

BOROUGH OF WALDWICK
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2017

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BOROUGH OF WALDWICK

BERGEN COUNTY

NEW JERSEY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED DECEMBER 31, 2017



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Waldwick 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 Waldwick as of December 31, 2017 and 2016, or changes in financial position, or, where applicable, cash flows for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Waldwick as of December 31, 2017 and 2016, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2017 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information


Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Waldwick as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Waldwick.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 8, 2018 on our consideration of the Borough of Waldwick'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 Waldwick'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 Waldwick's internal control over financial reporting and compliance.


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


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
May 8, 2018

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

ASSETS	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Cash	A-4	\$ 9,927,752	\$ 7,463,607
Cash - Change Funds	A-5	600	1,075
Grants Receivable	A-9	16,978	19,992
Due from State of NJ Senior Citizens' & Veterans' Deductions	A-6	<u>50,606</u>	<u>39,112</u>
		<u>9,995,936</u>	<u>7,523,786</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes Receivable	A-7	265,769	318,037
Tax Title Liens Receivable	A-8		1,690
Property Acquired for Taxes - Assessed Valuation	A	35,510	35,510
Revenue Accounts Receivable	A-10	2,809	4,874
Due from Animal Control Fund	B-5	3,869	
Due from Park & Ride Contingency Fund	B-7		4,649
Due from Other Trust Fund	B-15	318,527	75,070
Due from Unemployment Insurance Trust Fund	B-10	7	
Due from Water Utility Operating Fund	D-20	<u>-</u>	<u>9,262</u>
		<u>626,491</u>	<u>449,092</u>
Total Assets		<u>\$ 10,622,427</u>	<u>\$ 7,972,878</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,A-11	\$ 733,270	\$ 686,552
Accounts Payable	A-12	394,965	231,985
Prepaid Taxes	A-13	1,953,166	182,106
Tax Overpayments	A-14	53,083	42,824
County Taxes Payable	A-15	8,454	
Due to Municipal Open Space Trust Fund	B-20	79,022	254
Due to General Capital Fund	C-4	16,631	36
Due to Water Utility Operating Fund	D-20	8,583	
Sales Tax Payable	A-17	5,794	1,993
Miscellaneous Reserves	A-18	679,493	701,525
Appropriated Reserves - Public and Private Programs	A-19	52,689	27,589
Unappropriated Reserves - Public and Private Programs	A-20	43,494	13,402
Construction Code Fees Payable	A-21	<u>8,401</u>	<u>6,556</u>
		4,037,045	1,894,822
Reserve for Receivables and Other Assets	A	626,491	449,092
Fund Balance	A-1	<u>5,958,891</u>	<u>5,628,964</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 10,622,427</u>	<u>\$ 7,972,878</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2017</u>	<u>2016</u>
REVENUES AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 935,000	\$ 923,000
Miscellaneous Revenues Anticipated	3,916,789	4,027,327
Receipts from Delinquent Taxes	324,497	288,538
Receipts from Current Taxes	41,686,135	40,732,694
Non-Budget Revenue	68,537	184,895
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	618,213	498,310
Statutory Excess in Animal Control Fund	3,898	
Interfunds Liquidated	13,911	11,694
	<u>47,566,980</u>	<u>46,666,458</u>
EXPENDITURES		
Budget Appropriations		
Operations		
Salaries and Wages	4,347,072	4,281,183
Other Expenses	5,728,203	5,689,973
Capital Improvements	74,100	75,400
Municipal Debt Service	1,699,333	1,696,748
Deferred Charges and Statutory Expenditures	1,041,383	1,025,520
County Taxes	3,815,243	3,749,282
County Open Space Preservation	157,992	38,581
County Share of Added and Omitted Taxes	8,454	12,259
Local District School Taxes	29,089,086	28,357,374
Municipal Open Space Taxes	79,022	78,957
Other Debits		
Senior Citizens Deductions Disallowed for Prior Year Taxes	6,020	7,114
Interfunds Created	247,333	13,911
Cancelled Grants Receivable	7,478	
Refund Prior Year Revenue	1,334	-
	<u>46,302,053</u>	<u>45,026,302</u>
Total Expenditures		
Excess in Revenue	1,264,927	1,640,156
Fund Balance, January 1	<u>5,628,964</u>	<u>4,911,808</u>
	6,893,891	6,551,964
Decreased by:		
Utilization as Anticipated Revenue	<u>935,000</u>	<u>923,000</u>
Fund Balance, December 31	<u>\$ 5,958,891</u>	<u>\$ 5,628,964</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF WALDWICK
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
FUND BALANCE ANTICIPATED	<u>\$ 935,000</u>	<u>\$ 935,000</u>	<u>-</u>
MISCELLANEOUS REVENUES			
Licenses			
Alcoholic Beverages	18,880	19,326	\$ 446
Other	18,000	18,901	901
Fees and Permits			
Construction Code Official	235,000	297,238	62,238
Other	215,000	225,153	10,153
Fines and Costs			
Municipal Court	100,000	38,117	(61,883)
Interest and Costs on Taxes	60,000	63,155	3,155
Sewer Privileges	100,000	119,930	19,930
Cable Television Franchise Fees	149,498	149,499	1
Energy Receipts Tax	2,468,600	2,468,600	-
Police Training - Various Municipal Agreements	51,390	49,055	(2,335)
Municipal Alliance on Alcoholism & Drug Abuse - Donations	1,500	1,500	
Clean Communities	21,900	21,900	
Uniform Fire Safety Act - Other Fees & Permits	12,900	11,578	(1,322)
Cell Site Rental	330,000	356,328	26,328
Solar Energy Credit	3,500	3,509	9
Reserve for Sale of Assets	<u>73,000</u>	<u>73,000</u>	<u>-</u>
Total Miscellaneous Revenues	<u>3,859,168</u>	<u>3,916,789</u>	<u>57,621</u>
RECEIPTS FROM DELINQUENT TAXES	<u>315,000</u>	<u>324,497</u>	<u>9,497</u>
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET			
Municipal Operations	8,217,844	8,926,809	708,965
Free Public Library	<u>524,529</u>	<u>524,529</u>	<u>-</u>
	<u>8,742,373</u>	<u>9,451,338</u>	<u>708,965</u>
Total General Revenues	<u>\$ 13,851,541</u>	<u>14,627,624</u>	<u>\$ 776,083</u>
Non-Budget Revenue		<u>68,537</u>	
		<u>\$14,696,161</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

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

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collection	
Revenue from Collections	\$ 41,686,135
Less: Allocation to School, County and Municipal Open Space Taxes	<u>33,149,797</u>
	8,536,338
 Add: Appropriation "Reserve for Uncollected Taxes"	 <u>915,000</u>
 Balance for Support of Municipal Budget Appropriations	 <u>\$ 9,451,338</u>
 Fees and Permits - Other	
Borough Clerk	\$ 19,287
Park and Ride	48,246
Parking Meter	15,536
Tax Collector	530
Fire Prevention Bureau	19,040
Police	416
Swimming Pool	<u>122,098</u>
	<u>\$ 225,153</u>
 Licenses - Other	
Borough Clerk	\$ 2,225
Board of Health	<u>16,676</u>
	<u>\$ 18,901</u>
 Non-Budget	
Cash Received	\$ 67,544
Due From Animal Control Fund	18
Due From Unemployment Insurance Trust Fund	72
Due From General Capital Fund	<u>903</u>
	<u>\$ 68,537</u>

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 189,175	\$ 174,175	\$ 170,755	\$ 3,420	
Other Expenses	10,500	25,500	19,341	6,159	
Mayor and Council					
Salaries and Wages	8,800	8,800	8,795	5	
Other Expenses	4,000	4,000	2,243	1,757	
Municipal Clerk					
Salaries and Wages	117,312	117,312	110,360	6,952	
Other Expenses	28,470	28,470	27,222	1,248	
Financial Administration					
Salaries and Wages	145,615	145,615	143,426	2,189	
Audit Services					
Other Expenses	52,000	52,000	43,205	8,795	
Revenue Administration					
Salaries and Wages	51,035	51,035	51,035	-	
Other Expenses	74,725	74,725	72,263	2,462	
Other Expenses - Liquid of TTLs/Foreclosed Property	100	100		100	
Tax Assessment Administration					
Salaries and Wages	35,133	35,133	34,908	225	
Other Expenses	5,550	5,550	3,064	2,486	
Legal Services and Costs					
Other Expenses	78,500	83,500	83,500	-	
Engineering Services & Costs					
Other Expenses	8,100	8,100	8,100	-	
Planning Board					
Salaries and Wages	8,728	8,728	8,728	-	
Other Expenses	10,800	10,800	4,914	5,886	
Board of Adjustment					
Salaries and Wages	8,728	8,728	8,728		
Other Expenses	6,150	6,150	4,223	1,927	
Insurance					
Self Insurance & Surety Bonds (NJSA 40A:10-1 et seq.)	12,500	12,500	12,500	-	
General Liability	325,324	325,324	286,612	38,712	
Employee Group Health	703,826	685,326	588,969	96,357	
Health Benefit Waiver	8,150	21,650	21,483	167	
PUBLIC SAFETY FUNCTIONS					
Police					
Salaries and Wages	2,525,000	2,525,000	2,384,488	140,512	
Other Expenses	100,850	100,850	88,114	12,736	
Other Expenses-Acquisition of Police Vehicles	55,772	55,772	51,599	4,173	
Office of Emergency Management					
Other Expenses	500	500		500	

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

	<u>Appropriated</u>		<u>Expended</u>		Unexpended Balance <u>Cancelled</u>
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS (Cont'd)					
Aid to Volunteer Ambulance Companies (First Aid Contribution)	\$ 20,750	\$ 20,750	\$ 19,400	\$ 1,350	
Fire					
Salaries and Wages	7,409	7,409	5,386	2,023	
Other Expenses	69,650	69,650	51,352	18,298	
Other Expenses-Fire Hydrant Service	25,000	25,000	25,000		
Fire Prevention Bureau					
Salaries and Wages	19,664	19,664	19,484	180	
Other Expenses	12,233	12,233	7,949	4,284	
PUBLIC WORKS FUNCTION					
Streets and Road Maintenance					
Salaries and Wages	735,400	735,400	681,575	53,825	
Other Expenses	30,700	30,700	25,563	5,137	
Other Expenses - Snow Removal	141,100	141,100	126,000	15,100	
Other Public Works Function					
Other Expenses - Municipal Park and Ride	2,550	2,550	1,758	792	
Other Expenses - Traffic Control Devices	5,000	5,000	1,117	3,883	
Solid Waste Collection (Sanitation)					
Garbage Collection	312,000	312,000	310,000	2,000	
Recycling					
Salaries and Wages	77,430	77,430	60,693	16,737	
Other Expenses	182,300	182,300	123,105	14,195	\$ 45,000
Public Buildings and Grounds					
Other Expenses	135,300	135,300	116,874	18,426	
Vehicle Maintenance (Municipal Garage)					
Other Expenses	205,000	205,000	181,856	23,144	
HEALTH & HUMAN SERVICES					
Public Health Services					
Salaries and Wages	3,450	3,550	3,503	47	
Other Expenses - Northwest Bergen Comm. Contractual	100,334	100,234	95,944	4,290	
Welfare/Administration of Public Assistance					
Other Expenses	100	100		100	
PARKS AND RECREATION FUNCTIONS					
Recreation Services and Programs (Parks and Playgrounds)					
Salaries and Wages	69,597	67,597	61,640	5,957	
Other Expenses	43,350	45,350	44,560	790	
Other Expenses-Community Television	1,000	1,000	1,000	-	
MUNICIPAL COURT					
Salaries and Wages	39,780	39,780	36,401	3,379	
Other Expenses	58,950	58,950	52,191	6,759	
Public Defender					
Other Expenses	15,373	15,373	12,871	2,502	

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

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
OPERATIONS - WITHIN "CAPS" (Cont'd)	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
OTHER COMMON OPERATING		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
FUNCTIONS					
Celebration of Public Events, Anniversary or Holiday					
Other Expenses	\$ 4,500	\$ 4,500	\$ 2,571	\$ 1,929	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES (NJACS:23-4.17)					
Uniform Construction Code Enforcement					
Salaries and Wages	199,761	199,761	196,243	3,518	
Other Expenses	4,340	4,340	3,423	917	
UTILITY EXPENSES AND BULK PURCHASES					
Fuel Oil	100,000	82,500	54,703	27,797	
Electricity	90,000	110,000	106,710	3,290	
Telephone	32,400	32,400	31,953	447	
Natural Gas	32,500	32,500	19,593	12,907	
Street Lighting	105,000	95,000	94,002	998	
Water	15,000	22,500	20,399	2,101	
Sewerage Processing and Disposal	22,500	22,500	16,387	6,113	
Landfill/Solid Waste Disposal Costs					
Sanitary Landfill Dump Fees	320,000	320,000	278,715	41,285	-
Total Operations Within "CAPS"	<u>7,814,764</u>	<u>7,814,764</u>	<u>7,128,496</u>	<u>641,268</u>	\$ <u>45,000</u>
Detail:					
Salaries and Wages	4,242,017	4,225,117	3,986,148	238,969	-
Other Expenses (Including Contingent)	3,572,747	3,589,647	3,142,348	402,299	45,000
STATUTORY EXPENDITURES					
Social Security System (O.A.S.I.)	322,583	322,583	278,012	44,571	
Police & Firemen's Retirement System of NJ	486,450	486,450	484,950	1,500	
Public Employee Retirement System	207,850	207,850	207,490	360	-
Total Statutory Expenditures	<u>1,016,883</u>	<u>1,016,883</u>	<u>970,452</u>	<u>46,431</u>	-
Total Statutory Expenditures - Municipal Within "CAPS"	<u>1,016,883</u>	<u>1,016,883</u>	<u>970,452</u>	<u>46,431</u>	-
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>8,831,647</u>	<u>8,831,647</u>	<u>8,098,948</u>	<u>687,699</u>	<u>45,000</u>

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

OPERATIONS - EXCLUDED FROM "CAPS"	<u>Appropriated</u>	<u>Expended</u>	<u>Unexpended</u>		
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Balance</u> <u>Cancelled</u>
UTILITY EXPENSES AND BULK PURCHASES					
Northwest Bergen Sewer Authority					
Share of Costs	\$ 1,581,025	\$ 1,581,025	\$ 1,581,025		
Village of Ridgewood - Contractual - Sewer	5,600	5,600	5,600		
Boro of Ho-Ho-Kus - Contractual - Sewer	2,956	2,956	2,956		
Recycling Tax Appropriation	12,000	12,000	8,846	\$ 3,154	
EDUCATION FUNCTION					
Maintenance of Free Public Library (Ch. 82, P.L. 1985)	524,529	524,529	524,529	-	
PUBLIC SAFETY FUNCTION					
"911" Telecommunications System	10,011	10,011	10,011	-	
PUBLIC WORKS FUNCTION					
NJPDES Stormwater Permit					
Streets and Roads					
Salaries and Wages	19,000	19,000	19,000	-	
Other Expenses	2,600	2,600	2,000	600	
Reserve for Sale of Assets					
Unclassified					
Accumulated Leave Compensation	73,000	73,000	40,686	32,314	
INTERLOCAL MUNICIPAL SERVICE					
AGREEMENTS					
Public Safety - Police Training					
Salaries and Wages	8,055	8,055	425	7,630	
Other Expense	43,335	43,335	42,946	389	
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
County of Bergen Drug and Alcohol Awareness Grant					
Municipal Alliance					
Local Share	1,500	1,500	16	1,484	
Clean Communities Grant - Salaries and Wages	21,900	21,900	21,900	-	-
Total Operations Excluded from "CAPS"	<u>2,305,511</u>	<u>2,305,511</u>	<u>2,259,940</u>	<u>45,571</u>	<u>-</u>
Detail:					
Salaries and Wages	121,955	121,955	82,011	39,944	-
Other Expenses	2,183,556	2,183,556	2,177,929	5,627	-
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	74,100	74,100	74,100	-	-
Total Capital Improvements-Excluded from "CAPS"	<u>74,100</u>	<u>74,100</u>	<u>74,100</u>	<u>-</u>	<u>-</u>

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
MUNICIPAL DEBT SERVICE -					
Payment of Bond Principal	\$ 1,478,000	\$ 1,478,000	\$ 1,478,000		
Interest on Bonds	193,620	193,620	193,605		\$ 15
Interest on Notes	16,200	16,200	15,988		212
NJ Infrastructure Trust Loan					
Loan Repayments for Principal and Interest	<u>12,963</u>	<u>12,963</u>	<u>11,740</u>	<u>-</u>	<u>1,223</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>1,700,783</u>	<u>1,700,783</u>	<u>1,699,333</u>	<u>-</u>	<u>1,450</u>
DEFERRED CHARGES MUNICIPAL -					
Deferred Charges					
General Capital Fund					
Unfunded - Ordinance No 06-06/20-06	<u>24,500</u>	<u>24,500</u>	<u>24,500</u>	<u>-</u>	<u>-</u>
Total Deferred Charges-Municipal Excluded from "CAPS"	<u>24,500</u>	<u>24,500</u>	<u>24,500</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>4,104,894</u>	<u>4,104,894</u>	<u>4,057,873</u>	<u>\$ 45,571</u>	<u>1,450</u>
Subtotal General Appropriations	12,936,541	12,936,541	12,156,821	733,270	46,450
Reserve for Uncollected Taxes	<u>915,000</u>	<u>915,000</u>	<u>915,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 13,851,541</u>	<u>\$ 13,851,541</u>	<u>\$ 13,071,821</u>	<u>\$ 733,270</u>	<u>\$ 46,450</u>
Cash Disbursed			\$ 11,740,982		
Accounts Payable			387,339		
Due to General Capital Fund-Interlocal Agreement Public Safety			28,500		
Reserve for Uncollected Taxes			<u>915,000</u>		
			<u>\$ 13,071,821</u>		

**BOROUGH OF WALDWICK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-3	\$ 30,416	\$ 27,457
		<u>30,416</u>	<u>27,457</u>
PARK AND RIDE CONTINGENCY FUND			
Cash	B-3	13,415	8,041
Due from Other Trust Fund	B-8	<u>-</u>	<u>652</u>
		<u>13,415</u>	<u>8,693</u>
OTHER TRUST FUND			
Cash	B-3	2,168,455	1,791,585
Due from Park and Ride Contingency Fund	B-8	<u>4,006</u>	<u>-</u>
		<u>2,172,461</u>	<u>1,791,585</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-3	<u>77,915</u>	<u>69,022</u>
		<u>77,915</u>	<u>69,022</u>
SELF INSURANCE TRUST FUND			
Cash	B-3	<u>135,058</u>	<u>134,338</u>
		<u>135,058</u>	<u>134,338</u>
MUNICIPAL OPEN SPACE TRUST FUND			
Cash	B-3	70,295	153,407
Due from Current Fund	B-19	<u>79,022</u>	<u>254</u>
		<u>149,317</u>	<u>153,661</u>
Total Assets		<u>\$ 2,578,582</u>	<u>\$ 2,184,756</u>

BOROUGH OF WALDWICK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2017 AND 2016
(Continued)

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ANIMAL CONTROL FUND			
Due to State of New Jersey	B-4	\$ 2	\$ 2
Due to Current Fund	B-5	3,869	
Reserve for Animal Control Expenditures	B-6	<u>26,545</u>	<u>27,455</u>
		<u>30,416</u>	<u>27,457</u>
PARK AND RIDE CONTINGENCY FUND			
Due to Current Fund	B-7		4,649
Due to Other Trust Fund	B-8	4,006	
Reserve for Park and Ride Expenditures	B-9	<u>9,409</u>	<u>4,044</u>
		<u>13,415</u>	<u>8,693</u>
OTHER TRUST FUND			
Due to Current Fund	B-15	318,527	75,070
Due to Park and Ride Contingency Fund	B-8		652
Due to Water Utility Operating Fund	D-20	177	
Developer's Escrow and Other Reserves	B-16	1,666,286	1,523,425
Reserve for Payroll Deductions Payable	B-17	66,515	30,961
Reserve for COAH Expenditures	B-18	<u>120,956</u>	<u>161,477</u>
		<u>2,172,461</u>	<u>1,791,585</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Due to Current Fund	B-10	7	
Due to State of New Jersey	B-11	5,031	
Reserve for Unemployment Claims	B-12	<u>72,877</u>	<u>69,022</u>
		<u>77,915</u>	<u>69,022</u>
SELF-INSURANCE TRUST FUND			
Reserve for Property Insurance Expenditures	B-14	<u>135,058</u>	<u>134,338</u>
		<u>135,058</u>	<u>134,338</u>
MUNICIPAL OPEN SPACE TRUST FUND			
Due to General Capital Fund	B-20	70,000	70,628
Reserve for Expenditures	B-21	<u>79,317</u>	<u>83,033</u>
		<u>149,317</u>	<u>153,661</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 2,578,582</u>	<u>\$ 2,184,756</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF WALDWICK
STATEMENT OF REVENUES-REGULATORY BASIS
MUNICIPAL OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Anticipated</u>		<u>Realized</u>	<u>Excess or Deficit</u>
	<u>Budget</u>	<u>Budget After Modification</u>		
Amount to be Raised by Taxation	\$ 78,854	\$ 78,854	\$ 79,022	\$ 168
Reserve Funds	<u>3,971</u>	<u>3,971</u>	<u>87</u>	<u>(3,884)</u>
	<u>\$ 82,825</u>	<u>\$ 82,825</u>	<u>\$ 79,109</u>	<u>\$ (3,716)</u>
Reference	B-2	B-2	B-21	

EXHIBIT B-2

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

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Development of Lands for Recreation and Conservation: Other Expenses	\$ 82,825	\$ 82,825	\$ 82,825	\$ -
	<u>\$ 82,825</u>	<u>\$ 82,825</u>	<u>\$ 82,825</u>	<u>\$ -</u>
Reference	B-1	B-1	B-21	

Analysis of Paid or Charged

Cash Disbursements	\$ 12,825
Due to General Capital Fund	<u>70,000</u>
	<u>\$ 82,825</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

ASSETS	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Cash	C-2,C-3	\$ 1,050,347	\$ 1,313,752
Deferred Charges to Future Taxation			
Funded	C-6	6,253,194	7,740,108
Unfunded	C-7	2,755,124	1,989,525
Grant and Other Receivable	C-8	473,250	416,888
Due from Current Fund	C-4	16,631	36
Due from Municipal Open Space Trust Fund	C-5	<u>70,000</u>	<u>70,628</u>
		<u>\$ 10,618,546</u>	<u>\$ 11,530,937</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-9	\$ 6,135,000	\$ 7,613,000
Loans Payable	C-10	118,194	127,108
Bond Anticipation Notes	C-11	2,671,000	1,843,400
Improvement Authorizations			
Funded	C-12	817,120	823,508
Unfunded	C-12	448,321	709,452
Accounts Payable	C-13	51,989	149,769
Reserve for Payment of Debt Service	C-14	34,536	34,536
Reserve for Pistol Range	C-15		10,839
Capital Improvement Fund	C-16	47,097	37,770
Fund Balance	C-1	<u>295,289</u>	<u>181,555</u>
		<u>\$ 10,618,546</u>	<u>\$ 11,530,937</u>

There were bonds and notes authorized but not issued of \$121,625 and \$146,125 at December 31, 2017 and 2016 respectively (Exhibit C-17).

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

	<u>2017</u>	<u>2016</u>
Balance, January 1	\$ 181,555	\$ 166,989
Increased by:		
Premium on Sale of Bond Anticipation Notes	17,782	
Cancelled Improvement Authorizations	<u>130,952</u>	<u>14,566</u>
	330,289	181,555
Decreased by:		
Appropriated to Finance Improvement Authorizations	<u>35,000</u>	<u>-</u>
Balance, December 31	<u>\$ 295,289</u>	<u>\$ 181,555</u>

BOROUGH OF WALDWICK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY OPERATING FUND
AS OF DECEMBER 31, 2017 AND 2016

ASSETS	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Cash	D-5	\$ 972,418	\$ 1,019,270
Change Fund	D	100	100
Due from Current Fund	D-20	8,583	
Due from Other Trust Fund	D-21	<u>177</u>	<u>-</u>
		<u>981,278</u>	<u>1,019,370</u>
Receivables With Full Reserves			
Consumer Accounts Receivable	D-7	<u>17,356</u>	<u>29,181</u>
Deferred Charges			
Operating Deficit	D-8	<u>41,012</u>	<u>-</u>
 Total Assets		 <u>\$ 1,039,646</u>	 <u>\$ 1,048,551</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	D-4,D-12	\$ 155,770	\$ 96,181
Accounts Payable	D-13	42,140	84,170
Prepaid Water Rents	D-14	2,359	952
Water Rent Overpayments	D-15	6,444	4,158
Due to Current Fund	D-20		9,262
Due to Water Utility Capital Fund	D-19		6,025
Reserve for Tax Map	D-26	3,667	3,667
Accrued Interest Payable on Bonds and Notes	D-22	5,151	6,550
Accrued Interest Payable on Loans	D-25	<u>9,969</u>	<u>11,615</u>
		225,500	222,580
Reserve for Receivables	D	17,356	29,181
Fund Balance	D-1	<u>796,790</u>	<u>796,790</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 1,039,646</u>	 <u>\$ 1,048,551</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF WALDWICK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY CAPITAL FUND
AS OF DECEMBER 31, 2017 AND 2016
(Continued)

ASSETS	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Cash	D-5,D-6	\$ 137,314	\$ 112,350
Fixed Capital	D-10	8,828,195	8,569,831
Fixed Capital Authorized and Uncompleted	D-11	111,136	265,367
NJ EIT Loan Receivable	D-9		5,000
Due from Water Utility Operating Fund	D-19	<u>-</u>	<u>6,025</u>
 Total Assets		 <u>\$ 9,076,645</u>	 <u>\$ 8,958,573</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bonds Payable	D-24	\$ 808,000	\$ 996,000
State Water Loans Payable	D-16	916,510	1,073,736
Bond Anticipation Notes	D-23	351,800	248,000
Accounts Payable	D-13	12,545	27,599
Improvement Authorization			
Funded	D-17		4,198
Unfunded	D-17	87,437	56,797
Reserves for			
Amortization	D-27	6,857,821	6,500,113
Deferred Amortization	D-28	5,200	16,680
Payment of Debt	D-29	4,008	4,008
Capital Improvement Fund	D-18	14,643	10,145
Fund Balance	D-2	<u>18,681</u>	<u>21,297</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 9,076,645</u>	 <u>\$ 8,958,573</u>

There were no bonds and notes authorized but not issued at December 31, 2017. There were bonds and notes authorized but not issued at December 31, 2016 in the amount of \$669 (Exhibit D-30).

BOROUGH OF WALDWICK
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
REVENUES AND OTHER INCOME		
Rents	\$ 1,734,045	\$ 1,947,310
Fire Hydrant Service	25,000	25,000
Miscellaneous	8,143	14,019
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	<u>83,818</u>	<u>73,572</u>
	<u>1,851,006</u>	<u>2,059,901</u>
EXPENDITURES		
Budget Appropriations		
Operating	1,328,720	1,315,937
Capital Improvements	5,500	6,025
Debt Service	397,548	395,406
Deferred Charges and Statutory Expenditures	<u>160,250</u>	<u>157,207</u>
	<u>1,892,018</u>	<u>1,874,575</u>
Excess/(Deficit) in Revenue	(41,012)	185,326
Adjustments to Income Before Surplus:		
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	<u>41,012</u>	<u>-</u>
Statutory Excess to Surplus	-	185,326
Fund Balance, January 1	<u>796,790</u>	<u>611,464</u>
Fund Balance, December 31	<u>\$ 796,790</u>	<u>\$ 796,790</u>

BOROUGH OF WALDWICK
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCES - REGULATORY BASIS
WATER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Balance, January 1	\$ 21,297	\$ 21,297
Increased by:		
Premium on Sale of Bond Anticipation Notes	2,384	-
	23,681	21,297
Decreased by:		
Cancelled Loan Receivable	5,000	-
Balance, December 31	\$ 18,681	\$ 21,297

EXHIBIT D-3

STATEMENT OF REVENUES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Rents	\$ 1,868,855	\$ 1,734,045	\$ (134,810)
Fire Hydrant Service	25,000	25,000	
Miscellaneous	10,000	8,143	(1,857)
	\$ 1,903,855	\$ 1,767,188	\$ (136,667)
Analysis of Miscellaneous Revenue			
Interest on Investments and Deposits		\$ 3,540	
Interest and Costs on Delinquent Accounts		3,263	
Other Miscellaneous		1,340	
		\$ 8,143	
Analysis of Miscellaneous Revenue			
Cash Receipts		\$ 8,143	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF WALDWICK
STATEMENT OF EXPENDITURES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Operating					
Salaries and Wages	\$ 758,880	\$ 758,880	\$ 727,122	\$ 31,758	
Other Expenses	569,840	569,840	453,543	116,297	
Capital Improvements					
Capital Improvement Fund	5,500	5,500	5,500		
Debt Service					
Payment of Bond Principal	188,000	188,000	188,000		
Interest on Bonds	25,632	25,632	23,925		\$ 1,707
Interest on Notes	2,550	2,550	2,550		
Environmental Trust Principal & Interest	193,203	193,203	183,073		10,130
Statutory Expenditures					
Public Employees Retirement System	103,000	103,000	101,118	1,882	
Social Security System	57,250	57,250	51,417	5,833	-
	<u>\$ 1,903,855</u>	<u>\$ 1,903,855</u>	<u>\$ 1,736,248</u>	<u>\$ 155,770</u>	<u>\$ 11,837</u>
Cash Disbursed			\$ 1,636,286		
Accounts Payable			42,140		
Due to Water Utility Capital Fund			5,500		
Interest on Bonds and Notes			26,475		
Interest on Loans			25,847		
			<u>\$ 1,736,248</u>		

**BOROUGH OF WALDWICK
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2017 AND 2016**

ASSETS	<u>2017</u>	<u>2016</u>
Land	\$ 1,264,800	\$ 1,214,800
Buildings and Building Improvements	7,184,000	7,105,789
Machinery and Equipment	<u>6,857,307</u>	<u>6,616,710</u>
 Total Assets	 <u>\$ 15,306,107</u>	 <u>\$ 14,937,299</u>
 FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 15,306,107</u>	<u>\$ 14,937,299</u>

NOTES TO FINANCIAL STATEMENTS

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Waldwick (the "Borough") was incorporated in 1919 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, 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 municipal library, volunteer fire department, 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 Waldwick 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 WALDWICK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

Park and Ride Contingency Fund - This fund is used to account for the receipts and disbursements relating to parking meter fees collected.

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.

Self- Insurance Fund - This fund is used to account for the resources and expenditures for property claims.

Municipal Open Space Trust Fund – This fund is used to account for resources that have accumulated from a dedicated tax and other resources to be used for the preservation of open space, recreation and farmland property.

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.

Water Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Borough's water utility and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the water utility is accounted for in the capital section of the fund.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough, other than those accounted for in the water utility fund. The Borough's infrastructure is not reported in the account group.

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

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

Financial Statements – Regulatory Basis

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

Utility Revenues/Receivables - Utility charges are levied quarterly based upon a flat service charge and if applicable, an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's water utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

Incurred But Not Reported (IBNR) Reserves and Claims Payable - The Borough has not created a reserve for any potential unreported self-insurance losses which have taken place but in which the Borough has not received notices or report of losses (i.e. IBNR). Additionally, the Borough has not recorded a liability for those claims filed, but which have not been paid (i.e. claims payable). 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 potential claims 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Operating Deficits – Deficits resulting from expenditures and other debits which exceed cash revenues, other realized revenues and credits to income in such fiscal year are recorded as deferred charges on the balance sheet of the respective operating fund at year end and are required to be funded in the succeeding year’s budget. GAAP does not permit the deferral of operating deficits at year end.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Waldwick has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years.

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

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

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

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

Accounting for utility fund "fixed capital" remains unchanged under NJAC 5:30-5.6.

Property and equipment purchased by the water utility fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

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

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

Trust Funds (Except Municipal Open Space Trust Fund)
General Capital Fund
Water Utility Capital 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. The Borough Council did not increase the original budget during 2017 and 2016. However, the governing body did approve several budget transfers during 2017 and 2016.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. **Cash Deposits**

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

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

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2017 and 2016, the book value of the Borough's deposits were \$14,584,085 and \$12,094,004 and bank and brokerage firm balances of the Borough's deposits amounted to \$14,708,233 and \$12,449,707, 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>2017</u>	<u>2016</u>
Insured	\$ 13,852,884	\$ 11,598,167
Uninsured and Collateralized	<u>855,349</u>	<u>851,540</u>
	<u>\$ 14,708,233</u>	<u>\$ 12,449,707</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2017 and 2016, the Borough's bank balances of \$855,349 and \$851,540 were exposed to custodial credit risk as follows:

	<u>2017</u>	<u>2016</u>
<u>Uninsured and Collateralized:</u>		
Collateral held by pledging financial institution's trust department not in the Borough's name	<u>\$ 855,349</u>	<u>\$ 851,540</u>

B. Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

As of December 31, 2017 and 2016 the Borough had no outstanding investments.

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

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

NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE

Receivables at December 31, 2017 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<u>2017</u>			
Property Taxes	\$ 265,769		\$ 265,769
Utility Rents	<u>-</u>	<u>\$ 17,356</u>	<u>17,356</u>
	<u>\$ 265,769</u>	<u>\$ 17,356</u>	<u>\$ 283,125</u>

In 2017, the Borough collected \$318,477 and \$29,181 from delinquent taxes and utility charges and fees, which represented 99% and 100% of the delinquent tax and water charges receivable, respectively, at December 31, 2016. In addition the Borough collected \$6,020 for 2016 tax adjustments realized in 2017.

Receivables at December 31, 2016 consisted of the following:

	<u>Current</u>	<u>Water Utility</u>	<u>Total</u>
<u>2016</u>			
Property Taxes	\$ 318,037		\$ 318,037
Tax Title Liens	1,690		1,690
Utility Rents	<u>-</u>	<u>\$ 29,181</u>	<u>29,181</u>
	<u>\$ 319,727</u>	<u>\$ 29,181</u>	<u>\$ 348,908</u>

In 2016, the Borough collected \$288,538 and \$35,918 from delinquent taxes and utility charges and fees, which represented 100% of the delinquent tax and water charges receivable at December 31, 2015.

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

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2017</u>		<u>2016</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 322,403	\$ 104,236	\$ 88,981	\$ 290
Trust Funds				
Animal Control		3,869		
Park and Ride Contingency		4,006	652	4,649
Other Trust	4,006	318,704		75,722
Unemployment Insurance Trust		7		
Municipal Open Space	79,022	70,000	254	70,628
General Capital Fund	86,631		70,664	
Water Utility Operating Fund	8,760			15,287
Water Utility Capital Fund	-	-	6,025	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 500,822</u>	<u>\$ 500,822</u>	<u>\$ 166,576</u>	<u>\$ 166,576</u>

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

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

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charge is reported on the balance sheet of the following fund:

	<u>Balance,</u> <u>December 31,</u>	<u>Subsequent Year</u> <u>Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Budgets</u>
<u>2017</u>			
Water Utility			
Operating Deficit	\$ 41,012	\$ 41,012	-

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

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Water Utility Operating 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 their own respective fund's budget for the succeeding year were as follows:

	2017		2016	
	Fund Balance December 31,	Utilized in Subsequent Year's Budget	Fund Balance December 31,	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 5,891,307	\$ 1,162,000	\$ 5,569,860	\$ 935,000
Non-Cash Surplus	<u>67,584</u>	<u>-</u>	<u>59,104</u>	<u>-</u>
	<u>\$ 5,958,891</u>	<u>\$ 1,162,000</u>	<u>\$ 5,628,964</u>	<u>\$ 935,000</u>
Water Utility Operating Fund				
Cash Surplus	\$ 755,778	\$ 80,805	\$ 796,790	-
Non-Cash Surplus	<u>41,012</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 796,790</u>	<u>\$ 80,805</u>	<u>\$ 796,790</u>	<u>\$ -</u>

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

NOTE 8 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2017 and 2016.

	Balance January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Land	\$ 1,214,800	\$ 50,000		\$ 1,264,800
Buildings and Building Improvements	7,105,789	78,211		7,184,000
Machinery and Equipment	<u>6,616,710</u>	<u>440,303</u>	<u>\$ 199,706</u>	<u>6,857,307</u>
	<u>\$ 14,937,299</u>	<u>\$ 568,514</u>	<u>\$ 199,706</u>	<u>\$ 15,306,107</u>
	Balance January 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
Land	\$ 1,214,800			\$ 1,214,800
Buildings and Building Improvements	7,105,789			7,105,789
Machinery and Equipment	<u>6,222,536</u>	<u>\$ 535,685</u>	<u>\$ 141,511</u>	<u>6,616,710</u>
	<u>\$ 14,543,125</u>	<u>\$ 535,685</u>	<u>\$ 141,511</u>	<u>\$ 14,937,299</u>

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

NOTE 8 FIXED ASSETS (Continued)

B. Water Utility Fund Fixed Assets

The following is a summary of changes in the Water Utility Fund fixed assets for the years ended December 31, 2017 and 2016.

	Balance January 1, <u>2017</u>	<u>Additions</u>	<u>Adjustments</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Fixed Capital				
System and System Improvements	\$ 3,559,475	\$ 189,875	\$ (502,259)	\$ 3,247,091
Tanks, Pumping Station Structures	3,027,568			3,027,568
Vehicles and Equipment	<u>1,982,788</u>	<u>68,489</u>	<u>502,259</u>	<u>2,553,536</u>
	<u>\$ 8,569,831</u>	<u>\$ 258,364</u>	<u>\$ -</u>	<u>\$ 8,828,195</u>
	Balance January 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
Fixed Capital				
System and System Improvements	\$ 3,559,475			\$ 3,559,475
Tanks, Pumping Station Structures	3,027,568			3,027,568
Vehicles and Equipment	<u>1,982,788</u>	<u>-</u>	<u>-</u>	<u>1,982,788</u>
	<u>\$ 8,569,831</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,569,831</u>

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

NOTE 9 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2017</u>	<u>2016</u>
Issued		
General		
Bonds, Loans and Notes	\$ 8,924,194	\$ 9,583,508
Water Utility		
Bonds, Notes and Loans	<u>2,076,310</u>	<u>2,317,736</u>
Total Issued	11,000,504	11,901,244
Less Funds Temporarily Held to Pay Bonds and Notes	<u>76,045</u>	<u>38,544</u>
Net Debt Issued	10,924,459	11,862,700
Authorized But Not Issued		
General		
Bonds and Notes	121,625	146,125
Water Utility		
Bonds and Notes	<u>-</u>	<u>669</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 11,046,084</u>	<u>\$ 12,009,494</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .70% and .63% at December 31, 2017 and 2016, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General Debt	\$ 9,045,819	\$ 72,037	\$ 8,973,782
School Debt	3,065,000	3,065,000	
Water Utility Debt	<u>2,076,310</u>	<u>4,008</u>	<u>2,072,302</u>
Total	<u>\$ 14,187,129</u>	<u>\$ 3,141,045</u>	<u>\$ 11,046,084</u>

<u>2016</u>			
General Debt	\$ 9,729,633	\$ 34,536	\$ 9,695,097
School Debt	3,625,000	3,625,000	
Water Utility Debt	<u>2,318,405</u>	<u>2,318,405</u>	<u>-</u>
Total	<u>\$ 15,673,038</u>	<u>\$ 5,977,941</u>	<u>\$ 9,695,097</u>

Statutory Borrowing Power

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

	<u>2017</u>	<u>2016</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 54,932,483	\$ 54,064,792
Less: Net Debt	<u>11,046,084</u>	<u>9,695,097</u>
Remaining Borrowing Power	<u>\$ 43,886,399</u>	<u>\$ 44,369,695</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

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

General Obligation Bonds

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

	<u>2017</u>	<u>2016</u>
\$6,098,000, 2002 Bonds		\$ 438,000
\$8,127,000, 2008 Bonds, due in annual installments of \$800,000 to \$802,000 through April, 2020, interest at 3.50%	\$ 2,402,000	3,152,000
\$4,508,000, 2014 Bonds, due in annual installments of \$400,000 to \$420,000 through November, 2026, interest at 2.00% to 2.50%	<u>3,733,000</u>	<u>4,023,000</u>
	<u>\$ 6,135,000</u>	<u>\$ 7,613,000</u>

General Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the New Jersey Department of Environmental Protection and Energy for the financing relating to the Borough sanitary sewer infiltration and inflow reduction improvements. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2017</u>	<u>2016</u>
\$86,874, 2011 Fund Loan due in Semi-annual installments of \$1,589 to \$3,178 through August 2029, interest free	\$ 55,093	\$ 59,860
\$86,874, 2011 Trust Loan due in Annual installments of \$996 to \$6,368 through August 2030, interest at 2.83% to 4.51%	<u>63,101</u>	<u>67,248</u>
	<u>\$ 118,194</u>	<u>\$ 127,108</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Water Utility Bonds

The Borough pledges revenue from operations to pay debt service on Water Utility bonds issued. The Water Utility bonds outstanding at December 31 are as follows:

	<u>2017</u>	<u>2016</u>
\$628,000, 2002 Bonds		\$ 48,000
\$1,144,000, 2008 Bonds, due in annual installments of \$110,000 to \$114,000 through April, 2020, interest at 3.50%	\$ 334,000	444,000
\$564,000, 2014 Bonds, due in annual installments of \$30,000 to \$60,000 through November, 2026, interest at 2.00% to 2.50%	474,000	504,000
	<u>\$ 808,000</u>	<u>\$ 996,000</u>

Water Utility Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the New Jersey Environmental Infrastructure Trust for the financing relating to the water storage tank booster pump and water main construction projects. The Borough pledges revenue from operations to pay debt service on water utility intergovernmental loans issued. Water utility intergovernmental loans outstanding at December 31 are as follows:

	<u>2017</u>	<u>2016</u>
\$825,000, 2000 Fund Loan due in Semi-annual installments of \$946 to \$42,952 through August 2018, interest free	\$ 43,898	\$ 86,308
\$830,000, 2000 Trust Loan due in Annual installments of \$65,000 through August 2018, interest at 4.50%	65,000	125,000
\$566,508, 2010 Fund Loan due in Semi-annual installments of \$9,939 to \$19,877 through August 2030, interest free	387,612	417,428
\$545,000, 2010 Trust Loan due in Annual installments of \$20,000 to \$45,000 through August 2030, interest at 5.00%	420,000	445,000
	<u>\$ 916,510</u>	<u>\$ 1,073,736</u>

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

NOTE 9 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, 2017 is as follows:

Calendar Year	General Bonds		General Loans		Water Utility Bonds		Water Utility Loans		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 1,200,000	\$ 151,020	\$ 9,020	\$ 2,443	\$ 140,000	\$ 20,140	\$ 163,713	\$ 23,925	\$ 1,710,261
2019	1,200,000	115,020	9,140	2,323	150,000	15,690	54,816	19,750	1,566,739
2020	1,217,000	78,985	9,273	2,190	159,000	10,970	54,816	18,500	1,550,734
2021	420,000	56,650	9,421	2,042	60,000	8,075	54,816	17,250	628,254
2022	420,000	48,250	9,584	1,879	60,000	6,875	59,816	16,000	622,404
2023-2027	1,678,000	102,700	50,870	6,443	239,000	14,600	314,081	56,750	2,462,444
2028-2030	-	-	20,886	965	-	-	214,452	12,750	249,053
	<u>\$ 6,135,000</u>	<u>\$ 552,625</u>	<u>\$ 118,194</u>	<u>\$ 18,285</u>	<u>\$ 808,000</u>	<u>\$ 76,350</u>	<u>\$ 916,510</u>	<u>\$ 164,925</u>	<u>\$ 8,789,889</u>

Changes in Long-Term Municipal Debt

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

	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>General Capital Fund</u>					
Bonds Payable	\$ 7,613,000		\$ 1,478,000	\$ 6,135,000	\$ 1,200,000
Intergovernmental Loans	<u>127,108</u>	<u>-</u>	<u>8,914</u>	<u>118,194</u>	<u>9,020</u>
General Capital Fund Long-Term Liabilities	<u>\$ 7,740,108</u>	<u>\$ -</u>	<u>\$ 1,486,914</u>	<u>\$ 6,253,194</u>	<u>\$ 1,209,020</u>
<u>Water Utility Capital Fund</u>					
Bonds Payable	\$ 996,000		\$ 188,000	\$ 808,000	\$ 140,000
Intergovernmental Loans	<u>1,073,736</u>	<u>-</u>	<u>157,226</u>	<u>916,510</u>	<u>163,713</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 2,069,736</u>	<u>\$ -</u>	<u>\$ 345,226</u>	<u>\$ 1,724,510</u>	<u>\$ 303,713</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, January 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>General Capital Fund</u>					
Bonds Payable	\$ 9,048,000		\$ 1,435,000	\$ 7,613,000	\$ 1,478,000
Intergovernmental Loans	<u>135,931</u>	<u>-</u>	<u>8,823</u>	<u>127,108</u>	<u>8,914</u>
General Capital Fund Long-Term Liabilities	<u>\$ 9,183,931</u>	<u>\$ -</u>	<u>\$ 1,443,823</u>	<u>\$ 7,740,108</u>	<u>\$ 1,486,914</u>
<u>Water Utility Capital Fund</u>					
Bonds Payable	\$ 1,186,000		\$ 190,000	\$ 996,000	\$ 188,000
Intergovernmental Loans	<u>1,219,331</u>	<u>-</u>	<u>145,595</u>	<u>1,073,736</u>	<u>157,226</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 2,405,331</u>	<u>\$ -</u>	<u>\$ 335,595</u>	<u>\$ 2,069,736</u>	<u>\$ 345,226</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

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

Bond Anticipation Notes

	Rate (%)	Maturity Date	Balance January 1, 2017	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2017
<u>General Capital Fund</u>						
Various Public Improvements & Acquisitions	2.25%	7/27/2018	\$ 1,843,400	\$ 1,843,400	\$ 1,843,400	\$ 1,843,400
Various Public Improvements & Acquisitions	2.00%	7/27/2018	-	827,600	-	827,600
Total General Capital Fund			<u>\$ 1,843,400</u>	<u>\$ 2,671,000</u>	<u>\$ 1,843,400</u>	<u>\$ 2,671,000</u>

Water Utility Capital Fund

Various Public Improvements & Acquisitions	2.25%	7/27/2018	\$ 248,000	\$ 248,000	\$ 248,000	\$ 248,000
Various Public Improvements & Acquisitions	2.00%	7/27/2018	-	103,800	-	103,800
Total Water Capital Fund			<u>\$ 248,000</u>	<u>\$ 351,800</u>	<u>\$ 248,000</u>	<u>\$ 351,800</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

	Rate (%)	Maturity Date	Balance January 1, 2016	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2016
<u>General Capital Fund</u>						
Various Public Improvements & Acquisitions	1.10%	7/28/2017	\$ 825,900	\$ 825,900	\$ 825,900	\$ 825,900
Various Public Improvements & Acquisitions	0.95%	7/28/2017	-	1,017,500	-	1,017,500
Total General Capital Fund			<u>\$ 825,900</u>	<u>\$ 1,843,400</u>	<u>\$ 825,900</u>	<u>\$ 1,843,400</u>
<u>Water Utility Capital Fund</u>						
Various Public Improvements & Acquisitions	1.10%	7/28/2017	\$ 133,300	\$ 133,300	\$ 133,300	\$ 133,300
Various Public Improvements & Acquisitions	0.95%	7/28/2017	-	114,700	-	114,700
Total Water Capital Fund			<u>\$ 133,300</u>	<u>\$ 248,000</u>	<u>\$ 133,300</u>	<u>\$ 248,000</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. The amounts issued for the water utility activities are accounted for in the Water Utility Capital Fund.

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

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

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

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, the Borough had the following commitments with respect to an unfinished capital project and another significant commitment.

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2016</u>		
Purchase of 2017 Ford Vehicle	\$ 55,488	2017

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$871,169 and \$882,645 at December 31, 2017 and 2016, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

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

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

B. Capital Lease Agreement

The Borough entered into an agreement for the leasing of two vehicles. The capital lease agreement is for a term of 2 years payable in advance. The capital lease was paid in full at December 31, 2017.

The Borough's capital lease activity as of December 31 was as follows:

	<u>2017</u>
Balance, January 1	\$ 28,173
Reductions	<u>28,173</u>
Balance, December 31	<u>\$ -</u>

Changes in Other Long-Term Liabilities

	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
Compensated Absences	\$ 882,645		\$ 11,476	\$ 871,169	
Capital Leases	28,173		28,173	-	
Net Pension Liability					
PERS	11,636,579		3,024,588	8,611,991	
PFRS	<u>11,361,860</u>	<u>-</u>	<u>1,679,586</u>	<u>9,682,274</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>\$ 23,909,257</u>	<u>\$ -</u>	<u>\$ 4,743,823</u>	<u>\$ 19,165,434</u>	<u>\$ -</u>

	Balance, January 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>					
Compensated Absences	\$ 884,534		\$ 1,889	\$ 882,645	
Capital Leases		\$ 58,445	30,272	28,173	\$ 28,173
Net Pension Liability					
PERS	8,662,799	3,322,827	349,047	11,636,579	
PFRS	<u>9,477,718</u>	<u>2,369,092</u>	<u>484,950</u>	<u>11,361,860</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>\$ 19,025,051</u>	<u>\$ 5,750,364</u>	<u>\$ 866,158</u>	<u>\$ 23,909,257</u>	<u>\$ 28,173</u>

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

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

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

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

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

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

Other Pension Funds

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

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

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds (Continued)

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

Basis of Accounting

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

Investment Valuation

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

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

Funded Status and Funding Progress

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

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Methods and Assumptions

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

Employer and Employee Pension Contributions

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

Annual Pension Cost (APC)

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

During the years ended December 31, 2017, 2016 and 2015, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions 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>
2017	\$ 484,950	\$ 349,047	\$ 1,543
2016	462,520	331,775	1,178
2015	473,931	299,189	365

In additions, the Borough contributed \$1,441 for PERS for Long Term Disability Insurance Premium (LTDI).

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

Public Employees Retirement System (PERS)

At December 31, 2017 and 2016, the Borough reported a liability of \$8,611,991 and \$11,636,579, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Borough’s proportionate share of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the Borough’s proportionate share was .03700 percent, which was a decrease of .00229 percent from its proportionate share measured as of June 30, 2016 of .03929 percent.

**BOROUGH OF WALDWICK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2017 and 2016, the pension system has determined the Borough's pension expense to be \$564,886 and \$1,145,196, respectively, for PERS based on the actuarial valuation which is less than the actual contributions reported in the Borough's financial statements of \$332,455 and \$331,775, respectively. At December 31, 2017 and 2016, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2017		2016	
	<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	\$ 202,783		\$ 216,405	
Changes of Assumptions	1,735,019	\$ 1,728,659	2,410,478	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	58,642		443,713	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>299,420</u>	<u>575,003</u>	<u>401,705</u>	<u>\$ 234,120</u>
Total	<u>\$ 2,295,864</u>	<u>\$ 2,303,662</u>	<u>\$ 3,472,301</u>	<u>\$ 234,120</u>

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

<u>Year Ending December 31,</u>	<u>Total</u>
2018	\$ 156,634
2019	257,869
2020	154,120
2021	(340,251)
2022	(236,170)
Thereafter	<u>-</u>
	<u>\$ (7,798)</u>

**BOROUGH OF WALDWICK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 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, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

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

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

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

**BOROUGH OF WALDWICK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

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

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

Discount Rate

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

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

**BOROUGH OF WALDWICK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

Period of Projected Benefit

Payments for which the Following
Rates were Applied:

Long-Term Expected Rate of Return	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

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

Sensitivity of Net Pension Liability

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

	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
<u>2017</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 10,683,759</u>	<u>\$ 8,611,991</u>	<u>\$ 6,885,951</u>
	1% Decrease <u>(2.98%)</u>	Current Discount Rate <u>(3.98%)</u>	1% Increase <u>(4.98%)</u>
<u>2016</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 14,259,269</u>	<u>\$ 11,636,579</u>	<u>\$ 9,471,321</u>

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

**BOROUGH OF WALDWICK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

Police and Firemen's Retirement System (PFRS)

At December 31, 2017 and 2016, the Borough reported a liability of \$9,682,274 and \$11,361,860, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the Borough's proportionate share was .06272 percent, which was an increase of .00324 percent from its proportionate share measured as of June 30, 2016 of .05948 percent.

For the years ended December 31, 2017 and 2016, the pension system has determined the Borough pension expense to be \$928,196 and \$1,177,222, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$484,950 and \$462,520, respectively. At December 31, 2017 and 2016, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough's financial statements are from the following sources:

	2017		2016	
	<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	\$ 62,813	\$ 56,827		\$ 74,479
Changes of Assumptions	1,193,932	1,585,673	\$ 1,573,711	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	184,760		796,103	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>665,566</u>	<u>294,256</u>	<u>338,045</u>	<u>410,563</u>
Total	<u>\$ 2,107,071</u>	<u>\$ 1,936,756</u>	<u>\$ 2,707,859</u>	<u>\$ 485,042</u>

**BOROUGH OF WALDWICK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

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

Year Ending <u>December 31,</u>	<u>Total</u>
2018	\$ 153,008
2019	351,027
2020	92,066
2021	(289,227)
2022	(136,559)
Thereafter	<u>-</u>
	<u>\$ 170,315</u>

Actuarial Assumptions

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

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

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

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

**BOROUGH OF WALDWICK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

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

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

Discount Rate

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

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

**BOROUGH OF WALDWICK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Discount Rate (Continued)

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

Period of Projected Benefit

Payments for which the Following
Rates were Applied:

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

Municipal Bond Rate * From July 1, 2057
and Thereafter

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

Sensitivity of Net Pension Liability

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

	1% Decrease <u>(5.14%)</u>	Current Discount Rate <u>(6.14%)</u>	1% Increase <u>(7.14%)</u>
<u>2017</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 12,757,193</u>	<u>\$ 9,682,274</u>	<u>\$ 7,155,878</u>
	1% Decrease <u>(4.55%)</u>	Current Discount Rate <u>(5.55%)</u>	1% Increase <u>(6.55%)</u>
<u>2016</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 14,650,285</u>	<u>\$ 11,361,860</u>	<u>\$ 8,680,347</u>

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

**BOROUGH OF WALDWICK
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Special Funding Situation – PFRS

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

At December 31, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,084,496 and \$954,114, respectively. For the years ended December 31, 2017 and 2016, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$132,658 and \$121,863, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$54,229 and \$36,559, respectively. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

The Borough currently does not provide post-retirement medical benefits to their active or retire employees.

NOTE 14 RISK MANAGEMENT

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

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

NOTE 14 RISK MANAGEMENT (Continued)

The Borough has established a Self-Insurance Trust Fund for the purpose of funding non-reimbursable property, plant and equipment claims as well as the deductible portion of the claims. As of December 31, 2017 and 2016 the Borough has available in the Self-Insurance Trust Fund \$135,058 and \$134,388, respectively for the payment of self-insurance claims.

The Borough of Waldwick 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 December 31</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017	\$ 9,847		\$ 5,992	\$ 72,877
2016	6,565		5,903	69,022
2015	10,404		18,926	68,360

NOTE 15 CONTINGENT LIABILITIES

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

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

NOTE 15 CONTINGENT LIABILITIES (Continued)

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2017 and 2016. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2017 and 2016, the Borough reserved \$408,435 and \$413,662, respectively, in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2017 and 2016, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 16 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2017 and 2016, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 17 SUBSEQUENT EVENTS

Debt Authorized

On February 27, 2018 the Borough adopted a bond ordinance authorizing the issuance \$728,000 in bonds or bond anticipation notes to fund certain general capital projects and a bond ordinance authorizing the issuance of \$47,500 in bonds on bond anticipation note to fund certain water capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

SUPPLEMENTARY SCHEDULES

CURRENT FUND

BOROUGH OF WALDWICK
STATEMENT OF CURRENT CASH - COLLECTOR-TREASURER

Balance, January 1, 2017		\$ 7,463,607
Increased by Receipts:		
Revenue Accounts Receivable	\$ 3,820,389	
Non-Budget Revenue	67,544	
Change Funds	475	
Senior Citizens' and Veterans' Deductions - Due from State of NJ	95,898	
Taxes Receivable	41,713,424	
Tax Title Liens	1,690	
Grants Receivable	18,936	
Receipts from Animal Control Trust Fund	17	
Receipts for Animal Control Trust Fund	30	
Receipts from Park and Ride Contingency Fund	4,649	
Receipts from Unemployment Insurance Trust Fund	65	
Receipts for General Capital Fund	17,782	
Receipts from Water Utility Operating Fund	17,845	
Tax Overpayments	53,083	
Prepaid Taxes	1,953,166	
Miscellaneous Reserves	56,195	
Public and Private Programs - Unappropriated Reserves	30,092	
Construction Code Fees Payable	17,106	
Sales Tax Payable	3,801	
	<u>47,872,187</u>	
		55,335,794
Decreased by Disbursements:		
2017 Budget Appropriations	11,740,982	
2016 Appropriation Reserves	57,886	
Accounts Payable	206,724	
Public and Private Programs- Appropriated Reserves	2,988	
Tax Overpayments	42,824	
County Taxes Payable	3,973,235	
Local District School Taxes Payable	29,089,086	
Miscellaneous Reserves	5,227	
Payments to Other Trust Fund	243,457	
Payments to Municipal Open Space Trust Fund	254	
Payments to General Capital Fund	28,784	
Construction Code Fees Payable	15,261	
Refund of Prior Year Revenue	1,334	
	<u>45,408,042</u>	
Balance, December 31, 2017		<u>\$ 9,927,752</u>

**BOROUGH OF WALDWICK
STATEMENT OF CHANGE FUNDS**

<u>Office</u>	Balance, January 1, <u>2017</u>	Returned to <u>Treasurer</u>	Balance, December 31, <u>2017</u>
Collector-Treasurer	\$ 850	\$ 475	\$ 375
Municipal Court	125		125
Municipal Clerk	50		50
Swimming Pool	<u>50</u>	<u>-</u>	<u>50</u>
	<u>\$ 1,075</u>	<u>\$ 475</u>	<u>\$ 600</u>

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

Balance, January 1, 2017		\$ 39,112
Increased by:		
Senior Citizens' Deductions Per Tax Billings	\$ 17,750	
Veterans' Deductions Per Tax Billings	85,500	
Senior Citizens' Deductions Allowed by Tax Collector	14,558	
Veterans' Deductions Allowed by Tax Collector	<u>500</u>	
		<u>118,308</u>
		157,420
Decreased by:		
Cash Received from State of New Jersey	95,898	
Senior Citizens/Veterans' Deductions Disallowed by Tax Collector-2017	4,896	
Senior Citizens/Veterans' Deductions Disallowed by Tax Collector-2016	<u>6,020</u>	
		<u>106,814</u>
Balance, December 31, 2017		<u>\$ 50,606</u>

**BOROUGH OF WALDWICK
STATEMENT OF TAXES RECEIVABLE**

<u>Year</u>	Balance, January 1, <u>2017</u>	<u>2017 Levy</u>	Senior Citizens' and Veterans' Deductions <u>Disallowed</u>	<u>Cash Collections</u>		Senior Citizens' and Veterans' Deductions <u>Allowed</u>	<u>Cancelled</u>	Balance, December 31, <u>2017</u>
				<u>2016</u>	<u>2017</u>			
2015	\$ 322		\$ 250		\$ 572			
2016	317,715		5,770		322,235			\$ 1,250
2017	<u>-</u>	<u>\$ 41,976,614</u>	<u>4,896</u>	<u>\$ 182,106</u>	<u>41,390,617</u>	<u>\$ 118,308</u>	<u>\$ 25,960</u>	<u>264,519</u>
	<u>\$ 318,037</u>	<u>\$ 41,976,614</u>	<u>\$ 10,916</u>	<u>\$ 182,106</u>	<u>\$ 41,713,424</u>	<u>\$ 118,308</u>	<u>\$ 25,960</u>	<u>\$ 265,769</u>

Analysis of 2017 Property Tax Levy

Tax Yield

General Purpose Tax	\$41,887,463	
Added Taxes (54:4-63.1 et seq.)	<u>89,151</u>	
		<u>\$ 41,976,614</u>

Tax Levy

Local District School Tax (Abstract)		\$ 29,089,086
County Tax (Abstract)	\$ 3,815,243	
County Open Space Tax (Abstract)	157,992	
Due for Added and Omitted Taxes (54:4-63.1 et seq.)	<u>8,454</u>	
		3,981,689
Local Tax for Municipal Purposes	8,217,844	
Minimum Library Tax	524,529	
Municipal Open Space Tax	78,854	
Municipal Open Space Tax Added	168	
Add Additional Tax Levies	<u>84,444</u>	
		<u>8,905,839</u>
		<u>\$ 41,976,614</u>

**BOROUGH OF WALDWICK
STATEMENT OF TAX TITLE LIENS RECEIVABLE**

Balance, January 1, 2017	\$ 1,690
Decreased by:	
Collections	<u>\$ 1,690</u>

STATEMENT OF GRANTS RECEIVABLE

	Balance, January 1, <u>2017</u>	Accrued in 2017	<u>Collections</u>	<u>Cancelled</u>	Balance, December 31, <u>2017</u>
Municipal Alliance Program-Donation	\$ 12,184	\$ 1,500			\$ 13,684
K9 Unit Donations	7,478			\$ 7,478	-
Clean Communities		21,900	\$ 18,606		3,294
History Grant	<u>330</u>	<u>-</u>	<u>330</u>	<u>-</u>	<u>-</u>
	<u>\$ 19,992</u>	<u>\$ 23,400</u>	<u>\$ 18,936</u>	<u>\$ 7,478</u>	<u>\$ 16,978</u>

BOROUGH OF WALDWICK
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, January 1, <u>2017</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2017</u>
Borough Clerk				
Licenses				
Alcoholic Beverage		\$ 19,326	\$ 19,326	
Other		2,225	2,225	
Fees and Permits		19,287	19,287	
Tax Collector				
Fees and Permits		530	530	
Board of Health				
Licenses		16,676	16,676	
Construction Code Official				
Fees and Permits		297,238	297,238	
Fire Prevention Bureau				
Fees and Permits		19,040	19,040	
Police				
Fees and Permits		416	416	
Swimming Pool				
Fees and Permits		122,098	122,098	
Park and Ride Contingency Fund				
Fees and Permits		48,246	48,246	
Parking Meter				
Fees and Permits		15,536	15,536	
Municipal Court				
Fines and Costs	\$ 4,874	36,052	38,117	\$ 2,809
Interest and Costs on Taxes		63,155	63,155	
Energy Receipts Tax		2,468,600	2,468,600	
Sewer Privileges - Midland Park and Wyckoff		119,930	119,930	
Cable Television Franchise Fees		149,499	149,499	
Police Training - Various Municipal Agreements		49,055	49,055	
Uniform Fire Safety Act		11,578	11,578	
Solar Energy Credit		3,509	3,509	
Cell Site Rent	-	<u>356,328</u>	<u>356,328</u>	-
	<u>\$ 4,874</u>	<u>\$ 3,818,324</u>	<u>\$ 3,820,389</u>	<u>\$ 2,809</u>

BOROUGH OF WALDWICK
STATEMENT OF 2016 APPROPRIATION RESERVES

	Balance, January 1, <u>2017</u>	<u>Transfers</u>	Cancelled <u>Payables</u>	Balance After <u>Modification</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Salaries and Wages						
Mayor and Council	\$ 381			\$ 381		\$ 381
Municipal Clerk	390	\$ 785		1,175	\$ 1,172	3
Financial Administration	3,908			3,908	434	3,474
Revenue Administration	4			4		4
Tax Assessment Administration	41	180		221	220	1
Police	50,897			50,897	8,606	42,291
Fire	186			186		186
Fire Prevention	820			820		820
Streets and Road Maintenance	51,954	(9,935)	\$ 3,484	45,503		45,503
Recycling	3,007			3,007		3,007
Public Health Services	1			1		1
Recreation Services and Programs	6,369			6,369		6,369
Municipal Court	1,136			1,136		1,136
Uniform Construction Code	49	350		399	390	9
Public Safety - Police Training	3,450	-	1,100	4,550	-	4,550
Total Salaries and Wages	122,593	(8,620)	4,584	118,557	10,822	107,735
Other Expenses						
General Administration	3,684		33	3,717		3,717
Mayor and Council	1,358			1,358		1,358
Municipal Clerk	7		10	17		17
Audit Services	164		62	226		226
Revenue Administration	9,948			9,948	2,078	7,870
Tax Title Liens	100			100		100
Tax Assessment Administration	3,290	(180)		3,110		3,110
Legal Services & Costs	11,135			11,135	66	11,069
Engineering Services & Costs	158	1,000		1,158	1,158	-
Planning Board	802			802		802
Board of Adjustments	4,230			4,230		4,230
Insurance						
General Liability	48,229		1,352	49,581		49,581
Group Insurance for Employees	62,217		3,188	65,405		65,405
Health Benefit Waiver	4			4		4
Police	1,919			1,919	955	964
Acquisition of Police Vehicles	7,242		20	7,262		7,262
Office of Emergency Management	500			500		500
Aid to Volunteer Ambulance Companies	1,233		5	1,238		1,238
Fire	9,512		921	10,433		10,433
Fire Prevention	2,293			2,293		2,293
Streets and Road Maintenance	13,640			13,640	3,003	10,637
Snow Removal	56,460		1,331	57,791		57,791
Municipal Park and Ride	356		6	362		362
Traffic Control Devices	3,460			3,460	727	2,733
Garbage Collection	26,045			26,045		26,045
Recycling	5,147	7,800		12,947	12,489	458
Public Buildings and Grounds	20,838			20,838	4,110	16,728
Vehicle Maintenance	43,895			43,895	2,643	41,252

BOROUGH OF WALDWICK
STATEMENT OF 2016 APPROPRIATION RESERVES
(Continued)

	Balance, January 1, <u>2017</u>	<u>Transfers</u>	Cancelled <u>Payables</u>	Balance After <u>Modification</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Northwest Bergen Comm. Contractual	\$ 3,095			\$ 3,095		\$ 3,095
Welfare/Administration of Public Assistance	100			100		100
Recreation Services & Programs	1,943			1,943		1,943
Municipal Court	3,103		\$ 7	3,110		3,110
Public Defender			11,125	11,125		11,125
Celebration of Public Events	2,339			2,339		2,339
Uniform Construction Code	24			24		24
Fuel Oil	45,416			45,416	\$ 420	44,996
Electricity	333			333	333	-
Natural Gas	17,161			17,161	310	16,851
Street Lighting	19,512		2,563	22,075		22,075
Water	50		16	66		66
Sewerage Processing and Disposal	5,024			5,024	400	4,624
Sanitary Landfill Dump Fees	50,381			50,381	24,564	25,817
Social Security	44,463			44,463		44,463
Police & Firemen's Retirement System of NJ	1,500			1,500		1,500
Public Employee Retirement System	72		38	110		110
Boro of Ho-Ho-Kus - Contractual - Sewer	1			1		1
Recycling Tax	2,412			2,412	1,025	1,387
"911" Telecommunications System	1			1		1
NJPDES Stormwater Permit-Streets and Roads	600			600		600
Public Safety - Police Training	475			475	409	66
Police Vest Fund	1,215			1,215	1,215	-
Alcohol Education Grant	7,153			7,153	7,153	-
Crime Prevention Grant	3,136			3,136	3,136	-
Drunk Driving Enforcement Fund	16,310			16,310	16,310	-
History Grant	274			274	274	-
	<u>563,959</u>	<u>\$ 8,620</u>	<u>20,677</u>	<u>593,256</u>	<u>82,778</u>	<u>510,478</u>
Total Other Expenses	<u>\$ 686,552</u>	<u>\$ -</u>	<u>\$ 25,261</u>	<u>\$ 711,813</u>	<u>\$ 93,600</u>	<u>\$ 618,213</u>
					\$ 57,886	
Cash Disbursed					7,626	
Accounts Payable					28,088	
Transferred to Appropriated Reserves					<u>\$ 93,600</u>	

**BOROUGH OF WALDWICK
STATEMENT OF ACCOUNTS PAYABLE**

Balance, January 1, 2017		\$	231,985
Increased by:			
Charges to 2017 Budget Appropriation		\$	387,339
Transferred from 2016 Appropriated Reserves			<u>7,626</u>
			<u>394,965</u>
Decreased by:			
Cash Disbursements			206,724
Cancelled Payables Restored to Appropriation Reserves			<u>25,261</u>
			<u>231,985</u>
Balance, December 31, 2017		\$	<u><u>394,965</u></u>

STATEMENT OF PREPAID TAXES

Balance, January 1, 2017		\$	182,106
Increased by:			
2018 Taxes Collected			<u>1,953,166</u>
			2,135,272
Decreased by:			
Applied to 2017 Taxes			<u>182,106</u>
Balance, December 31, 2017		\$	<u><u>1,953,166</u></u>

**BOROUGH OF WALDWICK
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2017	\$ 42,824
Increased by:	
Overpayments	<u>53,083</u>
	95,907
Decreased by:	
Refunds	<u>42,824</u>
Balance, December 31, 2017	<u>\$ 53,083</u>

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:		
2017 Tax Levy		
County Taxes	\$ 3,815,243	
County Open Space Preservation	157,992	
Added and Omitted Taxes	<u>8,454</u>	
		\$ 3,981,689
Decreased by:		
Payments		<u>3,973,235</u>
Balance, December 31, 2017		<u>\$ 8,454</u>

STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Increased by:	
Levy - Calendar Year 2017	\$ 29,089,086
Decreased by:	
Payments	<u>\$ 29,089,086</u>

**BOROUGH OF WALDWICK
STATEMENT OF DUE TO STATE OF NEW JERSEY-
SALES TAX PAYABLE**

Balance, January 1, 2017	\$	1,993
Increased by:		
Cash Receipts		3,801
Balance, December 31, 2017	\$	5,794

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, January 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2017</u>
Tax Appeals	\$ 413,662		\$ 5,227	\$ 408,435
Sale of Municipal Assets	287,718	\$ 54,915	73,000	269,633
Police Donations	145	1,280	-	1,425
	<u>\$ 701,525</u>	<u>\$ 56,195</u>	<u>\$ 78,227</u>	<u>\$ 679,493</u>
Cash Received		\$ 56,195		
Cash Disbursed			\$ 5,227	
Anticipated as Current Fund Revenue		-	73,000	
		<u>\$ 56,195</u>	<u>\$ 78,227</u>	

**BOROUGH OF WALDWICK
STATEMENT OF APPROPRIATED RESERVES -
PUBLIC AND PRIVATE PROGRAMS**

	Balance, January 1, 2017	Transferred from 2016 Appropriation Reserves	Cash Disbursed	Balance, December 31, 2017
Drunk Driving Enforcement Fund	\$ 12,318	\$ 16,310	\$ 604	\$ 28,024
NJ Alcohol Rehab. Program - Court	969	7,153		8,122
Police Other Expenses	616		614	2
Stormwater Grant	10,261			10,261
Police Vest Fund	2,364	1,215	1,770	1,809
Recycling Grant	1,061			1,061
Crime Prevention Grant		3,136		3,136
History Grant	-	274	-	274
	<u>\$ 27,589</u>	<u>\$ 28,088</u>	<u>\$ 2,988</u>	<u>\$ 52,689</u>

EXHIBIT A-20

STATEMENT OF UNAPPROPRIATED RESERVES- PUBLIC AND PRIVATE PROGRAMS

	Balance, January 1, 2017	Cash Received	Balance, December 31, 2017
Police Vest	\$ 4,236	\$ 2,027	\$ 6,263
Steed Donations	1,578		1,578
Clean Communities	7,588		7,588
NJ Alcohol Rehabilitation Program		579	579
Recycling Tonnage Grant	-	27,486	27,486
	<u>\$ 13,402</u>	<u>\$ 30,092</u>	<u>\$ 43,494</u>

EXHIBIT A-21

**STATEMENT OF DUE TO STATE OF NEW JERSEY-
CONSTRUCTION CODE FEES PAYABLE**

Balance, January 1, 2017	\$ 6,556
Increased by:	
Cash Received	<u>17,106</u>
	23,662
Decreased by:	
Payments to State of New Jersey	<u>15,261</u>
Balance, December 31, 2017	<u>\$ 8,401</u>

TRUST FUNDS

**BOROUGH OF WALDWICK
STATEMENT OF TRUST CASH - COLLECTOR-TREASURER**

	<u>Animal Control</u>	<u>Park and Ride</u>	<u>Other Trust</u>	<u>State Unemployment</u>	<u>Self-Insurance</u>	<u>Municipal Open Space</u>
Balance, January 1, 2017	\$ 27,457	\$ 8,041	\$ 1,791,585	\$ 69,022	\$ 134,338	\$ 153,407
Increased by Receipts:						
Insurance Reimbursements					\$ 6,244	
COAH Proceeds			\$ 108,252			
Interest on Investments and Deposits	\$ 18	\$ 4		\$ 72	127	\$ 87
Employee Payroll Deductions			6,112,099	9,847		
Developer's Escrow and Other Reserves			871,700			
State Dog License Fees	1,249					
Dog License Fees	11,754					
Cat License Fees and Late Fees	2,389					
Receipts from Current Fund			243,457			254
Receipts from Park & Ride Contingency Fund		5,361				
Receipts from Other Trust Fund		4,658				
Receipts from Unemployment Insurance Trust Fund						
Budget Appropriation	-	-	-	-	11,100	-
	<u>15,410</u>	<u>10,023</u>	<u>7,335,508</u>	<u>9,919</u>	<u>17,471</u>	<u>341</u>
	42,867	18,064	9,127,093	78,941	151,809	153,748
Decreased by Disbursements:						
Expenditures Under R.S. 4:19-15.11	11,185					
Payments to Current Fund	17	4,649		65	127	
Payments to Park and Ride Contingency Fund			4,658			
Payments to General Capital Fund						70,628
Payments to Water Utility Operating Fund						
Payments to State of New Jersey	1,249			961		
Developer's Escrow and Other Reserves			728,662			
Payroll Deductions Payable			6,076,545			
Reserve for COAH Expenditures			148,773			
Self-Insurance Expenditures					16,624	
Municipal Open Space Expenditures	-	-	-	-	-	12,825
	<u>12,451</u>	<u>4,649</u>	<u>6,958,638</u>	<u>1,026</u>	<u>16,751</u>	<u>83,453</u>
Balance, December 31, 2017	<u>\$ 30,416</u>	<u>\$ 13,415</u>	<u>\$ 2,168,455</u>	<u>\$ 77,915</u>	<u>\$ 135,058</u>	<u>\$ 70,295</u>

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

Balance, January 1, 2017		\$ 2
Increased by:		
Dog License Fees Collected in 2017		1,249
		1,251
Decreased by:		
Payments to State of New Jersey		1,249
Balance, December 31, 2017		\$ 2

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

Increased by:		
Interest on Investments and Deposits	\$ 18	
Statutory Excess	3,898	
		\$ 3,916
Decreased by:		
Cash Disbursements	17	
Receipts Deposited in Current Fund	30	
		47
Balance, December 31, 2017		\$ 3,869

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

Balance, January 1, 2017		\$ 27,455
Increased by:		
Dog License Fees Collected in 2017:		
Cash Receipts	\$ 11,754	
Due from Current Fund	30	
		\$ 11,784
Cat License and Late Fees Collected in 2017		2,389
		14,173
		41,628
Decreased by:		
Expenditures Under R.S. 4:19 - 15.11	11,185	
Statutory Excess Due to Current Fund	3,898	
		15,083
Balance, December 31, 2017		\$ 26,545

**BOROUGH OF WALDWICK
STATEMENT OF DUE TO CURRENT FUND
PARK AND RIDE CONTINGENCY FUND**

Balance, January 1, 2017	\$	4,649
Decreased by:		
Payments to Current Fund	\$	<u>4,649</u>

**STATEMENT OF DUE TO/FROM OTHER TRUST FUND
PARK AND RIDE CONTINGENCY FUND**

Balance, January 1, 2017 (Due from)	\$	652
Decreased by:		
Receipts from Other Trust Fund		<u>4,658</u>
Balance, December 31, 2017 (Due to)	\$	<u>4,006</u>

**STATEMENT OF RESERVE FOR PARK AND RIDE EXPENDITURES
PARK AND RIDE CONTINGENCY FUND**

Balance, January 1, 2017	\$	4,044
Increased by:		
Park and Ride Permits Collected	\$	5,361
Interest on Investments		<u>4</u>
		<u>5,365</u>
Balance, December 31, 2017	\$	<u>9,409</u>

**BOROUGH OF WALDWICK
STATEMENT OF DUE TO CURRENT FUND
UNEMPLOYMENT INSURANCE TRUST FUND**

Increased by:	
Interest on Investments	\$ 72
Decreased by:	
Payments to Current Fund	<u>65</u>
Balance, December 31, 2017	<u>\$ 7</u>

**STATEMENT OF DUE TO STATE OF NEW JERSEY
UNEMPLOYMENT INSURANCE TRUST FUND**

Increased by:	
Benefits Due to State of New Jersey	\$ 5,992
Decreased by:	
Payments to State of New Jersey	<u>961</u>
Balance, December 31, 2017	<u>\$ 5,031</u>

**BOROUGH OF WALDWICK
STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE CLAIMS
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, January 1, 2017	\$	69,022
Increased by:		
Employee Payroll Deductions		9,847
		78,869
Decreased by:		
Benefits Due State of New Jersey		5,992
Balance, December 31, 2017	\$	72,877

EXHIBIT B-13

**STATEMENT OF DUE TO CURRENT FUND
SELF INSURANCE TRUST FUND**

Increased by:		
Interest on Investments and Deposits	\$	127
Decreased by:		
Payments to Current Fund	\$	127

EXHIBIT B-14

**STATEMENT OF RESERVE FOR PROPERTY INSURANCE EXPENDITURES
SELF INSURANCE TRUST FUND**

Balance, January 1, 2017	\$	134,338
Increased by:		
Insurance Reimbursements	\$	6,244
2017 Budget Appropriation		11,100
		17,344
		151,682
Decreased by:		
Expenditures		
Property Insurance Expenditures		16,624
Balance, December 31, 2017	\$	135,058

**BOROUGH OF WALDWICK
STATEMENT OF DUE TO CURRENT FUND
OTHER TRUST FUND**

Balance, January 1, 2017	\$	75,070
Increased by:		
Receipts from Current Fund		243,457
Balance, December 31, 2017	\$	318,527

**STATEMENT OF DEVELOPER'S ESCROW AND OTHER RESERVES
OTHER TRUST FUND**

	Balance, January 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2017</u>
TTL Premiums	\$ 641,100	\$ 195,900	\$ 216,200	\$ 620,800
Basketball Program	31,626	55,003	50,718	35,911
Swim Meet	3,166			3,166
Police Outside Duty	197,205	365,088	373,292	189,001
Municipal Court - P.O.A.A.	3,404	96	924	2,576
Municipal Alliance - Teen Canteen	20,497			20,497
Police Donations	5,011	650	500	5,161
E-Bay	100			100
Flexible Spending	7,893	11,933	9,731	10,095
Snow Removal Trust	100,949	209		101,158
Performance and Maintenance Bonds	92,567	144,607		237,174
Developer's and Other Escrows	401,411	69,608	73,715	397,304
Road Openings	2,100	3,000	1,500	3,600
Dumpster Permits	400	400	800	-
Vacant Properties	15,400	23,000		38,400
Evidence Money	400			400
Wall of Heroes	196	200	162	234
Yoga in the Park		1,606	1,297	309
Fire Prevention Trust Deposits		200		200
Fire Department Trust Deposits	-	200	-	200
	<u>\$ 1,523,425</u>	<u>\$ 871,700</u>	<u>\$ 728,839</u>	<u>\$ 1,666,286</u>
Cash Receipt		\$ 871,700		
Cash Disbursements		-	\$ 728,662	
Due to Water Utility Operating Fund		-	177	
		<u>\$ 871,700</u>	<u>\$ 728,839</u>	

**BOROUGH OF WALDWICK
STATEMENT OF RESERVE FOR PAYROLL DEDUCTIONS
OTHER TRUST FUND**

Balance, January 1, 2017	\$ 30,961
Increased by:	
Cash Receipts	<u>6,112,099</u>
	6,143,060
Decreased by:	
Cash Disbursements	<u>6,076,545</u>
Balance, December 31, 2017	<u>\$ 66,515</u>

**STATEMENT OF RESERVE FOR COAH EXPENDITURES
OTHER TRUST FUND**

Balance, January 1, 2017	\$ 161,477
Increased by:	
Cash Receipts	<u>108,252</u>
	269,729
Increased by:	
Cash Disbursements	<u>148,773</u>
Balance, December 31, 2017	<u>\$ 120,956</u>

**STATEMENT OF DUE FROM CURRENT FUND
MUNICIPAL OPEN SPACE TRUST FUND**

Balance, January 1, 2017	\$ 254
Increased by:	
2017 Tax Levy	\$ 78,854
2017 Added Tax Levy	<u>168</u>
	<u>79,022</u>
	79,276
Decreased by:	
Cash Receipts	<u>254</u>
Balance, December 31, 2017	<u>\$ 79,022</u>

**BOROUGH OF WALDWICK
STATEMENT OF DUE TO GENERAL CAPITAL FUND
MUNICIPAL OPEN SPACE TRUST FUND**

Balance, January 1, 2017		\$ 70,628
Increased by:		
General Capital Fund Improvement Authorizations		<u>70,000</u>
		140,628
Decreased by:		
Cash Disbursements		<u>70,628</u>
Balance, December 31, 2017		<u><u>\$ 70,000</u></u>

**STATEMENT OF RESERVE FOR MUNICIPAL OPEN SPACE EXPENDITURES
MUNICIPAL OPEN SPACE TRUST FUND**

Balance, January 1, 2017		\$ 83,033
Increased by:		
Due from Current Fund:		
2017 Tax Levy	\$ 78,854	
2017 Added Tax Levy	<u>168</u>	
		\$ 79,022
Interest on Investments and Deposits		<u>87</u>
		<u>79,109</u>
		162,142
Decreased by:		
Cash Disbursements		12,825
General Capital Fund Improvement Authorizations		<u>70,000</u>
		<u>82,825</u>
Balance, December 31, 2017		<u><u>\$ 79,317</u></u>

GENERAL CAPITAL FUND

**BOROUGH OF WALDWICK
STATEMENT OF GENERAL CAPITAL CASH - COLLECTOR-TREASURER**

Balance, January 1, 2017		\$ 1,313,752
Increased by:		
2017 Budget Appropriation:		
Capital Improvement Fund	\$ 74,100	
Costs of Improvements	24,500	
Receipts from Current Fund	28,784	
Receipts from Municipal Open Space Trust Fund	70,628	
Interest on Investments and Deposits	903	
Proceeds from Bond Anticipation Notes	2,671,000	
Grant and Other Receivables	<u>174,020</u>	
		<u>3,043,935</u>
		4,357,687
Decreased by Disbursements:		
Bond Anticipation Notes	1,843,400	
Improvement Authorizations	1,349,926	
Accounts Payable	<u>114,014</u>	
		<u>3,307,340</u>
Balance, December 31, 2017		<u>\$ 1,050,347</u>

**BOROUGH OF WALDWICK
ANALYSIS OF GENERAL CAPITAL CASH**

	Balance, December 31, <u>2017</u>
Fund Balance	\$ 295,289
Capital Improvement Fund	47,097
Grant and Other Receivables	(473,250)
Accounts Payable	51,989
Due from Current Fund	(16,631)
Due from Municipal Open Space Trust Fund	(70,000)
Reserve for Payment of Debt Service	34,536
Excess Note Proceeds	37,501
 Improvement Authorizations:	
<u>Ord.</u>	
<u>No.</u>	<u>Improvement Description</u>
2-96	Various Improvements and Acq. of Equipment
9-98/14-98/21-98/8-00	Various Improvements and Acq. of Equipment
04-03	Renovation and Improvement of Signal Tower
5-05	Various Public Improvements and Acquisitions
6-06/20-06	Various Public Improvements & Acquisitions
2-07	Various Public Improvements & Acquisitions
01-08	Various Public Improvements & Acquisitions
5-10	Various Public Impvts. & Acq. Of Equip.
2-11/7-11	Various Public Improvements, the Acq. of New Additional or Replacement Equip., a New Automotive Vehicle and Addition to the Waldwick Public Library
2-12	Various Public Improvements, the Acq. of New, Additional or Replacement Equip., and New Automotive Vehicles
2-13	Various Public Improvements & Acquisitions
3-14	Various Public Improvements & Acquisitions
7-14	Various Public Improvements
1-15	Various Public Improvements & Acquisitions
4-15	Various Public Improvements
5-15/3-17	Various Improvements to Maintain the Police Training Facility
11-15	Various Public Improvements
1-16/10-17	Various Public Improvements & Acquisitions
3-16	Various Public Improvements
16-16	Various Public Improvements & Acquisitions
1-17	Various Public Improvements & Acquisitions
4-17	Various Improvements
18-17	Various Public Improvements
	385,000
	\$ 1,050,347

**BOROUGH OF WALDWICK
STATEMENT OF DUE FROM CURRENT FUND**

Balance, January 1, 2017		\$ 36
Increased by:		
2017 Budget Appropriation Balance - Interlocal Agreement	\$ 28,500	
Premium on Sale of BAN	<u>17,782</u>	
		<u>46,282</u>
		46,318
Decreased by:		
Interest on Investments	903	
Cash Receipts	<u>28,784</u>	
		<u>29,687</u>
Balance, December 31, 2017		<u>\$ 16,631</u>

STATEMENT OF DUE FROM MUNICIPAL OPEN SPACE TRUST FUND

Balance, January 1, 2017		\$ 70,628
Increased by:		
Improvement Authorizations Funded by Municipal Open Space		<u>70,000</u>
		140,628
Decreased by:		
Receipts from Municipal Open Space		<u>70,628</u>
Balance, December 31, 2017		<u>\$ 70,000</u>

BOROUGH OF WALDWICK
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, January 1, 2017		\$ 7,740,108
Decreased by:		
2017 Budget Appropriation		
Bond Principal	\$ 1,478,000	
Loan Principal	<u>8,914</u>	
		<u>1,486,914</u>
Balance, December 31, 2017		<u>\$ 6,253,194</u>

**BOROUGH OF WALDWICK
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

Ord. No.	Improvement Description	Balance, January 1, 2017	2017 Authorizations	Cancelled Improvement Authorizations	Funded by Budget Appropriation	Balance, December 31, 2017	Analysis of Balance		
							Financed by Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
6-06/20-06	Various Public Improvements & Acquisitions	\$ 146,125			\$ 24,500	\$ 121,625	\$ 110,482	\$ 11,143	
1-15	Various Public Improvements & Acquisitions	775,000				775,000	\$ 775,000		
11-15	Various Public Improvements	50,900		\$ 37,501		13,399	13,399		
1-16	Various Public Improvements & Acquisitions	844,000				844,000	844,000		
16-16	Various Public Improvements & Acquisitions	173,500				173,500	173,500		
1-17	Various Public Improvements & Acquisitions		\$ 756,800			756,800	756,800		
18-17	Various Public Improvements	-	70,800	-	-	70,800	70,800	-	
		<u>\$ 1,989,525</u>	<u>\$ 827,600</u>	<u>\$ 37,501</u>	<u>\$ 24,500</u>	<u>\$ 2,755,124</u>	<u>\$ 2,633,499</u>	<u>\$ 110,482</u>	<u>\$ 11,143</u>
							\$ 2,671,000		
							37,501		
							<u>\$ 2,633,499</u>		
								\$ 448,321	
							\$ 110,726		
							1,583		
							57,829		
							67,729		
							128,511		
							<u>70,800</u>		
								<u>437,178</u>	
								<u>\$ 11,143</u>	

**BOROUGH OF WALDWICK
STATEMENT OF GRANT AND OTHER RECEIVABLES**

	Other Receivable		Interlocal Receivable		NJ Department Env. Protection	NJ Department of Transportation	NJ Department of Transportation	NJ Department of Transportation	County of Bergen									
	Total	Ord. No. 16-16	Ord. No. 16-16	Ord. No. 3-17	Ord. No. 2-13	Ord. No. 11-15	Ord. No. 16-16	Ord. No. 18-17	Ord. No. 3-14	Ord. No. 11-14	Ord. No. 20-14/3-15	Ord. No. 1-15	Ord. No. 9-15	Ord. No. 11-15	Ord. No. 1-16	Ord. No. 16-16	(Comm Dev) Ord. No. 18-17	(Open Space) Ord. No. 18-17
Balance, January 1, 2017	\$ 416,888	\$ 65,741	\$ 10,500		\$ 46,371	\$ 773	\$ 150,000		\$ 28,619	\$ 4,050	\$ 35,501	\$ 7,633	\$ 12,000	\$ 5,200	\$ 40,000	\$ 10,500		
Increased by:																		
Interlocal Agreements	64,161			\$ 64,161														
Grants Awarded	260,627	-	-	-	-	-	\$ 165,627	-	-	-	-	-	-	-	-	-	\$ 60,000	\$ 35,000
	<u>741,676</u>	<u>65,741</u>	<u>10,500</u>	<u>64,161</u>	<u>46,371</u>	<u>773</u>	<u>150,000</u>	<u>165,627</u>	<u>28,619</u>	<u>4,050</u>	<u>35,501</u>	<u>7,633</u>	<u>12,000</u>	<u>5,200</u>	<u>40,000</u>	<u>10,500</u>	<u>60,000</u>	<u>35,000</u>
Decreased by:																		
2017 Budget Appropriation - Balance - Interlocal Agreement	28,500			28,500														
Cancellations	65,906	27,153				773					35,500		2,480					
Collections	174,020	38,588	10,500	-	-	-	112,500	-	-	4,050	-	-	8,382	-	-	-	-	-
	<u>268,426</u>	<u>65,741</u>	<u>10,500</u>	<u>28,500</u>	<u>-</u>	<u>773</u>	<u>112,500</u>	<u>-</u>	<u>-</u>	<u>4,050</u>	<u>35,500</u>	<u>-</u>	<u>10,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2017	\$ 473,250	\$ -	\$ -	\$ 35,661	\$ 46,371	\$ -	\$ 37,500	\$ 165,627	\$ 28,619	\$ -	\$ 1	\$ 7,633	\$ 1,138	\$ 5,200	\$ 40,000	\$ 10,500	\$ 60,000	\$ 35,000

**BOROUGH OF WALDWICK
STATEMENT OF GENERAL SERIAL BONDS**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2017</u>		<u>Interest Rate</u>	<u>Balance, January 1, 2017</u>	<u>Decreased</u>	<u>Balance, December 31, 2017</u>
			<u>Date</u>	<u>Amount</u>				
General Improvements	5/15/2002	\$ 6,098,000				\$ 438,000	\$ 438,000	
General Improvements	4/15/2008	8,127,000	4/15/2018	\$ 800,000	3.500 %			
			4/15/2019	800,000	3.500			
			4/15/2020	802,000	3.500	3,152,000	750,000	\$ 2,402,000
General Improvements	11/1/2014	4,508,000	11/1/2018-19	400,000	2.000			
			11/1/2020	415,000	2.000			
			11/1/2021-23	420,000	2.000			
			11/1/2024-25	420,000	2.500			
			11/1/2026	418,000	2.500	<u>4,023,000</u>	<u>290,000</u>	<u>3,733,000</u>
						<u>\$ 7,613,000</u>	<u>\$ 1,478,000</u>	<u>\$ 6,135,000</u>

BOROUGH OF WALDWICK
STATEMENT OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE (NJEIT)
LOAN PAYABLE

Balance, January 1, 2017	\$	127,108
Decreased by:		
Paid by Budget Appropriation		8,914
Balance, December 31, 2017	\$	118,194
<u>Analysis of Balance</u>		
NJEIT - Fund Loan	\$	55,093
NJEIT- Trust Loan		63,101
	\$	118,194

**BOROUGH OF WALDWICK
STATEMENT OF BOND ANTICIPATION NOTES**

Ord. No.	Improvement Description	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance, January 1, 2017	Increased	Decreased	Balance, December 31, 2017
1-15	Various Public Improvements & Acquisitions	7/30/2015	7/29/2016 7/28/2017	7/28/2017 7/27/2018	1.10 % 2.25	\$ 775,000	\$ 775,000	\$ 775,000	\$ 775,000
11-15	Various Public Improvements	7/30/2015	7/29/2016 7/28/2017	7/28/2017 7/27/2018	1.10 2.25	50,900	50,900	50,900	50,900
1-16	Various Public Improvements & Acquisitions	11/10/2016	11/10/2016 7/28/2017	7/28/2017 7/27/2018	0.95 2.25	844,000	844,000	844,000	844,000
16-16	Various Public Improvements & Acquisitions	11/10/2016	11/10/2016 7/28/2017	7/28/2017 7/27/2018	0.95 2.25	173,500	173,500	173,500	173,500
1-17	Various Public Improvements & Acquisitions	12/12/2017	12/12/2017	7/27/2018	2.00		756,800		756,800
18-17	Various Public Improvements	12/12/2017	12/12/2017	7/27/2018	2.00	-	70,800	-	70,800
						<u>\$ 1,843,400</u>	<u>\$ 2,671,000</u>	<u>\$ 1,843,400</u>	<u>\$ 2,671,000</u>
							\$ 827,600		
							<u>1,843,400</u>	<u>\$ 1,843,400</u>	
							<u>\$ 2,671,000</u>	<u>\$ 1,843,400</u>	

Notes Issued
Renewals

**BOROUGH OF WALDWICK
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Amount	Balance, January 1, 2017		2017 Authorizations							Balance, December 31, 2017		
			Funded	Unfunded	Down-payment or Capital Impvt. Fund	Deferred Charges to Future Taxation Unfunded	Grants Receivable and Other Receivables	Open Space Trust Fund	Capital Surplus	Reserve For Pistol Range	Cancelled Accounts Payable	Cancelled Improvement Authorization	Paid or Charged	Funded
2-96	Various Impvts. & Acq. of Equip.	\$ 383,400	\$ 8,602									\$ 3,128	\$ 5,474	
9-98/14-98/														
21-98/8-00	Various Improvements & Acq. Of Equipment	471,250	4,991									216	4,775	
1-02	Various Public Impvts. & Acq. Of Equip.	1,482,950	4,518									4,518		
02-03/10-05	Various Public Improvements	698,750	2,157									2,157		
04-03	Renovation and Improvement of Signal Tower	23,883	822										822	
11-03	Various Public Improvements and the Acq. Of New, Additional or Replacement Equipment		173									173		
5-05	Various Public Improvements & Acquisitions	2,049,473	3,399									1,870	1,529	
6-06/20-06	Various Public Improvements & Acquisitions	1,824,050	\$ 11,207									\$ 64	\$ 11,143	
2-07	Various Public Improvements & Acquisitions	1,641,600	19,303									17,030	2,273	
01-08	Various Public Improvements and the Acq. of New, Additional or Replacement Equip.	1,187,150	29,778									13,354	16,424	
01-09	Various Public Improvements and the Acq. of New, Additional or Replacement Equip.	1,230,950	60,028									60,028		
5-10	Various Public Impvts. & Acq. Of Equip.		28,645									2,361	9,963	16,321
2-11/7-11	Various Public Improvements, the Acq. of New Additional or Replacement Equip., a New Automotive Vehicle and Addition to the Waldwick Public Library	1,287,750	115,881									13,666	102,215	
13-11	HoHoKus Brook Embankment Stabilization Project	22,000	889									889		
2-12	Various Public Improvements, the Acq. of New, Additional or Replacement Equip., and New Automotive Vehicles	1,397,750	40,195									11,562	20,607	8,026
2-13	Various Public Improvements & Acquisitions	1,104,750	108,149										108,149	
3-14	Various Public Improvements & Acquisitions	852,500	46,117										46,117	
7-14	Various Public Improvements	77,000	3,969										2,002	1,967
20-14/3-15	Improvements to Various ADA Curb Cuts	86,041	2,225								\$ 33,275	35,500		
1-15	Various Public Improvements & Acquisitions	844,030	115,201										4,475	110,726
4-15	Various Public Improvements	40,500	2,964										1,800	1,164
5-15/3-17	Various Improvements to Maintain the Police Training Facility	175,000	100,000					\$ 64,161		\$ 10,839				175,000
9-15	Improvements to Various ADA Curb Cuts	12,000									2,480	2,480		
11-15	Various Public Improvements	217,500	40,810									38,274	953	1,583
1-16/10-17	Various Public Improvements & Acquisitions	1,042,000	368,734						\$ 35,000			345,905	57,829	
3-16	Various Public Improvements	20,800	17,540									12,892	4,648	
16-16	Various Public Improvements & Acquisitions	419,000	173,500									27,153	301,781	67,729
1-17	Various Public Improvements & Acquisitions	814,700				\$ 37,900	\$ 756,800		\$ 20,000			686,189	128,511	
4-17	Various Improvements	23,300				23,300						15,284	8,016	
18-17	Various Public Improvements	385,000				3,573	70,800	260,627	50,000				314,200	70,800
		\$ 823,508	\$ 709,452	\$ 64,773	\$ 827,600	\$ 324,788	\$ 70,000	\$ 35,000	\$ 10,839	\$ 35,755	\$ 234,359	\$ 1,401,915	\$ 817,120	\$ 448,321
											\$ 65,906			
											37,501			
											130,952			
											\$ 234,359			
												\$ 1,349,926		
												51,989		
												\$ 1,401,915		

**BOROUGH OF WALDWICK
STATEMENT OF ACCOUNTS PAYABLE**

Balance, January 1, 2017		\$ 149,769
Increased by:		
Charges to Improvement Authorizations		51,989
		201,758
Decreased by:		
Cash Disbursements	\$ 114,014	
Cancelled Accounts Payable Restored to Improvement Authorizations	35,755	
		149,769
 Balance, December 31, 2017		 \$ 51,989

STATEMENT OF RESERVE FOR PAYMENT OF DEBT SERVICE

Balance, January 1, 2017		\$ <u>34,536</u>
Balance, December 31, 2017		\$ <u><u>34,536</u></u>

STATEMENT OF RESERVE FOR PISTOL RANGE

Balance, January 1, 2017		\$ <u>10,839</u>
Decreased by:		
Appropriated to Finance Improvement Authorization		\$ 10,839

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, January 1, 2017		\$ 37,770
Increased by:		
2017 Budget Appropriation		74,100
		111,870
Decreased by:		
Appropriation to Finance Improvement Authorizations		64,773
Balance, December 31, 2017		\$ 47,097

**BOROUGH OF WALDWICK
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

Ord. No.		Balance, January 1, <u>2017</u>	2017 Authori- zations	Notes Issued	Funded by Budget <u>Appropriation</u>	Balance, December 31, <u>2017</u>
6-06/20-06	Various Public Improvements & Acquisitions	\$ 146,125			\$ 24,500	\$ 121,625
01-17	Various Public Improvements & Acquisitions		\$ 756,800	\$ 756,800		
18-17	Various Public Improvements	-	70,800	70,800	-	-
		<u>\$ 146,125</u>	<u>\$ 827,600</u>	<u>\$ 827,600</u>	<u>\$ 24,500</u>	<u>\$ 121,625</u>

WATER UTILITY FUND

BOROUGH OF WALDWICK
STATEMENT OF WATER UTILITY CASH - WATER COLLECTOR-TREASURER

	<u>Operating</u>	<u>Capital</u>
Balance, January 1, 2017	\$ 1,019,270	\$ 112,350
Increased by:		
Consumer Accounts Receivable	\$ 1,728,935	
Fire Hydrant Service	25,000	
Miscellaneous	8,143	
Water Overpayments	6,444	
Prepaid Water Rents	2,359	
Premium on Sale of Bond Anticipation Notes		\$ 2,384
Bond Anticipation Notes		351,800
Receipts from Water Utility Operating Fund	<u>-</u>	<u>11,525</u>
	<u>1,770,881</u>	<u>365,709</u>
	2,790,151	478,059
Decreased by:		
2017 Budget Appropriations	1,636,286	
2016 Appropriation Reserves	12,363	
Accounts Payable	84,170	27,599
Improvement Authorizations		65,146
Interest on Bonds and Notes	27,874	
Interest on Water Loan	27,493	
Bond Anticipation Notes		248,000
Payments to Current Fund	17,845	
Payments for Other Trust Fund	177	
Payments to Water Utility Capital Fund	<u>11,525</u>	<u>-</u>
	<u>1,817,733</u>	<u>340,745</u>
Balance, December 31, 2017	<u>\$ 972,418</u>	<u>\$ 137,314</u>

**BOROUGH OF WALDWICK
ANALYSIS OF WATER UTILITY CAPITAL CASH**

	Balance, December 31, <u>2017</u>
Fund Balance	\$ 18,681
Capital Improvement Fund	14,643
Accounts Payable	12,545
Reserve for Payment of Debt	4,008
Ord.	
<u>No.</u> <u>Improvement Description</u>	
2-16 Various Public Improvements & Acquisitions	2,136
2-17 Various Public Improvements & Acquisitions	<u>85,301</u>
	 <u>\$ 137,314</u>

**STATEMENT OF CONSUMER ACCOUNTS RECEIVABLE
WATER UTILITY OPERATING FUND**

Balance, January 1, 2017	\$ 29,181
Increased by:	
Water Rents Levied	<u>1,722,220</u>
	1,751,401
Decreased by:	
Collections	\$ 1,728,935
Overpayments Applied	4,158
Prepaid Water Rents Applied	<u>952</u>
	<u>1,734,045</u>
Balance, December 31, 2017	<u>\$ 17,356</u>

**STATEMENT OF DEFERRED CHARGES
WATER UTILITY OPERATING FUND**

	Added in	Balance
	<u>2017</u>	December 31, <u>2017</u>
2017 Operating Deficit	<u>\$ 41,012</u>	<u>\$ 41,012</u>

**BOROUGH OF WALDWICK
STATEMENT OF NEW JERSEY EIT LOAN RECEIVABLE
WATER UTILITY CAPITAL FUND**

Balance, January 1, 2017	\$ <u>5,000</u>
Decreased by:	
Cancelled Receivable	\$ <u>5,000</u>

**STATEMENT OF FIXED CAPITAL
WATER UTILITY CAPITAL FUND**

	Balance, January 1, <u>2017</u>	Additions by <u>Ordinance</u>	Balance, December 31, <u>2017</u>
Generator	\$ 74,817		\$ 74,817
Springs and Wells	383,707	\$ 42,268	425,975
Reservoirs	50,034		50,034
Filters	812,567		812,567
Tanks, Pumping Station Structures	3,027,568		3,027,568
Distribution Mains and Accessories	1,617,639	98,403	1,716,042
Meters and Accessories	943,253	9,100	952,353
Fire Hydrants	76,987	47,469	124,456
General Equipment	1,358,148	11,920	1,370,068
Engineering, Legal	171,828	1,439	173,267
Vehicles	31,842		31,842
Other Costs and System Improvements	<u>21,441</u>	<u>47,765</u>	<u>69,206</u>
	<u>\$ 8,569,831</u>	<u>\$ 258,364</u>	<u>\$ 8,828,195</u>

**BOROUGH OF WALDWICK
STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
WATER UTILITY CAPITAL FUND**

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Ordinance Amount</u>	<u>Balance, January 1, 2017</u>	<u>Increased by:</u> <u>2017 Authorizations</u>		<u>Costs Fixed Capital</u>	<u>Cancelled Improvement Authorizations</u>	<u>Balance, December 31, 2017</u>
				<u>Deferred Reserve for Amortization</u>	<u>Deferred Charge to Future Revenue</u>			
2-02	Various Improvements & Acq. Of Equipment	\$ 220,500	\$ 69				\$ 69	
02-08	Various Public Improvements & Acquisitions	412,000	4,473				4,473	
03-11	Various Public Improvements & Acquisitions	115,000	18				18	
04-14	Various Public Improvements & Acquisitions	135,000	307				307	
02-15	Various Public Improvements	140,000	140,000			\$ 140,000		
02-16	Various Public Improvements	120,500	120,500			118,364		\$ 2,136
02-17	Various Public Improvements & Acquisitions	109,000	-	\$ 5,200	\$ 103,800	-	-	109,000
			<u>\$ 265,367</u>	<u>\$ 5,200</u>	<u>\$ 103,800</u>	<u>\$ 258,364</u>	<u>\$ 4,867</u>	<u>\$ 111,136</u>

**BOROUGH OF WALDWICK
STATEMENT OF 2016 APPROPRIATION RESERVES
WATER UTILITY OPERATING FUND**

	Balance, January 1, <u>2017</u>	Budget After <u>Modifications</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Operating				
Salaries and Wages	\$ 8,416	\$ 8,416		\$ 8,416
Other Expenses	84,170	84,170	\$ 12,363	71,807
Statutory Expenditures				
Social Security	<u>3,595</u>	<u>3,595</u>	<u>-</u>	<u>3,595</u>
	<u>\$ 96,181</u>	<u>\$ 96,181</u>	<u>\$ 12,363</u>	<u>\$ 83,818</u>

**STATEMENT OF ACCOUNTS PAYABLE
WATER UTILITY OPERATING AND CAPITAL FUNDS**

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance, January 1, 2017	\$ 84,170	\$ 27,599
Increased by:		
Charges to 2017 Appropriations	42,140	
Charges to Improvement Authorizations	<u>-</u>	<u>12,545</u>
	126,310	40,144
Decreased by:		
Cash Disbursements	<u>84,170</u>	<u>27,599</u>
Balance, December 31, 2017	<u>\$ 42,140</u>	<u>\$ 12,545</u>

**BOROUGH OF WALDWICK
STATEMENT OF PREPAID WATER RENTS
WATER UTILITY OPERATING FUND**

Balance, January 1, 2017	\$	952
Increased by:		
Prepaid Rents		2,359
		3,311
Decreased by:		
Applied to 2017 Water Rents		952
Balance, December 31, 2017	\$	2,359

**STATEMENT OF WATER RENT OVERPAYMENTS
WATER UTILITY OPERATING FUND**

Balance, January 1, 2017	\$	4,158
Increased by:		
Overpayments		6,444
		10,602
Decreased by:		
Applied to 2017 Water Rents		4,158
Balance, December 31, 2017	\$	6,444

**STATEMENT OF STATE WATER LOAN PAYABLE
WATER UTILITY CAPITAL FUND**

Balance, January 1, 2017	\$	1,073,736
Decreased by:		
Paid by Budget Appropriation		157,226
Balance, December 31, 2017	\$	916,510

Analysis of Balance

NJ EIT (2000)	\$	108,898
NJ EIT (2010)		807,612
	\$	916,510

**BOROUGH OF WALDWICK
STATEMENT OF CAPITAL IMPROVEMENT FUND
WATER UTILITY CAPITAL FUND**

Balance, January 1, 2017		\$ 10,145
Increased by:		
Budget Appropriation	\$ 5,500	
Cancelled Improvement Authorization	<u>4,198</u>	
		<u>9,698</u>
		19,843
Decreased by:		
Appropriation to Finance Improvement Authorizations		<u>5,200</u>
Balance, December 31, 2017		<u><u>\$ 14,643</u></u>

EXHIBIT D-19

**STATEMENT OF DUE FROM WATER UTILITY OPERATING FUND
WATER UTILITY CAPITAL FUND**

Balance, January 1, 2017		\$ 6,025
Increased by:		
2017 Budget Appropriations: Capital Improvement Fund		<u>5,500</u>
		11,525
Decreased by:		
Cash Receipts		<u><u>\$ 11,525</u></u>

**BOROUGH OF WALDWICK
STATEMENT OF DUE TO/FROM CURRENT FUND
WATER UTILITY OPERATING FUND**

Balance, January 1, 2017 (Due to)	\$ 9,262
Decreased by:	
Payments to Current Fund	<u>17,845</u>
Balance, December 31, 2017 (Due from)	<u>\$ 8,583</u>

**STATEMENT OF DUE FROM OTHER TRUST FUND
WATER UTILITY OPERATING FUND**

Increased by:	
Payments for Other Trust Fund	<u>\$ 177</u>
Balance, December 31, 2017	<u>\$ 177</u>

**BOROUGH OF WALDWICK
STATEMENT OF ACCRUED INTEREST PAYABLE ON BONDS AND NOTES
WATER UTILITY OPERATING FUND**

Balance, January 1, 2017		\$ 6,550
Increased by:		
Budget Appropriation		
Interest on Bonds	\$ 23,925	
Interest on Notes	<u>2,550</u>	
		<u>26,475</u>
		33,025
Decreased by:		
Interest Paid		<u>27,874</u>
Balance, December 31, 2017		<u>\$ 5,151</u>

Analysis of Balance

Accrued Interest on Notes		\$ 986
Accrued Interest on Bonds		<u>4,165</u>
		<u>\$ 5,151</u>

**BOROUGH OF WALDWICK
STATEMENT OF BOND ANTICIPATION NOTES
WATER UTILITY CAPITAL FUND**

Ord. No.	<u>Improvement Description</u>	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance, January 1, <u>2017</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2017</u>
02-15	Various Public Improvements	7/30/2015	7/29/2016 7/28/2017	7/28/2017 7/27/2018	1.10% 2.25%	\$ 133,300		\$ 133,300	\$ 133,300
02-16	Various Public Improvements and Acquisitions	11/10/2016	11/10/2016 7/28/2017	7/28/2017 7/27/2018	0.95% 2.25%	114,700	114,700	114,700	114,700
2-17	Various Public Improvements and Acquisitions	12/12/2017	12/12/2017	7/27/2018	2.00%	-	103,800	-	103,800
						<u>\$ 248,000</u>	<u>\$ 351,800</u>	<u>\$ 248,000</u>	<u>\$ 351,800</u>
							\$ 103,800		
							<u>248,000</u>	<u>\$ 248,000</u>	
							<u>\$ 351,800</u>	<u>\$ 248,000</u>	

Notes Issued
Renewals

**BOROUGH OF WALDWICK
STATEMENT OF WATER SERIAL BONDS
WATER UTILITY CAPITAL FUND**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2017</u>		<u>Interest Rate</u>	<u>Balance, January 1, 2017</u>	<u>Decreased</u>	<u>Balance, December 31, 2017</u>
			<u>Date</u>	<u>Amount</u>				
Water Bonds	5/15/2002	\$ 628,000				\$ 48,000	\$ 48,000	
Water Bonds	4/15/2008	1,144,000	4/15/2018	\$ 110,000	3.500 %			
			4/15/2019	110,000	3.500			
			4/15/2020	114,000	3.500	444,000	110,000	\$ 334,000
Water Bonds	11/1/2014	564,000	11/1/2018	30,000	2.000			
			11/1/2019	40,000	2.000			
			11/1/2020	45,000	2.000			
			11/1/2021	60,000	2.000			
			11/1/2022	60,000	2.000			
			11/1/2023	60,000	2.000			
			11/1/2024	60,000	2.500			
			11/1/2025	60,000	2.500			
			11/1/2026	59,000	2.500			
						<u>504,000</u>	<u>30,000</u>	<u>474,000</u>
						<u>\$ 996,000</u>	<u>\$ 188,000</u>	<u>\$ 808,000</u>

**BOROUGH OF WALDWICK
STATEMENT OF ACCRUED INTEREST PAYABLE ON LOANS
WATER UTILITY OPERATING FUND**

Balance, January 1, 2017	\$	11,615
Increased by:		
Budget Appropriation		
Interest on Loans		<u>25,847</u>
		37,462
Decreased by:		
Interest Paid on Water Loan		<u>27,493</u>
Balance, December 31, 2017	\$	<u><u>9,969</u></u>

EXHIBIT D-26

**STATEMENT OF RESERVE FOR TAX MAP
WATER UTILITY OPERATING FUND**

Balance, January 1, 2017	\$	<u>3,667</u>
Balance, December 31, 2017	\$	<u><u>3,667</u></u>

EXHIBIT D-27

**STATEMENT OF RESERVE FOR AMORTIZATION
WATER UTILITY CAPITAL FUND**

Balance, January 1, 2017	\$	6,500,113
Increased by:		
2017 Budget Appropriations:		
Serial Bonds	\$ 188,000	
Water Loans	157,226	
Transfer from Deferred Reserve for Amortization	<u>12,500</u>	
		<u>357,726</u>
		6,857,839
Decreased by:		
Cancelled Improvement Authorizations		<u>18</u>
Balance, December 31, 2017	\$	<u><u>6,857,821</u></u>

**BOROUGH OF WALDWICK
STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION
WATER UTILITY CAPITAL FUND**

Ord. No.	<u>Improvement Description</u>	Balance, January 1, 2017	Fixed Capital Authorized	To Reserve for Amortization Fixed Capital	Cancelled Improvement Authorizations	Balance, December 31, 2017
02-08	Various Public Improvements & Acquisitions	\$ 3,873			\$ 3,873	
04-14	Various Public Improvements & Acquisitions	307			307	
02-15	Various Public Improvements	6,700		\$ 6,700		
02-16	Various Public Improvements & Acquisitions	5,800		5,800		
02-17	Various Public Improvements & Acquisitions	<u>-</u>	<u>\$ 5,200</u>	<u>-</u>	<u>-</u>	<u>\$ 5,200</u>
		<u>\$ 16,680</u>	<u>\$ 5,200</u>	<u>\$ 12,500</u>	<u>\$ 4,180</u>	<u>\$ 5,200</u>

**STATEMENT OF RESERVE FOR PAYMENT OF DEBT
WATER UTILITY CAPITAL FUND**

Balance, January 1, 2017	<u>\$ 4,008</u>
Balance, December 31, 2017	<u>\$ 4,008</u>

BOROUGH OF WALDWICK
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
WATER UTILITY CAPITAL FUND

<u>Ord.</u>	<u>Improvement Description</u>	Balance, January 1, <u>2017</u>	<u>2017</u> <u>Authorizations</u>	<u>Notes</u> <u>Issued</u>	Cancelled Improvement <u>Authorizations</u>
2-02	Various Impvts. And Acq. Of Equipment	\$ 69			\$ 69
02-08	Various Public Improvements & Acquisitions	600			600
02-17	Various Public Improvements & Acquisitions	<u>-</u>	<u>\$ 103,800</u>	<u>\$ 103,800</u>	<u>-</u>
		<u>\$ 669</u>	<u>\$ 103,800</u>	<u>\$ 103,800</u>	<u>\$ 669</u>

BOROUGH OF WALDWICK
BERGEN COUNTY, NEW JERSEY

PART II
GOVERNMENT AUDITING SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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ADWOA BOACHIE, CPA

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Waldwick
Waldwick, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Waldwick as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated May 8, 2018. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Waldwick's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Borough of Waldwick's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Waldwick's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2017-001 that we consider to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Waldwick's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying schedule of findings and responses as item 2017-001.

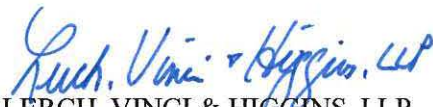
We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Waldwick in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

Borough of Waldwick's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Waldwick's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Waldwick's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


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


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
May 8, 2018

**BOROUGH OF WALDWICK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Federal		2017	Balance,	Revenue			Balance,	(Memo Only)	
	Grant	Award	Grant	January 1,	Realized	Expenditures	Adjustment	December 31,	Cumulative	
	<u>Year</u>	<u>Number</u>	<u>Amount</u>	<u>Receipts</u>	<u>2017</u>			<u>2017</u>	<u>Expenditures</u>	
U.S. Department of Housing and Urban Development										
Community Development Block Grant										
Senior Center Rehabilitation	2017	14.218	\$ 60,000		\$ 60,000			\$ 60,000		
U.S. Department of Homeland Security (Passed through the State Dept. of Law and Public Safety)										
Public Assistance Grant (FEMA)										
Superstorm Sandy	2017	97.036	4,225	\$ 4,225	-	4,225	\$ 4,225	-	\$ 4,225	
					<u>\$ -</u>	<u>\$ 64,225</u>	<u>\$ 4,225</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 4,225</u>

Note: This schedule is not subject to Single Audit as defined by U.S. Uniform Guidance.

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

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Grant Year</u>	<u>Grant/Loan Award</u>	<u>2017 Grant Receipts (Memo)</u>	<u>Balance, January 1, 2017</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Adjustment</u>	<u>Balance, December 31, 2017</u>	<u>(Memo Only) Cumulative Expenditures</u>
Clean Communities Grant	4900-765-1789000	2017	\$ 21,900	\$ 18,606		\$ 21,900	\$ 21,900			\$ 21,900
Body Armor Replacement Fund	1020-718-066-1020-001	2017	2,027	2,027						
		2016	4,236							
		2015	2,100		\$ 1,215				\$ 1,215	885
		2014	2,103		2,103		1,509		594	1,509
		Prior	5,064		261		261		-	5,064
Drunk Driving Enforcement Fund	1110-448031020-22	2016	16,310		16,310				16,310	-
		2013	3,000		3,000				3,000	-
		2012	15,140		9,318		604		8,714	6,426
Stormwater Management Grant	4840-150-05-7500	2010	1,469		1,469				1,469	-
		Prior	17,012		8,792				8,792	8,220
Alcohol Education and Rehabilitation Fund	9735-760-060000-60	2017	579	579						
		2016	7,153		7,153				7,153	-
		2008	4,787		969				969	3,818
Recycling Tonnage Grant	042-4910-100-224	2017	15,110	15,110						
	042-4910-100-224	2016	12,376	12,376						
Recycling Grant	N/A	2014	1,061		1,061				1,061	
Crime Prevention Grant	N/A	2016	3,136		3,136				3,136	
Department of Transportation										
Rehabilitation of Dora Ave - Section 2 (Ord. 18-2017)	17-480-078-6320-AMQ-6010	2017	165,627			165,627			165,627	
Rehabilitation of Hopper Avenue (Ord. 16-2016)	16-480-078-6320-AMF	2016	150,000	112,500	150,000		112,500		37,500	112,500
Rehabilitation of Hewson Avenue (Ord. 11-2015)	15-480-078-6320-ALS-6010	2015	149,000		773			\$ (773)	-	148,227
NJ Department of Environmental Protection										
NJ Environ. Infrastructure Loans - General Capital - Ord. 1-09	4800-504-993150-60	2011	35,056		2,933	-	-	(2,933)	-	32,123
					<u>\$ 208,493</u>	<u>\$ 187,527</u>	<u>\$ 136,774</u>	<u>\$ (3,706)</u>	<u>\$ 255,540</u>	

N/A - Not Available

Note: This schedule is not subject to Single Audit in accordance with New Jersey OMB Circular 15-08.

**NOTES TO THE SCHEDULES OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE**

**BOROUGH OF WALDWICK
NOTES TO THE SCHEDULES OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2017**

NOTE 1 GENERAL

The accompanying schedules present the activity of all state financial assistance programs of the Borough of Waldwick. The Borough is defined in Note 1(A) to the Borough's financial statements. All state financial assistance passed through other government agencies is included on the schedules of state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 4,225	\$ 21,900	\$ 26,125
General Capital Fund	<u>60,000</u>	<u>165,627</u>	<u>225,627</u>
	<u>\$ 64,225</u>	<u>\$ 187,527</u>	<u>\$ 251,752</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

**BOROUGH OF WALDWICK
NOTES TO THE SCHEDULES OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2017**

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2017, which are not required to be reported on the schedules of expenditures of state financial assistance, are as follows:

Loan Program

NJ Environmental Infrastructure Trust Loan Water Supply Rehabilitation Loans - 2000	\$ 108,898
NJ Environmental Infrastructure Trust Loan Water Supply Rehabilitation Loans - 2010	807,612
NJ Environmental Infrastructure Trust Loan Sanitary Sewer Improvement Loans - 2011	<u>118,194</u>
	<u>\$ 1,034,704</u>

**BOROUGH OF WALDWICK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Part I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued on financial statements	<u>Unmodified</u>
Internal control over financial reporting:	
1) Material weakness(es) identified	<u> </u> yes <u> X </u> no
2) Significant deficiency(ies) that are not considered to be material weakness(es)?	<u> X </u> yes <u> </u> none
Noncompliance material to the financial statements noted?	<u> X </u> yes <u> </u> no

Federal Awards Section - NOT APPLICABLE

State Awards Section - NOT APPLICABLE

**BOROUGH OF WALDWICK
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2017**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18-5.20 of *Government Auditing Standards*.

Finding 2017-001 – Our audit of bank reconciliations in the various funds revealed the following:

- Numerous reconciling items as the result of interfund balances transferred at year end.
- Unrecorded deposits in transit for certain interfund transactions at year end.

Criteria or Specific Requirement – Internal controls over financial reporting.

Condition – Bank reconciliation for the various accounts included numerous reconciling items for deposits in transit and outstanding checks as the result of year end interfund transfers. In addition numerous deposits in transit were not reflected on certain bank reconciliations.

Context –Unreconciled deposits in transit and outstanding checks were reported on the Current Fund, Other Trust Fund, General Capital and Water Utility bank reconciliations. In addition unrecorded deposits in transit were noted on the Other Trust Fund, General Capital Fund and Water Utility bank reconciliations.

Effect – Cash balances were not accurately reflected on the year end bank reconciliations. In addition the year end bank reconciliations contained numerous reconciling items.

Cause – Interfund transactions were not cleared or reviewed in a timely manner.

Recommendation – Efforts be made to clear interfunds prior to year end to ensure reconciling items on the bank reconciliations are limited and properly recorded at year end.

View of Responsible Official and Planned Corrective Action – Management has reviewed this finding and has indicated corrective action will be developed and implemented in 2018 to address this finding.

**BOROUGH OF WALDWICK
BERGEN COUNTY, NEW JERSEY**

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

**BOROUGH OF WALDWICK
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	<u>\$2.656</u>	<u>\$2.602</u>	<u>\$2.572</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.521	.522	.522
Library	.033	.032	.032
Municipal Open Space	.005	.005	.005
County	.252	.242	.237
Local School	1.845	1.801	1.776

Assessed Valuation

2017	<u>\$1,577,088,200</u>
2016	<u>\$1,574,059,700</u>
2015	<u>\$1,561,824,600</u>

Comparison of Tax Levies and Collection Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2017	\$ 41,976,614	\$ 41,686,135	99.31%
2016	41,089,028	40,732,694	99.13%
2015	40,439,563	40,099,921	99.16%

**BOROUGH OF WALDWICK
SUPPLEMENTARY DATA**

Delinquent Taxes and Tax Title Liens

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

<u>December 31 Year</u>	<u>Delinquent Taxes</u>	<u>Tax Title Liens</u>	<u>Total Delinquent Taxes</u>	<u>Percentage of Tax Levy</u>
2017	\$ 265,769		\$ 265,769	0.63%
2016	318,037	\$ 1,690	319,727	0.78%
2015	276,561	790	277,351	0.69%

Property Acquired by Tax Title Lien Liquidation

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

<u>Year</u>	<u>Amount</u>
2017	\$35,510
2016	35,510
2015	35,510

Comparison of Water Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Collections*</u>
2017	\$1,722,220	\$1,734,045
2016	1,940,573	1,947,310
2015	1,929,888	1,931,732

* Includes collections of prior years receivables.

**BOROUGH OF WALDWICK
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE

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

<u>Name</u>	<u>Title</u>	<u>Corporate Surety</u>
Thomas A. Giordano	Mayor	
Andrew Brennecke	Council President	
Gregor Bjork	Councilman	
Deborah Dellavechia	Councilwoman	
Charles Farricker	Councilman	
Joseph Oravetz	Councilman	
Donald Sciolaro	Councilman	
Andrew Tatarenko	Borough Administrator (January – September)	
Laura Harris	Borough Administrator (December)	
Colleen Ennis	Chief Financial Officer, Collector – Treasurer Supervisor of Water Consumer Accounts Tax Search Officer	
Paula Jaegge	Borough Clerk Officer for Searches for Municipal Improvements	
Angela Mattiace	Tax Assessor	
Mark Messner	Police Chief	
Joseph Mysliwicz	Construction Code Official	
Helene Herbert	Magistrate	A
Allison Blau	Court Administrator	A
Craig Bossong	Attorney	
Bernard Mirandi	Engineer	

(A) Public employees blanket bond in the amount of \$1,000,000 insured by Municipal Joint Insurance Fund.

**BOROUGH OF WALDWICK
SUPPLEMENTARY DATA**

SCHEDULE OF FINDINGS OF NONCOMPLIANCE

Prior Year Findings

Our audit noted that certain municipal departments ordered goods or services prior to the issuance of a purchase order. It is recommended that procedures be enhanced to ensure that goods or services be ordered only after a purchase order has been executed.

Our audit of Other Trust Fund reserves revealed certain escrow and police outside duty vendor account balances were in a deficit position at year end. It is recommended that escrow and police outside duty vendor accounts be reviewed and any deficit account balances be cleared of record.

Current Year Findings

Our audit of purchasing procedures revealed the following:

- A contract awarded through a national cooperative purchasing program was not procured in accordance with guidelines as outlined in a Local Finance Notice issued by the Department of Community Affairs.
- Competitive quotes were not obtained for vehicle maintenance services, pool and sewer improvements which in the aggregate exceeded the quote threshold.

It is recommended that purchasing procedures be reviewed and revised to ensure compliance with the Local Public Contracts Law and other related regulations.

Our audit of health benefit waiver opt-out payments revealed that employee contributions for health benefits were not deducted from the premiums when calculating the waiver benefit payment. It is recommended that health benefit waiver op-out payments be calculated net of the employee health benefit contribution.

Contracts and Agreements Required to be Advertised for NJS 40A:11-4

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$40,000, except by contract or agreement."

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested and awarded by public advertising for the following items:

Municipal Pool Improvements
Maintenance of Borough Vehicles

Hopper Ave. Roadway Rehabilitation Project

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

**BOROUGH OF WALDWICK
SUPPLEMENTARY DATA**

Contracts and Agreements Required to be Advertised for NJS 40A:11-4 (Continued)

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the bid threshold "for the performance of any work, or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

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

The Governing Body on January 1, 2017 adopted the following resolution authorizing interest to be charged on delinquent taxes:

"Resolved that in accordance with N.J.S. 54:4-67, the rate of interest to be charged for nonpayment of taxes or assessments on or before the date when they would become delinquent is hereby fixed at eight percent (8%) per annum on the first \$1,500 of the delinquency and eighteen percent (18%) per annum on any amount in excess of \$1,500. The Borough hereby grants a grace period of five days after that time, taxes will be delinquent and interest will be calculated from the first day that taxes were actually due."

"WHEREAS, Chapter 75 of Law 1991 made changes to certain portions of N.J.S.A. 54:4 & 5 to allow a municipality to employ a year end penalty for those accounts with tax arrears, interest or other municipal charges to charge a 6% penalty."

"NOW, THEREFORE, BE IT RESOLVED, that the Mayor and Council of the Borough of Waldwick hereby approves this penalty."

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on June 21, 2017.

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

The Borough owned one tax title lien in 2017, 2016 and 2015. The tax title lien was redeemed in 2017.

Suggestions to Management

- Payroll service provider payments of employee payroll deductions be verified to ensure proper remittance to each respective agency.

**BOROUGH OF WALDWICK
SUPPLEMENTARY DATA**

RECOMMENDATIONS

It is recommended that:

1. Efforts be made to clear interfunds prior to year end to ensure reconciling items on the bank reconciliations are limited and properly recorded at year end.
- * 2. Procedures be enhanced to ensure that goods or services be ordered only after a purchase order has been executed.
- * 3. Escrow and police outside duty vendor accounts be reviewed and any deficit account balances be cleared of record.
4. Purchasing procedures be reviewed and revised to ensure compliance with the Local Public Contracts Law and other related regulations.
5. Health benefit waiver opt-out payments be calculated net of the employee health benefit contribution.

Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior year recommendations and corrective action was taken on all, except the recommendations denoted with an asterisk (*).