levied. The JIF can declare and return excess surplus to members upon approval of the State of New Jersey Department of Insurance. These distributions would be divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions may be used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The Borough is also a member of the Municipal Excess Liability Joint Insurance Fund (the "MEL"). The MEL provides insurance coverage for claims in excess of \$250,000 for general liability, automobiles and workers' compensation/employer's liability. The MEL provides the following coverage:

Public officials' liability/employment practices liability
Crime coverage
Statutory and excess public official bond
Workers compensation
Environmental liability

In addition, the MEL also provides for a Faithful Performance and Employee Dishonesty Blanket Bond with a \$1,000,000 limit.

The Borough continues to carry commercial insurance coverage for all these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Financial statements for the funds are available at the office of the funds executive director, Public Entity Risk Management Administrators, Inc.

Health Insurance Waiver: The Borough offers health insurance waivers in an amount of the lesser of \$5,000 or 25% of the actual net insurance cost to employees that can show that coverage is provided by a spouse or other means. In 2018 the Borough paid no employees which received this benefit.

NOTE 19. MUNICIPAL COURT

The Municipal Court Report is issued separately.

NOTE 20. FEDERAL ARBITRAGE REGULATIONS

Municipalities are subject to Section 148 of the IRC as it pertains to the "arbitrage rebate" on all tax-exempt obligations. Under 1986 TRA, the 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. Excess earnings may be required to be rebated to the IRS. Bond Counsel should be engaged to calculate the estimated arbitrage earnings due to the IRS, if any.

NOTE 21. SUBSEQUENT EVENTS

The Borough has evaluated subsequent events through May 28, 2019, the date which the financial statements were available to be issued. The Borough had not adopted their 2019 Municipal Budget as of May 28, 2019.

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

SUPPLEMENTARY DATA

Comparative Schedule of Tax Rate Information:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax Rate	<u>\$1.043</u>	<u>\$0.998</u>	<u>\$0.979</u>	<u>\$0.930</u>

Apportionment of Tax Rate

Municipal	0.401	0.373	0.368	0.370
County	0.251	0.232	0.235	0.227
Local School	0.391	0.393	0.376	0.333

***Revaluation**

Net Valuation Taxable as listed in the Bergen County Board of Taxation Levy Duplicate

2018	<u>\$ 3,400,524,332</u>
2017	<u>\$ 3,365,947,662</u>
2016	<u>\$3,371,532,490</u>
2015	<u>\$3,367,987,844</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 Collection</u>	<u>Percentage of Collection</u>
2018	\$ 35,613,789.60	\$ 34,816,744.26	97.76%
2017	33,732,609.06	33,133,787.01	98.22%
2016	33,118,008.47	32,426,433.68	97.91%
2015	31,486,803.00	31,049,883.00	98.61%

See independent auditor's report.

**BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

SUPPLEMENTARY DATA

Delinquent Taxes and Tax Title Liens

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

<u>December Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total</u>	<u>Percentage of Tax Levy</u>
2018	\$ 168.30	\$ 340,808.87	\$ 340,977.17	0.96%
2017		352,052.00	352,052.00	1.04%
2016		331,040.20	331,040.20	1.00%
2015		274,751.00	274,751.00	0.87%

Property Acquired by Tax Title Lien Liquidation

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

<u>Year</u>	<u>Amount</u>
2018	\$ 39,528.00
2017	39,528.00
2016	39,528.00
2015	39,528.00

Comparative Schedule of Fund Balances

<u>Year</u>	<u>Balance December 31</u>	<u>of Succeeding Year</u>
2018	\$ 1,387,950.00	Not Adopted
2017	2,050,953.00	1,545,000.00
2016	2,214,027.00	1,300,000.00
2015	1,011,144.00	910,000.00

See independent auditor's report.

BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE OF CASH - TREASURER

A-4

	<u>Reference</u>		
Balance December 31, 2017	A		\$ 7,420,472.31
Increased by Cash Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	\$ 82,702.55	
Budget Contras/ Refunds	A-3	608,131.05	
Petty Cash	A-5	300.00	
Grants Receivable	A-7,21	41,187.16	
Due from State of New Jersey for			
Senior Citizens' and Veterans' Deductions	A-8	26,000.00	
Taxes Receivable	A-9	31,004,914.24	
Revenue Accounts Receivable	A-12	2,523,510.49	
Unappropriated Grants Reserves	A-16,21	12,925.36	
Prepaid Taxes	A-17	470,454.46	
Miscellaneous Reserves and Payables	A-23	138,158.25	
Interfunds Receivable	A-21	5,391.64	
Payroll Interfund Received		28,370.17	
Emergency Note Payable	A-24	<u>140,280.00</u>	
			<u>35,082,325.37</u>
			42,502,797.68
Decreased by Cash Disbursements			
2018 Budget Appropriations	A-3	15,950,000.32	
2017 Appropriation Reserves	A-13	375,696.82	
Petty Cash	A-5	300.00	
Prior Year Grant Expenditures	A-15	33,926.76	
Bank Service Charges	A-1	0.12	
Tax Overpayments Refunded	A-18	46,215.49	
Local County Taxes	A-19	8,521,862.86	
Local School Taxes	A-20	13,263,666.00	
Interfunds Disbursed	A-21	514,698.10	
Miscellaneous Reserves & Payables	A-23	131,497.04	
Special Emergency Note Payment	A-24	<u>233,520.00</u>	
			<u>39,071,383.51</u>
Balance, December 31, 2018	A		<u>\$ 3,431,414.17</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE OF CHANGE FUNDS

	<u>Reference</u>		A-5
Balance December 31, 2017	A	\$	200.00
Balance December 31, 2018	A	\$	<u>200.00</u>

SCHEDULE OF PETTY CASH

	<u>Reference</u>		A-6
Balance, December 31, 2017	A	\$	700.00
Increased by:			
Petty Cash Returned	A-4		<u>300.00</u>
			1,000.00
Decreased by:			
Petty Cash Disbursed	A-4		<u>300.00</u>
Balance, December 31, 2018	A	\$	<u>700.00</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
 FEDERAL AND STATE GRANT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

A-7

SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

	Balance December 31, 2017	Realized As Revenues 2018 Budget	Cash Received In Current Fund	Balance December 31, 2018
Municipal Alliance on Alcoholism and Drug Abuse	\$ 17,513.57		\$ 2,312.16	\$ 15,201.41
Bullet Proof Vest Fund	7,986.36			7,986.36
NJ Department of Transportation Grant	38,875.00		38,875.00	-
Community Development Block Grant	9,709.65			9,709.65
	<u>\$ 74,084.58</u>	<u>\$ -</u>	<u>\$ 41,187.16</u>	<u>\$ 32,897.42</u>
	A	A-2, 15	A-4, 7	A

Ref

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

**SCHEDULE OF DUE FROM STATE OF NEW JERSEY FOR
SENIOR CITIZENS AND VETERANS DEDUCTIONS (CHAPTER. 20, P.L. 1971)**

A-8

	<u>Reference</u>		
Balance December 31, 2017	A		\$ 1,528.04
Increased by:			
Tax Billings:			
Senior Citizen's Deductions	Below	\$ 2,750.00	
Veteran's Deductions	Below	23,500.00	
Allowed by Tax Collector:			
2018 Senior Citizen Deductions	Below		26,250.00
			27,778.04
Decreased by:			
Disallowed by Tax Collector:			
Cash Receipts	A-4	500.00	
		26,000.00	26,500.00
Balance December 31, 2018	A		\$ 1,278.04

Analysis of State's Share of Senior Citizen's and Veteran's Deductions

	<u>Ref.</u>		
Senior Citizen's & Veteran's Deductions (Net):			
Tax Billings:			
Senior Citizen's Deductions	Above	\$ 2,750.00	
Veteran's Deductions	Above	23,500.00	
Allowed by Tax Collector:			
2018 Senior Citizen Deductions	Above		
Disallowed by Tax Collector:			
2018 Senior Citizen Deductions		(500.00)	
	A-9		\$ 25,750.00

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

A-9

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance 12/31/17	Added Taxes	2018 Tax Levy	2017	2018	Senior Citizens and Veterans Deductions	Cancellations	Transfer To Tax Title Liens	Balance 12/31/18
2017	\$ 352,052.00	-	-	-	349,651.19	-	2,400.81	-	\$ (0.00)
2018	-	146,319.66	35,467,469.94	4,203,409.35	30,587,584.91	25,750.00	456,088.36	148.11	340,808.87
Reference	A	Below	Below	A-17	Below	A-8	A-11	A-11	A
	\$ 352,052.00	\$ 146,319.66	\$ 35,467,469.94	\$ 4,203,409.35	\$ 30,937,236.10	\$ 25,750.00	\$ 458,489.17	\$ 148.11	\$ 340,808.87

ANALYSIS OF 2018 PROPERTY TAX LEVY
TAX YIELD

General Property Tax	Reference	\$ 35,441,219.94
Senior Citizen and Veterans Deductions	Above	26,250.00
		<u>35,467,469.94</u>
Added Taxes (54:4-63 1 et. seq.)	Above	146,319.66
	Below	<u>\$ 35,613,789.60</u>

ANALYSIS OF CASH COLLECTIONS - NET OF REFUNDS

	Collections	Delinquent	Current	Total
2017 Taxes	2017 Taxes	\$ 349,651.19	34,816,744.26	\$ 349,651.19
2018 Taxes	2018 Taxes	<u>349,651.19</u>	<u>34,816,744.26</u>	<u>34,816,744.26</u>
Senior & Veterans Deductions	Senior & Veterans Deductions	-	25,750.00	25,750.00
Prepaid Taxes Applied to 2018	Prepaid Taxes Applied to 2018	-	4,203,409.35	4,203,409.35
Cash Receipts Taxes	Cash Receipts Taxes	350,809.87	30,654,104.37	31,004,914.24
Taxes Applied Overpayments	Taxes Applied Overpayments	(1,158.68)	(66,519.46)	(67,678.14)
		<u>\$ 349,651.19</u>	<u>\$ 34,816,744.26</u>	<u>\$ 35,166,395.45</u>

TAX LEVY

County Taxes	A-19	\$ 8,136,821.88
County Open Space Tax	A-19	352,322.33
Due County for Added Taxes	A-19	35,154.62
Local District School Tax	A-20	13,295,868.00
	A-2	<u>\$ 21,820,166.83</u>
Amount to be Raised by Taxes	A-2	13,649,878.81
Local Tax for Municipal Purpose Levied	Above	143,743.96
		<u>\$ 13,793,622.77</u>
		<u>\$ 35,613,789.60</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
AT ASSESSED VALUATIONS

A-10

	<u>Reference</u>	
Balance December 31, 2017	A	\$ 39,528.00
Balance December 31, 2018	A	<u>\$ 39,528.00</u>

SCHEDULE OF TAX TITLE LIENS RECEIVABLE

A-11

	<u>Reference</u>	
Balance December 31, 2017	A	\$ -
Increased by:		
Transferred from Taxes Receivable	A-9	\$ 148.11
Interest & Costs		<u>20.19</u>
		<u>168.30</u>
Balance December 31, 2018	A	<u>\$ 168.30</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE OF 2017 APPROPRIATION RESERVES

A-13

<u>Appropriations</u>	<u>Balance Dec. 31, 2017</u>	<u>2017 Encumbrances</u>	<u>Balance after Transfers and Encumbrances</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
<u>GENERAL GOVERNMENT FUNCTIONS (within "CAPS")</u>					
Administrative and Executive					
Salaries and Wages	\$ 39.38		39.38		39.38
Other Expenses	617.09	9,083.42	9,700.51	497.94	9,202.57
Financial Administration					
Salaries and Wages	15.07		15.07		15.07
Other Expenses	220.86	34,125.00	34,345.86	16,375.00	17,970.86
Collection of Taxes					
Salaries and Wages	545.54		1,545.54	1,247.09	298.45
Other Expenses	4,396.00	2,583.37	6,979.37	2,583.37	4,396.00
Assessment of Taxes					
Salaries and Wages	8.22		8.22		8.22
Other Expenses	1,813.78	238.45	2,052.23		2,052.23
Legal Services and Costs					
Other Expenses	34,669.98	32,383.70	167,053.68	60,801.70	106,251.98
Appraisal Fees	2,587.43	20,000.00	22,587.43		22,587.43
Engineering Services and Costs					
Other Expenses	8,299.29	27,461.25	35,760.54	23,889.50	11,871.04
Insurance					
Other Insurance Premiums	816.04	3,220.30	104,036.34	12,145.31	91,891.03
Group Insurance Plan for Employees	29,015.48	2,895.60	7,911.08	7,050.96	860.12
<u>MUNICIPAL LAND USE LAW (NJSA 40:55D-1)</u>					
Planning Board					
Other Expenses	1,721.70	3,682.32	5,404.02	579.46	4,824.56
<u>PUBLIC SAFETY:</u>					
Police					
Salaries and Wages	91,764.25		91,764.25	75,973.95	15,790.30
Other Expenses	20,481.32	32,767.32	53,248.64	19,949.80	33,298.84
Fire Official					
Salaries and Wages	7,530.00		7,530.00		7,530.00
Fire Hydrant Services	500.00	711.84	1,211.84		1,211.84
Other Expenses	2,307.85	21,558.75	23,866.60	16,505.90	7,360.70
Clothing Expenses	4,900.00		4,900.00		4,900.00

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

A-13

SCHEDULE OF 2017 APPROPRIATION RESERVES

	Balance <u>Dec. 31, 2017</u>	2017 <u>Encumbrances</u>	Balance after Transfers and <u>Encumbrances</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
<u>PUBLIC WORKS FUNCTIONS</u>					
Road Repairs and Maintenance					
Salaries and Wages	\$ 58,828.81		\$ 1,828.81	\$ 1,645.30	\$ 183.51
Other Expenses	2,404.50	30,248.80	17,653.30	12,799.65	4,853.65
Gasoline	12,554.62	4,440.81	1,995.43	1,792.22	203.21
Garbage and Trash Removal					
Other Expenses	30.00	83,787.66	83,817.66	74,031.20	9,786.46
Recycling					
Other Expenses	1,155.00		1,155.00		1,155.00
Public Building and Grounds					
Other Expenses	7,802.70	5,801.93	13,604.63	1,370.39	12,234.24
Sewer System					
Other Expenses	5,567.56	1,315.00	6,882.56		0.00
Shade Tree					
Salaries and Wages	1.00		1.00		1.00
Other Expenses	19,136.50	22,412.50	22,549.00	9,605.00	12,944.00
<u>HEALTH AND WELFARE</u>					
Board of Health					
Other Expenses	1,787.00	286.30	2,073.30		2,073.30
Environmental Commission					
Other Expenses	781.86	201.79	983.65	198.84	784.81
Senior Citizens Committee					
Other Expenses	3,700.00	118.22	3,818.22	74.10	3,744.12
Parks and Playgrounds					
Salaries and Wages	17,540.74		540.74		540.74
Other Expenses	346.74	17,281.30	17,628.04	5,400.90	12,227.14
Celebration of Public Event, Anniversary or Holiday	176.72	1,844.26	2,020.98	581.29	1,439.69
<u>UNIFORM CONSTRUCTION CODE (within "CAPS")</u>					
Construction Code Officials					
Salaries and Wages	2,502.67		2,502.67		2,502.67
Other Expenses	3,913.21		4,913.21	4,727.00	186.21
Plumbing Inspector					
Salaries and Wages	6,138.00		6,138.00		6,138.00
Fire Prevention					
Other Expenses	1,855.51	56.75	1,912.26	56.75	1,855.51
Electrical Inspections					
Salaries and Wages	972.98		972.98		972.98

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

A-13

SCHEDULE OF 2017 APPROPRIATION RESERVES

<u>Appropriations</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>2017</u> <u>Encumbrances</u>	<u>Balance after</u> <u>Transfers and</u> <u>Encumbrances</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Municipal Court					
Salaries and Wages	\$ 1,792.96		\$ 1,792.96		\$ 1,792.96
Other Expenses	7,336.91	575.49	7,912.40	210.01	7,702.39
<u>Unclassified</u>					
Utilities					
Electricity and Heating Oil	6,434.23	19,715.58	26,149.81	11,144.07	15,005.74
Telephone and Fax	10,501.74	3,590.55	2,092.29	1,180.82	911.47
Street Lighting	10,548.84	16,221.02	12,769.86	12,676.88	92.98
Water	7,500.00	93.43	2,593.43	602.42	1,991.01
STATUTORY EXPENDITURES (within "CAPS")					
Contribution to:					
Social Security System (O.A.S.I.)	24,789.08		789.08		789.08
Public Employees' Retirement Fund	3.81		3.81		3.81
DCRP	2,351.49		2,351.49		2,351.49
OPERATIONS (excluded from "CAPS")					
Sewer Contractual- BCUA Service Charges	15,926.22		15,926.22		15,926.22
Sewer Charges Borough of Tenafly	7.52		7.52		7.52
Sewer Charges - City of Englewood	32,907.00		32,907.00		32,907.00
LOSAP	5,380.00		5,380.00		5,380.00
TOTAL GENERAL APPROPRIATIONS	<u>\$ 484,925.20</u>	<u>\$ 398,702.71</u>	<u>\$ 883,627.91</u>	<u>\$ 375,696.82</u>	<u>\$ 507,931.09</u>
<u>Reference</u>	A	A-14	A-4	A-1	

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
 CURRENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE OF ENCUMBRANCES PAYABLE

A-14

	<u>Reference</u>	
Balance December 31, 2017	A	\$ 398,702.71
Increased by:		
Charges to 2018 Budget Appropriations	A-3	470,603.57
		869,306.28
Decreased by:		
Transferred to 2017 Appropriation Reserves	A-13	398,702.71
		398,702.71
Balance December 31, 2018	A	\$ 470,603.57

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
 FEDERAL AND STATE GRANT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

A-15

SCHEDULE OF FEDERAL AND STATE GRANTS APPROPRIATED

	Balance December 31, 2017	Transfer From 2018 Budget	Decreased by	Balance December 31, 2018
Community Development Block Grant	\$ 4,210.72		1,880.00	\$ 2,330.72
BCUA Recycling Grant	11,163.00			11,163.00
BCUA Recycling Grant	10,211.00			10,211.00
BCUA Recycling Grant	3,508.00			3,508.00
BCUA Recycling Grant	2,549.42			2,549.42
Clean Communities - 2011	5,574.62		2,270.62	3,304.00
Clean Communities - 2012	9,688.00			9,688.00
Clean Communities - 2013	11,376.42			11,376.42
Clean Communities - 2014	10,668.64			10,668.64
Clean Communities - 2015	12,963.25			12,963.25
Clean Communities - 2016	14,251.17			14,251.17
Clean Communities - 2017	12,593.99			12,593.99
Recycling Tonnage Grant - 2004	1,785.00			1,785.00
Recycling Tonnage Grant - 2005	5,160.00			5,160.00
Recycling Tonnage Grant-2006	4,179.00			4,179.00
Recycling Tonnage Grant-2007	3,078.01			3,078.01
Recycling Tonnage Grant-2008	1,776.00			1,776.00
Recycling Tonnage Grant - 2009	13,777.00			13,777.00
Recycling Tonnage Grant - 2010	20,865.00			20,865.00
Recycling Tonnage Grant - 2011	7,326.00			7,326.00
Recycling Tonnage Grant - 2013	6,920.64			6,920.64
Recycling Tonnage Grant - 2014	9,674.93			9,674.93
Recycling Tonnage Grant - 2015	6,792.82			6,792.82
Recycling Tonnage Grant - 2016	10,012.13			10,012.13
Recycling Tonnage Grant - 2017		9,982.45	773.00	9,982.45
Alcohol Education Rehabilitation-2012	773.00			773.00
Alcohol Education Rehabilitation-2013	580.42		580.42	
Alcohol Education Rehabilitation-2014	1,403.45		460.27	943.18
Alcohol Education Rehabilitation - 2015	1,178.66			1,178.66
Alcohol Education Rehabilitation - 2016	664.75			664.75
Alcohol Education Rehabilitation - 2017	193.02			193.02
Municipal Alliance	6,536.73		6,380.73	156.00
Drunk Driving Enforcement Fund-2003	162.57			162.57
Drunk Driving Enforcement Fund-2004	1,141.50			1,141.50
Drunk Driving Enforcement Fund-2005	278.80			278.80
Drunk Driving Enforcement Fund-2009	377.54			377.54
Drunk Driving Enforcement Fund-2014	3,400.00			3,400.00
Drunk Driving Enforcement Fund-2015	1,989.00			1,989.00
Hepatitis B	734.60			734.60
State Police	5,000.00			5,000.00
Domestic Violence	1,000.00			1,000.00
Fireman's Fund Grant	1,567.04			1,567.04
Suez Road Improvements	21,581.72		21,581.72	
Matching Grant	1,716.00			1,716.00
Ref.	\$ 260,383.56	\$ 9,982.45	\$ 33,926.76	\$ 236,439.25
	A	Below, A-21	Below, A-21	A
Grant Disbursements			33,926.76	
Misc. Revenue Unanticipated		9,982.45		
2017 Revenue Anticipated				
		\$ 9,982.45	\$ 33,926.76	
		Above	Above	

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
 FEDERAL AND STATE GRANT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

A-16

SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - UNAPPROPRIATED

	Balance December 31, 2017	Transferred To 2018 Budget	Received	Balance December 31, 2018
Clean Communities			\$ 12,046.57	\$ 12,046.57
Alcohol Education & Rehabilitation Grant	9,982.45	9,982.45	878.79	878.79
Recycling Tonnage Grant			-	-
	\$ 9,982.45	\$ 9,982.45	\$ 12,925.36	\$ 12,925.36
<u>Ref.</u>	A	A-15	A-4	A

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE OF PREPAID TAXES

A-17

	<u>Reference</u>	
Balance December 31, 2017	A	\$ 4,203,409.35
Increased by:		
Applied from Overpayments	A-18	20,303.97
Cash Receipts	A-4	470,454.46
		490,758.43
		4,694,167.78
Decreased by:		
Applied to 2018 Taxes	A-9	4,203,409.35
Balance December 31, 2018	A	490,758.43

SCHEDULE OF TAX OVERPAYMENTS

A-18

	<u>Reference</u>	
Balance December 31, 2017	A	\$ -
Increased by:		
2017 Tax Overpayments	A-9	1,158.68
2018 Tax Overpayments	A-9	66,519.46
		67,678.14
		67,678.14
Decreased by:		
Applied to Prepaid	A-17	20,303.97
Disbursed	A-4	46,215.49
		66,519.46
Balance December 31, 2018	A	\$ 1,158.68

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE OF COUNTY TAXES PAYABLE

A-19

	<u>Reference</u>		
Balance December 31, 2017	A	\$	32,718.65
Increased by:			
County Tax Levy	A-1, A-9	8,136,821.88	
County Open Space Tax Levy	A-1, A-9	352,322.33	
Due to County for:			
Added/Omitted Taxes	A-1, A-9	35,154.62	
			8,524,298.83
			8,557,017.48
Decreased by:			
Cash Disbursements	A-4		8,521,862.86
Balance, December 31, 2018	A	\$	35,154.62

SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES DEFERRED/ PAYABLE

A-20

	<u>Reference</u>		
Balance December 31, 2017			
School Taxes Payable			
School Taxes Deferred		\$ 6,615,732.00	\$ 6,615,732.00
Increased by:			
Levy School Year	A-9		13,295,868.00
			19,911,600.00
Decreased by:			
Cash Disbursements	A-4		13,263,666.00
Balance December 31, 2018			\$ 6,647,934.00
School Taxes Payable			
School Taxes Deferred		\$ 6,647,934.00	\$ 6,647,934.00
<u>2018 Liability for Local School District Taxes:</u>			
Tax Paid			\$ 13,263,666.00
Tax Payable			13,263,666.00
Less: Taxes Payable at 2018			-
Amount Charged to 2018 Operations	A-1		\$ 13,263,666.00

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

A-21

SCHEDULE OF INTERFUNDS RECEIVABLE/(PAYABLE)

Ref.	Total	Federal and State Grant Fund	Dog License Trust Trust Fund	Assesment/ Other Trust/ Escrow Fund	General Capital Fund
Balance, December 31, 2017					
A	\$ 198.01	\$ -	-	\$ -	198.01
A	(223,071.54)	(196,281.43)	-	(26,790.11)	-
	<u>(222,873.53)</u>	<u>(196,281.43)</u>	<u>-</u>	<u>(26,790.11)</u>	<u>198.01</u>
Increased by:					
A-24	-	-	-	-	-
A-12	938.29	-	-	862.00	76.29
A-1	1,550.86	-	1,550.86	-	-
A-4	514,698.10	-	-	75,783.87	438,914.23
A-1	-	-	-	-	-
A-2	-	-	-	-	-
A-2,12	209,982.45	9,982.45	-	-	200,000.00
A-15	33,926.76	33,926.76	-	-	-
	<u>761,096.46</u>	<u>43,909.21</u>	<u>1,550.86</u>	<u>76,645.87</u>	<u>638,990.52</u>
Decreased by:					
A-3,15	645,253.91	9,982.45	-	-	635,271.46
	6.00	-	-	6.00	-
A-13	50,000.00	-	-	50,000.00	-
A-1	-	-	-	-	-
A-4,7	41,187.16	41,187.16	-	-	-
A-4	5,391.64	-	1,550.86	-	3,840.78
A-4	12,925.36	12,925.36	-	-	-
	<u>754,764.07</u>	<u>64,094.97</u>	<u>1,550.86</u>	<u>50,006.00</u>	<u>639,112.24</u>
Balance, December 31, 2018					
A	\$ 111.99	\$ -	\$ -	\$ 35.70	\$ 76.29
A	(216,653.13)	(216,467.19)	-	(185.94)	-
	<u>(104,641.14)</u>	<u>(216,467.19)</u>	<u>-</u>	<u>(150.24)</u>	<u>76.29</u>

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE OF DEFERRED CHARGES - N.J.S.A. 40A:4-53

A-22

<u>Date Authorized</u>	<u>Purpose</u>	<u>Net Amount Authorized</u>	<u>1/5 of Net Amount Authorized</u>	<u>Balance December 31, 2017</u>	<u>Increased in 2018</u>	<u>Reduced in 2018</u>	<u>Balance December 31, 2018</u>
12/16/2015	Special Emergency- Terminal Leave	235,200.00	47,040.00	141,120.00		\$ 47,040.00	94,080.00
12/14/2014	Special Emergency- Terminal Leave	231,000.00	46,200.00	92,400.00		46,200.00	46,200.00
				<u>\$ 233,520.00</u>	<u>\$ -</u>	<u>\$ 93,240.00</u>	<u>\$ 140,280.00</u>
				A	A-1,3	A-3	A

Ref.

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

A-23

SCHEDULE OF MISCELLANEOUS RESERVES & PAYABLES

	Balance December 31, 2017	Increased by	Decreased by	Balance December 31, 2018
State Library Aid	\$ 5,518.00			\$ 5,518.00
Tax Appeal Reserve		250,000.00	590.31	249,409.69
Master Plan	1,675.00			1,675.00
Recreation Community Pass Reserve	249.08		249.08	-
BCUA Recycling Grant	11,445.00			11,445.00
Outside Tax Title Lien Redemption	10,233.00	130,657.65	130,657.65	10,233.00
Police Outside Duty- Due to Officers	7,500.60	7,500.60		7,500.60
	<u>\$ 29,120.08</u>	<u>\$ 388,158.25</u>	<u>\$ 131,497.04</u>	<u>\$ 285,781.29</u>
<u>Ref.</u>	A	Below	Below	A
Appropriation Reserves				
Applied to Tax Overpay.				
Cash Rec/Disb.		138,158.25	131,497.04	
Budget Appropriation		250,000.00		
		<u>\$ 388,158.25</u>	<u>\$ 131,497.04</u>	
		Above	Above	

A-24

SCHEDULE OF SPECIAL EMERGENCY & EMERGENCY NOTES PAYABLE

Description	Date of Issuance of Original Note	Date of Maturity	Interest Rate	Balance Dec. 31, 2017	Increased Note Receipt	Decreased Note Paid	Balance Dec. 31, 2018
Special Emergency Note-Terminal Leave 2014	12/23/14	02/22/19	2.50%	92,400.00	46,200.00	92,400.00	46,200.00
Special Emergency Note-Terminal Leave 2015	12/30/15	02/22/19	2.50%	141,120.00	94,080.00	141,120.00	94,080.00
				<u>\$ 233,520.00</u>	<u>\$ 140,280.00</u>	<u>\$ 233,520.00</u>	<u>\$ 140,280.00</u>
				A	A-4	A-4	A

See independent auditor's report and the notes to the financial statements.

**BOROUGH OF ENGLEWOOD CLIFFS
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

SCHEDULE OF CASH AND CASH EQUIVALENTS

B-1

Reference	Assessment/ Other	Dog License	Recycling	Shade Tree	COAH Development	DEA Forfeiture	Emergency Services	
							Trust LOSAP	LOSAP
Balance - December 31, 2017	\$ 2,089,649.53	\$ 2,815.00	\$ 27,251.67	\$ 16,130.43	\$ 2,757,022.69	\$ 645.61	\$	\$ 951,750.98
Increased by:								
B-9 Escrow/Other Trust deposits	545,498.97							
B-10 Dog license fees		2,136.00						
B-5 Dog license state fees		339.00						
B-12 Shade Tree fees/donations					326,228.35			
B-13 COAH development fees						70,727.63		
Contra Due from Recycling Trust	76,645.87							
B-6 Due to Current Fund	53,481.00							
B-7 State fees			7,389.74					
B-11 Recycling Receipts			53.14	32.09				2,095.18
B-6,11,12,13,14,15 Investment earnings/interest	185.40	10.86						
B-4 Due from Recycling Trust								
Borough contributions	675,811.24	2,485.86	7,442.88	32.09	344,487.90	70,805.50		17,985.00
	2,765,460.77	5,300.86	34,694.55	16,162.52	3,101,510.59	71,451.11		20,080.18
Decreased by:								
B-9 Escrow/ Other Trust disbursements	807,894.51							
B-7 State fees	67,723.00							
Contra Due to Trust Fund			20,661.05					
B-11 Recycling expenditures				4,675.00				
B-12 Shade Tree expenditures								
B-13 COAH development expenditures					2,175,814.81			
B-15 DEA forfeiture expenditures						750.00		
B-6 Due to Current Fund		1,550.86						
B-10 Dog License Fund expenditures		246.00						
B-5 Dog License State fees		325.20						
B-14 Distributions/Losses	875,617.51	2,122.06	20,661.05	4,675.00	2,175,814.81	750.00		77,829.86
	\$ 1,889,843.26	\$ 3,178.80	\$ 14,033.50	\$ 11,487.52	\$ 925,695.78	\$ 70,701.11	\$	\$ 894,001.30

See independent auditor's report and the notes to the financial statements.

**BOROUGH OF ENGLEWOOD CLIFFS
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

SCHEDULE OF ASSESSMENT LIENS

B-2

Balance - December 31, 2017	B	
Cancelled	B-8	<u> </u>
Balance - December 31, 2018		<u><u>\$ -</u></u>

SCHEDULE OF TAX SALE RECEIVABLE

B-3

Balance - December 31, 2017	B	<u>\$ 50.00</u>
Balance - December 31, 2018	B	<u><u>\$ 50.00</u></u>

**SCHEDULE OF SERVICES AWARD CONTRIBUTIONS RECEIVABLE
EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PROGRAM**

B-4

Balance - December 31, 2017	B	<u>\$ 17,985.00</u>
Increased by:		
2018 Service Award Contribution	B-14	<u>16,740.00</u>
		34,725.00
Decreased by:		
Contributions Paid	B-1	<u>17,985.00</u>
Balance - December 31, 2018	B	<u><u>\$ 16,740.00</u></u>

See independent auditor's report and the notes to the financial statements.

**BOROUGH OF ENGLEWOOD CLIFFS
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

**SCHEDULE OF DUE TO/(FROM) THE STATE OF NEW JERSEY
DOG LICENSE TRUST FUND**

B-5

	Reference		
Balance December 31, 2017	B	\$	-
Increased by:			
State Fees collected	B-1		339.00
			<u>339.00</u>
Decreased by:			
Cancelled	B-10		
Paid to State of New Jersey	B-1	<u>325.20</u>	
			<u>325.20</u>
Balance December 31, 2018	B	<u>\$</u>	<u>13.80</u>

See independent auditor's report and the notes to the financial statements.

**BOROUGH OF ENGLEWOOD CLIFFS
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

SCHEDULE OF DUE TO/(FROM) CURRENT FUND

	Reference	<u>Total</u>	<u>Dog License Trust</u>	<u>Assessment/Other Trust Fund Other Trust</u>	<u>B-6 Escrow Trust</u>
Balance - December 31, 2017	B	\$ (26,790.11)	\$ -	\$ (26,604.17)	\$ (185.94)
Increased by:					
Interest on investments	B-1	872.86	10.86	862.00	
Cancelled Adjust Reserves	B-9	-			
Cash Receipts	B-1	75,783.87		75,783.87	
Statutory excess due to Current Fund	B-10	1,540.00	1,540.00		
		<u>78,196.73</u>	<u>1,550.86</u>	<u>76,645.87</u>	<u>-</u>
Decreased by:					
Due from Current- Reserves	B-9	50,006.00		50,006.00	
Cash disbursements	B-1	1,550.86	1,550.86		
		<u>51,556.86</u>	<u>1,550.86</u>	<u>50,006.00</u>	<u>-</u>
Balance - December 31, 2018	B	<u>\$ (150.24)</u>	<u>\$ -</u>	<u>\$ 35.70</u>	<u>\$ (185.94)</u>

See independent auditor's report and the notes to the financial statements.

**BOROUGH OF ENGLEWOOD CLIFFS
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

SCHEDULE OF DUE TO STATE OF NEW JERSEY

	Reference	B-7
Balance December 31, 2017	B	\$ 22,510.00
Increased by:		
Marriage license fees		225.00
DCA fees		53,256.00
	B-1	53,481.00
		75,991.00
Decreased by:		
Cancelled	B-6	
Cash disbursements	B-1	67,723.00
		67,723.00
Balance December 31, 2018	B, Below	\$ 8,268.00

Analysis of Balance

Due to State of New Jersey:		
Marriage license fees		\$ 50.00
DCA fees		8,218.00
		8,268.00
	Above	\$ 8,268.00

See independent auditor's report and the notes to the financial statements.

**BOROUGH OF ENGLEWOOD CLIFFS
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

SCHEDULE OF RESERVE FOR ASSESSMENT LIENS

	Reference	
		B-8
Balance December 31, 2017	B	\$ -
Decreased by:		
Cancelled	B-2	_____
Balance December 31, 2018	B, Below	\$ <u> -</u>

See independent auditor's report and the notes to the financial statements.

**BOROUGH OF ENGLEWOOD CLIFFS
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

SCHEDULE OF RESERVE - OTHER TRUST FUNDS

	Balance December 31, 2017	Cash Receipts	Cash Disbursements	Adjustment Due from Curent	Balance December 31, 2018
Reserve for:					
Escrow deposits	\$ 1,807,368.58	514,118.19	743,551.29		\$ 1,577,935.48
Tax title liens and premiums	51,642.09		50,000.00		1,642.09
Reserve for Accumulated Absences	81,000.00			50,000.00	131,000.00
Other Trust deposits:	-				-
Street opening fees	-				-
P.O.A.A.	409.00	54.00		6.00	469.00
Law Enforcement Trust	1,171.08				1,171.08
Public Defender Trust	300.00				300.00
Reserve for 5K Run	17,818.71	21,484.32	5,143.29		34,159.74
Donations:					
Police	14,334.57	2,150.00	2,636.98		13,847.59
Police in Car/Body Camera	25.00				25.00
Community Night	5,836.22	5,427.00	6,562.95		4,700.27
Recreation	5,329.07				5,329.07
Fire Department	100.00				100.00
General Donations	3,350.00	1,000.00			4,350.00
Benches	1,409.88				1,409.88
Sign Donation	1,085.00				1,085.00
Down Stream Improvement Reserve	79,123.00				79,123.00
SLA HEOP grant	-				-
Cell tower relocation	-				-
Shade Tree fees	1,140.00				1,140.00
Sewer maintenance	7,100.00				7,100.00
Sale of Borough property	-				-
Reserve for Recreation- Summer Camp	9,272.75				9,272.75
Recreation Fee Based Programs		1,250.01			1,250.01
Parks and Recreations Trust Fund	5,618.07	14.07			5,632.14
Snow Removal Trust	546.62	1.38			548.00
Miscellaneous	-				-
	<u>\$ 2,093,979.64</u>	<u>\$ 545,498.97</u>	<u>\$ 807,894.51</u>	<u>\$ 50,006.00</u>	<u>\$ 1,881,590.10</u>
Reference	B	B-1	B-1	B-6	B

See independent auditor's report and the notes to the financial statements.

**BOROUGH OF ENGLEWOOD CLIFFS
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

**SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES
DOG LICENSE TRUST FUND**

	Reference		B-10
Balance - December 31, 2017	B		\$ 2,815.00
Increased by:			
Animal License Fees		1,861.00	
Late fees & Replacement Fees		275.00	
	B-1	_____	2,136.00
			4,951.00
Decreased by:			
Statutory Excess due Current Fund	B-6	1,540.00	
Expenditures under R.S. 4:19-15:11	B-1	246.00	
		_____	1,786.00
Balance - December 31, 2018	B		\$ 3,165.00

<u>License Fees Collected</u>	
<u>Year</u>	<u>Amount</u>
2016	\$ 1,223.80
2017	1,941.20
	\$ 3,165.00

See independent auditor's report and the notes to the financial statements.

**BOROUGH OF ENGLEWOOD CLIFFS
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

**SCHEDULE OF RESERVE FOR RECYCLING TRUST DEPOSITS
RECYCLING TRUST FUND**

	Reference		B-11
Balance - December 31, 2017	B		\$ 27,251.67
Increased by:			
Recycling receipts	B-1	7,389.74	
Due from Trust Fund	B-1	185.40	
Interest	B-1	53.14	
			7,628.28
			34,879.95
Decreased by:			
Expenditures	B-1	20,661.05	
			20,661.05
Balance - December 31, 2018	B		\$ 14,218.90

**SCHEDULE OF RESERVE FOR SHADE TREE TRUST DEPOSITS
SHADE TREE TRUST FUND**

	Reference		B-12
Balance - December 31, 2017	B		\$ 16,130.43
Increased by:			
Shade Tree fees & Donations	B-1		
Interest	B-1	32.09	
			32.09
			16,162.52
Decreased by:			
Shade Tree expenditures	B-1	4,675.00	
			4,675.00
Balance - December 31, 2018	B		\$ 11,487.52

See independent auditor's report and the notes to the financial statements.

**BOROUGH OF ENGLEWOOD CLIFFS
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

**SCHEDULE OF RESERVE FOR COAH DEVELOPMENT EXPENDITURES
COAH DEVELOPMENT TRUST FUND**

	Reference		B-13
Balance - December 31, 2017	B		\$ 2,757,022.69
Increased by:			
Development fees	B-1	326,228.35	
Interest	B-1	<u>18,259.55</u>	
			<u>344,487.90</u>
			3,101,510.59
Decreased by:			
Development expenditures	B-1	<u>2,175,814.81</u>	
			<u>2,175,814.81</u>
Balance - December 31, 2018	B		<u><u>\$ 925,695.78</u></u>

**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PROGRAM**

			B-14
Balance - December 31, 2017	B		\$ 969,735.98
Increased by:			
Borough contributions	B-4	16,740.00	
Investment income/appreciation	B-1	<u>2,095.18</u>	
			<u>18,835.18</u>
			988,571.16
Decreased by:			
Loss on Investments		68,966.04	
Distributions		<u>8,863.82</u>	
	B-1		<u>77,829.86</u>
Balance - December 31, 2018	B		<u><u>\$ 910,741.30</u></u>

See independent auditor's report and the notes to the financial statements.

**BOROUGH OF ENGLEWOOD CLIFFS
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

**SCHEDULE OF RESERVE FOR DEA FORFEITURE EXPENDITURES
DEA FORFEITURE TRUST FUND**

	Reference	B-15
Balance - December 31, 2017	B	\$ 645.61
Increased by:		
Receipts	B-1	70,727.63
Interest	B-1	77.87
		70,805.50
		71,451.11
Decreased by:		
Expenditures	B-1	750.00
		750.00
Balance - December 31, 2018	B	\$ 70,701.11

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE OF CASH - COLLECTOR - TREASURER

C-2

	<u>Reference</u>		
Balance December 31, 2017	C		\$ 714,533.07
Increased by:			
Premium on Bond Anticipation Note	C-1	50,930.00	
Note Paydown	C-7	514,202.00	
Developers Contribution	C-15	6,700.00	
Bond Anticipation Notes	C-8	5,843,858.00	
Due to Current Fund - Emergency Note	C-5	140,280.00	
Due to Current Fund - Interest	C-5	2,195.74	
Due to Current Fund- Interfunds	C-5	97,294.73	
Capital Improvement Fund	C-13	60,000.00	
	C-3	6,715,460.47	
			7,429,993.54
Decreased by:			
Transfer to Current - Interfund	C-5	94,589.46	
Transfer to Current - Fund Balance Anticipated	C-1	200,000.00	
Bond Anticipation Notes	C-8	5,421,060.00	
Improvement Authorizations	C-11	590,574.18	
	C-3	6,306,223.64	
			6,306,223.64
Balance December 31, 2018	C		\$ 1,123,769.90

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE OF ANALYSIS OF GENERAL CAPITAL CASH

C-3

	<u>Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Transfer</u>	<u>Balance</u>
	<u>Dec. 31, 2017</u>			<u>To/(From)</u>	<u>Dec. 31, 2018</u>
Grants Receivable -					
State of New Jersey Department of Transportation	\$ (150,000.00)			\$ (65,759.77)	\$ (215,759.77)
Bergen County ADA Grant	(46,000.00)				(46,000.00)
Due to/(from) Ambulance Corp.	(100,000.00)				(100,000.00)
Due to/(from) Grant Fund	-				-
Due to/(from) Current Fund	198.01	239,770.47	94,589.46	(145,302.73)	76.29
Capital Improvement Fund	60,338.60	60,000.00		(43,000.00)	77,338.60
BAN Re-Issue		5,421,060.00	5,421,060.00		-
Encumbrance Payable	249,310.46			134,030.75	383,341.21
Reserve for Cost of Issuance	4,085.81				4,085.81
Fund Balance	216,498.90	50,930.00	200,000.00		67,428.90
Improvement Authorizations:					
<u>Ord. #</u>		<u>Improvement Description</u>			
2013-09		Road & Parking Lot Recons. & Improv. to Firehouse	6,882.37		6,882.37
2013-11		Acq. of Generators, Garbage Truck & related expenses	309,598.32		309,598.32
2013-15		Tax Appeal Refunds	9,361.20		9,361.20
2014-10		Various Acquisitions and Improvements	137,982.44	4,184.30	133,798.14
2015-09		Various Acquisitions and Improvements	95,121.32		95,121.32
2015-12		Tax Appeal Refunds	21,077.75		21,077.75
2015-13		Various Acquisitions and Improvements	197,462.72	5,043.75	273,832.82
2016-07		Various Acquisitions & Improvements	134,955.70	40,625.36	93,392.84
2016-08		Witte Field- Feasibility Study		(937.50)	-
2017-06		Various Acquisitions & Improvements	(432,340.53)	937,000.00	452,616.13
2018-01		5th Street Improvements (Special Assessment)	6,700.00	10,664.20	(3,964.20)
2018-02		Various Acquisitions & Improvements		377,769.91	(438,457.83)
			<u>\$ 714,533.07</u>	<u>\$ 6,715,460.47</u>	<u>\$ 6,306,223.64</u>
			C,C-2	C-2	C,C-2
				<u>\$ 0.00</u>	<u>\$ 1,123,769.90</u>
				C-2	C,C-2

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

<u>Ordinance</u>	<u>Purpose</u>	<u>Balance December 31, 2017</u>	<u>2018 Awards/Canceled</u>	<u>Grant Receipts</u>	<u>Transfer to Reserve for Payment of BAN</u>	<u>Balance December 31, 2018</u>
	NJ Department of Transportation:					
2013-09	Reconstruction of Summit Street	150,000.00	212,000.00	146,240.23		3,759.77
2018-02	Various Acquisitions & Improvements	150,000.00	212,000.00	146,240.23		212,000.00
						215,759.77
	Bergen County ADA Grant					
2014-10		46,000.00				46,000.00
		46,000.00	-	-		46,000.00
		\$ 196,000.00	\$ 212,000.00	\$ 146,240.23	\$ -	\$ 261,759.77
	Reference	C	C-7,15	C-6		C

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
 CAPITAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE OF DUE FROM/(TO) CURRENT FUND

C-5

	<u>Reference</u>		
Balance December 31, 2017	C		\$ (198.01)
Increased by:			
Grants Receivable- Received in Current	C-4	146,240.23	
Due To Current Fund - Cash Disburseme	C-2	94,589.46	240,829.69
Decreased by:			
Cash Receipts	C-2	97,294.73	
Improvement Auth. Paid In Current	C-11	937.50	
Interest Earned on Investments	C-2	2,195.74	
Emergency Notes Received in Capital	C-2	140,280.00	240,707.97
Balance December 31, 2018	C		\$ (76.29)

SCHEDULE OF DUE FROM / (TO) GRANT FUND

C-6

	<u>Reference</u>		
Balance December 31, 2017	C		\$ -
Decreased by:			
Transfer from Grant Fund	C-2		-
Balance December 31, 2018	Below		\$ -

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

C-7

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. #	Improvement Description	Balance Dec. 31, 2017	2018 Authorizations	Capital Improvement Fund	Canceled/Refunded/Funded	Budget Appropriation	Balance Dec. 31, 2018	Financed by BAN	Expenditures	Unexpended Improvement Authorizations	Analysis of Balance - Dec. 31, 2018	
											C	C
2013-11	Acquisition of Generators, Garbage Truck, & related expenses	475,085.00				23,665.00	451,420.00	\$ 451,420.00	141,821.68	309,598.32		
2013-15	Tax appeal Refunds	21,667.00					21,667.00			21,667.00		
2014-10	Various Acquisitions and Improvements	1,787,900.00				80,537.00	1,707,363.00	1,707,363.00	1,573,564.86	133,798.14		
2015-01	Tax Appeal Refunding Ordinance	175,000.00				175,000.00						
2015-09	Various Acquisitions and Improvements	958,075.00					958,075.00	958,075.00	862,953.68	95,121.32		
2015-12	Tax Appeal Refunding Ordinance	1,045,000.00				235,000.00	810,000.00	810,000.00	788,922.25	21,077.75		
2016-07	Various Acquisitions & Improvements	980,000.00					980,000.00	980,000.00	886,607.16	93,392.84		
2017-06	Various Acquisitions & Improvements	937,000.00					937,000.00	937,000.00	484,383.87	452,616.13		
2018-01	5th Street Improvements (Special Assessment)		140,000.00		6,700.00		133,300.00		3,964.20	129,335.80		
2018-02	Various Acquisitions & Improvements		1,110,000.00	43,000.00	212,000.00		855,000.00		438,457.83	416,542.17		
		\$ 6,379,727.00	\$ 1,250,000.00	\$ 43,000.00	\$ 218,700.00	\$ 514,202.00	\$ 6,853,825.00	\$ 5,843,858.00	\$ 5,180,675.53	\$ 1,673,149.47		
	Reference		C-11, 15	C-13	Below	Below	C	C-8				C-11

Grant Receivable		212,000.00	C-4
Budget Approp. BAN Paydown	514,202.00		C-2,8
Developers Contribution		6,700.00	C-2,5,15
	\$ 218,700.00	\$ 514,202.00	Above

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

C-8

SCHEDULE OF BOND ANTICIPATION NOTES

Ord. #	Improvement Description	Date of Issuance of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2017	Increased		Decreased		Balance Dec. 31, 2018
							B.A.N. Receipt	B.A.N. Paid	B.A.N. Paid	B.A.N. Receipt	
2013-11	Acquisition of Generators, Garbage Truck, & related expenses	02/28/2014	02/22/2018	02/22/2019	2.50%	\$ 475,085.00	\$ 451,420.00	\$ 475,085.00	\$ 451,420.00		\$ 451,420.00
2014-10	Various Acquisitions and Improvements	02/27/2015	02/22/2018	02/22/2019	2.50%	1,787,900.00	1,707,363.00	1,787,900.00	1,707,363.00		1,707,363.00
2015-01	Tax Appeals Refunds	06/30/2015				175,000.00		175,000.00	0.00		0.00
2015-12	Tax Appeals Refunds	02/26/2016	02/22/2018	02/22/2019	2.50%	1,045,000.00	810,000.00	1,045,000.00	810,000.00		810,000.00
2015-09	Various Acquisitions and Improvements	02/26/2016	02/22/2018	02/22/2019	2.50%	958,075.00	958,075.00	958,075.00	958,075.00		958,075.00
2016-07	Various Acquisitions and Improvements	02/23/2017	02/22/2018	02/22/2019	2.50%	980,000.00	980,000.00	980,000.00	980,000.00		980,000.00
2017-06	Various Acquisitions & Improvements	02/22/2018	02/22/2018	02/22/2019	2.50%	937,000.00	937,000.00	937,000.00	937,000.00		937,000.00
						<u>\$ 4,441,060.00</u>	<u>\$ 5,843,858.00</u>	<u>\$ 5,421,060.00</u>	<u>\$ 5,843,858.00</u>		<u>\$ 5,843,858.00</u>
						C	C-2,7, Below	C-2, Below	C		C

Analysis of New Issue:

Budget Appropriation Payment

New BAN Issues

Renewals of BAN

C-5, 7

\$ 514,202.00

937,000.00

4,906,858.00

\$ 5,843,858.00

Above

Above, C-2

Above

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

C-9

SCHEDULE OF GENERAL SERIAL BONDS

Purpose	Date of Issue	Original Issue	Date of Maturity	Interest Rate	Amount	Maturities of Bonds Outstanding December 31, 2018		Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
						Balance Dec. 31, 2017	Decreased				
General Refunding Bonds of 2012	06/28/2012	2,495,000.00				\$ 510,000.00		\$ 510,000.00			\$
General Improvements Bonds of 2014	03/15/2014	9,885,000.00	03/15/2019	2.00%	575,000.00	8,585,000.00		550,000.00		8,035,000.00	
			03/15/2020	2.00%	600,000.00						
			03/15/2021	2.00%	635,000.00						
			03/15/2022	2.00%	650,000.00						
General Improvement Refunding Bonds 2016	04/01/16	3,205,000.00	07/15/2019	1.55%	670,000.00	3,135,000.00		450,000.00		2,685,000.00	
			07/15/2020	1.55%	665,000.00						
			07/15/2021	1.55%	670,000.00						
	07/15/2022	1.55%	680,000.00								
						\$ 12,230,000.00	\$ -	\$ 1,510,000.00		\$ 10,720,000.00	

Reference

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE OF CAPITAL LEASE PAYABLE

C-10

Purpose	Date of Issue	Original Issue	Date of Maturity	Interest Rate	Amount	Maturities of Bonds Outstanding		Decreased	Balance Dec. 31, 2018
						Balance Dec. 31, 2017	Increased		
Refund of Unfunded Pension Obligation	03/01/2003	\$ 870,000.00	03/15/2019	2.358%	80,000.00	\$ 560,000.00	\$ -	\$ 72,000.00	\$ 488,000.00
			03/15/2020	2.659%	88,000.00				
			03/15/2021	2.959%	97,000.00				
			03/15/2022	3.109%	106,000.00				
			03/15/2023	3.259%	117,000.00				
					\$ 488,000.00	\$ 560,000.00	\$ -	\$ 72,000.00	\$ 488,000.00

Reference

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE OF RESERVE FOR COST OF ISSUANCE-REFUNDED SERIAL BONDS

	<u>Reference</u>	C-12
Balance December 31, 2017	C	4,085.81
Decreased by:		
Cash Disbursements	C-2	_____
Balance December 31, 2018	C	\$ 4,085.81

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Reference</u>	C-13
Balance December 31, 2017	C	\$ 60,338.60
Increased by:		
Budget Appropriation	C-2	60,000.00
		120,338.60
Decreased by:		
Improvement Authorizations	C-7, 15	43,000.00
Balance December 31, 2018	C	\$ 77,338.60

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

	<u>Reference</u>	C-14
Balance December 31, 2017	C	\$ 12,790,000.00
Increased by:		
Refunding Serial Bond Issued	C-9	_____
		\$ 12,790,000.00
Decreased by:		
Serial Bonds Paid	C-9	1,510,000.00
Capital Leases Paid	C-10	72,000.00
		1,582,000.00
Balance December 31, 2018	C	\$ 11,208,000.00

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
LAST TEN FISCAL YEARS ENDED JUNE 30,

Exhibit F-1

SCHEDULE OF BOROUGH'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Police and Firemen's Retirement System (PFRS)

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Borough's proportionate share of the net pension liability (asset) **	0.10821%	0.11069%	0.10376%	0.10244%	0.10705%	0.89316%				
Borough's proportionate share of the net pension liability (asset) associated with the Borough	\$ 14,642,207	\$ 17,087,839	\$ 19,820,828	\$ 17,062,433	\$ 13,465,931	\$ 11,873,799				
Total	\$ 14,642,207	\$ 17,087,839	\$ 19,820,828	\$ 17,062,433	\$ 13,465,931	\$ 11,873,799				
Borough's covered employee payroll	\$ 3,653,574	\$ 3,527,692	\$ 3,463,218	\$ 3,374,296	\$ 3,052,122	\$ 3,000,000				
Borough's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	401%	484%	572%	506%	441%	396%				
Plan fiduciary net position as a percentage of the total pension liability (Local)	62.48%	58.60%	52.01%	56.31%	62.41%	58.70%				

Public Employees' Retirement System (PERS)

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Borough's proportionate of the net pension liability (asset)	0.01617%	0.01794%	0.01771%	0.01843%	0.01682%	0.01583%				
Borough's proportionate share of the net pension liability (asset)	\$ 3,184,025	\$ 4,177,152	\$ 5,245,024	\$ 4,138,065	\$ 3,148,604	\$ 3,025,660				
Borough's covered employee payroll	\$ 1,200,728	\$ 1,232,162	\$ 1,291,037	\$ 1,264,061	\$ 1,224,593	\$ 1,200,000				
Borough's proportionate share of net pension liability (asset) as a percentage of its covered -employee payroll	265%	339%	406%	327%	257%	252%				
Plan fiduciary net position as a percentage of the total pension liability (Local)	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%				

* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

**BOROUGH OF ENGLEWOOD CLIFFS
LAST TEN FISCAL YEARS ENDED JUNE 30,**

Exhibit F-2

**SCHEDULE OF BOROUGH CONTRIBUTIONS
Police and Firemen's Retirement System (PFRS)**

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution*	\$ 1,057,884	\$ 979,595	\$ 845,998	\$ 832,660	\$ 822,220	\$ 651,632				
Contributions in relation to the contractually required contributions*	(1,057,884)	(979,595)	(845,998)	(832,660)	(822,220)	(651,632)				
Contributions deficiency (excess)										
Borough's covered employee payroll	\$ 3,653,574	\$ 3,527,692	\$ 3,463,218	\$ 3,374,296	\$ 3,052,122	\$ 3,000,000				
Contributions as a percentage of covered-employee payroll	28.95%	27.77%	24.43%	24.68%	26.94%	21.72%				

Public Employees' Retirement System (PERS)

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution*	\$ 160,851	\$ 166,235	\$ 157,328	\$ 158,483	\$ 138,637	\$ 119,285				
Contributions in relation to the contractually required contributions*	(160,851)	(166,235)	(157,328)	(158,483)	(138,637)	(119,285)				
Contributions deficiency (excess)										
Borough's covered employee payroll	1,200,728	1,232,162	1,291,037	1,264,061	1,224,593	1,200,000				
Contributions as a percentage of covered-employee payroll	13.40%	13.49%	12.19%	12.54%	11.32%	9.94%				

* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

See independent auditor's report and the notes to the financial statements

BOROUGH OF ENGLEWOOD CLIFFS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Pension Schedules
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Exhibit F-3

Police & Firemen's Retirement System

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service, and disability benefits after 4 years of service

Changes of assumptions. Pre-retirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from base year 2000 to 2013 using Projection Scale BB and Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from base year 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. Disability mortality rates were based on custom table with representative rates and no mortality improvement assumed.

Public Employees' Retirement System (PERS)

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

Changes of assumptions. Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disability Mortality Table (set back 3 years for males and set forward 1 year for females).

**INDEPENDENT AUDITOR'S 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

The Honorable Mayor and Members
Of the Englewood Cliffs Council
Borough of Englewood Cliffs, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), the financial statements – regulatory basis (the "financial statements") of the Borough of Englewood Cliffs, State of New Jersey (the "Borough"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Borough's basic financial statements, and have issued our report thereon dated May 28, 2019. As described in Note 1, the Borough prepares its financial statements on a basis of accounting prescribed by the Division that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough'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'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 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 to those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements are free of 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.

We noted certain other matters that we reported to management of the Borough in the schedule of comments and recommendations as item number 1.

Borough's Response to Findings

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

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's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division in considering the Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Paul W. Garbarini, CPA
Registered Municipal Accountant
No. 534



Garbarini & Co. P.C.
Certified Public Accountants

May 28, 2019
Carlstadt, New Jersey

BOROUGH OF ENGLEWOOD CLIFFS
 SCHEDULE OF EXPENDITURE OF STATE/OTHER FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2018

State Grantor	Program	Account Number	Receivable Amount	Grant Award Amount	Balance December 31, 2017	Revenue Realized/ *Adjustments	Expended	Balance December 31, 2018	Cumulative Expenditures
Division of Criminal Justice	Alcohol Education & Rehabilitation	9735-760-098-Y900-001-X100-6020		\$ 1,349.00	\$ 773.00		\$ 773.00	\$ -	\$ 1,349.00
		9735-760-098-Y900-001-X100-6020		580.42	580.42		580.42	0.00	580.42
		9735-760-098-Y900-001-X100-6020		1,403.45	1,403.45		460.27		460.27
		9735-760-098-Y900-001-X100-6020		1,178.66	1,178.66				1,178.66
		9735-760-098-Y900-001-X100-6020		664.75	664.75				664.75
		9735-760-098-Y900-001-X100-6020		193.02	193.02				193.02
		9735-760-098-Y900-001-X100-6020		878.79	878.79				878.79
State Police		N/A		5,000.00			5,000.00		
Division of Motor Vehicles	DDEF - 2003	6400-100-078-6400-YYYY		509.00	162.57		162.57		346.43
		6400-100-078-6400-YYYY		1,141.50	1,141.50				1,141.50
		6400-100-078-6400-YYYY		278.80	278.80				278.80
		6400-100-078-6400-YYYY		377.54	377.54				377.54
		6400-100-078-6400-YYYY		3,400.00	3,400.00				3,400.00
		6400-100-078-6400-YYYY		2,278.16	1,989.00				1,989.00
Hepatitis B - 2002		4230-100-046-4781-2411-002-3890		756.00	754.60		754.60		21.40
Domestic Violence Grant-2006	Clean Communities Act - 2011	4900-765-042-4900-004-V42Y-6020		1,000.00	1,000.00			1,000.00	
		4900-765-042-4900-004-V42Y-6020		9,861.00	5,574.62	2,270.62	3,304.00	6,557.00	
		4900-765-042-4900-004-V42Y-6020		9,688.00	9,688.00			9,688.00	
		4900-765-042-4900-004-V42Y-6020		11,376.42	11,376.42			11,376.42	
		4900-765-042-4900-004-V42Y-6020		10,668.64	10,668.64			10,668.64	
		4900-765-042-4900-004-V42Y-6020		12,963.25	12,963.25			12,963.25	
		4900-765-042-4900-004-V42Y-6020		14,824.08	14,251.17			14,251.17	
		4900-765-042-4900-004-V42Y-6020		12,593.99	12,593.99			12,593.99	
		4900-765-042-4900-004-V42Y-6020		12,046.57	12,046.57			12,046.57	
		4900-752-042-4900-001-V42Y-6020		4,826.00	1,785.00			1,785.00	
		4900-752-042-4900-001-V42Y-6020		5,160.00	5,160.00			5,160.00	
		4900-752-042-4900-001-V42Y-6020		4,179.00	4,179.00			4,179.00	
		4900-752-042-4900-001-V42Y-6020		3,078.01	3,078.01			3,078.01	
		4900-752-042-4900-001-V42Y-6020		1,776.00	1,776.00			1,776.00	
		4900-752-042-4900-001-V42Y-6020		13,777.00	13,777.00			13,777.00	
		4900-752-042-4900-001-V42Y-6020		20,865.00	20,865.00			20,865.00	
		4900-752-042-4900-001-V42Y-6020		7,326.00	7,326.00			7,326.00	
4900-752-042-4900-001-V42Y-6020		6,920.64	6,920.64			6,920.64			
4900-752-042-4900-001-V42Y-6020		9,674.93	9,674.93			9,674.93			
4900-752-042-4900-001-V42Y-6020		6,792.82	6,792.82			6,792.82			
4900-752-042-4900-001-V42Y-6020		10,012.13	10,012.13			10,012.13			
4900-752-042-4900-001-V42Y-6020		9,982.45	9,982.45			9,982.45			

See independent auditor's report and the notes to the financial statements

BOROUGH OF ENGLEWOOD CLIFFS
 SCHEDULE OF EXPENDITURE OF STATE/OTHER FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule I-1

State Grantor	Program	Account Number	Receivable Amount	Grant Award Amount	Balance December 31, 2017	Revenue Realized/ *Adjustments	Expended	Balance December 31, 2018	Cumulative Expenditures
Other Financial Assistance:									
Firennet's Fund Grant	The Heritage Program (Firenet's Fund Ins Co.)	N/A		12,774.00	1,567.04			1,567.04	11,206.96
Bergen County	Municipal Alliance Grant -2017		9,876.00	9,876.00	6,536.73		6,380.73	156.00	9,720.00
	Municipal Recycling Assistance Program-PY			11,163.00	11,163.00			11,163.00	
	Municipal Recycling Assistance Program-PY			10,211.00	10,211.00			10,211.00	
	Municipal Recycling Assistance Program-2005			4,008.00	3,508.00			3,508.00	500.00
	Municipal Recycling Assistance Program-2007			2,549.42	2,549.42			2,549.42	
	ADA Cooperative Curb Ramp Construction Grant-2014-10		46,000.00	46,000.00	46,000.00			46,000.00	
Total State/Other Programs					\$ 280,874.57	\$ 12,925.36	\$ 10,465.04	\$ 283,355.89	

See independent auditor's report and the notes to the financial statements

BOROUGH OF ENGLEWOOD CLIFFS
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor	Program	CFDA Number	Receivable Amount	Grant Award Amount	Balance December 31, 2017	Adjustment/ Revenue Realized	Expenditures	Schedule I-2	
								Balance December 31, 2018	Cumulative Expenditures
U.S. Department of Housing and Urban Development (Passed through County Dept. of Community Development)	Community Development Block Grant-2000	14.219	\$ 9,709.65	\$ 20,000.00	\$ 14,210.72		\$ 1,880.00	\$ 12,330.72	7,669.28
Department of Transportation	Ordinance # 2018-02: Irving Avenue	20.205	212,000.00	212,000.00		212,000.00	212,000.00	0.00	212,000.00
Department of Law and Public Safety	Public Assistance Grants- Hurricane Sandy	97.039	27,788.43	27,788.43	0.00			0.00	27,788.43
	Bullet Proof Vest Fund	16.607	7,986.36	7,986.36	0.00			0.00	7,986.36
Total Federal Grant Programs				<u>14,210.72</u>	<u>212,000.00</u>	<u>213,880.00</u>	<u>224,345.04</u>	<u>12,330.72</u>	
Total Non - Major State/Federal Programs				\$ 295,085.29	\$ 224,925.36	\$ 224,345.04	\$ 295,666.61		

See independent auditor's report and the notes to the financial statements.

BOROUGH OF ENGLEWOOD CLIFFS
 NOTES TO THE SCHEDULES OF EXPENDITURES
 OF FEDERAL AND STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2018

1. General

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

2. Basis of Accounting

The accompanying schedules are presented using the modified accrual 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 generally accepted accounting principles (GAAP) applicable to local government units. This basis of accounting is described in Note 1C of the Borough's financial statements.

3. Relationship of Financial Statements

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

	<u>Federal</u>	<u>State/Other</u>	<u>Total</u>
Current /Grant Fund	\$ 1,880.00	\$ 10,465.04	\$ 12,345.04
Capital	<u>212,000.00</u>	<u> </u>	<u>\$ 212,000.00</u>
	<u>\$ 213,880.00</u>	<u>\$ 10,465.04</u>	<u>\$ 224,345.04</u>

4. Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

5. State Loans Outstanding

The Borough did not have any state loans outstanding at December 31, 2018, which are not required to be reported on the schedule of expenditures of state financial assistance.

BOROUGH OF ENGLEWOOD CLIFFS
 ROSTER OF OFFICIALS AND SURETY BONDS
 AT DECEMBER 31, 2018

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

Title	Name	Amount of Bond	Type
Mayor	Mario M. Kranjac		
Councilwoman- President	Carrol McMorrow- resigned October 1, 2018		
Councilman	Edward Aversa		
Councilwoman	Gloria Oh		
Councilwoman	Ellen Park		
Councilman	Mark Park		
Councilwoman	Mary O'Shea- from October 2, 2018		
Councilman	William Woo		
Borough Administrator	James Barberio		
Borough Clerk	Lisette M. Duffy		
Chief Financial Officer	Chris Battaglia		
Tax Collector	Vincent Buono	\$1,000,000	(A)
Deputy Tax Collector	Janice Romano		
Borough Attorney	Anne Marie Rizzuto, Esq. Law Office		
Borough Engineer	Maser Consulting		
Municipal Judge	Francis J. Leddy, Jr.	1,000,000	(A)
Prosecutor	Mark Ramundo		
Public Defender	Salvador H. Sclafani, Esq.		
Court Administrator	Antoinette Ceccon	1,000,000	(A)
Tax Assessor	George Reggo		
Police Chief	Michael Cioffi		
Construction Code Official	Nick Melfi		

(A) - Statutory positions are covered under the South Bergen Municipal Jointure policy (\$50,000) and Municipal Excess Liability Joint Insurance Fund (Excess Crime Policy – Public Employee Bond - \$950,000

BOROUGH OF ENGLEWOOD CLIFFS
GENERAL COMMENTS

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

NJS40A:11-4 states "Every contract awarded by the contracting agents, for the provision or performance of any goods or services, the cost of which in the aggregate exceed the bid threshold [40A:11-3 "a contract year the total sum of \$17,500. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L.1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$40,000"], shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law."

NJS40A:11-9 states "The governing body of any contracting unit may by ordinance, in the case of a municipality, by ordinance or resolution, as the case may be, in the case of a county, or by resolution in all other cases, establish the office of purchasing agent, or a purchasing department or a purchasing board, with the authority, responsibility, and accountability as its contracting agent, for the purchasing activity for the contract in unit, to prepare public advertising for bids and to receive bids for the provision or performance of goods or services on behalf of the contracting unit and to award contracts permitted pursuant to subsection a. of section 3 of P.L.1971, c. 198 (C.40A:11-3) in the name of the contracting unit, and conduct any activities as may be necessary or appropriate to the purchasing function of the contracting unit."

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the above limits within the calendar year or any twelve-month period. Where questions arise as to whether any contract or agreement might result in a violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

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

Our examination of expenditures did reveal individual payments, contracts or agreements in excess of \$17,500.00 "for the performance of any work, or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

Expenditure of \$2,625 or more and less than \$17,500 Per N.J.S.A. 40A:11-6.1

N.J.S.A 40A:11-6.1 states, "a. For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, and for those contracts that are for subject matter enumerated in subsection (1) of section 5 of P.L.1971, c.198 (C.40A:11-5), except for paragraph (a) of that subsection professional services and paragraph (b) of the subsection concerning work by employees of the contracting unit, the contracting agent shall award the contract after soliciting at least two competitive quotations, if practicable. The award shall be made to a vendor whose response is most advantageous, price and other factors considered. The contracting agent shall retain the record of the quotation solicitation and shall include a copy of the record with the voucher used to pay the vendor. Whenever two or more responses to a request of a contracting agent offer equal prices and are the lowest responsible bids or proposals, the contracting unit may award the contract to the vendor whose response, in the discretion of the contracting unit, is the most advantageous, price and other factors considered. In such a case, the award resolution or purchase order documentation shall explain why the vendor selected is the most advantageous."

BOROUGH OF ENGLEWOOD CLIFFS
GENERAL COMMENTS

Collection of Interest of Delinquent Taxes and Assessments

The governing body on January 1, 2018 adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, in accordance with the provisions of New Jersey Statute 54:4-67, the governing body of each municipality may, by resolution, fix the rate of interest to be charged for nonpayment of taxes or assessments, on or before the date on which they would become delinquent;

WHEREAS, R.S. 54:4-67 provides that the governing body by resolution, may provide that no interest shall be charged if payment of any installment is made within ten days after the date upon which the same become payable;

NOW, THEREFORE, BE IT RESOLVED that the Mayor and Council of the Borough of Englewood Cliffs do hereby fix the rate of 8% (eight percent) interest per annum up to \$1,500.00; 18% (eighteen percent) per annum thereafter to be charged for delinquent payment of any installments made ten days from the date upon which taxes become payable.

BE IT FURTHER RESOLVED that any installment received after the expiration of the grace period shall bear interest from the due date.

Borough of Englewood Cliffs
Schedule of Findings and Responses
For the Year Ended December 31, 2018

Part I- Summary of Auditor's Results

Financial Statement Section

A) Type of Auditors Report Issued	<u>Unmodified (Regulatory Basis)</u>		
B) Internal Control over Financial Reporting			
1) Material weakness identified	<u>Yes</u>	<u>X</u>	<u>No</u>
2) Were reportable conditions identified that were not considered to be material weaknesses?	<u>Yes</u>	<u>X</u>	<u>No</u>
C) Noncompliance material to financial statements?	<u>Yes</u>	<u>X</u>	<u>No</u>

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

Borough of Englewood Cliffs
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2018

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 5.18-5.20 of *Government Auditing Standards*.

“None Noted”

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 the Uniform Guidance and New Jersey OMB’s Circular 15-08, as amended.

CURRENT YEAR FEDERAL AWARDS

None

CURRENT YEAR STATE AWARDS

None

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

This section identifies the status of prior year findings related to the financial statements and federal and state awards required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, US OMB Circular A-133 and NJ OMB Circular 15-08.

Status of Prior Year Findings

Recommendation 2017-001

Regular reviews must be performed to ensure that all revisions to permit fees are updated in applicable software systems to reflect Borough-approved amounts in a timely manner.

Status:

Corrective action has been taken.

See status of prior year comments and recommendations

**BOROUGH OF ENGLEWOOD CLIFFS
COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2018**

Comments:

1. During our test of tax appeals, it was noted that an appeal credit was given in error to one property owner. The tax collector will adjust accordingly.

Recommendations:

1. Tax adjustments entered into the tax software for tax appeals must be reviewed to avoid incorrect credits.

**BOROUGH OF ENGLEWOOD CLIFFS
STATUS OF PRIOR YEAR
COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2018**

Recommendation 2017-001:

Procedures must be implemented to ensure that employee health benefits contributions are promptly adjusted when required due to a change in level of coverage or income thresholds.

Status:

Corrective action has been taken.

Recommendation 2017-002:

All bank deposits for recreation account must contain adequate supporting documentation to prove that deposits are made in accordance with N.J.S.A. 40A-5-15. The supporting documentation should include the date received, names of the payers, purpose of the payments, license or permit numbers, and type of payment (cash or check).

Status:

Corrective action has been taken.

Recommendation 2017-003:

Tax adjustments entered into the tax software must be reviewed to avoid duplicate entries.

Status:

Partial corrective action has been taken.

Appreciation

We desire to express our appreciation of the assistance and courtesies rendered by the Borough Officials and employees during the year.

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