

**NEW ISSUE**  
**SERIAL BONDS**

**RATING: S&P: "AAA"**  
**(See "RATING" herein)**

*In the opinion of Rogut McCarthy LLC, Bond Counsel to the Borough, assuming compliance by the Borough with its Tax Certificate described herein, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals. In addition, Bond Counsel is further of the opinion that, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof. See "TAX MATTERS" herein.*

**\$9,935,000 GENERAL IMPROVEMENT BONDS**  
**BOROUGH OF WOODCLIFF LAKE**  
**COUNTY OF BERGEN, NEW JERSEY**  
**(Book-Entry Only) (Bank-Qualified) (Callable)**

**Dated: October 1, 2019**

**Due: October 1, as shown below**

The \$9,935,000 General Improvement Bonds (the "Bonds") of the Borough of Woodcliff Lake, in the County of Bergen, New Jersey (the "Borough"), will be issued as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds, with the Bonds immobilized in the custody of DTC. Owners of beneficial interests in the Bonds will not receive physical delivery of bond certificates, but are to receive statements or other evidence of such ownership of beneficial interests from sources from which such interests were purchased. Investors may purchase beneficial interests in the Bonds in book-entry form in the denomination of \$5,000 or any integral multiple thereof. See "THE BONDS – Book-Entry Only System" herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will, in turn, remit such payments to the owners of beneficial interests in the Bonds. Principal of the Bonds is payable on October 1 of each of the years set forth below, and interest on the Bonds is payable on each April 1 and October 1, commencing April 1, 2020 in each year until maturity or prior redemption.

The Bonds are subject to optional redemption prior to their stated maturities. See "THE BONDS – Prior Redemption" herein.

The Bonds are general obligations of the Borough and are secured by a pledge of the full faith and credit of the Borough for the payment of the principal thereof and the interest thereon. The Borough is authorized and required by law to levy *ad valorem* taxes upon all the taxable real property within the Borough for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

**MATURITY SCHEDULE, INTEREST RATES AND YIELDS**

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2020	\$900,000	1.50%	1.25%	2025	\$1,000,000	2.00%	1.50%
2021	920,000	1.50	1.30	2026	1,025,000	2.00	1.60
2022	940,000	1.50	1.35	2027	1,045,000	2.00	1.70
2023	960,000	2.00	1.40	2028	1,070,000	2.00	1.80
2024	980,000	2.00	1.45	2029	1,095,000	2.00	1.90

*The Bonds are offered for sale upon the terms of the notice of sale and subject to the final approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the Borough in connection with the issuance of the Bonds. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about October 1, 2019.*

**ROOSEVELT & CROSS, INC. AND ASSOCIATES**

Dated: September 18, 2019

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

**MAYOR**

Carlos Rendo

**BOROUGH COUNCIL**

Jacqueline Gadaleta, President  
Corrado Belgiovine  
Nancy Gross  
Angela Hayes  
Ian Spelling  
Brian Singleton

**BOROUGH ADMINISTRATOR**

Tomas J. Padilla

**CHIEF FINANCIAL OFFICER**

Harold E. Laufeld, III

**BOROUGH CLERK**

Deborah A. Dakin, RMC, CMR

**BOROUGH ATTORNEY**

John L. Schettino, Esq.  
Hackensack, New Jersey

**BOROUGH AUDITOR**

Lerch, Vinci & Higgins, LLP  
Fair Lawn, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

**BOND COUNSEL**

Rogut McCarthy LLC  
Cranford, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Borough or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. The information contained herein has been provided by the Borough and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation of accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Borough. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Borough during normal business hours.

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Borough or the Underwriter.

## TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION .....	1
THE BONDS .....	1
SECURITY AND SOURCE OF PAYMENT .....	4
AUTHORIZATION FOR THE BONDS.....	4
PURPOSE OF THE BONDS.....	4
NO DEFAULT.....	5
MARKET PROTECTION – BOND AND NOTE FINANCING .....	5
QUALIFIED TAX-EXEMPT OBLIGATIONS .....	5
CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT .....	6
MUNICIPAL BUDGET .....	8
ASSESSMENT AND COLLECTION OF TAXES .....	12
TAX MATTERS.....	13
STATEMENT OF LITIGATION.....	14
LEGALITY FOR INVESTMENT.....	15
RATING .....	15
UNDERWRITING .....	15
MUNICIPAL ADVISOR.....	15
DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS.....	16
SECONDARY MARKET DISCLOSURE.....	17
PREPARATION OF OFFICIAL STATEMENT .....	19
APPROVAL OF OFFICIAL STATEMENT.....	19
ADDITIONAL INFORMATION.....	19
MISCELLANEOUS .....	20
 Economic and Demographic Information Relating to the Borough of Woodcliff Lake .....	 Appendix A
Financial Statements of the Borough of Woodcliff Lake .....	Appendix B
Proposed Form of Bond Counsel Opinion.....	Appendix C

**OFFICIAL STATEMENT  
OF THE BOROUGH OF WOODCLIFF LAKE  
IN THE COUNTY OF BERGEN, NEW JERSEY  
relating to**

**\$9,935,000 GENERAL IMPROVEMENT BONDS**

**INTRODUCTION**

This Official Statement (the “Official Statement”) which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Woodcliff Lake (the “Borough”), in the County of Bergen (the “County”), State of New Jersey (the “State”) in connection with the sale and issuance of its \$9,935,000 General Improvement Bonds (the “Bonds”) dated October 1, 2019. This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer and the Borough Clerk and may be distributed in connection with the Bonds. This Official Statement is “deemed final”, as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”).

**THE BONDS**

**General Description**

The Bonds will be dated and bear interest from October 1, 2019 and will mature on October 1 in the years and in the principal amounts as set forth on the cover page. Interest on the Bonds is payable on each April 1 and October 1, commencing April 1, 2020 (each, an “Interest Payment Date”), in each year until maturity or prior redemption at the respective interest rates set forth on the cover page of this Official Statement. Principal of and interest on the Bonds will be paid to The Depository Trust Company, New York, New York (“DTC”), acting as securities depository, by the Chief Financial Officer, as “Bond Registrar/Paying Agent”. Interest on the Bonds will be credited to the DTC Participants (as hereinafter defined) as listed on the records of DTC as of the fifteenth day of the month preceding the month in which such Interest Payment Date occurs (the “Record Dates” for the payment of interest on the Bonds).

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity and in the principal amount of such maturity. The Bonds will be issued in book-entry form only. Purchases of the Bonds will be made in book-entry form, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Bond Registrar/Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC, which will remit such payments to the participants of DTC which will in turn remit such payments to the owners of beneficial interests in the Bonds. See “Book-Entry Only System” herein.

**Book-Entry Only System**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each year of maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law,

a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or the paying agent, if any, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the paying agent, if any, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the paying agent, if any, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Borough or the paying agent, if any. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Borough may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borough believes to be reliable, but the Borough takes no responsibility for the accuracy thereof.

### **Prior Redemption**

The Bonds maturing on or before October 1, 2026 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after October 1, 2027 are subject to redemption at the option of the Borough prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after October 1, 2026, upon notice as hereinafter set forth at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

If the Borough determines to optionally redeem a portion of the Bonds prior to maturity, such Bonds so redeemed shall be in such maturities as determined by the Borough, and within any maturity, by lot; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting Bonds for redemption, the Bond Registrar/Paying Agent shall treat each Bond as representing that number of Bonds that is obtained by dividing the principal amount of such Bond by \$5,000.

Notice of redemption shall be given by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Bond Registrar/Paying Agent at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. Such mailing is not a condition precedent to redemption and the failure to mail or to receive any redemption notice will not affect the validity of the redemption proceedings. If any Bond subject to redemption is part of a greater principal amount of the Bonds not to be redeemed, such entire amount shall be surrendered to the Bond Registrar/Paying Agent and, for that portion of the Bond not to be redeemed, a new Bond shall be issued in the name of the registered owner in an amount equal to the principal amount of the Bond surrendered less the amount to be redeemed.

## **SECURITY AND SOURCE OF PAYMENT**

The Bonds are general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The Bonds are direct obligations of the Borough and, unless paid from other sources, the Borough is required by law to levy *ad valorem* taxes upon all the real property taxable within the Borough for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount.

Enforcement of a claim for the payment of principal of or interest on bonds or notes of the Borough is subject to applicable provisions of Federal bankruptcy law and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Bonds or imposing other constraints upon enforcement of such contracts insofar as any such constraints may be constitutionally applied. Under State law, a county, municipality or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission, whose powers have been vested in the Local Finance Board in the Division of Local Government Services in the State of New Jersey Department of Community Affairs (the "Local Finance Board").

## **AUTHORIZATION FOR THE BONDS**

The Bonds are authorized and are to be issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended (the "Local Bond Law"). The Bonds also are authorized by various bond ordinances adopted by the Borough Council and by virtue of resolutions adopted by the Borough Council on August 19, 2019.

The bond ordinances included in the sale of the Bonds were published in full or in summary form after adoption along with the statement required by the Local Bond Law that the twenty day period of limitation within which a suit, action or proceeding questioning the validity of the authorizing bond ordinances can be commenced, began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be estopped from questioning the sale or the execution or the delivery of the Bonds by the Borough.

## **PURPOSE OF THE BONDS**

The proceeds of the Bonds will be used to (i) currently refund \$6,610,000 of the Borough's \$6,770,000 outstanding bond anticipation notes dated February 22, 2019 and maturing on October 1, 2019; and (ii) provide funding for unfunded capital projects in the amount of \$3,325,000.



The projects to be funded by the sale are listed below:

<u>Ordinance Number</u>	<u>Description</u>	<u>Principal Amount of the Bonds</u>
11-06	Undertaking of the 2011 Road Improvement Program; various public improvements and acquisitions	\$537,874
12-01	Undertaking of the 2012 Road Improvement Program; tree planting at various locations	271,094
12-12/12-16	Various public improvements and acquisitions	140,174
13-01	Various public improvements and acquisitions	1,238,657
14-07	Undertaking of the 2014 Road Improvement Program	595,447
14-11	Additional funding for the 2014 Road Improvement Program	93,500
15-01	Acquisition of equipment and vehicles for the DPW	80,000
15-13	Acquisition of a pumper fire engine	540,000
16-03	Various public improvements and acquisitions	189,500
16-14	Various public improvements and acquisitions	1,026,400
17-06	Various public improvements and acquisitions	977,357
18-04	Various public improvements and acquisitions	919,997
19-03	Various public improvements and acquisitions	<u>3,325,000</u>
Total:		\$9,935,000

### **NO DEFAULT**

No principal or interest payments on Borough indebtedness are past due. The Borough has never defaulted in the payment of any bonds or notes.

### **MARKET PROTECTION – BOND AND NOTE FINANCING**

The Borough does not contemplate issuing any additional bonds, or any tax anticipation notes during the remainder of 2019. The Borough may issue bond anticipation notes as needed during the remainder of 2019.

### **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The Borough has designated the Bonds “qualified tax-exempt obligations” within the meaning of Section 265(b) (3) of the Internal Revenue Code of 1986, as amended, and will represent that it reasonably expects that neither it nor its subordinate entities will issue more than \$10,000,000 of new money tax-exempt obligations in the current calendar year.

## **CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT**

### **Local Bond Law (N.J.S.A. 40A:2-1 et seq.)**

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Borough are general full faith and credit obligations.

### **The Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)**

This law regulates the non-budgetary financial activities of local governments. The Chief Financial Officer of every local unit must file annually, with the Director of the Division (the "Director"), a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of the Borough's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local units' financial procedures and must be filed with the Director within six months after the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion.

### **Debt Limits**

The net authorized bonded indebtedness of the Borough is limited by statute, subject to the exceptions noted below, to an amount equal to 3.50% of its average equalized valuation basis. The average equalized valuation basis of the Borough is set by statute as the average for the last 3 years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as annually determined by the State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

The Borough has not exceeded its statutory debt limit. On December 31, 2018 the statutory net debt as a percentage of average equalized valuation was 0.381%. As noted above, the statutory limit is 3.50%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Purposes	\$7,643,000	\$180,045	\$7,462,955
Utility Purposes	0	0	0
School Purposes	<u>9,354,184</u>	<u>9,354,184</u>	<u>0</u>
Total:	\$16,997,184	\$9,534,229	\$7,462,955

### **Exceptions to Debt Limits - Extensions of Credit**

The Borough may exceed its debt limit with the approval of the Local Finance Board. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or make certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

## **Short-Term Financing**

The Borough may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. Bond anticipation notes may be issued for periods not greater than one year. Such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. At the third and at each subsequent anniversary date from the original date of issuance, the amount of notes that may be issued must be decreased by the minimum amount required for the first year’s principal payment for a bond issue.

## **School Debt (N.J.S.A. 18A:24-1 et seq.)**

New Jersey’s school districts operate under the same comprehensive review and regulation as do its municipalities. Certain exceptions and differences are provided, but the state supervision of school finance closely parallels that of local governments.

School district bonds and temporary notes are issued in conformity with the cited statute, which closely parallels the Local Bond Law. Although school districts are exempted from the 5% down payment provision applicable to municipalities, they are subject to debt limits (which vary depending on the grades the school system provides), and to state regulation of their borrowing.

The Local Finance Board and the Commissioner of Education must approve any proposed authorization of debt which exceeds the statutory debt limit of a Type II district. A Type II school district has an elected board of education; a Type I school district has an appointed board and issues debt without a referendum. All authorizations of debt in a Type II school district require an approving referendum of the voters in the school district. The Borough’s school district is a Type II district.

All authorizations of debt must be reported to the Division of Local Government Services by means of a Supplemental Debt Statement prior to final approval to ensure that the proposed authorization is within all applicable debt limitations.

The School Bond Reserve Act, Chapter 72 of the Laws of 1980 of the State, as amended, devotes a portion of the Fund for the Support of Free Public Schools as security for payment of school bonds.

## **The Municipal Finance Commission (N.J.S.A. 52:27-1 et seq.)**

The Municipal Finance Commission was created in 1931 to assist in the financial rehabilitation of municipalities which had defaulted in their obligations. The powers of such Commission are exercised today by the Local Finance Board. Several elements of the local finance system are intended to prevent default on obligations or occurrence of severe fiscal difficulties in any local unit. Should extreme economic conditions adversely affect any local unit, the statutory provisions are available to assist in restoring the stability of the local unit.

Any holder of bonds or notes which are in default for over sixty (60) days (for payment of principal or interest) may bring action against such municipality in the Superior Court of New Jersey. Any municipality may declare itself unable to meet its obligations and bring action in such court. In either case, the court’s determination that the municipality is in default or unable to meet its obligations may place the municipality under the jurisdiction of the Municipal Finance Commission.

The Municipal Finance Commission exercises direct supervision over the finances and accounts of any local unit under its jurisdiction. Such commission is authorized to appoint an auditor to examine and

approve all claims against the municipality and to serve as comptroller for that community. The Commission is also directed to supervise tax collections and assessments, to approve the funding of municipal school district indebtedness, the adjustment or composition of the claims of creditors, and the readjustment of debts under the Federal Municipal Bankruptcy Act.

The Local Finance Board also serves as the “funding commission” to exercise supervision over the funding or refunding of local government debt. Any county or municipality seeking to adjust its debt service must apply to and receive the approval of such funding commission for the proposed reorganization of its debt.

### **Investment of Municipal Funds**

Investment of funds by New Jersey municipalities is governed by State statute. Pursuant to N.J.S.A. 40A:5-15.1, municipalities are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America (“Government Obligations”); (2) U.S. Government money market mutual funds; (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular municipality or a school district encompassing the geographic area of the particular municipality; (5) bonds or other obligations having a maturity of 397 days or less approved by the Division of Local Government Services of the State Department of Community Affairs; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities and repurchase agreements fully collateralized by securities set forth in (1) and (3) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the “Cash Management Fund”); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above. Municipalities are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq., or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a non-partisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in Government Obligations, Federal Government Agency Obligations, certain short-term investment-grade corporate obligations, commercial paper rated “prime”, certificates of deposit, repurchase agreements involving Government Obligations and Federal Government Agency Obligations and certain other types of instruments. The average maturity of the securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two years.

The Borough has no investments in derivatives.

## **MUNICIPAL BUDGET**

Pursuant to the Local Budget Law (N.J.S.A. 40A:4-1 et seq.) the Borough is required to have a balanced budget in which debt service is included in full for each fiscal year.

### **The Local Budget Law (N.J.S.A. 40A:4-1 et seq.)**

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Items of revenue and appropriation are regulated by law and must be certified by the Director of the Division prior to final adoption of the budget. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations, among others, for certification.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units. Tax anticipation notes are limited in amount by law and must be paid in full within 120 days of the close of the fiscal year. The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

### **Limitations on Municipal Appropriations and Tax Levy**

A statute passed in 1976, as amended and supplemented (N.J.S.A. 40A:4-45.1 et seq.), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. While the Cap Law restricts the ability of a municipality to increase its overall appropriations, the payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the Cost-of-Living Adjustment ("COLA"). Increases up to 3.5% are allowed by adoption of an ordinance whenever the COLA is less than 2.5%. If the COLA is greater than 2.5%, an increase in any amount above 2.5% will be permitted by adoption of an ordinance to 3.5% and beyond 3.5% upon passage of a referendum. The COLA is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other items including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. The Cap Law does not limit the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

Chapter 62 of the Pamphlet Laws of 2007 imposed restrictions upon the allowable annual increase in the tax levy. In general, starting with the 2008 budgets for calendar year municipalities and 2009 budgets for fiscal year municipalities, municipalities have their tax levies limited to a four percent (4%) increase. The cap calculation is subject to various adjustments, such as the value of increased assessments, and allows for an increase in the adjusted tax levy for various items, including amounts required to be added to the adjusted tax levy for increases in debt service, amounts required to replace reductions in State formula aid, certain increased pension contributions, increases greater than four percent (4%) in the reserve for uncollected taxes, and increases in health care costs in excess of four percent (4%) (but not in excess of the percentage increase in the State Health Benefits Program). The law also allows the Local Finance Board to grant waivers for extraordinary circumstances (some of which are defined in the Law) and authorizes a municipality to submit a public question to the voters for approval (by an affirmative vote of at least sixty percent (60%)) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

For municipalities, the levy cap is in addition to the existing appropriation cap; both cap laws must be met. Neither cap law limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

On July 13, 2010, P.L. 2010, c. 44 was approved, effective for budget years following enactment (the 2011 budget for the Borough) reducing the tax levy cap to 2% and limiting the exclusions to amounts required to be raised by taxation for debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy. Chapter 44 eliminated the process for obtaining waivers for additional spending under the tax levy limitation.

The Borough's appropriation and tax levy increases for 2011 to 2019, inclusive, were within the limits allowed under the CAP Law, taking into account applicable adjustments and available "CAP" banks

and without conducting a referendum to exceed the cap limits. The Borough's 2019 budget is in compliance with both "CAPS" taking into account applicable adjustments and available "CAP" banks and without conducting a referendum to exceed the cap limits.

### **Miscellaneous Revenues**

The Local Budget Law (N.J.S.A. 40A:4-26) provides that: "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation of like amount. The fiscal years for such grants rarely coincide with the municipality's fiscal year. However, grant revenue is generally not realized until received in cash.

### **Real Estate Taxes**

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. N.J.S.A. 40A:4-29 governs anticipation of delinquent tax collections: "The maximum which may be anticipated is the sum produced by multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

N.J.S.A. 40A:4-41 provides with regard to current taxes that: "Receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year."

This provision and N.J.S.A. 40A:4-40 require that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget.

The reserve requirement is calculated as follows:

$$\frac{\text{Levy required to balance budget}}{\text{Prior Year's Percentage of Current Tax Collection (or lesser \%)}} = \text{Total Taxes to be Levied}$$

Chapter 28 of the Pamphlet Laws of 1997 of New Jersey amended Section 41 of the Local Budget Law to allow municipalities to reduce the reserve for uncollected taxes by taking into account prior year tax reductions resulting from tax appeal judgments awarded to property owners. Another statute, Chapter 99 of the Pamphlet Laws of 1997 of New Jersey, allows a municipality to (1) reduce the reserve for uncollected taxes by deducting receipts anticipated during the fiscal year from the sale of unpaid taxes or municipal liens when such sale is concluded in the final month of the fiscal year or (2) not budget for the reserve for uncollected taxes if it sells its total property tax levy pursuant to such statute. See "Assessment And Collection of Taxes – Tax Collection Procedure" herein for a brief discussion of Chapter 99.

## **Deferral of Current Expenses**

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of the municipality. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow, and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, property revaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

## **Budget Transfers**

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may be transferred during the first three (3) months of the year to the previous years' budget. Both types of transfers require a 2/3 vote of the full membership of the governing body, however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to approval by the governing body.

## **Operation of Utilities**

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property.

For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities.

Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

## **Fiscal Year**

The Borough's fiscal year is the calendar year. Chapter 75 of the Pamphlet Laws of 1991 of the State (codified as N.J.S.A. 40A:4-3.1) required municipalities with populations in excess of 35,000 or that received Municipal Revitalization Aid from the State in 1990 or 1991 to change their fiscal year from the calendar year to the State fiscal year (July 1 to June 30), unless an exemption was granted. Municipalities not meeting the criteria for a mandatory change had the option to choose to change to the State fiscal year. N.J.S.A. 40A:4-3.1 was amended by P.L. 2000, c. 126, to eliminate the criteria for mandatory change of the fiscal year, but to continue to grant all municipalities the option to change to the State fiscal year. In addition, P.L. 2008, c. 92, further amended N.J.S.A. 40A:4-3.1 to allow municipalities operating on a fiscal year basis to revert to a calendar year. The Borough did not meet the criteria for a mandatory change to the State fiscal year, and does not presently intend to optionally make such a change in the future.

## **Budget Process**

Primary responsibility for the Borough's budget process lies with the Borough Council. As prescribed by the Local Budget Law, adoption should occur by the end of March, however, extensions may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation

is taking place, the Borough operates under a temporary budget which may not exceed 26.25% of the previous fiscal year's adopted budget. In addition to the temporary budget, the Borough may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

### **Capital Budget**

In accordance with the Local Budget Law, the Borough must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period of the next ensuing three years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next three years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the items were detailed.

## **ASSESSMENT AND COLLECTION OF TAXES**

### **Tax Collection Procedure**

Real property taxes are assessed locally, based upon an assessment at true value. The tax bill includes a levy for Borough, County and School purposes. Tax bills are mailed annually in June. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. 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, is transferred as of June 30 of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15 to the County by the Borough. Annually, all properties with unpaid taxes for the previous year are placed in a tax sale in accordance with the New Jersey Statutes. Annual interim tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough.

Chapter 99 of the Pamphlet Laws of 1997 of New Jersey allows a municipality to sell its total property tax levy to the highest bidder either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive as a credit against his payment obligation, the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or a surety bond. The purchaser is entitled to receive delinquent taxes and other municipal charges collected by the tax collector. The statute sets forth bidding procedures and minimum bidding terms and requires the review and approval of the sale by the Division of Local Government Services.

In response to the \$10,000 annual limitation on an individual's federal income tax deduction for state and local taxes paid (beginning in 2018 and ending in 2025) contained in the federal "Tax Cuts and Jobs Act", Pub. L. No. 115-97, New Jersey Governor Murphy signed into law Senate Bill No. 1893 ("S-1893") on May 4, 2018. S-1893, which will take effect when implementing regulations are adopted by various State agencies, authorizes municipalities, counties and school districts ("local units") to establish one or more charitable funds, each for specific public purposes, and permits certain donations to those charitable funds to be credited toward the donor's property tax obligation. Moneys held in a charitable fund are immediately available to pay debt service. On June 13, 2019, the Internal Revenue Service issued final regulations, effective August 12, 2019, denying the deductibility (except for a de minimis amount) for federal income tax purposes of property tax credit donation mechanisms authorized by S-1893 and similar laws adopted in other states. The Borough makes no representations as to whether any local units will establish charitable funds pursuant to S-1893 or how S-1893 will be implemented.



## **Tax Appeals**

New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the Bergen County Tax Board on or before the first day of April of the current tax year for review. The Bergen County Tax Board has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the Bergen County Tax Board, appeal may be made to the Tax Court of New Jersey, for a further hearing. Further, an assessment in excess of \$1,000,000 can be appealed directly to the Tax Court of New Jersey. State tax appeals tend to take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations or with the permission of the Local Finance Board may be financed, generally, over a three to five year period. In addition, pursuant to Assembly Bill No. 2004, signed into law by Governor Phil Murphy on August 9, 2019, commercial tax appeal refunds exceeding \$100,000 may be paid to the property owner, with interest, in substantially equal payments within a three year period - rather than within sixty days of the final judgment (the standard period for refunds).

## **TAX MATTERS**

### **Federal Income Taxes**

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and rebate of certain arbitrage earnings to the United States. Noncompliance by the Borough with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Borough has covenanted, to the extent permitted by the Constitution and the laws of the State, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. The Borough’s Tax Certificate (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Borough, in executing the Tax Certificate, will certify to the effect that the Borough expects and intends to comply with the provisions and procedures contained therein.

In rendering the opinion described below with respect to the Bonds, Bond Counsel has relied upon the covenant and has assumed the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate.

### **Tax Opinions**

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Borough, assuming compliance by the Borough with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals. For other Federal tax information, see “Tax Matters – Additional Federal Income Tax Consequences” herein.

In the opinion of Bond Counsel, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

### **Additional Federal Income Tax Consequences**

Prospective purchasers of the Bonds should be aware that ownership of governmental obligations, such as the Bonds, may have collateral Federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S Corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from the ownership of the Bonds. Bond Counsel expresses no opinion regarding any such collateral Federal income tax consequences.

### **Proposals for Tax Changes**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

**ALL POTENTIAL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.**

### **STATEMENT OF LITIGATION**

There is no litigation pending or threatened restraining or enjoining the issuance or the delivery of the Bonds or the levy or the collection of taxes to pay the Bonds or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes. There is at present no single action pending or threatened against the Borough which would impose an undue financial burden on the Borough. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Borough is a party-defendant in certain lawsuits, none of a kind unusual for a Borough of its size, and none of which, in the opinion of the Borough Attorney, would adversely impair the Borough's ability to pay its bondholders. All of the Borough's tort actions are being defended by municipal joint insurance funds (which provide pooled private insurance coverage and self-insurance coverage to its members). The Borough is also insured for liability in excess of the limits provided by the municipal joint insurance funds. Pending municipal real estate appeals are limited in number and, based upon the Borough's prior experience in tax appeals, and assuming that such tax appeals

are resolved adversely to the interest of the Borough, such resolution would not in any way endanger the Borough's ability to pay its bondholders.

## **LEGALITY FOR INVESTMENT**

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutions, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any obligations of the Borough, including the Bonds, and such Bonds are authorized security for any and all public deposits.

## **RATING**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency"), has assigned a rating of "AAA" to the Bonds.

The rating reflects only the view of the Rating Agency and an explanation of the significance of the rating may only be obtained from the Rating Agency at the following address: 55 Water Street, New York, New York 10041. The Borough forwarded to the Rating Agency certain information and materials concerning the Bonds and the Borough. There can be no assurance that the rating will be maintained for any given period of time or that the rating will not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in, or withdrawal of, the rating may have an adverse effect on the marketability or market price of the Bonds.

## **UNDERWRITING**

The Bonds have been purchased at public sale from the Borough for resale by the following purchasers (the "Underwriters"): Manager: Roosevelt & Cross, Inc.; Co-Managers: Oppenheimer & Co., Inc., Intercoastal Capital Markets, Inc., Edward D. Jones & Co., Ramirez & Co., Inc., Ross, Sinclair & Associates Inc., R. Seelaus & Company, Inc. and Stifel, Nicolaus & Co., Inc.\* The proceeds of the Bonds total \$9,952,322.76 (par plus a premium of \$17,322.76).

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the Bonds. If all the Bonds are sold at the public offering prices or yields set forth on the cover of this Official Statement, the Underwriters anticipate total selling compensation of \$138,235.59.\* The public offering prices or yields of the Bonds may be changed from time to time by the Underwriters.

\*Information obtained from the Underwriters.

## **MUNICIPAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as municipal advisor to the Borough with respect to the issuance of the Bonds ("Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS**

### **Absence of Litigation**

Upon delivery of the Bonds, the Borough shall furnish a certificate of the Borough Attorney, dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by or against the Borough wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Borough, or adversely affect the power of the Borough to enforce the collection of taxes or other revenues for the payment of its bonds and notes, which has not been disclosed in this Official Statement.

### **Legal Matters**

The legality of the Bonds will be subject to the approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. Such opinion will be to the effect that:

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Borough, enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.
2. The Borough has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Borough is authorized and required by law to levy on all real property taxable by the Borough such *ad valorem* taxes as may be necessary to pay the Bonds and the interest thereon, without limitation as to rate or amount.

Rogut McCarthy LLC has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement and will not express, and has not been requested to express, an opinion as to the accuracy, completeness or fairness of such statements. See "Appendix C – Proposed Form of Bond Counsel Opinion" herein.

### **Certificates of Borough Officials**

The original purchasers of the Bonds shall also receive a certificate, dated as of the date of delivery of the Bonds and signed by the Chief Financial Officer and the Borough Clerk that (a) as of the date of the Official Statement furnished by the Borough in relation to the Bonds, said Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, subject to the condition that while information in said Official Statement obtained from sources other than the Borough is not guaranteed as to accuracy, completeness or fairness, such officers have no reason to believe and do not believe that such information is materially inaccurate or misleading, and (b) to the knowledge of such officers, since the date of said Official Statement and since the date of the sale of the Bonds, there has been no material transactions not in the ordinary course of affairs entered into by the Borough and no material adverse change in the general affairs of the Borough or in its financial condition as shown in said Official Statement, other than as disclosed in or contemplated by said Official Statement, provided such certificate shall not include consideration of information supplied by, or that should have been supplied by, the successful bidders for the Bonds. In addition, the original purchasers of the Bonds shall also receive certificates in form satisfactory to Rogut McCarthy LLC, Bond Counsel, evidencing the proper execution and delivery of the Bonds and receipt of payment therefor and a certificate, dated as of the date of delivery

of the Bonds and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the Borough, nor the title of the said officers to their respective offices, is being contested.

## **SECONDARY MARKET DISCLOSURE**

The Borough has agreed, pursuant to a resolution adopted on August 19, 2019, to undertake for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format, as prescribed by the MSRB. Specifically, the Borough will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof:

(A) Not later than seven months after the end of the Borough’s fiscal year (presently December 31), commencing with the report for the fiscal year ending December 31, 2019, provide or cause to be provided, annual financial information with respect to the Borough consisting of (i) audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing, which audited financial statements will be delivered when and if available) of the Borough and (ii) certain financial information and operating data consisting of information concerning the Borough’s debt, overlapping indebtedness, tax rate, levy and collection data, property valuation, budget and fund balance of the type contained under the headings “Budget Information”, “Financial Information” and “Debt Information” in Appendix “A” hereof. The audited financial statements will be prepared in accordance with mandated State statutory accounting principles, as in effect from time to time. Audited financial statements if not available by the filing date will be submitted separately when available.

(B) Provide or cause to be provided in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds or financial obligations of the Borough:

- (1) Principal or interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds ;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property which secures the repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Borough (the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borough in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borough, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order

- confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borough);
- (13) The consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
  - (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
  - (15) Incurrence of a financial obligation of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Borough, any of which affect Bondholders, if material; and
  - (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Borough, any of which reflect financial difficulties. The Borough intends the words used in paragraphs (15) and (16) and the definition of “financial obligation” to have the meanings ascribed to them in SEC Release No. 34-83885 (August 20, 2018).

(C) Provide or cause to be provided, in a timely manner, notice of a failure of the Borough to provide required annual financial information on or before the date specified above.

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

If the Borough fails to comply with the above-described undertaking, any Bondholder or beneficial owner of the Bonds may pursue an action for specific performance to enforce the rights of all Bondholders and beneficial owners with respect to such undertaking; *provided, however*, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds or any liability by the Borough for monetary damages. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all Bondholders and beneficial owners of the Bonds.

The Borough reserves the right to terminate its obligation to provide annual financial information and notice of material events, as set forth above, if and when the Borough no longer remains an “obligated person” with respect to the Bonds within the meaning of Rule 15c2-12.

The undertaking may be amended by the Borough from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements, a change in law or a change in identity, nature, type of operation or status of the Borough, which in the opinion of nationally recognized bond counsel complies with Rule 15c2-12 and does not, in such bond counsel’s opinion, materially impair the interests of the Bondholders and the beneficial owners of the Bonds.

Within the five years immediately preceding the date of this Official Statement, the Borough previously failed to file, in accordance with Rule 15c2-12, in a timely manner, under previous filing requirements, its adopted budget for the fiscal year ended December 31, 2018. Additionally, the Borough previously failed to file, in a timely manner, a notice of late filing in connection with the untimely filing of its adopted budget, as described above. Such notice of late filing has since been filed with the MSRB’s Electronic Municipal Market Access Dataport (“EMMA”). The Borough appointed Phoenix Advisors, LLC in November of 2015 to serve as continuing disclosure agent.

## **PREPARATION OF OFFICIAL STATEMENT**

The firm of Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey, takes responsibility for the financial statements to the extent specified in the Independent Auditor's Report.

The firm of Phoenix Advisors, LLC assisted in the preparation of information contained in this Official Statement and information has been obtained from sources which Phoenix Advisors, LLC considers to be reliable but they make no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

All other information has been obtained from sources which the Borough considers to be reliable and the Borough makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

## **APPROVAL OF OFFICIAL STATEMENT**

Prior to the delivery of the Bonds, the Borough Council will have adopted a resolution approving this Official Statement, deeming it a "final official statement" for purposes of Rule 15c2-12 and directing the Chief Financial Officer and the Borough Clerk to deliver a reasonable number of copies thereof in final form to the Underwriter for its use in the sale, resale or distribution of the Bonds.

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including requests for information additional to that contained herein, may be directed to Harold E. Laufeld, III, Chief Financial Officer, Borough of Woodcliff Lake, 188 Pascack Road, Woodcliff Lake, New Jersey 07677, telephone (201) 391-4977 or to the Municipal Advisor, at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, telephone (609) 291-0130.

## **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough, the State or any of their agencies or authorities, since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

This Official Statement has been duly executed and delivered by the Chief Financial Officer and the Borough Clerk on behalf of the Borough.

### **BOROUGH OF WOODCLIFF LAKE, IN THE COUNTY OF BERGEN, NEW JERSEY**

By: /s/ Harold E. Laufeld, III  
Harold E. Laufeld, III  
Chief Financial Officer

By: /s/ Deborah A. Dakin  
Deborah A. Dakin  
Borough Clerk

Dated: September 18, 2019



## **APPENDIX A**

### **ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE BOROUGH OF WOODCLIFF LAKE**

[THIS PAGE INTENTIONALLY LEFT BLANK]

## **GENERAL INFORMATION**

### **Size and Geographical Location**

The Borough of Woodcliff Lake, which is situated in the northern part of Bergen County, encompasses an area of 3.60 square miles. Neighboring communities include the boroughs of Park Ridge, Saddle River, Upper Saddle River, Montvale and Hillsdale. The Borough is primarily a single-family home residential community, but over the last several decades it has seen the development of major corporate campuses replace farmland and orchards.

The Borough's ideal location allows its residents to enjoy a high quality of life with fine schools, recreation, restaurants and cultural activities all in close proximity. Several large hospitals are located near the Borough including, Valley Hospital, Hackensack University Medical Center at Pascack Valley, Hackensack University Medical Center, Holy Name Hospital and Englewood Hospital. The Woodcliff Lake Hilton, Park Ridge Marriott and Pearl River Hilton are just a few of the fine hotels servicing the Borough and neighboring communities. Residents can enjoy upscale shopping right in the Borough at Tice's Corner, including the Apple Store, Banana Republic, J Crew, Panera Bread, Pottery Barn, Talbots, Williams Sonoma and many more. In addition, many large shopping centers such as, Paramus Park Mall, Garden State Plaza, The Shops at Riverside, Bergen Town Center Mall and Willowbrook Mall in New Jersey and Palisades Center and Woodbury Commons in New York are only minutes away. In addition, the Borough is a short distance from New York City and everything it has to offer.

### **Business and Economic Development**

Woodcliff Lake is home to a diverse business community. There are numerous business and commercial establishments ranging from local merchants to prestigious national corporations, including BMW North American Headquarters, Eisai Corporate offices, Perillo Corporate Headquarters, the Woodcliff Lake Hilton and Mack-Cali developments.

Through careful planning and zoning efforts the Borough has achieved a balanced environment providing quality living, employment opportunities, recreational facilities and infrastructure, while maintaining one of the lowest effective tax rates in the area. Woodcliff Lake's residential and business communities work together, as they have for over thirty years, to ensure the Borough's continued growth and development.

### **Form of Government**

Woodcliff Lake was organized in 1894 under the borough form of government. There is a Mayor and a six member Council. The Mayor is elected to serve a four-year term and may succeed that term by re-election. The Mayor is empowered, amongst her/his legal powers as head of the municipal government, to: (i) provide for the proper execution of local and State laws; (ii) recommend to the Borough Council measures she/he deems in the best interest of the Borough, (iii) nominate and, with the advice and consent of the Borough Council, appoint most subordinate officers of the Borough and (iv) maintain peace and order. Although she/he presides over meetings of the Borough Council, the Mayor votes only in case of a tie. State law requires that she/he be a member of the Planning Board.

The six Council members are elected at-large, two each year, for terms of three years. The Council exercises general legislative powers conferred upon it by State law to protect and promote the general welfare of the Borough. Among these are the right to enact ordinances, approve resolutions, approve mayoral appointments, adopt the annual budget and determine the tax levy. The Council, acting in committee, oversees the various departments and functions of the Borough government.

## **Transportation**

Woodcliff Lake's location makes it an ideal area for corporations and residents. The Borough is strategically located only minutes away by automobile or mass transportation from New York City, Rockland and Westchester Counties in New York State and all parts of New Jersey.

The Garden State Parkway has an exit and entrance in the Borough. Also, bus service to New York City is available throughout the Borough. Rail passenger service is provided by New Jersey Transit's Pascack Valley Line which runs through Woodcliff Lake and other Bergen County communities, terminating in Hoboken where other convenient connections can be made via PATH to New York City, Newark and Jersey City.

There are many major interstate and local highways minutes away from Woodcliff Lake in addition to the Garden State Parkway, including the New Jersey Turnpike, the New York State Thruway, Interstate Highways No. 80 and 287, the Palisades Interstate Parkway and State Highway No. 17.

## **Public Safety**

Woodcliff Lake is served by a Police Department consisting of 18 sworn police officers which includes detective, juvenile and traffic bureaus. The department has a main headquarters as well as a sub-station on the western side of town in order to better serve its residents. The department has an outstanding record for law enforcement. In addition to law enforcement, the Police Department is actively involved in several school programs and community crime prevention programs including LEAD drug education. The Police Department continues to coordinate a Community Policing Sector Program that has served as a model for other departments nationwide

The Borough's Volunteer Fire Department consists of approximately 60 volunteer members who are under the direction of the Fire Chief. The central fire headquarters houses 2 pumpers, 1 ladder truck, and 1 rescue truck, all with the latest fire fighting equipment. A direct control alarm system links each firefighter through a centralized dispatch system insuring immediate response. The surrounding fire departments assist and cooperate in a mutual aid system, including Park Ridge and Montvale.

Free ambulance and rescue service is provided to the public on a 24 hour a day basis by the Tri-Boro Volunteer Ambulance Corps that services the Boroughs of Montvale, Park Ridge and Woodcliff Lake.

The dispatch function for all emergency services is provided through an agreement with Northwest Central Dispatch, covering the surrounding communities of Park Ridge and Montvale who operate on the same radio frequency and often serve as back-up with each other.

## **Sanitation and Recycling**

The Borough provides garbage collection for all homes on a weekly basis. Recycling pick-up is provided for all homes on a monthly basis. Both of these services are provided by Borough employees. The recycling center located within the Borough generates revenue for the Borough and is an environmentally friendly and modern facility.

The Borough is a participant in the Bergen County Utilities Authority which provides sewerage treatment for the entire municipality. For this service the Borough pays an annual service charge based on the metered flow of sewerage. This service charge is part of the general property tax levy.

## Utilities

Electricity and gas are supplied by Public Service Electric & Gas Company. Water is supplied by the Borough of Park Ridge Water Utility.

## Affordable Housing

The Borough is in compliance with its Affordable Housing requirements and recently settled with Fair Share. Current plans include the addition of 16 affordable units on the east side of town and the town recently designated a developer for the site. The town continues to collect COAH fees from developers as dictated in their ordinance, for use in addressing these needs. In addition, the Borough has two existing affordable housing developments. The first development, Centennial Way, consists of 11 two and three-bedroom duplexes of 22 units. The Borough received Community Development Block grants and New Jersey Department of Transportation grants for the infrastructure of this project. The second development, Broadway Village, consists of three buildings of six one-bedroom units each or a total of 18 rented apartments (12 senior citizen and 6 non-age restricted). The Borough received numerous grants for Broadway Village including a Home Grant, Community Development Grant, Federal Home Loan and Developers' Contributions/Interest. No local tax dollars supported either existing project.

## Recreation

There are two large recreational areas in the Borough. Wood Dale Park (a County Park) occupies 55 acres in the eastern portion of the Borough and has a large pond, walking paths, children's playground and tennis courts. The Old Mill Complex is the other site and is located on the east side of town. It contains a large swimming area, tennis courts and full size athletic fields for a variety of sports. Throughout the year, community celebrations are held in both these areas in a festive atmosphere that all families enjoy. The town has a diverse program of recreational sports for both youth and adults. There is also a Community/Senior Center for the use and enjoyment of residents.

## Open Space

The Borough is committed to preserving and maintaining land within the Borough as open space. In 2001 a \$.01 municipal open space tax was implemented in order to acquire property for recreational and passive use.

## Education

The Borough's school district, coterminous with the Borough, is a type II school district, and is an independent legal entity administered by a seven member Board of Education elected by the voters of the school district. The school system educates children from kindergarten through 8<sup>th</sup> grade and is comprised of one elementary school and one middle school. The school district is authorized by law to issue debt for school purposes upon vote of the electorate. The Borough is also a part of the Pascack Valley Regional High School District which consists of high school students residing in the Boroughs of Hillsdale, Montvale and Woodcliff Lake and the Township of River Vale.

## Population

Population trends for the Borough, County and the State of New Jersey are shown below:

<u>Area</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018</u>
Borough of Woodcliff Lake	5,644	5,303	5,745	5,730	5,862
County of Bergen	845,385	825,380	884,118	905,116	936,692
State of New Jersey	7,365,011	7,730,188	8,414,350	8,791,894	8,908,520

Source: U.S. Census Bureau.

**Income as of 2017**

	<b><u>Median Household Income</u></b>	<b><u>Median Family Income</u></b>	<b><u>Per Capita Income</u></b>
Borough of Woodcliff Lake	\$161,250	\$188,542	\$82,266
County of Bergen	91,572	112,099	46,601
State of New Jersey	76,475	94,337	39,069

---

Source: U.S. Census Bureau, 2013 - 2017 American Community Survey 5 Year Estimates

**Labor Force, Employment and Unemployment**

The New Jersey Department of Labor reported the following annual average employment information for the Borough of Woodcliff Lake, the County of Bergen and the State of New Jersey:

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<u>Borough of Woodcliff Lake</u>				
2018	2,856	2,775	81	2.8%
2017	2,867	2,782	85	3.0%
2016	2,903	2,814	89	3.1%
2015	2,913	2,816	97	3.3%
2014	2,889	2,777	112	3.9%
<u>County of Bergen</u>				
2018	472,001	455,773	16,228	3.4%
2017	483,324	464,527	18,797	3.9%
2016	484,167	463,988	20,179	4.2%
2015	485,316	463,223	22,093	4.6%
2014	479,448	453,688	25,760	5.4%
<u>State of New Jersey</u>				
2018	4,422,900	4,239,600	183,300	4.1%
2017	4,518,800	4,309,700	209,100	4.6%
2016	4,524,300	4,299,900	224,400	5.0%
2015	4,530,500	4,267,900	262,600	5.8%
2014	4,518,700	4,218,400	300,300	6.6%

---

Source: New Jersey Department of Labor, Division of Labor Market and Demographic Research

## DEBT INFORMATION

### Debt Statements

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division of Local Government Services, Department of Community Affairs of the State of New Jersey (the "Division"). The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31 of each year the Borough must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Borough as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

### Debt Incurring Capacity As of December 31, 2018

Municipal	
Equalized Valuation Basis (last 3 years average)	\$ 1,958,265,815
3 1/2% Borrowing Margin	68,539,304
Net Debt Issued, Outstanding and Authorized	7,462,955
Remaining Municipal Borrowing Capacity	61,076,349
Local School	
3% Borrowing Margin	58,747,974
Debt, Issued, Outstanding and Authorized	5,260,000
Remaining School Borrowing Capacity	53,487,974
Regional School	
3% Borrowing Margin	58,747,974
Debt, Issued, Outstanding and Authorized	4,094,184
Remaining School Borrowing Capacity	54,653,790

### Gross and Statutory Net Debt as of December 31,

<u>Year</u>	<u>Gross Debt Amount</u>	<u>Statutory Net Debt</u>	
		<u>Amount</u>	<u>Percentage</u>
2018	\$ 16,997,184	\$ 7,462,955	0.381%
2017	17,745,352	7,485,698	0.378%
2016	18,398,507	7,061,448	0.355%
2015	18,984,393	6,579,348	0.329%
2014	20,175,111	6,824,228	0.340%

Source: Borough of Woodcliff Lake Annual Audit Reports

**Statement of Indebtedness**  
**As of December 31, 2018**

**GENERAL PURPOSES**

Bonds Issued and Outstanding	\$ 318,000	
Bond Anticipation Notes	6,280,000	
Authorized But Not Issued	<u>1,045,000</u>	
		\$ 7,643,000

**LOCAL SCHOOL**

Debt Issued and Outstanding		5,260,000
-----------------------------	--	-----------

**REGIONAL SCHOOL**

Debt Issued, Outstanding and Authorized		<u>4,094,184</u>
---	--	------------------

TOTAL GROSS DEBT 16,997,184

**STATUTORY DEDUCTIONS**

Municipal Purpose	180,045	
School Purposes	<u>9,354,184</u>	
		<u>9,534,229</u>

TOTAL NET DEBT \$ 7,462,955

**OVERLAPPING DEBT**

County of Bergen (Note 1)	16,272,162	
Bergen County Utilities Authority (2)	<u>1,517,491</u>	
		<u>\$ 17,789,653</u>

**GROSS DEBT**

Per Capita (2018 Estimate - 5,862)	\$ 2,900
Percent of Net Valuation Taxable (2018 - \$2,013,431,243)	0.84%
Percent of Estimated True Value of Real Property (2018 - \$2,010,875,503)	0.85%

**NET MUNICIPAL DEBT**

Per Capita (2018 Estimate - 5,862)	\$ 1,273
Percent of Net Valuation Taxable (2018 - \$2,013,431,243)	0.37%
Percent of Estimated True Value of Real Property (2018 - \$2,010,875,503)	0.37%

**OVERALL DEBT (Gross and Overlapping Debt)**

Per Capita (2018 Estimate - 5,862)	\$ 5,934
Percent of Net Valuation Taxable (2018 - \$2,013,431,243)	1.73%
Percent of Estimated True Value of Real Property (2018 - \$2,010,875,503)	1.73%

Note (1) Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2018 Bergen County Abstract of Ratables published by the Bergen County Board of Taxation.

Note (2) Overlapping debt was computed based upon usage.

Source: Borough of Woodcliff Lake.



**BUDGET INFORMATION****Current Fund  
(As Adopted)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Anticipated Revenues					
Fund Balance	\$ 1,400,000	\$ 1,200,000	\$ 1,050,000	\$ 950,000	\$ 950,000
Miscellaneous Revenues	1,868,496	1,769,075	1,877,992	1,740,596	1,617,535
Receipts from Delinquent Taxes	150,000	200,000	200,000	175,000	175,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>9,999,604</u>	<u>9,871,925</u>	<u>9,755,108</u>	<u>9,536,238</u>	<u>9,390,175</u>
	<u>\$ 13,418,100</u>	<u>\$ 13,041,000</u>	<u>\$ 12,883,100</u>	<u>\$ 12,401,834</u>	<u>\$ 12,132,710</u>
Appropriations					
Salaries and Wages	\$ 4,801,125	\$ 4,537,700	\$ 4,394,100	\$ 4,287,250	\$ 4,193,050
Other Expenses	5,720,720	5,787,889	5,790,862	5,470,775	5,195,092
Deferred Charges and Statutory Expenditures	1,095,271	903,409	870,515	862,215	1,161,833
Capital Improvement Fund	150,000	70,000	100,000	171,550	50,000
Municipal Debt Service	862,984	972,002	987,623	892,594	865,285
Reserve for Uncollected Taxes	<u>788,000</u>	<u>770,000</u>	<u>740,000</u>	<u>717,450</u>	<u>667,450</u>
	<u>\$ 13,418,100</u>	<u>\$ 13,041,000</u>	<u>\$ 12,883,100</u>	<u>\$ 12,401,834</u>	<u>\$ 12,132,710</u>

---

Source: Borough of Woodcliff Lake.

**FINANCIAL INFORMATION****Current Fund Balance and Amounts Utilized in Succeeding Year's Budget**

<u>Year</u>	<u>Fund Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
2018	\$ 1,943,217	\$ 1,400,000
2017	1,708,699	1,200,000
2016	1,640,875	1,050,000
2015	1,497,380	950,000
2014	1,382,289	950,000

---

Source: Borough of Woodcliff Lake Annual Audit Reports.

## Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2018	\$ 41,950,244	\$ 41,738,280	99.49%
2017	41,569,915	41,305,415	99.36%
2016	41,197,340	40,847,971	99.16%
2015	40,295,779	40,027,293	99.33%
2014	39,543,214	39,263,672	99.29%

---

Source: Borough of Woodcliff Lake Annual Audit Reports.

## Delinquent Taxes

<u>Year</u>	<u>Delinquent Taxes</u>	<u>Percentage of Levy</u>
2018	\$ 173,830	0.41%
2017	225,178	0.54%
2016	306,317	0.74%
2015	252,688	0.63%
2014	254,897	0.64%

---

Source: Borough of Woodcliff Lake Annual Audit Reports.

## Assessed Valuation of Property Owned by the Borough Acquired for Taxes

<u>Year</u>	<u>Amount</u>
2018	None
2017	None
2016	None
2015	None
2014	None

---

Source: Borough of Woodcliff Lake Annual Audit Reports.

## Ten Largest Taxpayers

The ten largest taxpayers in the Borough and their 2019 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
BMW of North America	\$ 84,787,000
BMW of North America	62,500,000
Gramercy Property Trust	58,196,900
WS Tice's Corner Mkt	50,532,600
Capstone Tice Blvd	38,000,000
Hudson Tice	41,040,000
Brighton Norse Realty	31,389,700
CP Woodcliff Lake	23,000,000
Ridge Associates	20,460,000
Woodcliff Lake Senior Care LLC	20,218,600
	<u>\$ 430,124,800</u>

Source: Tax Assessor.

## Assessed Valuation Land Improvements by Class

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Total</u>
2019	\$ 15,226,500	\$ 1,467,894,300	\$ 1,099,700	\$ 554,773,600	\$ 2,038,994,100
2018	20,458,700	1,440,265,500	1,085,000	549,849,100	2,011,658,300
2017	23,281,300	1,405,890,100	1,067,300	551,589,700	1,981,828,400
2016	12,723,700	1,387,553,500	1,067,900	517,184,700	1,918,529,800
2015	12,987,200	1,368,240,000	1,049,500	512,114,400	1,894,391,100

Source: Tax Duplicate.

## Assessed Valuations Net Valuation Taxable

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2019	\$ 2,038,994,100	\$ 1,775,253	\$ 2,040,769,353	102.11%	\$ 2,000,935,964
2018	2,011,658,300	1,772,943	2,013,431,243	100.24%	2,010,875,503
2017	1,981,828,400	1,775,410	1,983,603,810	101.10%	1,964,330,869
2016	1,918,529,800	1,781,755	1,920,311,555	97.36%	1,974,665,205
2015	1,894,391,100	1,777,846	1,896,168,946	96.59%	1,965,379,073

Source: Bergen County Abstract of Ratables and 2019 Preliminary Equalization Table.

**Components of Real Estate Tax Rate**  
**(per \$100 of Assessment)**

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>
2019	\$ 2.089	\$ 0.499	\$ 0.791	\$ 0.564	\$ 0.235
2018	2.073	0.500	0.782	0.551	0.240
2017	2.092	0.501	0.783	0.558	0.250
2016	2.144	0.505	0.788	0.597	0.254
2015	2.123	0.505	0.775	0.593	0.250

Source: Tax Collector.

**Apportionment of Tax Levy**  
**(Including School and County Purposes)**

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>
2019	\$ 42,615,492	\$ 10,203,681	\$ 16,126,414	\$ 11,498,962	\$ 4,786,435
2018	41,950,244	10,272,274	15,750,005	11,086,831	4,841,134
2017	41,569,915	10,020,821	15,527,546	11,071,840	4,949,708
2016	41,197,340	9,754,427	15,126,666	11,459,851	4,856,396
2015	40,295,779	9,622,462	14,711,253	11,242,662	4,719,402

Source: Borough of Woodcliff Lake.

**APPENDIX B**

**FINANCIAL STATEMENTS**

**OF THE BOROUGH OF WOODCLIFF LAKE**

[THIS PAGE INTENTIONALLY LEFT BLANK]



**LERCH, VINCI & HIGGINS, LLP**

**CERTIFIED PUBLIC ACCOUNTANTS**

**REGISTERED MUNICIPAL ACCOUNTANTS**

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

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
SHERYL M. NICOLosi, CPA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA

### **INDEPENDENT AUDITOR'S REPORT**

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

#### **Report on the Financial Statements**

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Woodcliff Lake, as of December 31, 2018 and 2017, and the related statements of operations and changes in fund balance - regulatory basis, the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the years then ended, and the related notes to the financial statements.

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

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

#### ***Auditor's Responsibility***

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

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Woodcliff Lake as of December 31, 2018 and 2017, or changes in financial position for the years then ended.

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

As discussed in Note 16 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough's financial statements as of and for the years ended December 31, 2018 and 2017. The LOSAP Trust Fund financial activities are included in the Borough's Trust Funds, and represent 40 percent and 25 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2018 and 2017.

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

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Woodcliff Lake as of December 31, 2018 and 2017, and the results of operations and changes in fund balance – regulatory basis of such funds, the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the years then ended in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated July 19, 2019 on our consideration of the Borough of Woodcliff Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Woodcliff Lake's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Woodcliff Lake's internal control over financial reporting and compliance.

By/s/

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

Fair Lawn, New Jersey  
July 19, 2019

**BOROUGH OF WOODCLIFF LAKE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**AS OF DECEMBER 31, 2018 AND 2017**  
**CURRENT FUND**

ASSETS	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 6,499,297	\$ 10,534,948
Cash - Change Fund	250	250
Federal and State Grants Receivable	<u>66,165</u>	<u>208,605</u>
	<u>6,565,712</u>	<u>10,743,803</u>
Receivables and Other Assets With Full Reserves		
Delinquent Property Taxes Receivable	173,830	225,178
Revenue Accounts Receivable	4,320	5,313
Due from General Capital Fund	323	185
Due from Other Trust Fund - Escrow	-	1,196
Due from Public Assistance Fund	2	2
Due from Community Development Trust Fund	2	1
Due from Animal Control Fund	<u>4,506</u>	<u>2</u>
	<u>182,983</u>	<u>231,877</u>
Total Assets	<u>\$ 6,748,695</u>	<u>\$ 10,975,680</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
Liabilities		
Appropriation Reserves	\$ 770,154	\$ 682,322
Encumbrances Payable	667,345	421,257
Accounts Payable	34,452	33,831
Due to State of New Jersey		
Senior Citizens' and Veterans' Deductions	7,021	7,021
Construction Training Fees Payable	3,616	3,604
Marriage Fees	-	100
Due to Other Trust Fund	2,893	
Tax Overpayments	19,542	172,687
Reserve for Tax Appeals	2,160,180	1,838,586
Reserve for Terminal Leave	400,866	389,366
Prepaid Taxes	302,055	5,262,207
Reserve for Prepaid Revenue		10,180
Reserve for Aid in Lieu of Taxes	16,549	17,313
Reserve for Tax Sale Premium	25,100	
Due County for Added and Omitted Taxes	24,538	8,715
Appropriated Reserves	184,626	168,564
Unappropriated Reserves	<u>3,558</u>	<u>19,351</u>
	4,622,495	9,035,104
Reserve for Receivables and Other Assets	182,983	231,877
Fund Balance	<u>1,943,217</u>	<u>1,708,699</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 6,748,695</u>	<u>\$ 10,975,680</u>

See Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF WOODCLIFF LAKE**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE-**  
**REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**CURRENT FUND**

	<u>2018</u>	<u>2017</u>
REVENUE AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 1,200,000	\$ 1,050,000
Miscellaneous Revenues Anticipated	2,185,024	2,084,110
Receipts from Delinquent Taxes	225,428	306,153
Receipts from Current Taxes	41,088,280	41,005,415
Non-Budget Revenues	509,482	119,251
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	398,485	509,384
Appropriated Reserves Cancelled	-	7,793
Statutory Excess Animal Control Fund	4,503	
Prior Year Accounts Payable Cancelled	-	1,524
Prior Year Interfunds Liquidated	<u>1,386</u>	<u>673</u>
Total Revenues	<u>45,612,588</u>	<u>45,084,303</u>
EXPENDITURES		
Budget and Emergency Appropriations		
Operations		
Salaries and Wages	4,514,700	4,408,100
Other Expenses	5,813,638	5,820,152
Capital Improvement Fund	70,000	100,000
Municipal Debt Service	972,002	987,623
Deferred Charges and Statutory Expenditures	918,509	872,515
County Taxes	4,816,596	4,940,993
Due County for Added and Omitted Taxes	24,538	8,715
Municipal Open Space Preservation Trust Fund	202,364	198,708
Local District School Taxes	15,750,005	15,527,546
Regional High School Taxes	11,086,831	11,071,840
Grant Receivable Cancelled	-	2,468
Refund Prior Year Revenue	3,804	26,211
Prior Year Senior Discount Disallowed	250	222
Interfund Advance Originating	<u>4,833</u>	<u>1,386</u>
Total Expenditures	<u>44,178,070</u>	<u>43,966,479</u>
Excess in Revenue	1,434,518	1,117,824
Fund Balance, January 1	<u>1,708,699</u>	<u>1,640,875</u>
	3,143,217	2,758,699
Decreased by:		
Utilization as Anticipated Revenue	<u>1,200,000</u>	<u>1,050,000</u>
Fund Balance, December 31	<u>\$ 1,943,217</u>	<u>\$ 1,708,699</u>

See Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF WOODCLIFF LAKE**  
**COMPARATIVE STATEMENTS OF REVENUES - STATUTORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017**  
**CURRENT FUND**

	<u>2018</u>		<u>2017</u>	
	<u>Budget After</u>	<u>Realized</u>	<u>Budget After</u>	<u>Realized</u>
	<u>Modification</u>		<u>Modification</u>	
Surplus Anticipated	\$ 1,200,000	\$ 1,200,000	\$ 1,050,000	\$ 1,050,000
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	2,000	2,262	2,000	\$ 2,175
Other	400	362	200	750
Fees and Permits				
Other	40,000	48,521	30,000	51,762
Fines and Costs				
Municipal Court	70,000	75,525	60,000	73,988
Interest and Costs on Taxes	60,000	72,024	60,000	81,168
Uniform Fire Safety Act - Local	50,000	60,397	50,000	50,979
Energy Receipts Tax	509,389	509,389	509,389	509,389
Park Receipts	250,000	321,238	220,000	271,681
Upper Saddle River Sewer Charges	15,000	17,694	15,000	17,320
Cablevision Fees	55,990	55,990	54,675	54,675
Dept. of Public Works - Recyclables	20,228	11,370	15,000	33,806
Hotel Tax	250,000	273,505	270,000	271,858
Verizon Franchise Fees	46,742	46,742	46,384	46,384
Watershed Moratorium Aid	11,186	11,186	11,186	11,186
Uniform Construction Code Fees	320,000	591,735	300,000	320,424
Uniform Fire Safety Act	15,000	16,095	10,000	17,118
Alcohol Education	659	659	643	643
Body Armor Grant - Unappropriated			440	440
Body Armor Grant			3,266	3,266
Clean Communities Program	13,852	13,852	14,483	14,483
Drunk Driving Enforcement			3,000	3,000
FEMA - Assistance to Firefighters			148,572	148,572
Municipal Alliance Grant	9,876	9,876	9,876	9,876
NJDEP - Green Communities Grant			3,000	3,000
NJDEP - Reforestation/Tree Planting			19,260	19,260
NJDEP - Recreational Trails Program			24,000	24,000
Senior Citizens Activity Grant	3,338	3,338		
NJ Distracted Driving Grant	6,600	6,600	5,500	5,500
NJ Highway Grant - Drive Sober			5,500	5,500
Recycling Tonnage- Reserve	19,351	19,351	18,398	18,398
Reserve for Aid in Lieu of Taxes	17,313	17,313	13,510	13,510
Total Miscellaneous Revenues	1,786,924	2,185,024	1,923,282	2,084,111
Receipts from Delinquent Taxes	200,000	225,428	200,000	306,153
Amount to be Raised by Taxes for Support of Municipal Budget	9,871,925	9,977,946	9,755,108	9,997,612
Total General Revenues	\$ 13,058,849	13,588,398	12,928,390	\$ 13,437,876

See Accompanying Notes are an Integral Part of these Financial Statements

## 2018 STATEMENT OF EXPENDITURES

**BOROUGH OF WOODCLIFF LAKE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**CURRENT FUND**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserves</u>	<u>Balances</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 185,000	\$ 185,000	\$ 175,336	\$ 9,664	
Other Expenses	120,000	115,000	110,406	4,594	
Mayor and Council					
Salaries and Wages	23,000	23,000	23,000		
Other Expenses	10,000	10,000	8,683	1,317	
Municipal Clerk					
Salaries and Wages	90,000	90,000	88,595	1,405	
Other Expenses	42,500	42,000	22,504	19,496	
Financial Administration					
Salaries and Wages	141,000	141,000	139,425	1,575	
Other Expenses	30,000	28,000	27,369	631	
Audit Services					
Other Expenses	51,000	56,000	53,882	2,118	
Information Technology					
Other Expenses	11,500	11,500	11,193	307	
Revenue Administration (Tax Collection)					
Salaries and Wages	67,000	67,000	65,373	1,627	
Other Expenses	12,600	12,600	10,043	2,557	
Tax Assessment Administration					
Other Expenses	161,700	161,700	150,783	10,917	
Legal Services and Costs					
Other Expenses	275,000	210,000	192,101	17,899	
Engineering Services and Costs					
Other Expenses	75,000	71,900	30,056	41,844	
MUNICIPAL LAND USE LAW (NJSA 40:55D-1)					
Planning Board					
Salaries and Wages	2,500	5,000	2,668	2,332	
Other Expenses	45,000	85,000	82,156	2,844	
Zoning Board of Adjustment					
Salaries and Wages	2,500	5,000	2,668	2,332	
Other Expenses	16,650	41,650	35,106	6,544	
INSURANCE					
Unemployment Insurance					
Other Expenses	5,000	5,000	5,000	-	
Insurance (N.J.S.A. 40A:4-45.3(00))					
General Liability	191,000	191,000	168,342	22,658	
Workers Compensation	155,400	155,400	155,338	62	
Employee Group Health	1,222,000	1,222,000	1,176,833	45,167	
PUBLIC SAFETY FUNCTIONS					
Police					
Salaries and Wages	2,428,500	2,408,500	2,408,500	-	
Other Expenses	160,800	170,800	163,046	7,754	
Police Dispatch/911					
Other Expenses	226,000	226,000	225,261	739	

**BOROUGH OF WOODCLIFF LAKE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**CURRENT FUND**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserves</u>	<u>Balances</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS WITHIN "CAPS" (Continued)					
PUBLIC SAFETY FUNCTIONS (Continued)					
Emergency Management Services					
Salaries and Wages	\$ 11,000	\$ 11,000	\$ 9,335	\$ 1,665	
Other Expenses	5,150	5,150	2,639	2,511	
Aid to Volunteer Fire Companies					
Salaries and Wages	2,500	2,500		2,500	
Other Expenses	144,500	144,500	139,572	4,928	
Aid to Volunteer Ambulance Companies					
Contribution	20,000	20,000	20,000	-	
Fire Prevention Bureau					
Salaries and Wages	47,000	47,000	45,824	1,176	
Other Expenses	14,800	14,800	11,390	3,410	
Fire Hydrant Services					
Other Expenses	24,000	24,000	22,133	1,867	
PUBLIC WORKS FUNCTION					
Road Repairs and Maintenance					
Salaries and Wages	648,000	648,000	624,504	23,496	
Other Expenses	135,200	132,200	95,611	36,589	
Shade Tree Commission					
Other Expenses	19,000	23,000	22,647	353	
Solid Waste Collection					
Salaries and Wages	220,000	220,000	182,772	37,228	
Other Expenses	73,100	73,100	33,470	39,630	
Public Buildings and Grounds					
Salaries and Wages	90,000	90,000	54,981	35,019	
Other Expenses	170,000	166,000	127,935	38,065	
Vehicle Maintenance					
Other Expenses	116,100	116,100	64,072	52,028	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	4,500	4,500		4,500	
Other Expenses	38,150	41,650	39,655	1,995	
Animal Control Services					
Other Expenses	4,228	4,228	4,228	-	
Welfare/Administration of Public Assistance					
Salaries and Wages	2,200	2,200	2,111	89	
Other Expenses	600	600	60	540	
PARKS AND EDUCATION FUNCTIONS					
Recreation Services and Programs					
Salaries and Wages	272,000	272,000	253,488	18,512	
Other Expenses	102,200	102,200	78,626	23,574	
Maintenance of Parks					
Other Expenses	34,000	34,000	25,296	8,704	

**BOROUGH OF WOODCLIFF LAKE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**CURRENT FUND**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserves</u>	<u>Balances</u>
OPERATIONS WITHIN "CAPS" (Continued)		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
EDUCATIONAL FUNCTIONS					
Municipal/County Library					
Library Membership	\$ 30,000	\$ 30,000	\$ 23,725	\$ 6,275	
OTHER COMMON OPERATING FUNCTIONS					
Celebration of Public Events					
Other Expenses	30,000	30,000	24,417	5,583	
UNIFORM CONSTRUCTION CODE APPRO-					
PRIATIONS OFFSET BY DEDICATED REVENUES					
(N.J.A.C 5:23-4-17)					
State Uniform Construction Code					
Salaries and Wages	215,000	207,000	180,502	26,498	
Other Expenses	15,900	18,900	18,534	366	
UTILITY EXPENSE AND BULK PURCHASES					
Electricity	135,000	135,000	123,601	11,399	
Street Lighting	100,000	100,000	77,350	22,650	
Telephone	33,000	33,000	29,477	3,523	
Water	12,500	12,500	10,682	1,818	
Gasoline	115,000	115,000	91,593	23,407	
Sewer Processing and Disposal					
Salaries and Wages	86,000	86,000	77,486	8,514	
Other Expenses	44,000	44,000	14,689	29,311	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Sanitary Landfill Dump Fees					
Other Expenses	181,000	181,000	132,795	48,205	-
Total Operations Within "CAPS"	8,946,278	8,931,178	8,198,867	732,311	-
Detail:					
Salaries and Wages	4,537,700	4,514,700	4,336,568	178,132	-
Other Expenses (Including Contingent)	4,408,578	4,416,478	3,862,299	554,179	-
DEFERRED CHARGES AND STATUTORY					
EXPENDITURES					
- Municipal within "CAPS"					
Statutory Charges					
Social Security System (O.A.S.I.)	192,000	202,000	198,961	3,039	
Public Employees Retirement System of N.J.	180,166	183,266	183,229	37	
Police and Firemen's Retirement System of N.J.	529,743	529,743	529,743		
Defined Contribution Retirement Program	1,500	3,500	2,589	911	-
Total Deferred Charges & Statutory Expenditures					
- Municipal within "CAPS"	903,409	918,509	914,522	3,987	-
Total General Appropriations for Municipal					
Purposes within "CAPS"	9,849,687	9,849,687	9,113,389	736,298	-

See Accompanying Notes are an Integral Part of these Financial Statements



**BOROUGH OF WOODCLIFF LAKE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**CURRENT FUND**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserves</u>	<u>Balances</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
UTILITY EXPENSE AND BULK PURCHASE					
Bergen County Utilities Authority					
Share Costs Sewer Charges-Operating Costs	\$ 445,808	\$ 445,808	\$ 445,808	-	
Share Costs Sewer Charges-Debt Service	166,207	166,207	166,132	\$ 75	
Borough of Montvale - Sewer Charges	60,000	60,000	59,200	800	
Borough of Hillsdale - Sewer Charges	28,000	28,000	25,178	2,822	
PUBLIC SAFETY FUNCTION					
Aid to Volunteer Ambulance					
Other Expense - LOSAP Contribution	16,000	16,000	16,000		
Aid to Volunteer Fire Companies					
Other Expense - LOSAP Contribution	50,000	50,000	50,000		
LANDFILL/SOLID WASTE FUNCTION					
Recycling Tax	8,000	8,000	8,000	-	
Reserve for Tax Appeals	500,000	500,000	500,000		
Interlocal Municipal Service Agreements					
Municipal Court (Tri-Boro)					
Other Expenses (Contractual)	67,000	67,000	65,304	1,696	
PUBLIC AND PRIVATE PROGRAMS OFFSET					
BY REVENUES					
Municipal Alliance-State	9,876	9,876	1,074	8,802	
Municipal Alliance-Local Matching Funds	2,469	2,469	2,469	-	
Clean Communities Grant		13,852		13,852	
Senior Citizen Grant		3,338	2,674	664	
NJ Highway-2017 Distracted Driving	6,600	6,600	2,459	4,141	
State of NJ Recycling Tonnage - Reserve	19,351	19,351	18,347	1,004	
Alcohol Education Rehabilitation	-	659	659	-	-
Total Operations - Excluded from "CAPS"	<u>1,379,311</u>	<u>1,397,160</u>	<u>1,363,304</u>	<u>33,856</u>	<u>-</u>
Detail:					
Other Expenses (Including Contingent)	<u>1,379,311</u>	<u>1,397,160</u>	<u>1,363,304</u>	<u>33,856</u>	<u>-</u>
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>-</u>
Total Capital Improvements Excluded from "CAPS"	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>-</u>

**BOROUGH OF WOODCLIFF LAKE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**CURRENT FUND**

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended Reserves</u>	<u>Unexpended Balances Cancelled</u>
MUNICIPAL DEBT SERVICE					
EXCLUDED FROM "CAPS"					
Payment of Bond Principal	\$ 680,000	\$ 680,000	\$ 680,000		
Payment of Bond Anticipation Notes	207,750	207,750	207,750		
Interest on Bonds	28,659	28,659	28,659		
Interest on Notes	<u>55,593</u>	<u>55,593</u>	<u>55,593</u>	-	\$ -
Total Municipal Debt Service - Excluded from "CAPS"	<u>972,002</u>	<u>972,002</u>	<u>972,002</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>2,421,313</u>	<u>2,439,162</u>	<u>2,405,306</u>	\$ 33,856	-
Subtotal General Appropriations	12,271,000	12,288,849	11,518,695	770,154	-
RESERVE FOR UNCOLLECTED TAXES	<u>770,000</u>	<u>770,000</u>	<u>770,000</u>	-	-
Total General Appropriations	<u>\$ 13,041,000</u>	<u>\$ 13,058,849</u>	<u>\$ 12,288,695</u>	<u>\$ 770,154</u>	<u>\$ -</u>
Budget as Adopted		\$ 13,041,000			
Added by N.J.S. 40A:4-87		<u>17,849</u>			
		<u>\$ 13,058,849</u>			

## 2017 STATEMENT OF EXPENDITURES

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

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

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

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

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

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

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

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

See Accompanying Notes are an Integral Part of these Financial Statements

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

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



**BOROUGH OF WOODCLIFF LAKE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**AS OF DECEMBER 31, 2018 AND 2017**  
**TRUST FUNDS**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Animal Control Trust Fund		
Cash	\$ 14,434	\$ 6,730
Due from State of NJ	<u>-</u>	<u>8</u>
	<u>14,434</u>	<u>6,738</u>
Other Trust Fund		
Cash	980,409	1,096,481
Due from Current Fund	<u>2,893</u>	<u>-</u>
	<u>983,302</u>	<u>1,096,481</u>
Unemployment Insurance Trust Fund		
Cash	<u>31,538</u>	<u>33,394</u>
Municipal Open Space Preservation Trust Fund		
Cash	605,205	2,186,412
Grants Receivable	<u>10,000</u>	<u>10,000</u>
	<u>615,205</u>	<u>2,196,412</u>
Community Development Trust Fund		
Cash	<u>2</u>	<u>1</u>
Length of Service Award Program Fund - LOSAP (UNAUDITED)		
Investments	1,078,951	1,097,736
Contribution Receivable	<u>37,050</u>	<u>33,283</u>
	<u>1,116,001</u>	<u>1,131,019</u>
Total Assets	<u>\$ 2,760,482</u>	<u>\$ 4,464,045</u>

See Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF WOODCLIFF LAKE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**AS OF DECEMBER 31, 2018 AND 2017**  
**TRUST FUNDS**

	<u>2018</u>	<u>2017</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
Animal Control Trust Fund		
Due to Current Fund	\$ 4,506	\$ 2
Reserve for Animal Control Expenditures	<u>9,928</u>	<u>6,736</u>
	<u>14,434</u>	<u>6,738</u>
Other Trust Fund		
Due to Current Fund	-	1,196
Escrow Deposits Payable	424,621	374,364
Payroll Deductions Payable	36,823	31,794
Miscellaneous Reserves	<u>521,858</u>	<u>689,127</u>
	<u>983,302</u>	<u>1,096,481</u>
Unemployment Insurance Trust Fund		
Due to State of New Jersey	-	246
Reserve for Unemployment Claims	<u>31,538</u>	<u>33,148</u>
	<u>31,538</u>	<u>33,394</u>
Municipal Open Space Preservation Trust Fund		
Reserve for Grants Receivable	10,000	10,000
Reserve for Community Garden	1,800	1,800
Contracts Payable	79,000	
Reserve for Municipal Open Space Expenditures	<u>524,405</u>	<u>2,184,612</u>
	<u>615,205</u>	<u>2,196,412</u>
Community Development Trust Fund		
Due to Current fund	<u>2</u>	<u>1</u>
Length of Service Award Program Fund - LOSAP (UNAUDITED)		
Reserve for LOSAP Benefits	<u>1,116,001</u>	<u>1,131,019</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 2,760,482</u>	<u>\$ 4,464,045</u>

See Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF WOODCLIFF LAKE**  
**COMPARATIVE STATEMENTS OF REVENUES-REGULATORY BASIS**  
**OPEN SPACE PRESERVATION TRUST FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>		<u>2017</u>	
	Anticipated		Anticipated	
	<u>Budget</u>	<u>Realized</u>	<u>Budget</u>	<u>Realized</u>
Amount to be Raised by Taxation	\$ 201,343	\$ 202,364	\$ 198,360	\$ 198,708
Miscellaneous	<u>-</u>	<u>6,508</u>	<u>-</u>	<u>12,585</u>
	<u>\$ 201,343</u>	<u>\$ 208,872</u>	<u>\$ 198,360</u>	<u>\$ 211,293</u>

**STATEMENT OF APPROPRIATIONS-REGULATORY BASIS  
OPEN SPACE PRESERVATION TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Anticipated <u>Budget</u> (Memo)	<u>2018 Expended</u> Paid or <u>Charged</u>	<u>Reserved</u>
Down Payments on Improvements	<u>\$ 201,343</u>	<u>\$ 201,343</u>	<u>\$ -</u>

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

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

**BOROUGH OF WOODCLIFF LAKE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**AS OF DECEMBER 31, 2018 AND 2017**  
**GENERAL CAPITAL FUND**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,496,928	\$ 851,603
Deferred Charges to Future Taxation		
Funded	318,000	998,000
Unfunded	7,145,003	6,487,746
Grants Receivable	<u>293,353</u>	<u>436,446</u>
 Total Assets	 <u>\$ 9,253,284</u>	 <u>\$ 8,773,795</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
General Serial Bonds Payable	\$ 318,000	\$ 998,000
Bond Anticipation Notes Payable	6,280,000	5,210,000
Improvement Authorizations		
Funded	65,124	65,438
Unfunded	1,787,137	1,294,172
Due to Current Fund	323	185
Reserve for Grants Receivable	256,453	436,446
Reserve for Payment of Notes	48	48
Contracts Payable	408,083	672,206
Capital Improvement Fund	53,814	38,814
Fund Balance	<u>84,302</u>	<u>58,486</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 9,253,284</u>	 <u>\$ 8,773,795</u>

There were Bonds and Notes Authorized But Not Issued at December 31, 2018 and 2017 of \$1,045,000 and \$1,277,750, respectively.

**BOROUGH OF WOODCLIFF LAKE**  
**COMPARATIVE STATEMENTS OF CHANGE IN FUND BALANCE - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**GENERAL CAPITAL FUND**

	<u>2018</u>	<u>2017</u>
Balance, January 1, 2018	\$ 58,486	\$ 283,486
Increased by:		
Premium of Sale of Bond Anticipation Notes	53,260	
Cancellaiton of Prior Year Contract Payable Ord. 03-03	<u>656</u>	<u>-</u>
	112,402	283,486
Decreased by:		
Appropriation to Finance Improvement Authorization	<u>28,100</u>	<u>225,000</u>
Balance, December 31, 2018	<u>\$ 84,302</u>	<u>\$ 58,486</u>

**BOROUGH OF WOODCLIFF LAKE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**AS OF DECEMBER 31, 2018 AND 2017**  
**PUBLIC ASSISTANCE FUND**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash	\$ 9,975	\$ 9,975
Total Assets	<u>\$ 9,975</u>	<u>\$ 9,975</u>
<b>LIABILITIES AND RESERVES</b>		
Due to the State of New Jersey	\$ 2,201	\$ 2,201
Due to Current Fund	2	2
Reserve for Public Assistance Expenditures	<u>7,772</u>	<u>7,772</u>
Total Liabilities and Reserves	<u>\$ 9,975</u>	<u>\$ 9,975</u>

**BOROUGH OF WOODCLIFF LAKE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**AS OF DECEMBER 31, 2018 AND 2017**  
**GENERAL FIXED ASSETS ACCOUNT GROUP**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Land	\$ 9,342,676	\$ 7,240,218
Land Improvements	123,246	40,880
Construction in Progress	57,422	
Building and Building Improvements	5,685,352	5,976,225
Machinery and Equipment	<u>8,313,452</u>	<u>8,078,070</u>
	<u>\$ 23,522,148</u>	<u>\$ 21,335,393</u>
 <b>FUND BALANCE</b>		
Investment in General Fixed Assets	<u>\$ 23,522,148</u>	<u>\$ 21,335,393</u>



## **NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

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

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

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

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

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

The Borough has the following funds and account group:

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

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

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

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

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

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

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

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

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

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

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

**BOROUGH OF WOODCLIFF LAKE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

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

**Reclassifications** - Certain reclassifications may have been made to the December 31, 2017 balances to conform to the December 31, 2018 presentation.

**Financial Statements – Regulatory Basis**

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

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

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

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

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

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

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

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

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

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

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

**Deferred Charges** - Funded and unfunded debt authorizations for general capital projects are also recorded as deferred charges and represent permanent long-term debt issues outstanding (funded) and temporary debt issues outstanding or unissued debt authorizations (unfunded), respectively. GAAP does not permit the recording of deferred charges for funded and unfunded debt authorizations.

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

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

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

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

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

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

**General Fixed Assets** - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Woodcliff Lake has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$3,000 and an estimated useful life in excess of two years.

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

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

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

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

**General Fixed Assets (Continued)**

No depreciation has been provided for in the financial statements.

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

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

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

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

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2018 and 2017 the Borough Council increased the original budget by \$17,849 and \$45,290. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2018 and 2017.

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 3 CASH DEPOSITS AND INVESTMENTS**

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

**A. Cash Deposits**

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2018 and 2017, the book value of the Borough's deposits were \$9,638,038 and \$14,719,794 and bank and brokerage firm balances of the Borough's deposits amounted to \$10,118,569 and \$14,291,198, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2018</u>	<u>2017</u>
Insured	<u>\$ 10,118,569</u>	<u>\$ 14,291,198</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2018 and 2017, the Borough's bank balances were not exposed to custodial credit risk.

**B. Investments**

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law, " (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.



**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**B. Investments (Continued)**

As of December 31, 2018 and 2017, the Borough had the following investments:

	<u>Fair Value</u>
<b><u>2018</u></b>	
Investment:	
Lincoln Financial - Length of Service Award Program (LOSAP)	\$ <u>1,078,951</u>
MBIA-Class	\$ <u>1,078,951</u>
<b><u>2017</u></b>	
Investment:	
Lincoln Financial - Length of Service Award Program (LOSAP)	\$ <u>1,097,736</u>
MBIA-Class	\$ <u>1,097,736</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2018 and 2017, \$1,078,951 and \$1,097,736 of the Borough's investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>
<b><u>2018</u></b>	
Uninsured and Collateralized	
Collateral held by pledging bank's trust	
department, but not in the Borough's	
name	\$ <u>1,078,951</u>
<b><u>2017</u></b>	
Uninsured and Collateralized	
Collateral held by pledging bank's trust	
department, but not in the Borough's	
name	\$ <u>1,097,736</u>

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**B. Investments (Continued)**

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2018 and 2017, the Borough’s investment in Lincoln Financial Group was rated Baa1 by Moody’s Investor Services.

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

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

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

**NOTE 4 TAXES RECEIVABLE**

Receivables at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
<u>Current</u>		
Property Taxes	\$ <u>173,830</u>	\$ <u>225,178</u>

In 2018 and 2017, the Borough collected \$225,428 and \$306,153 from delinquent taxes, which represented 100%, respectively of the prior year delinquent taxes receivable balance.

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

	<u>2018</u>		<u>2017</u>	
	Due from Other Funds	Due to Other Funds	Due from Other Funds	Due to Other Funds
Current Fund	\$ 4,833	\$ 2,893	\$ 1,386	
Animal Control Trust Fund		4,506		\$ 2
Community Development Trust Fund		2		1
Other Trust Fund-Escrow	2,893			1,196
Public Assistance Fund		2		2
General Capital Fund	-	323	-	185
Total	<u>\$ 7,726</u>	<u>\$ 7,726</u>	<u>\$ 1,386</u>	<u>\$ 1,386</u>

The above balances are the result of revenues earned in one fund that are due to another fund.

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

**NOTE 6 FUND BALANCES APPROPRIATED**

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

	<u>2018</u>		<u>2017</u>	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 1,877,052	\$ 1,400,000	\$ 1,500,094	\$ 1,200,000
Non-Cash Surplus	<u>66,165</u>	<u>-</u>	<u>208,605</u>	<u>-</u>
	<u>\$ 1,943,217</u>	<u>\$ 1,400,000</u>	<u>\$ 1,708,699</u>	<u>\$ 1,200,000</u>

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 7 FIXED ASSETS**

**A. General Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2018 and 2017.

	Balance December 31, <u>2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustment</u>	Balance, December 31, <u>2018</u>
<b><u>2018</u></b>					
Land	\$ 7,240,218	\$ 1,735,000		\$ 367,458	\$ 9,342,676
Land Improvements	40,880	82,366			123,246
Construction in Progress		57,422			57,422
Buildings and Building Improvement	5,976,225	76,585		(367,458)	5,685,352
Machinery and Equipment	8,078,070	284,482	\$ 49,100	-	8,313,452
	<u>\$ 21,335,393</u>	<u>\$ 2,235,855</u>	<u>\$ 49,100</u>	<u>\$ -</u>	<u>\$ 23,522,148</u>
	Balance December 31, <u>2016</u>	<u>Additions</u>	<u>Retirements</u>		Balance, December 31, <u>2017</u>
<b><u>2017</u></b>					
Land	\$ 7,207,218	\$ 33,000			\$ 7,240,218
Land Improvements	40,880				40,880
Buildings and Building Improvement	5,976,225				5,976,225
Machinery and Equipment	7,400,759	793,811	\$ 116,500	-	8,078,070
	<u>\$ 20,625,082</u>	<u>\$ 826,811</u>	<u>\$ 116,500</u>	<u>-</u>	<u>\$ 21,335,393</u>

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 MUNICIPAL DEBT**

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

The Borough's debt is summarized as follows:

	<u><b>2018</b></u>	<u><b>2017</b></u>
Issued		
General		
Bonds and Notes	\$ 6,598,000	\$ 6,208,000
Less Funds Temporarily Held to Pay Bonds	<u>180,045</u>	<u>52</u>
Net Debt Issued	6,417,955	6,207,948
Authorized But Not Issued		
General		
Bonds and Notes	<u>1,045,000</u>	<u>1,277,750</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 7,462,955</u>	<u>\$ 7,485,698</u>

**Statutory Net Debt**

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .381% and .378% at December 31, 2018 and 2017, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u><b>2018</b></u>			
General Debt	\$ 7,643,000	\$ 180,045	\$ 7,462,955
School Debt	<u>22,250,000</u>	<u>22,250,000</u>	<u>-</u>
Total	<u>\$ 29,893,000</u>	<u>\$ 22,430,045</u>	<u>\$ 7,462,955</u>
 <u><b>2017</b></u>			
General Debt	\$ 7,485,750	\$ 52	\$ 7,485,698
School Debt	<u>10,259,602</u>	<u>10,259,602</u>	<u>-</u>
Total	<u>\$ 17,745,352</u>	<u>\$ 10,259,654</u>	<u>\$ 7,485,698</u>

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 MUNICIPAL DEBT (Continued)**

**Statutory Borrowing Power**

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

	<b><u>2018</u></b>	<b><u>2017</u></b>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 68,539,305	\$ 69,387,114
Less: Net Debt	<u>7,462,955</u>	<u>7,485,698</u>
Remaining Borrowing Power	<u>\$ 61,076,350</u>	<u>\$ 61,901,416</u>

**A. Long-Term Debt**

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

**General Obligation Bonds**

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

	<b><u>2018</u></b>	<b><u>2017</u></b>
\$3,696,000, 1998 Bonds, due in annual installments of \$191,000 through December, 2018, interest at 4.375%		\$ 191,000
\$2,024,000, 2004 Bonds, due in annual installments of \$169,000 through October, 2018, interest at 3.25% to 4.0%		169,000
\$2,638,000, 2009 Bonds, due in annual installments of \$318,000 through June 2019, interest at 1.25% to 2.875%	<u>\$ 318,000</u>	<u>638,000</u>
	<u>\$ 318,000</u>	<u>\$ 998,000</u>

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 MUNICIPAL DEBT (Continued)**

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

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2018 is as follows:

Calendar Year	General		Total
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 318,000	\$ 4,571	\$ 322,571
Total	<u>\$ 318,000</u>	<u>\$ 4,571</u>	<u>\$ 322,571</u>

**Changes in Long-Term Municipal Debt**

The Borough's long-term capital debt activity for the years ended December 31, 2018 and 2017 were as follows:

	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<b><u>2018</u></b>					
General Capital Fund Bonds Payable	<u>\$ 998,000</u>	<u>\$ -</u>	<u>\$ 680,000</u>	<u>\$ 318,000</u>	<u>\$ 318,000</u>
	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<b><u>2017</u></b>					
General Capital Fund Bonds Payable	<u>\$ 1,683,000</u>	<u>\$ -</u>	<u>\$ 685,000</u>	<u>\$ 998,000</u>	<u>\$ 680,000</u>

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

The Borough's short-term debt activity for the years ended December 31, 2018 and 2017 was as follows:

**Bond Anticipation Notes**

<u>Purpose</u>	<u>Rate</u> <u>(%)</u>	<u>Maturity</u> <u>Date</u>	Balance December 31, <u>2017</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2018</u>
<b><u>2018</u></b>						
<b><u>General Capital Fund</u></b>						
Various Improvements	1.07%	2/23/2018	\$ 3,779,500		\$ 3,779,500	
	2.50%	2/22/2019		\$ 4,890,053		4,890,053
Road Improvements	1.07%	2/23/2018	770,500		770,500	
	2.50%	2/22/2019		729,947		729,947
Acquisition of Various Vehicles	1.07%	2/23/2018	90,000		90,000	-
	2.50%	2/22/2019		90,000		90,000
Acquisition of Fire Engine	1.07%	2/23/2018	570,000		570,000	-
	2.50%	2/22/2019	-	570,000	-	570,000
Total General Capital Fund			<u>\$ 5,210,000</u>	<u>\$ 6,280,000</u>	<u>\$ 5,210,000</u>	<u>\$ 6,280,000</u>

<u>Purpose</u>	<u>Rate</u> <u>(%)</u>	<u>Maturity</u> <u>Date</u>	Balance December 31, <u>2016</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2017</u>
<b><u>2017</u></b>						
<b><u>General Capital Fund</u></b>						
Various Improvements	2.00%	2/24/2017	\$ 2,692,500		\$ 2,692,500	
	1.07%	2/23/2018		\$ 3,779,500		3,779,500
Road Improvements	2.00%	2/24/2017	770,500		770,500	
	1.07%	2/23/2018		770,500		770,500
Acquisition of Various Vehicles	2.00%	2/24/2017	90,000		90,000	
	1.07%	2/23/2018		90,000		90,000
Acquisition of Fire Engine	2.00%	2/24/2017	570,000		570,000	
	1.07%	2/23/2018	-	570,000	-	570,000
Total General Capital Fund			<u>\$ 4,123,000</u>	<u>\$ 5,210,000</u>	<u>\$ 4,123,000</u>	<u>\$ 5,210,000</u>

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



**BOROUGH OF WOODCLIFF LAKE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 MUNICIPAL DEBT (Continued)**

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

**Bond Anticipation Notes (Continued)**

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

**NOTE 9 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

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

	<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<b><u>2018</u></b>			
	Brookview Bank Stabilization and Outfall	\$175,000	2019
	Acquisition of Refuse Truck	98,344	2019
<b><u>2017</u></b>			
	2017 Road Program	\$550,829	2018

**NOTE 10 OTHER LONG-TERM LIABILITIES**

**A. Compensated Absences**

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$543,038 and \$481,215 at December 31, 2018 and 2017, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2018 and 2017, the Borough has reserved in the Current Fund \$400,866 and \$389,366, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**Changes in Other Long-Term Liabilities**

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

The Borough's changes in other long-term liabilities for the years ended December 31, 2018 and 2017 were as follows:

	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<b><u>2018</u></b>					
Compensated Absences	\$ 481,215	\$ 100,323	\$ 38,500	\$ 543,038	
Net Pension Liability - PERS	4,489,317		695,749	3,793,568	
Net Pension Liability - PFRS	9,240,720	-	1,403,166	7,837,554	-
Net OPEB Liability	11,675,381	-	2,598,769	9,076,612	-
Total Other Long-Term Liabilities	<u>\$ 25,886,633</u>	<u>\$ 100,323</u>	<u>\$ 4,736,184</u>	<u>\$ 21,250,772</u>	<u>\$ -</u>
	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<b><u>2017</u></b>					
Compensated Absences	\$ 461,779	\$ 44,266	\$ 24,830	\$ 481,215	
Net Pension Liability - PERS	5,792,203		1,302,886	4,489,317	
Net Pension Liability - PFRS	11,939,758		2,699,038	9,240,720	
Net OPEB Liability	13,267,633	-	1,592,252	11,675,381	-
Total Other Long-Term Liabilities	<u>\$ 31,461,373</u>	<u>\$ 44,266</u>	<u>\$ 5,619,006</u>	<u>\$ 25,886,633</u>	<u>\$ -</u>

**NOTE 11 EMPLOYEE RETIREMENT SYSTEMS**

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

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**Police and Firemen's Retirement System (PFRS)** – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees. PFRS is a cost-sharing multi-employer defined benefit pension plan with a special funding situation. For additional information about PFRS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement benefits 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.

The following represents the membership tiers for PFRS:

<b>Tier</b>	<b>Definition</b>
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of 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 special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tier 1 and 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 benefits 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.

**Public Employees' Retirement System (PERS)** – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

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, if applicable, vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<b>Tier</b>	<b>Definition</b>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> 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 tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years 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 member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have a least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

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

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

**Other Pension Funds**

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

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

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

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

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**Measurement Focus and Basis of Accounting**

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental 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 pension trust funds. 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.

**Investment Valuation**

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

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

**Collective Net Pension Liability**

The collective net pension liability of the participating employers for PERS at June 30, 2018 and 2017 is \$43.4 billion and \$48.9 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 40.45% and 36.78%, respectively. The collective net pension liability of the participating employers for PFRS at June 30, 2018 and 2017 is \$19.7 billion and \$21.6 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 57.91% and 54.52%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 and 2016 which were rolled forward to June 30, 2018 and 2017, respectively.

**Actuarial Methods and Assumptions**

In the July 1, 2017 and 2016 PERS and PFRS 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 pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions for 2018 and 2017 based on 10.0% for PFRS, 7.50% (effective July 1, 2018) and 7.34% (effective July 1, 2017) for PERS and 5.50% for DCRP of employee's annual compensation.

For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2018, 2017 and 2016 were equal to the required contributions.

During the years ended December 31, 2018, 2017 and 2016, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2018	\$ 529,743	\$ 181,721	\$ 2,589
2017	509,616	176,243	1,101
2016	509,957	171,463	

In addition for the years ended December 31, 2018, 2017 and 2016 the Borough contributed for long-term disability insurance premiums (LTDI) \$1,508, \$658 and \$0, respectively for PERS and zero for all three years for PFRS.

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No.68) their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

**Public Employees Retirement System (PERS)**

At December 31, 2018 and 2017, the Borough reported a liability of \$3,793,568 and \$4,489,317, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the Borough's proportionate share was .00019 percent, which was a decrease of .0191 percent from its proportionate share measured as of June 30, 2017 of .01929 percent.

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough's pension expense to be \$132,729 and \$251,460, respectively, for PERS based on the actuarial valuations which are more or less than the actual contributions reported in the Borough's financial statements of \$181,721 and \$176,243, respectively. At December 31, 2018 and 2017, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	<b>2018</b>		<b>2017</b>	
	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference Between Expected and Actual Experience	\$ 72,344	\$ 19,561	\$ 105,708	
Changes of Assumptions	625,117	1,212,981	904,443	\$ 901,127
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	35,584	30,569	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>25,363</u>	<u>169,402</u>	<u>35,231</u>	<u>255,757</u>
Total	<u>\$ 722,824</u>	<u>\$ 1,437,528</u>	<u>\$ 1,075,951</u>	<u>\$ 1,156,884</u>

At December 31, 2018 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2019	\$ (35,070)
2020	(72,129)
2021	(280,844)
2022	(255,504)
2023	(71,157)
Thereafter	<u>-</u>
	<u>\$ (714,704)</u>

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

*Actuarial Assumptions*

The Borough's total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	1.65-4.15%	1.65-4.15%
	Based on Age	Based on Age
Thereafter	2.65%-5.15%	2.65-5.15%
	Based on Age	Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.



**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%	5.00%	5.51%
Cash Equivalents	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%	10.00%	3.78%
US Equity	30.00%	8.19%	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Asset	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%

***Discount Rate***

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	5.66%
2017	June 30, 2017	5.00%

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

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

***Discount Rate (Continued)***

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

	<u>2018</u>	<u>2017</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2046	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2046 and Thereafter	From July 1, 2040 and Thereafter

\* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

***Sensitivity of Net Pension Liability***

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 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 PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 4.66% and 4.00%, respectively or 1-percentage-point higher 6.66% and 6.00%, respectively than the current rate:

	<b>1% Decrease <u>(4.66%)</u></b>	<b>Current Discount Rate <u>(5.66%)</u></b>	<b>1% Increase <u>(6.66%)</u></b>
<b><u>2018</u></b>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>4,769,975</u>	\$ <u>3,793,568</u>	\$ <u>2,974,425</u>
	<b>1% Decrease <u>(4.00%)</u></b>	<b>Current Discount Rate <u>(5.00%)</u></b>	<b>1% Increase <u>(6.00%)</u></b>
<b><u>2017</u></b>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>5,569,302</u>	\$ <u>4,489,317</u>	\$ <u>3,589,555</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

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

***Pension Plan Fiduciary Net Position***

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

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

At December 31, 2018 and 2017, the Borough reported a liability of \$7,837,554 and \$9,240,720, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the Borough's proportionate share was .05792 percent, which was a decrease of .00194 percent from its proportionate share measured as of June 30, 2017 of .05986 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough pension expense to be \$370,710 and \$654,155, respectively, for PFRS based on the actuarial valuations which are more or less than the actual contributions reported in the Borough's financial statements of \$529,743 and \$509,616, respectively. At December 31, 2018 and 2017, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough's financial statements are from the following sources:

	<b>2018</b>		<b>2017</b>	
	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference Between Expected and Actual Experience	\$ 79,737	\$ 32,434	\$ 59,948	\$ 54,235
Changes of Assumptions	672,749	2,008,630	1,139,484	1,513,360
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	42,879	176,335	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	56,462	761,972	104,720	742,231
Total	<u>\$ 808,948</u>	<u>\$ 2,845,915</u>	<u>\$ 1,480,487</u>	<u>\$ 2,309,826</u>

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

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

At December 31, 2018 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2019	\$ (129,517)
2020	(433,877)
2021	(795,946)
2022	(514,637)
2023	(162,990)
Thereafter	<u>-</u>
	<u>\$ (2,036,967)</u>

***Actuarial Assumptions***

The Borough's total pension 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 July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	2.10%-8.98% Based on Age	2.10%-8.98% Based on Age
Thereafter	3.10%-9.98% Based on Age	3.10%-9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2017 and July 1, 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%	5.00%	5.51%
Cash	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.87%	10.00%	3.78%
US Equity	30.00%	8.19%	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Asset	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%

***Discount Rate***

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

<u>Calendar</u>		
<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	6.51%
2017	June 30, 2017	6.14%

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

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

***Discount Rate (Continued)***

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

	<u>2018</u>	<u>2017</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2062	Through June 30, 2057
Municipal Bond Rate *	From July 1, 2062 and Thereafter	From July 1, 2057 and Thereafter

\* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

***Sensitivity of Net Pension Liability***

The following presents the Borough's proportionate share of the PFRS net pension liability as of December 31, 2018 and 2017 calculated using the discount rate of 6.51% and 6.14%, respectively, as well as what the Borough's proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 5.51% and 5.14%, respectively or 1-percentage-point higher 7.51% and 7.14%, respectively than the current rate:

	<b>1% Decrease (5.51%)</b>	<b>Current Discount Rate (6.51%)</b>	<b>1% Increase (7.51%)</b>
<b><u>2018</u></b>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 10,489,593</u>	<u>\$ 7,837,554</u>	<u>\$ 5,650,105</u>
	<b>1% Decrease (5.14%)</b>	<b>Current Discount Rate (6.14%)</b>	<b>1% Increase (7.14%)</b>
<b><u>2017</u></b>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 12,175,410</u>	<u>\$ 9,240,720</u>	<u>\$ 6,829,539</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF WOODCLIFF LAKE  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

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

***Special Funding Situation – PFRS***

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

At December 31, 2018 and 2017, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,064,602 and \$1,035,038, respectively. For the years ended December 31, 2018 and 2017, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$126,100 and \$126,609, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$63,050 and \$51,756, respectively. At December 31, 2018 (measurement date June 30, 2018) the State's share of the PFRS net pension liability attributable to the Borough was .05792 percent, which was a decrease of .00193 percent from its proportionate share measured as of December 31, 2017 (measurement date June 30, 2017) of .05985 percent. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

***Pension Plan Fiduciary Net Position***

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

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 12 POST-RETIREMENT MEDICAL BENEFITS**

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

**Plan Description and Benefits Provided**

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) – The Plan is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

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 negotiations 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](http://www.state.nj.us/treasury/pensions).



**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**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.

**Investment Valuation**

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

**Collective Net OPEB Liability**

The collective net OPEB liability of the participating employers and the State, as the non-employer contributing entity, of the Plan at June 30, 2018 and 2017 is \$15.7 billion and \$20.4 billion, respectively, and the plan fiduciary net position as a percentage of the total OPEB liability is 1.97% and 1.03%, respectively.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2017 and 2016 which were rolled forward to June 30, 2018 and 2017.

**Actuarial Methods and Assumptions**

In the June 30, 2017 and 2016 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.

**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 \$381.8 million and the State of New Jersey, as the non-employer contributing entity, contributed \$53.5 million and \$53.1 million for fiscal years 2018 and 2017, respectively.

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, 2017 and 2016 were \$458,002, \$514,082 and \$409,031, respectively, which equaled the required contributions for each year (or were not available). In addition, the Borough's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended December 31, 2018, 2017 and 2016 were \$23,527, \$19,732 and \$19,302, respectively.

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**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, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

At December 31, 2018 and 2017, the Borough reported a liability of \$9,076,612 and \$11,675,381, 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 and 2016, respectively. 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 June 30, 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 .05794 percent, which was an increase of .00075 percent from its proportionate share measured as of June 30, 2017 of .05719 percent.

For the years ended December 31, 2018 and 2017, the Plan has determined the Borough's OPEB expense to be \$268,643 and \$692,709, respectively, based on the actuarial valuations which are more than the actual contributions reported in the Borough's financial statements of \$458,002 and \$514,082, respectively. At December 31, 2018 and 2017, 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 sources:

	2018		2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 1,842,876		
Changes of Assumptions		2,302,401		1,295,868
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 4,797		\$ 2,001	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	148,794	636,942		742,396
Contributions made Subsequent to the Measurement Date	-	-	-	-
Total	<u>\$ 153,591</u>	<u>\$ 4,782,219</u>	<u>\$ 2,001</u>	<u>\$ 2,038,264</u>

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

At December 31, 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</u> <u>Ending</u> <u>December 31,</u>	<u>Total</u>
2019	\$ (692,220)
2020	(692,220)
2021	(692,219)
2022	(692,720)
2023	(693,544)
Thereafter	<u>(1,165,705)</u>
	<u>\$ (4,628,628)</u>

***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 June 30, 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:

	<u>2018</u>	<u>2017</u>
Inflation Rate	2.50%	2.50%
Salary Increases*		
Initial Fiscal Year Applied Through	2026	2026
Rate	1.65% to 8.98%	1.65% to 8.98%
Rate Thereafter	2.65% to 9.98%	2.65% to 9.98%
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.	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
Long-Term Rate of Return	1.00%	1.00%

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

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

For the June 30, 2018 measurement date healthcare cost trend rates for pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

For the June 30, 2017 measurement date healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine year. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefit, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 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. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

The actuarial assumptions used in the June 30, 2017 and 2016 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 OPEB liabilities of the plan was as follows:

**Calendar**

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	3.87%
2017	June 30, 2017	3.58%

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 WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 12 POST-RETIREMENT MEDICAL 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 2.87% and 2.58%, respectively or 1-percentage-point higher 4.87% and 4.58%, respectively than the current rate:

	<b>1% Decrease (2.87%)</b>	<b>Current Discount Rate (3.87%)</b>	<b>1% Increase (4.87%)</b>
<b><u>2018</u></b>			
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 10,649,266</u>	<u>\$ 9,076,612</u>	<u>\$ 7,820,418</u>
	<b>1% Decrease (2.58%)</b>	<b>Current Discount Rate (3.58%)</b>	<b>1% Increase (4.58%)</b>
<b><u>2017</u></b>			
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 13,771,460</u>	<u>\$ 11,675,381</u>	<u>\$ 10,012,178</u>

The sensitivity analysis was based on the proportionate share of the Borough's net OPEB liability at December 31, 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 December 31, 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:

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
<b><u>2018</u></b>			
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 7,571,350</u>	<u>\$ 9,076,612</u>	<u>\$ 11,024,645</u>
	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
<b><u>2017</u></b>			
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 9,702,583</u>	<u>\$ 11,675,381</u>	<u>\$ 14,244,193</u>

The sensitivity analysis was based on the proportionate share of the Borough's net OPEB liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Borough's net OPEB liability was not provided by the pension system.

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 13 RISK MANAGEMENT**

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

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

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

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

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

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

<u>Year Ended</u> <u>December 31</u>	<u>Borough</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2018	\$ 5,000	\$ 6,697	\$ 31,538
2017	5,091	12,751	33,148
2016	10,000	10,804	40,707

**NOTE 14 CONTINGENT LIABILITIES**

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

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2018 and 2017. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2018 and 2017, the Borough reserved \$2,160,180 and \$1,838,586, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

**BOROUGH OF WOODCLIFF LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 14 CONTINGENT LIABILITIES (Continued)**

**Federal and State Awards** - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 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 the overall financial position of the Borough.

**NOTE 15 FEDERAL ARBITRAGE REGULATIONS**

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2018 and 2017, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

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

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

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

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

The Borough of Woodcliff Lake has contributed \$1,611 and \$1,586 for 2018 and 2017, respectively, for each eligible volunteer fire department and volunteer ambulance corp. member into the Plan.

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

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

**BOROUGH OF WOODCLIFF LAKE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**Vesting and Benefits**

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

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

**Reporting Requirements**

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

**NOTE 17 TAX ABATEMENTS**

For the years ended December 31, 2018 and 2017, the Borough provided property tax abatements through certain programs authorized under State statutes. These programs include the New Jersey Housing and Mortgage Financing Act (NJHMFA).

- The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the years ended December 31, 2018 and 2017 the Borough abated property taxes totaling \$74,346 and \$76,139, respectively, under the NJHMFA program. The Borough received \$17,313 and \$17,313 in PILOT payments under this program for the years ended December 31, 2018 and 2017, respectively.

**NOTE 18 SUBSEQUENT EVENTS**

**Bond Anticipation Notes**

On February 22, 2019 the Borough issued bond anticipation notes in the amount of \$6,770,000 to temporarily finance expenditures related to various capital projects. The Borough has awarded the sale of said notes to TD Securities at an interest rate of 3.25%. These notes dated February 22, 2019 will mature on October 1, 2019.

**Debt Authorized**

On May 6, 2019 the Borough adopted a bond ordinance authorizing the issuance \$3,325,000 in Bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.



**APPENDIX C**

**PROPOSED FORM OF BOND COUNSEL OPINION**

[THIS PAGE INTENTIONALLY LEFT BLANK]

STEVEN L. ROGUT  
DANIEL J. MCCARTHY  
DIANE U. DABULAS  
THOMAS J. BACE ††

# ROGUT MCCARTHY LLC

COUNSELLORS AT LAW

37 ALDEN STREET  
CRANFORD, NEW JERSEY 07016

Telephone (908) 931-1150  
Facsimile (908) 931-1151  
Facsimile (908) 653-4832

ANN S. BEDDINGFIELD, Of Counsel †  
PATRICE E. HEW

† ADMITTED IN NY AND NC ONLY  
†† ALSO ADMITTED IN FL AND DC

[www.rogutmccarthy.com](http://www.rogutmccarthy.com)

## APPENDIX C

### [Proposed Form of Bond Counsel Opinion]

October \_\_\_, 2019

Borough Council  
Borough of Woodcliff Lake  
County of Bergen, New Jersey

Dear Council Members:

We have acted as bond counsel in connection with the issuance of \$9,935,000 aggregate principal amount of General Improvement Bonds (the "Bonds") by the Borough of Woodcliff Lake, in the County of Bergen, a municipal corporation of the State of New Jersey (the "Borough"). The Bonds are dated October 1, 2019 and comprise an issue of registered bonds. The Bonds bear interest from their date, payable on each April 1 and October 1, commencing April 1, 2020 (each, an "Interest Payment Date"), in each year until maturity or prior redemption.

The Bonds are payable in annual installments on October 1 in each year, and bear interest at the rates per annum, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2020	\$900,000	1.50%	2025	\$1,000,000	2.00%
2021	920,000	1.50	2026	1,025,000	2.00
2022	940,000	1.50	2027	1,045,000	2.00
2023	960,000	2.00	2028	1,070,000	2.00
2024	980,000	2.00	2029	1,095,000	2.00

The Bonds maturing on or before October 1, 2026 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after October 1, 2027 are subject to redemption at the option of the Borough prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after October 1, 2026, upon notice as set forth in the resolutions referred to below at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

If the Borough determines to optionally redeem a portion of the Bonds prior to maturity, such Bonds so redeemed shall be in such maturities as determined by the Borough, and within any maturity, by lot.

The Bonds are issued pursuant to the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended) and pursuant to thirteen bond ordinances adopted by the Borough Council of the Borough on June 6, 2011 (Ord. No. 11-06), March 5, 2012 (Ord. No. 12-01), July 16, 2012 (Ord. No. 12-12, as amended by Ord. No. 12-16 adopted on September 19, 2012), April 16, 2013 (Ord. No. 13-01), July 14, 2014 (Ord. No. 14-07), October 20, 2014 (Ord. No. 14-11), February 23, 2015 (Ord. No. 15-01), September 8, 2015 (Ord. No. 15-13), March 21, 2016 (Ord. No. 16-03), September 12, 2016 (Ord. No. 16-14), July 17, 2017 (Ord. No. 17-06), April 16, 2018 (Ord. No. 18-04) and May 6, 2019 (Ord. No. 19-03) and resolutions adopted by the Borough Council of the Borough on August 19, 2019.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and to the rebate of certain arbitrage earnings to the United States. Noncompliance by the Borough with such requirements October cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Borough has covenanted, to the extent permitted by the Constitution and the laws of the State of New Jersey, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. The Borough's Tax Certificate (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Borough, in executing the Tax Certificate, will certify to the effect that the Borough expects and intends to comply with the provisions and procedures contained therein.

As bond counsel, we have examined certified copies of the bond ordinances and resolutions referred to above and related proceedings in connection with the issuance of the Bonds. We have also examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purpose of the opinion rendered below, including the Tax Certificate executed by the Chief Financial Officer of the Borough of even date herewith. We have assumed the accuracy of the factual information and the truthfulness of the expectations set forth in the Tax Certificate and the exhibits thereto. We have also examined the executed and authenticated first numbered Bond and have assumed that all of the other Bonds have been similarly executed and authenticated. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We have not prepared nor have we verified the accuracy, completeness or fairness of (i) the information set forth in the Official Statement prepared by the Borough in connection with the sale and issuance of the Bonds, or (ii) other documents of the Borough delivered to the purchasers of the Bonds, and we take no responsibility therefor.

Based on the foregoing, we are of the opinion that:

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Borough enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.

2. The Borough has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Borough is authorized and required by law to levy on all real property taxable by the Borough such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon, without limitation as to rate or amount.

3. Assuming compliance by the Borough with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals. In addition, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

Very truly yours,

Rogut McCarthy LLC