

BOROUGH OF WESTWOOD
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2016

BOROUGH OF WESTWOOD

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BOROUGH OF WESTWOOD

COUNTY OF BERGEN

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2016



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 Westwood
Westwood, 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 Westwood, as of December 31, 2016 and 2015, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Current Fund for the year ended December 31, 2016, 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 Westwood 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 Westwood as of December 31, 2016 and 2015, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 16 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2016 and 2015. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 46 percent and 42 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2016 and 2015.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the Current Fund and account group of the Borough of Westwood as of December 31, 2016 and 2015, 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 Current Fund for the year ended December 31, 2016 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

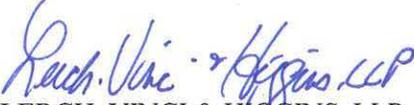
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Westwood as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary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

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 April 26, 2017 on our consideration of the Borough of Westwood's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Westwood'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
April 26, 2017

**BOROUGH OF WESTWOOD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2016 AND 2015**

ASSETS	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Cash	A-4	\$ 4,562,662	\$ 3,777,305
Cash - Change Fund	A	550	550
Grants Receivable	A-6	<u>5,651</u>	<u>16,956</u>
		<u>4,568,863</u>	<u>3,794,811</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes Receivable	A-8	317,181	241,038
Tax Title Liens Receivable	A-9	64,328	135,631
Property Acquired for Taxes	A-10	3,383,100	3,198,600
Revenue Accounts Receivable	A-12	5,002	8,872
Due from Westwood Parking Authority	A-22	5,785	
Due from Animal Control Fund	B-4	4,235	5,986
Due from Other Trust Fund	B-5	<u>-</u>	<u>166</u>
		<u>3,779,631</u>	<u>3,590,293</u>
Deferred Charges			
Special Emergency Authorizations (40A:4-53)	A-11	<u>290,000</u>	<u>399,000</u>
		<u>290,000</u>	<u>399,000</u>
Total Assets		<u>\$ 8,638,494</u>	<u>\$ 7,784,104</u>

BOROUGH OF WESTWOOD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2016 AND 2015
(Continued)

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Liabilities			
Appropriation Reserves	A-3,A-13	\$ 1,068,988	\$ 779,701
Accounts Payable	A-15	458,400	200,830
Special Emergency Note Payable	A-23	290,000	195,000
Due to State of NJ -			
Senior Citizens' and Veterans' Deductions	A-7	657	20,331
Other	A-14	5,313	12,391
Tax Overpayments	A-18	34,547	31,794
Prepaid Taxes	A-17	190,673	131,103
County Taxes Payable	A-20	15,357	8,155
Other Liabilities - LOSAP	A-21	59,233	68,433
Unappropriated Grant Reserves	A-24	2,882	
Appropriated Grant Reserves	A-16	26,867	48,140
Reserve for Tax Appeals	A-25	145,411	111,044
Due to General Capital Fund	C-7		416,352
Reserve for Sale of Assets	A-26	5,000	
Reserve for JIF Dividend	A-27	60,298	-
		<u>2,363,626</u>	<u>2,023,274</u>
Reserve for Receivables and Other Assets	A	3,779,631	3,590,293
Fund Balance	A-1	<u>2,495,237</u>	<u>2,170,537</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 8,638,494</u>	<u>\$ 7,784,104</u>

BOROUGH OF WESTWOOD
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
REVENUE AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 835,000	\$ 674,000
Miscellaneous Revenue Anticipated	2,463,208	2,868,186
Receipts from Delinquent Taxes	238,081	333,229
Receipts from Current Taxes	45,609,995	44,094,094
Non-Budget Revenues	66,181	61,637
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	439,322	456,495
Interfunds and Other Receivables Returned	6,152	21,921
Prior Year Balances Cancelled		
Grant Appropriated Reserves	20,386	
Accounts Payable		5,698
Other Liabilities - LOSAP		1,150
Miscellaneous Reserves	-	1,231
	<u>49,678,325</u>	<u>48,517,641</u>
Total Revenues		
EXPENDITURES		
Budget and Emergency Appropriations		
Operations		
Salaries and Wages	6,127,735	6,291,291
Other Expenses	6,972,096	6,784,986
Municipal Debt Service	2,299,895	2,132,162
Deferred Charges and Statutory Expenditures	1,894,461	1,741,300
Capital Improvements	70,000	50,000
County Taxes	4,802,091	4,385,468
Due County for Added and Omitted Taxes	15,357	8,155
Regional School District Tax	26,313,133	25,697,304
Grants Receivable Cancelled	13,087	2,917
Interfunds and Other Receivables Established	10,020	6,152
Prior Year-Senior Citizens and Veterans Deductions Disallowed	750	-
	<u>48,518,625</u>	<u>47,099,735</u>
Total Expenditures		
Excess in Revenue	1,159,700	1,417,906
Adjustment to Income before Fund Balance		
Expenditures Included above which are by Statute Deferred		
Charges to Budget of Succeeding Year	-	200,000
	<u>1,159,700</u>	<u>1,617,906</u>
Statutory Excess to Surplus		
	1,159,700	1,617,906
Fund Balance, January 1	<u>2,170,537</u>	<u>1,226,631</u>
	3,330,237	2,844,537
Decreased by:		
Utilization as Anticipated Revenue	<u>835,000</u>	<u>674,000</u>
Fund Balance, December 31	<u>\$ 2,495,237</u>	<u>\$ 2,170,537</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF WESTWOOD
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Anticipated		Realized	Excess or (Deficit)
	Budget	Special N.J.S. 40A:4-87		
SURPLUS ANTICIPATED	\$ 835,000	-	\$ 835,000	-
MISCELLANEOUS REVENUES				
Licenses				
Alcoholic Beverages	27,800		27,800	
Other	29,900		33,861	\$ 3,961
Fees and Permits				
Other	69,155		95,470	26,315
Fines and Costs - Municipal Court	80,000		86,362	6,362
Interest and Costs on Taxes	79,000		67,959	(11,041)
Interest on Investments and Deposits	25,000		36,455	11,455
Consolidated Municipal Property Tax Relief	3,517		3,517	
Energy Receipts Tax	1,015,314		1,015,314	
Watershed Moratorium Offset Aid	705		705	
Uniform Construction Code Fees	340,100		415,181	75,081
Rain Garden Grant - Bergen SWAN		\$ 400	400	
Rain Garden Grant - Bergen Health Services		300	300	
Federal Ballistic Vest Fund		3,413	3,413	
Alcohol Education and Rehabilitation Fund		1,269	1,269	
Drunk Driving Enforcement Fund	8,201		8,201	
Clean Communities Program		25,802	25,802	
Municipal Alliance		7,407	7,407	
Community Development - Senior Citizens		3,530	3,530	
Police Body Armor		2,505	2,505	
Recycling Tonnage Grant	33,476		33,476	
Uniform Fire Safety Act	91,426		90,969	(457)
Westwood House - Contribution in Lieu of Taxes	108,900		108,906	6
Westwood Parking Authority	45,000		45,000	
Cellular One Lease Agreement	140,000		150,331	10,331
Cable TV Franchise Fees	105,000		103,010	(1,990)
Safe Schools Reserves	9,765		9,765	
Police Outside Duty (Other Trust Fund)	86,300	-	86,300	-
Total Miscellaneous Revenues	<u>2,298,559</u>	<u>44,626</u>	<u>2,463,208</u>	<u>120,023</u>
RECEIPTS FROM DELINQUENT TAXES	<u>325,000</u>	<u>-</u>	<u>238,081</u>	<u>(86,919)</u>
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF:				
Municipal Budget	14,172,810		14,791,202	618,392
Municipal Library	648,212	-	648,212	-
Total Amount to be Raised by Taxes	<u>14,821,022</u>	<u>-</u>	<u>15,439,414</u>	<u>618,392</u>
Total General Revenues	<u>\$18,279,581</u>	<u>\$ 44,626</u>	18,975,703	<u>\$ 651,496</u>
Non-Budget Revenue			<u>66,181</u>	
			<u>\$19,041,884</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF WESTWOOD
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Allocation of Current Tax Collections	
Revenues from Collections	\$ 45,684,995
Less : Reserve for Tax Appeals Pending	75,000
Allocation to School and County Taxes	<u>31,130,581</u>
Balance for Support of Municipal Budget Appropriation	14,479,414
Add Appropriation - "Reserve for Uncollected Taxes"	<u>960,000</u>
Amount for Support of Municipal Budget Appropriations	<u>\$ 15,439,414</u>
Licenses	
Clerk	\$ 13,285
Board of Health	<u>20,576</u>
	<u>\$ 33,861</u>
Fees and Permits	
Other	
Clerk	\$ 667
Police	2,950
Zoning Applications	30,450
Board of Health	<u>61,403</u>
	<u>\$ 95,470</u>
Interest on Investments and Deposits	
Revenue Accounts Receivable	\$ 22,849
Due from Other Trust Fund	6,024
Due from Animal Control Fund	16
Due from Unemployment Compensation Insurance Fund	17
Due from General Capital Fund	7,474
Due from Public Assistance Fund	<u>75</u>
	<u>\$ 36,455</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF WESTWOOD
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Analysis of Non-Budget Revenue	
BCJIF Dividends	\$ 9,905
2% Administrative Fee - Senior Citizens and Veterans	1,411
Statutory Excess - Animal Control	4,235
ESL - Prior Year	4,951
Insurance Refunds	2,500
Prior Year Gasoline Reimbursements - Borough of Hillsdale	8,809
Miscellaneous	31,300
BCUA Sewer Connection Fee Incentive Program	<u>3,070</u>
	<u>\$ 66,181</u>
Cash Receipts	\$ 61,946
Due from Animal Control Fund	<u>4,235</u>
	<u>\$ 66,181</u>

BOROUGH OF WESTWOOD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Appropriated</u>		<u>Expended</u>		<u>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	\$ 176,300	\$ 176,300	\$ 165,545	\$ 10,755	
Other Expenses	55,730	55,730	41,581	14,149	
Mayor and Council					
Salaries and Wages	39,000	39,000	38,738	262	
Other Expenses	750	750	136	614	
Municipal Clerk					
Salaries and Wages	114,000	114,000	113,732	268	
Other Expenses	34,595	34,595	31,500	3,095	
Elections	13,000	13,000	10,866	2,134	
Financial Department					
Salaries and Wages	178,900	183,750	183,727	23	
Other Expenses	55,500	50,650	46,281	4,369	
Audit Services	32,000	32,000	32,000		
Revenue Collection					
Salaries and Wages	13,100	13,100	6,885	6,215	
Other Expenses	11,950	11,950	9,478	2,472	
Tax Assessment Administration					
Salaries and Wages	86,645	88,445	88,365	80	
Other Expenses	157,700	155,900	153,187	2,713	
Legal Services and Costs					
Other Expenses	132,100	132,100	96,242	35,858	
Engineering					
Other Expenses	21,000	21,000	18,560	2,440	
Environmental					
Other Expenses	2,000	2,000	100	1,900	
Historical Commission					
Other Expenses	5,300	5,300	4,234	1,066	
Planning Board/Board of Adjustment					
Salaries and Wages	18,300	18,300	15,234	3,066	
Other Expenses	13,200	13,200	10,012	3,188	
Insurance					
General Liability Insurance (BJIF)	243,420	243,420	220,703	22,717	
Workers' Compensation Insurance (BJIF)	273,600	273,600	251,116	22,484	
Employee Group Insurance (BMED)	1,431,031	1,431,031	1,255,221	175,810	
Unemployment Insurance	8,500	8,500	8,500		
PUBLIC SAFETY					
Police Department					
Salaries and Wages	3,377,520	3,377,520	3,348,956	28,564	
Other Expenses	139,775	139,775	134,174	5,601	
Acquisition of Police Vehicles	86,681	86,681	85,300	1,381	
Police Reserves	18,490	18,490	15,455	3,035	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF WESTWOOD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Appropriated</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY (Cont'd)					
Police Dispatch/911					
Salaries and Wages	\$ 211,300	\$ 211,300	\$ 180,292	\$ 31,008	
Other Expenses	1,500	1,500	980	520	
Office of Emergency Management					
Salaries and Wages	4,000	4,000	2,159	1,841	
Other Expenses	4,500	4,500	3,085	1,415	
Aid to Volunteer Ambulance Co.	22,000	22,000	22,000		
Fire Department					
Other Expenses	47,700	46,820	45,658	1,162	
Clothing Allowance	45,000	45,000	45,000		
Fire Hydrant Service	158,000	158,880	158,878	2	
Uniform Fire Safety Act					
Fire Official					
Salaries and Wages	76,500	76,500	75,716	784	
Other Expenses	2,850	2,850	774	2,076	
Life Hazard Use Fee Payments					
Other Expenses	2,500	2,500	2,497	3	
Prosecutor					
Salaries and Wages	21,000	21,000	20,777	223	
PUBLIC WORKS					
Streets and Road Maintenance					
Salaries and Wages	982,220	982,220	828,145	154,075	
Other Expenses	157,500	157,500	156,288	1,212	
Repair to Traffic Lights	5,000	5,000		5,000	
Solid Waste Collection					
Sanitation - Garbage and Trash Collection	631,700	625,176	552,864	72,312	
Recycling					
Salaries and Wages	10,000	10,000	4,199	5,801	
Other Expenses - Recycling Contract	134,573	134,573	99,614	34,959	
Building and Grounds					
Salaries and Wages	71,500	71,500	70,861	639	
Other Expenses	94,000	94,000	92,485	1,515	
Vehicle Maintenance					
Other Expenses	123,000	123,000	109,742	13,258	
HEALTH AND HUMAN SERVICES					
Public Health Services					
Salaries and Wages	139,500	139,500	135,858	3,642	
Other Expenses	127,524	127,524	121,157	6,367	
Welfare/Administration of Public Assistance					
Salaries and Wages	31,750	31,750	31,396	354	
Other Expenses	950	950	107	843	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF WESTWOOD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Appropriated</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS WITHIN "CAPS" (Cont'd)					
PARKS AND RECREATION					
Recreation Services and Programs					
Salaries and Wages	\$ 133,500	\$ 133,500	\$ 132,701	\$ 799	
Other Expenses	15,650	15,650	14,188	1,462	
Maintenance of Westvale Park	78,000	78,000	66,405	11,595	
OTHER COMMON OPERATING					
Celebration of Public Events					
Other Expenses	7,000	11,100	8,289	2,811	
Municipal Court					
Salaries and Wages	140,950	140,950	138,864	2,086	
Other Expenses	15,450	15,450	5,874	9,576	
Public Defender					
Salaries and Wages	10,550	10,550	9,234	1,316	
Accumulated Absences	50,000	50,000	50,000		
Landfill/Solid Waste Disposal Costs					
Garbage Tipping Fees	20,000	20,000		20,000	
CODE ENFORCEMENT AND ADMINISTRATION					
Code Enforcement and Administration					
Building Inspector					
Salaries and Wages	234,550	234,550	211,095	23,455	
Other Expenses	10,900	10,900	8,319	2,581	
UTILITY EXPENSES AND BULK PURCHASES					
Electricity	165,000	165,000	138,755	26,245	
Street Lighting	155,000	155,000	137,857	17,143	
Telephone	64,400	79,400	74,253	5,147	
Water	26,500	26,500	24,662	1,838	
Natural Gas	50,000	35,000	15,864	19,136	
Sewerage Processing and Disposal	19,800	19,800	16,160	3,640	
Gasoline	139,170	139,170	50,105	89,065	-
Total Operations Within "CAPS"	<u>11,182,574</u>	<u>11,180,150</u>	<u>10,248,985</u>	<u>931,165</u>	-
Contingent	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operations including Contingent - Within "CAPS"	<u>11,187,574</u>	<u>11,180,150</u>	<u>10,248,985</u>	<u>931,165</u>	<u>-</u>
Detail:					
Salaries and Wages	6,121,085	6,127,735	5,852,479	275,256	-
Other Expenses	5,066,489	5,052,415	4,396,506	655,909	-

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF WESTWOOD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<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>
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL-WITHIN "CAPS"					
Statutory Charges					
Social Security System (O.A.S.I.)	\$ 280,000	\$ 280,000	\$ 259,547	\$ 20,453	
Contribution to Public Employees Ret. System	360,115	366,489	366,487	2	
Police and Fireman's Retirement System of NJ	809,530	810,580	810,561	19	
Defined Contribution Retirement Program	5,000	5,000	3,075	1,925	
Widow Pension (Per R.S. 43.12-28.1 & 28.2)	5,000	5,000	5,000	-	-
	<u>1,459,645</u>	<u>1,467,069</u>	<u>1,444,670</u>	<u>22,399</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Within "CAPS"					
	<u>1,459,645</u>	<u>1,467,069</u>	<u>1,444,670</u>	<u>22,399</u>	<u>-</u>
Total General Appropriations for Municipal Purposes within "CAPS"	<u>12,647,219</u>	<u>12,647,219</u>	<u>11,693,655</u>	<u>953,564</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library	648,212	648,212	633,684	14,528	
Bergen County Utilities Authority					
Operating	708,384	708,384	689,714	18,670	
Debt Service	281,782	281,782	281,782		
Length of Service Awards Program - LOSAP	70,000	70,000	59,233	10,767	
Reserve for Tax Appeals	125,000	125,000	125,000	-	-
	<u>1,833,378</u>	<u>1,833,378</u>	<u>1,789,413</u>	<u>43,965</u>	<u>-</u>
Total Operations - Excluded from "CAPS"					
	<u>1,833,378</u>	<u>1,833,378</u>	<u>1,789,413</u>	<u>43,965</u>	<u>-</u>
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
FEDERAL AND STATE GRANTS					
Police - Body Armor		2,505		2,505	
Alcohol Education and Rehabilitation		1,269		1,269	
Clean Communities Other Expenses		25,802	4,045	21,757	
Federal Ballistic Vest Fund		3,413	3,413		
Municipal Alliance		7,407	1,719	5,688	
Rain Garden Grant - Bergen SWAN		400		400	
Rain Garden Grant - Bergen Health Services		300		300	
Recycling Tonnage Grant	33,476	33,476	256	33,220	
Drunk Driving Enforcement Fund	8,201	8,201	4,471	3,730	
Community Development - Senior Citizens Activities	-	3,530	940	2,590	-
	<u>41,677</u>	<u>86,303</u>	<u>14,844</u>	<u>71,459</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues					
	<u>41,677</u>	<u>86,303</u>	<u>14,844</u>	<u>71,459</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>1,875,055</u>	<u>1,919,681</u>	<u>1,804,257</u>	<u>115,424</u>	<u>-</u>
Detail:					
Other Expenses	<u>1,875,055</u>	<u>1,919,681</u>	<u>1,804,257</u>	<u>115,424</u>	<u>-</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF WESTWOOD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<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>
CAPITAL IMPROVEMENTS -					
Capital Improvement Fund	\$ 70,000	\$ 70,000	\$ 70,000	-	-
Total Capital Improvements - Excluded from "CAPS"	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	-	-
MUNICIPAL DEBT SERVICE -					
Payment of Bond Principal	1,730,000	1,730,000	1,730,000		
Interest on Bonds	507,610	507,610	507,610		
Interest on Notes	1,910	1,910	1,901		\$ 9
Loan Repayments for Principal and Interest	<u>60,395</u>	<u>60,395</u>	<u>60,384</u>	-	<u>11</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>2,299,915</u>	<u>2,299,915</u>	<u>2,299,895</u>	-	<u>20</u>
DEFERRED CHARGES					
Special Emergency Authorizations - 5 yrs. (N.J.S. 40A:4-55)	109,000	109,000	109,000		
Deferred Charges to Future Taxation - Unfunded					
Ordinance 14-4 Refunding Tax Appeals	292,000	292,000	292,000		
Ordinance 97-7 Improvements of Drainage System	14,250	14,250	14,250		
Ordinance 7-12 Various Improvements	5,560	5,560	5,560		
Ordinance 08-01 Road Improvements	<u>6,582</u>	<u>6,582</u>	<u>6,582</u>	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>427,392</u>	<u>427,392</u>	<u>427,392</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>4,672,362</u>	<u>4,716,988</u>	<u>4,601,544</u>	\$ 115,424	<u>20</u>
Subtotal General Appropriations	17,319,581	17,364,207	16,295,199	1,068,988	20
RESERVE FOR UNCOLLECTED TAXES	<u>960,000</u>	<u>960,000</u>	<u>960,000</u>	-	-
Total General Appropriations	<u>\$ 18,279,581</u>	<u>\$ 18,324,207</u>	<u>\$ 17,255,199</u>	<u>\$ 1,068,988</u>	<u>\$ 20</u>
Adopted Budget		\$ 18,279,581			
Added by N.J.S. 40A:4-87		<u>44,626</u>			
		<u>\$ 18,324,207</u>			
Cash Disbursed			\$ 15,302,014		
Accounts Payable			436,560		
Reserve for Uncollected Taxes			960,000		
Deferred Charges			109,000		
Due to General Capital Fund			388,392		
Other Liabilities-LOSAP			<u>59,233</u>		
			<u>\$ 17,255,199</u>		

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF WESTWOOD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2016 AND 2015

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-1	\$ 16,150	\$ 17,538
OTHER TRUST FUND			
Cash	B-1	<u>1,660,945</u>	<u>1,805,794</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-1	<u>22,698</u>	<u>14,996</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Investments	B	1,376,044	1,246,594
Contribution Receivable	A-21	<u>59,233</u>	<u>68,433</u>
		<u>1,435,277</u>	<u>1,315,027</u>
Total Assets		<u>\$ 3,135,070</u>	<u>\$ 3,153,355</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF WESTWOOD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2016 AND 2015

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to State of New Jersey	B-3	\$ 1	\$ 7
Due to Current Fund	B-4	4,235	5,986
Reserve for Animal Control Expenditures	B-2	<u>11,914</u>	<u>11,545</u>
		<u>16,150</u>	<u>17,538</u>
OTHER TRUST FUND			
Due to Current Fund	B-5		166
Escrow Deposits Payable	B-6	297,256	560,183
Reserve for POAA Court Expenditures	B-7	18,652	18,874
Miscellaneous Reserves	B-8	1,288,332	1,161,855
Reserve for Payroll and Payroll Deductions Payable	B-9	35,592	64,512
Due to General Capital Fund	C-10	21,113	
Due to Westwood Parking Authority	B-10	<u>-</u>	<u>204</u>
		<u>1,660,945</u>	<u>1,805,794</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Due to State of New Jersey	B-13	868	1,483
Reserve for Unemployment Insurance Claims	B-11	<u>21,830</u>	<u>13,513</u>
		<u>22,698</u>	<u>14,996</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Reserve for Length of Service Awards Program	B	<u>1,435,277</u>	<u>1,315,027</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 3,135,070</u>	<u>\$ 3,153,355</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF WESTWOOD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2016 AND 2015

ASSETS	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Cash	C-2,C-3	\$ 822,395	\$ 1,819,527
Deferred Charges to Future Taxation			
Funded	C-4	15,848,098	17,673,625
Unfunded	C-5	1,478,431	953,129
Grants Receivable	C-6	694,538	742,856
Due from Current Fund	C-7		416,352
Due from Other Trust Fund	C-10	21,113	
Environmental Infrastructure Loan Receivable	C-15		44,809
Prospective Assessments Raised by Taxation	C-13	-	2,950
		<u> </u>	<u> </u>
Total Assets		<u>\$ 18,864,575</u>	<u>\$ 21,653,248</u>
LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-8	\$ 15,171,000	\$ 16,901,000
Loans Payable	C-14	677,098	772,625
Improvement Authorizations			
Funded	C-9	689,409	1,255,783
Unfunded	C-9	915,761	925,222
Accounts Payable	C-11	457,839	1,295,025
Capital Improvement Fund	C-12	47,592	32,467
Reserve for:			
Grants Receivable	C-6	102,500	6,082
Prospective Assessments Raised by Taxation	C-13		2,950
Payment of Bonds	C-16	205,428	157,317
Pascack Brook Park Bikeway	C		50,188
Fund Balance	C-1	597,948	254,589
		<u> </u>	<u> </u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 18,864,575</u>	<u>\$ 21,653,248</u>

There were bonds and notes authorized but not issued of \$1,478,431 and \$953,129 at December 31, 2016 and 2015, respectively (Exhibit C-17).

BOROUGH OF WESTWOOD
COMPARATIVE STATEMENTS OF FUND BALANCE -REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Balance, January 1	\$ 254,589	\$ 220,310
Increased by:		
Excess Grant Proceeds	18,741	
Miscellaneous Reserve Cancelled	50,188	
Premium on Sale of Bonds and Notes		40,379
Improvement Authorizations Cancelled	<u>435,730</u>	<u>18,900</u>
	759,248	279,589
Decreased by:		
Appropriated to Finance Improvement Authorizations	<u>161,300</u>	<u>25,000</u>
Balance, December 31	<u>\$ 597,948</u>	<u>\$ 254,589</u>

**BOROUGH OF WESTWOOD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Cash	D-1	\$ <u>80,108</u>	\$ <u>87,779</u>
Total Assets		\$ <u><u>80,108</u></u>	\$ <u><u>87,779</u></u>
LIABILITIES AND RESERVES			
Reserve for Public Assistance Expenditures	D-2	\$ <u>80,108</u>	\$ <u>87,779</u>
Total Liabilities and Reserves		\$ <u><u>80,108</u></u>	\$ <u><u>87,779</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF WESTWOOD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2016 AND 2015

ASSETS	<u>2016</u>	<u>2015</u>
Land and Improvements	\$ 18,433,807	\$ 17,859,307
Buildings and Building Improvements	8,990,329	8,791,738
Machinery and Equipment	<u>9,091,725</u>	<u>8,500,855</u>
	<u>\$ 36,515,861</u>	<u>\$ 35,151,900</u>
 FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 36,515,861</u>	<u>\$ 35,151,900</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Westwood (the "Borough") was incorporated in 1894 and operates under an elected Mayor and Council form of government. The Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department or 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 Westwood 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 WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

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

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

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

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

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

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

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

Reclassifications - Certain reclassifications may have been made to the December 31, 2015 balances to conform to the December 31, 2016 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 Westwood follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division (“regulatory basis of accounting”) differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

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

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

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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).

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

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

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

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Deferred Charges – Certain expenditures and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures 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.

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

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Westwood 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, 1995 are stated at cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

General Fixed Assets purchased prior to December 31, 1995 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

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

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

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
General Capital Fund
Public Assistance Fund

**BOROUGH OF WESTWOOD
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Accounting (Continued)

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2016 and 2015 the Borough Council increased the original budget by \$44,626 and \$248,936. The increases were funded by additional aid allotted to the Borough and special emergency authorizations in 2015 for master plan and severance liabilities. In addition, the governing body approved several budget transfers during 2016 and 2015.

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 cash 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.

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, 2016 and 2015, the book value of the Borough's deposits were \$7,165,508 and \$7,523,489 and bank and brokerage firm balances of the Borough's deposits amounted to \$7,790,362 and \$8,710,226, 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>2016</u>	<u>2015</u>
Insured	\$ 7,790,362	\$ 8,710,226
	<u>\$ 7,790,362</u>	<u>\$ 8,710,226</u>

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

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, 2016 and 2015, none the Borough’s bank balances were exposed to custodial credit risk.

B. Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2016 and 2015, the Borough had the following investments:

	LOSAP	
	<u>Fair and Reported Value</u>	
	<u>2016</u>	<u>2015</u>
Investments with Lincoln Financial - Unaudited	\$ 1,376,044	\$ 1,246,594

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2016 and 2015, \$1,376,044 and \$1,246,594 of the Borough’s investments were exposed to custodial credit risk.

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2016 and 2015, the Borough’s investment in Lincoln Financial Group was rated Baa1 by Moody’s Investors Services.

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

The fair value of the above-listed investments were based on quoted market prices.

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

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
<u>Current</u>		
Property Taxes	\$ 317,181	\$ 241,038
Tax Title Liens	<u>64,328</u>	<u>135,631</u>
	<u>\$ 381,509</u>	<u>\$ 376,669</u>

In 2016 and 2015, the Borough collected \$238,081 and \$333,229 from delinquent taxes, which represented 63% and 73%, respectively of the prior year delinquent taxes receivable balance.

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2016</u>		<u>2015</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 4,235		\$ 6,152	\$ 416,352
Trust Funds				
Animal Control Fund		\$ 4,235		5,986
Other Trust Fund		21,113		166
General Capital Fund	<u>21,113</u>	<u>-</u>	<u>416,352</u>	<u>-</u>
Total	<u>\$ 25,348</u>	<u>\$ 25,348</u>	<u>\$ 422,504</u>	<u>\$ 422,504</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or to cover cash balances which were in an overdraft position.

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

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2016</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 290,000	\$ 105,000	\$ 185,000
<u>2015</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 399,000	\$ 109,000	\$ 290,000

NOTE 7 FUND BALANCES APPROPRIATED

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

	<u>Fund Balance December 31, 2016</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31, 2015</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 2,489,586	\$ 835,000	\$ 1,949,581	\$ 835,000
Non-Cash Surplus	5,651	-	220,956	-
	<u>\$ 2,495,237</u>	<u>\$ 835,000</u>	<u>\$ 2,170,537</u>	<u>\$ 835,000</u>

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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, 2016 and 2015.

	Balance December 31, <u>2015</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
Land and Improvements	\$ 17,859,307	\$ 574,500		\$ 18,433,807
Buildings and Building Improvements	8,791,738	198,591		8,990,329
Machinery and Equipment	8,500,855	590,870	-	9,091,725
	<u>\$ 35,151,900</u>	<u>\$ 1,363,961</u>	<u>\$ -</u>	<u>\$ 36,515,861</u>
	Balance December 31, <u>2014</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2015</u>
<u>2015</u>				
Land and Improvements	\$ 17,859,307			\$ 17,859,307
Buildings and Building Improvements	8,679,845	\$ 111,893		8,791,738
Machinery and Equipment	8,334,434	166,421	\$ -	8,500,855
	<u>\$ 34,873,586</u>	<u>\$ 278,314</u>	<u>\$ -</u>	<u>\$ 35,151,900</u>

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2016</u>	<u>2015</u>
Issued		
General		
Bonds and Loans	\$ 15,848,098	\$ 17,673,625
Less Funds Temporarily Held to Pay Bonds and Notes	<u>205,428</u>	<u>157,317</u>
Net Debt Issued	<u>15,642,670</u>	<u>17,516,308</u>
Authorized But Not Issued		
General		
Bonds and Notes	<u>1,478,431</u>	<u>953,129</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 17,121,101</u>	<u>\$ 18,469,437</u>

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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 .86% and .92% at December 31, 2016 and 2015, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2016</u>			
General Debt	\$ 17,326,529	\$ 829,428	\$ 16,497,101
School Debt	<u>6,549,078</u>	<u>6,549,078</u>	<u>-</u>
Total	<u>\$ 23,875,607</u>	<u>\$ 7,378,506</u>	<u>\$ 16,497,101</u>
<u>2015</u>			
General Debt	\$ 18,626,754	\$ 1,073,317	\$ 17,553,437
School Debt	<u>7,223,155</u>	<u>7,223,155</u>	<u>-</u>
Total	<u>\$ 25,849,909</u>	<u>\$ 8,296,472</u>	<u>\$ 17,553,437</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>2016</u>	<u>2015</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 67,085,395	\$ 66,979,597
Net Debt	<u>16,497,101</u>	<u>17,553,437</u>
Remaining Borrowing Power	<u>\$ 50,588,294</u>	<u>\$ 49,426,160</u>

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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>2016</u>	<u>2015</u>
\$4,555,000, 2004 Refunding Bonds, due in annual installment of \$480,000 through August 2017, interest at 2.00% to 3.60%	\$ 480,000	\$ 950,000
\$2,235,000, 2008 Refunding Bonds, due in annual installments of \$210,000 to \$230,000 through August 2019, interest at 3.00% to 5.00%	655,000	855,000
\$3,736,000, 2010 Bonds, due in annual installments of \$450,000 to \$636,000 through April 2022, interest at 2.00% to 3.50%	3,121,000	3,541,000
\$3,890,000, 2012 Refunding Bonds, due in annual installments of \$335,000 to \$500,000 through September 2023, interest 2.00% to 4.00%	3,055,000	3,395,000
\$8,160,000, 2015 Bonds, due in annual installments of \$300,000 to \$590,000 through November 2030, interest at 2.00% to 3.00%	<u>7,860,000</u>	<u>8,160,000</u>
	<u>\$ 15,171,000</u>	<u>\$ 16,901,000</u>

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable

The Borough has entered into loan agreements with the State of New Jersey for the financing relating to the construction of a new municipal building, improvements to the Free Public Library and closure of the Municipal Landfill. 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>2016</u>	<u>2015</u>
\$265,000 Trust Loan due in Annual installments of \$10,000 to \$20,000 August 2029, interest at various interest rates	\$ 205,000	\$ 215,000
\$800,781 Loan due in Semi-annual installments of \$40,718 through August 2029, interest free	<u>472,098</u>	<u>557,625</u>
	<u>\$ 677,098</u>	<u>\$ 772,625</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2016 is as follows:

Calendar Year	<u>General</u>		<u>Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2017	1,780,000	460,440	50,718	8,375	2,299,533
2018	1,625,000	405,135	55,718	7,875	2,093,728
2019	1,660,000	359,610	55,718	7,125	2,082,453
2020	1,580,000	310,666	55,718	6,525	1,952,909
2021	1,640,000	264,416	55,718	5,775	1,965,909
2022-2026	4,526,000	685,730	278,588	20,625	5,510,943
2027-2030	<u>2,360,000</u>	<u>177,000</u>	<u>124,920</u>	<u>4,800</u>	<u>2,666,720</u>
Total	<u>\$ 15,171,000</u>	<u>\$ 2,662,997</u>	<u>\$ 677,098</u>	<u>\$ 61,100</u>	<u>\$ 18,572,195</u>

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2016 and 2015 were as follows:

	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	(A) <u>Adjustments</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>						
General Capital Fund						
Bonds Payable	\$ 16,901,000		\$ 1,730,000		\$ 15,171,000	\$ 1,780,000
Intergovernmental Loans Payable	<u>772,625</u>	<u>-</u>	<u>50,718</u>	<u>\$ 44,809</u>	<u>677,098</u>	<u>50,718</u>
General Capital Fund Long-Term Liabilities	<u>\$ 17,673,625</u>	<u>\$ -</u>	<u>\$ 1,780,718</u>	<u>\$ 44,809</u>	<u>\$ 15,848,098</u>	<u>\$ 1,830,718</u>
	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	(A) <u>Adjustments</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<u>2015</u>						
General Capital Fund						
Bonds Payable	\$ 9,701,000	\$ 8,160,000	\$ 960,000		\$ 16,901,000	\$ 1,730,000
Intergovernmental Loans Payable	<u>1,251,812</u>	<u>-</u>	<u>433,139</u>	<u>\$ 46,048</u>	<u>772,625</u>	<u>50,718</u>
General Capital Fund Long-Term Liabilities	<u>\$ 10,952,812</u>	<u>\$ 8,160,000</u>	<u>\$ 1,393,139</u>	<u>\$ 46,048</u>	<u>\$ 17,673,625</u>	<u>\$ 1,780,718</u>

(A) Loans Payable and Receivable cancelled in 2016 and 2015

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2016 and 2015 was as follows:

Municipalities may issue debt to finance emergency or special emergency appropriations to temporarily finance operating expenditures. This debt which is not included in the Borough's statutory debt limit calculation is reported in the Current Fund for the years 2016 and 2015 as follows:

Special Emergency Notes

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

<u>Purpose</u>	<u>Rate %</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2015</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance, December 31, 2016</u>
Revaluation of Real Property	0.98%	10/28/2016	\$ 195,000		\$ 195,000	
	1.57%	5/16/2017		\$ 130,000		\$ 130,000
	1.05%	5/16/2017	-	160,000	-	160,000
			<u>\$ 195,000</u>	<u>\$ 290,000</u>	<u>\$ 195,000</u>	<u>\$ 290,000</u>

<u>Purpose</u>	<u>Rate %</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2014</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance, December 31, 2015</u>
Revaluation of Real Property	0.98%	10/28/2016	\$ 260,000	\$ 195,000	\$ 260,000	\$ 195,000

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project</u>	<u>Capital Commitments</u>	<u>Estimated Date of Completion</u>
<u>2016</u>		
2016 Road Resurfacing Programs	\$228,008	2017
Acquisition of Telecommunications Equipment	76,544	2017
<u>2015</u>		
ADA Curb Ramps	\$57,898	2016
KME Custom Fire Pumper	401,350	2016
Roof Replacement at Borough Hall	70,536	2016
1 st Ave. & Elm Street Road Resurfacing	201,165	2016
2015 Road Resurfacing Programs	384,185	2016

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$981,307 and \$986,607 at December 31, 2016 and 2015, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability. As of December 31, 2016, the Borough has reserved \$190,000 in the Other Trust Fund to fund compensated absences in accordance with NJSA 40A:4-39.

B. Capital Lease Agreement

The Borough entered into agreements for the leasing of police vehicles totaling \$113,401 under capital leases. The capital lease agreements are for terms of 3 years payable in advance. The following is a schedule of the future minimum lease payments under capital leases, and the present value of the net minimum lease payments at December 31, 2016.

<u>Years Ended December 31,</u>	<u>Amount</u>
2017	\$ 38,474
2018	16,133
2019	<u>3,235</u>
Total	57,842
Less: Amounts Representing Interest	<u>636</u>
Present Value of Net Minimum Lease Payments	<u>\$ 57,206</u>

The Borough's capital lease activity for the years 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Balance, January 1	\$ 53,589	\$ 94,738
Additions	<u>38,093</u>	<u>-</u>
	91,682	94,738
Reductions	<u>34,476</u>	<u>41,149</u>
Balance, December 31	<u>\$ 57,206</u>	<u>\$ 53,589</u>
Due Within One Year	<u>\$ 37,990</u>	<u>\$ 25,079</u>

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities

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

The Borough's changes in other long-term liabilities for the years ended December 31, 2016 and 2015 were as follows:

	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>					
Compensated Absences	\$ 986,607		\$ 5,300	\$ 981,307	\$ 50,000
Net Pension Liability					
PERS	9,402,717	\$ 3,076,218	366,487	12,112,448	
PFRS	16,588,445	1,192,581	810,561	16,970,465	
Capital Leases	<u>53,589</u>	<u>38,093</u>	<u>34,476</u>	<u>57,206</u>	<u>37,990</u>
Total	<u>\$ 27,031,358</u>	<u>\$ 4,306,892</u>	<u>\$ 1,216,824</u>	<u>\$ 30,121,426</u>	<u>\$ 87,990</u>
	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<u>2015</u>					
Compensated Absences	\$ 1,215,810		\$ 229,203	\$ 986,607	\$ 50,000
Net Pension Liability - PERS					
PERS	8,000,521	\$ 1,754,469	352,273	9,402,717	
PFRS	12,184,438	5,247,980	843,973	16,588,445	
Capital Leases	<u>94,738</u>	<u>-</u>	<u>41,149</u>	<u>53,589</u>	<u>25,079</u>
Total	<u>\$ 21,495,507</u>	<u>\$ 7,002,449</u>	<u>\$ 1,466,598</u>	<u>\$ 27,031,358</u>	<u>\$ 75,079</u>

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

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

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees 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.

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.

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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, 2015, the most recent actuarial valuation date, which was rolled forward to June 30, 2016, the aggregate funded ratio for all the State administered retirement systems, including CPFPPF, local PERS and local PFRS is 45.7 percent with an unfunded actuarial accrued liability of \$50.3 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 40.14 percent and \$29.6 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 52.01 percent and \$20.7 billion, respectively.

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

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

Actuarial Methods and Assumptions

In the July 1, 2015 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) 7.65% for investment rate of return for all the retirement systems 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.

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 10.0% for PFRS, 7.06% for PERS and 5.50% for DCRP of employee's annual compensation for fiscal year 2016.

Annual Pension Cost (APC)

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, 2016, 2015 and 2014, 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>
2016	\$ 810,561	\$ 366,487	\$ 3,075
2015	743,973	352,273	2,558
2014	700,958	320,001	2,492

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, 2016 and 2015, the Borough reported a liability of \$12,112,448 and \$9,402,717, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, 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, 2016, the Borough's proportionate share was .040896 percent, which was a decrease of .000990 percent from its proportionate share measured as of June 30, 2015 of .041886 percent.

**BOROUGH OF WESTWOOD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2016 and 2015, the pension system has determined the Borough's pension expense to be \$1,110,575 and \$606,291, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$366,487 and \$352,273, respectively. At December 31, 2016 and 2015, 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:

	2016		2015	
	<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	\$ 225,255		\$ 234,316	\$ 151,178
Changes of Assumptions	2,509,052		1,009,777	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	461,859			
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>61,604</u>	<u>\$ 267,098</u>	<u>79,512</u>	<u>134,211</u>
Total	<u>\$ 3,257,770</u>	<u>\$ 267,098</u>	<u>\$ 1,323,605</u>	<u>\$ 285,389</u>

At December 31, 2016 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>
2017	\$ 720,323
2018	720,323
2019	720,323
2020	479,559
2021	350,144
Thereafter	<u>-</u>
	<u>\$ 2,990,672</u>

**BOROUGH OF WESTWOOD
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

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, 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. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2016</u>	<u>2015</u>
Inflation Rate	3.08%	3.04%
Salary Increases:		
2012-2021		2.15-4.40%
Through 2026	1.65-4.15%	Based on Age
Thereafter	2.65-5.15%	3.15-5.40%
	Based on Age	Based on Age
Investment Rate of Return	7.65%	7.90%
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, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial study for the period July 1, 2008 to June 30, 2011.

**BOROUGH OF WESTWOOD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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, 2016 and 2015, as reported for the years ended December 31, 2016 and 2015, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2016</u>		<u>2015</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>
Cash	5.00%	0.87%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad US Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%

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>
2016	June 30, 2016	3.98%
2015	June 30, 2015	4.90%

**BOROUGH OF WESTWOOD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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, 2034
Municipal Bond Rate *	From July 1, 2034 and Thereafter

* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, 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, 2016 and 2015 calculated using the discount rate of 3.98% and 4.90%, 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 (2.98% and 3.90%, respectively) or 1-percentage-point higher (4.98% and 5.90%, respectively) than the current rate:

	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>\$ 14,842,391</u>	<u>\$ 12,112,448</u>	<u>\$ 9,858,643</u>
	1% Decrease <u>(3.90%)</u>	Current Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
<u>2015</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 11,686,427</u>	<u>\$ 9,402,717</u>	<u>\$ 7,488,071</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2016 and 2015. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF WESTWOOD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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, 2016 and 2015, the Borough reported a liability of \$16,970,465 and \$16,588,445, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, 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, 2016, the Borough’s proportionate share was .088838 percent, which was a decrease of .010753 percent from its proportionate share measured as of June 30, 2015 of .099591 percent.

For the years ended December 31, 2016 and 2015, the pension system has determined the Borough pension expense to be \$1,633,044 and \$1,518,706, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough’s financial statements of \$810,561 and \$743,973, respectively. At December 31, 2016 and 2015, 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:

	2016		2015	
	<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		\$ 111,244		\$ 143,081
Changes of Assumptions	\$ 2,350,549		\$ 3,062,639	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,189,086			288,707
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	300,605	1,236,902	387,930	-
Total	<u>\$ 3,840,240</u>	<u>\$ 1,348,146</u>	<u>\$ 3,450,569</u>	<u>\$ 431,788</u>

**BOROUGH OF WESTWOOD
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

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, 2016 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>
2017	\$ 644,601
2018	644,601
2019	955,446
2020	407,722
2021	(160,276)
Thereafter	-
	<u>\$ 2,492,094</u>

Actuarial Assumptions

The Borough's 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. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2016</u>	<u>2015</u>
Inflation Rate	3.08%	3.04%
Salary Increases:		
2012-2021		2.60-9.48%
Through 2026	2.10-8.98%	Based on Age
Thereafter	3.10-9.98%	3.60-10.48%
	Based on Age	Based on Age
Investment Rate of Return	7.65%	7.90%
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, 2015 and July 1, 2014 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**BOROUGH OF WESTWOOD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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, 2016 and 2015, as reported for the years ended December 31, 2016 and 2015, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2016</u>		<u>2015</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>
Cash	5.00%	0.87%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad US Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%

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>
2016	June 30, 2016	5.55%
2015	June 30, 2015	5.79%

**BOROUGH OF WESTWOOD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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, 2050

Municipal Bond Rate * From July 1, 2050
and Thereafter

* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, 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, 2016 and 2015 calculated using the discount rate of 5.55% and 5.79%, 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 (4.55% and 4.79%, respectively) or 1-percentage-point higher (6.55% and 6.79%, respectively) than the current rate:

	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>\$ 21,882,170</u>	<u>\$ 16,970,465</u>	<u>\$ 12,965,265</u>

	1% Decrease <u>(4.79%)</u>	Current Discount Rate <u>(5.79%)</u>	1% Increase <u>(6.79%)</u>
<u>2015</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 21,868,837</u>	<u>\$ 16,588,445</u>	<u>\$ 12,282,757</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2016 and 2015. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF WESTWOOD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

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 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, 2016 and 2015, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,425,098 and \$1,454,751, respectively. For the years ended December 31, 2016 and 2015, 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 \$182,019 and \$181,459, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$54,606 and \$75,727, 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 RISK MANAGEMENT

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

The Borough of Westwood 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.

**BOROUGH OF WESTWOOD
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 13 RISK MANAGEMENT (Continued)

The Borough is also a member of the Bergen County Municipal Employee Benefit Fund (BMED). This fund is an insured and self-administered group established for the sole purpose of providing medical insurance coverage to the employees of member municipalities. The BMED is a risk-sharing public entity pool. The BMED 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>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016	\$ 8,500	\$ 8,737	\$ 8,920	\$ 21,830
2015	8,500	9,070	8,605	13,513
2014	8,500	8,611	12,715	4,548

NOTE 14 CONTINGENT LIABILITIES

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

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2016 and 2015. 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, 2016 and 2015, the Borough reserved \$145,411 and \$111,044, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 14 CONTINGENT LIABILITIES (Continued)

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2016 and 2015, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 15 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2016 and 2015, the Borough had no estimated arbitrage earnings due to the IRS.

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

The Borough of Westwood Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on July 27, 1999 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Westwood approved the adoption of the Plan at the general election held on November 2, 1999.

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

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

The Borough of Westwood has contributed \$1,150 and \$1,150 for 2016 and 2015, respectively, for each eligible volunteer fire department member into the Plan. The Borough also contributed \$1,150 and \$1,150 for 2016 and 2015, respectively for each eligible volunteer first aid squad members into the Plan. The total Borough contributions were \$59,233 and \$68,433 for 2016 and 2015, respectively.

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

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

Vesting and Benefits

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

**BOROUGH OF WESTWOOD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

Vesting and Benefits (Continued)

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

Reporting Requirements

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

NOTE 17 CLOSURE AND POST-CLOSURE CARE COSTS

In accordance with the requirements of the State of New Jersey, Department of Environmental Protection the Borough is required to develop a Closure and Post-Closure Financial Plan for the Westwood Landfill which has remained dormant for numerous years. In addition, the Borough must perform certain maintenance and monitoring functions at the site for a period of thirty years after closure. The closure was completed in 2009 with post closure commencing thereafter. The estimated closure and post closure costs will range between \$6 to \$6.5 million. Actual costs may be higher due to inflation, changes in technology, or changed in regulations. The Borough has secured a loan with the State of New Jersey to finance the closure costs, and will issue municipal bonds to finance the post closure and monitoring costs.

NOTE 18 TAX ABATEMENTS

For the years ended December 31, 2016 and 2015, the Borough provided property tax abatements through certain programs authorized under State statutes. These programs include the New Jersey Housing and Mortgage Financing Act (NJHMFA).

- The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the years ended December 31, 2016 and 2015 the Borough abated property taxes totaling \$422,999 and \$409,635, respectively, under the NJHMFA program. The Borough received \$108,906 and \$105,025 in PILOT payments under this program for the years ended December 31, 2016 and 2015, respectively.

SUPPLEMENTARY SCHEDULES

CURRENT FUND

**BOROUGH OF WESTWOOD
STATEMENT OF CASH**

Balance, December 31, 2015		\$ 3,777,305
Increased by Receipts:		
Taxes Receivable	\$ 45,700,977	
Tax Overpayments	34,547	
Prepaid Taxes	190,673	
Petty Cash Returned	600	
Non-Budget Revenue	61,946	
State of NJ - Senior Citizens' and Veterans' Deductions	70,572	
Revenue Accounts Receivable	2,363,299	
State of New Jersey	24,491	
Unappropriated Grant Reserves	2,882	
Grants Receivable	84,521	
Reserve for Sale of Assets	5,000	
Reserve for JIF Dividend	60,298	
Special Emergency Note	290,000	
Prior Year Voided Checks	4,609	
Receipts from Animal Control Fund	6,002	
Receipts from Other Trust Fund	6,190	
Receipts from Unemployment Compensation Insurance Fund	17	
Receipts from General Capital Fund	298,778	
Receipts from Public Assistance Fund	75	
Receipts from Westwood Parking Authority	68,723	
	<u>68,723</u>	
		<u>49,274,200</u>
Decreased by Disbursements:		
2016 Budget Appropriations	15,302,014	53,051,505
2015 Appropriation Reserves	584,731	
Accounts Payable	2,141	
State of New Jersey	31,569	
Special Emergency Note Payable	195,000	
Tax Overpayments	31,794	
Regional School District Tax Payable	26,313,133	
County Taxes Payable	4,810,246	
Petty Cash Advanced	600	
Westwood Parking Authority Expenditures Paid by Current Fund	74,508	
General Capital Expenditures Paid by Current Fund	291,304	
Payments to General Capital Fund	804,744	
Appropriated Grant Reserves	6,426	
Reserve for Tax Appeals	40,633	
	<u>40,633</u>	
		<u>48,488,843</u>
Balance, December 31, 2016		<u>\$ 4,562,662</u>

**BOROUGH OF WESTWOOD
STATEMENT OF PETTY CASH FUNDS**

<u>Office</u>	Balance, December 31, <u>2015</u>	<u>Advanced</u>	<u>Returned</u>	Balance, December 31, <u>2016</u>
Borough Clerk		\$ 300	\$ 300	
Recreation	-	300	300	-
	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ 600</u>	<u>\$ -</u>

EXHIBIT A-6

STATEMENT OF GRANTS RECEIVABLE

	Balance, December 31, <u>2015</u>	Grants <u>Realized</u>	<u>Receipts</u>	<u>Cancelled</u>	Balance, December 31, <u>2016</u>
Municipal Alliance on Alcoholism and Drugs	\$ 5,814	\$ 7,407	\$ 6,786	\$ 4,314	\$ 2,121
NJ Forest Service Grant	3,000			3,000	
Recycling Tonnage Grant		33,476	33,476		
Drunk Driving Enforcement Fund		8,201	8,201		
Alcohol Education and Rehabilitation Fund		1,269	1,269		
Senior Citizens Activities Grant	4,206	3,530	1,503	2,703	3,530
Federal Ballistic Vest Fund Grant	1,258	3,413	3,413	1,258	
Rain Garden Grant - Bergen SWAN		400	400		
Rain Garden Grant - Bergen Health Services		300	300		
Clean Communities		25,802	25,802		
HAVA	1,000		866	134	
Body Armor Fund	1,678	2,505	2,505	1,678	-
	<u>\$ 16,956</u>	<u>\$ 86,303</u>	<u>\$ 84,521</u>	<u>\$ 13,087</u>	<u>\$ 5,651</u>
Original Budget		\$ 41,677			
Added by NJSA 40A:4-87		<u>44,626</u>			
		<u>\$ 86,303</u>			

**BOROUGH OF WESTWOOD
STATEMENT OF DUE TO STATE OF NEW JERSEY
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, December 31, 2015		\$ 20,331
Increased by:		
Received from State of New Jersey	\$ 70,572	
Senior Citizen's Deductions Disallowed by Tax Collector - Prior Year	750	
Senior Citizen's and Veterans' Deductions Disallowed by Tax Collector - Current Year	<u>420</u>	
		<u>71,742</u>
		92,073
Decreased by:		
Senior Citizens' Deductions Per Tax Billings	6,000	
Veterans' Deductions Per Tax Billings	64,000	
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector - Prior Year	3,879	
Senior Citizens' and Veterans' Deductions Allowed by Tax Collector - Current Year	<u>17,537</u>	
		<u>91,416</u>
Balance, December 31, 2016		<u>\$ 657</u>

**BOROUGH OF WESTWOOD
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance, December 31,	Levy	Senior Citizens' and Veterans' Deductions Disallowed	Collections		Senior Citizens' and Veterans' Deductions Allowed	Taxes Cancelled Remitted or Abated	Transferred To Tax Title Liens	Balance, December 31,
	2015		2015	2016	2016	2016	2016	2016	
2015	\$ 241,038		\$ 750		\$ 234,202	\$ 3,879	\$ 3,707		
2016	-	\$ 46,092,501	420	\$ 131,103	45,466,775	87,537	82,835	\$ 7,490	\$ 317,181
	<u>\$ 241,038</u>	<u>\$ 46,092,501</u>	<u>\$ 1,170</u>	<u>\$ 131,103</u>	<u>\$ 45,700,977</u>	<u>\$ 91,416</u>	<u>\$ 86,542</u>	<u>\$ 7,490</u>	<u>\$ 317,181</u>

Analysis of Property Tax Levv

TAX YIELD

General Property Tax	
Real Property Tax	\$ 45,936,246
Added Taxes (54:4-63.1 et seq.)	<u>156,255</u>
	<u>\$ 46,092,501</u>

TAX LEVY

Regional School Tax (Abstract)	\$ 26,313,133
County Taxes (Abstract)	4,753,109
County Open Space Taxes (Abstract)	48,982
Due County for Added Taxes (54:4-63.1)	<u>15,357</u>
	\$ 4,817,448

Local Tax

Municipal Purposes	14,172,810
Library Purposes	648,212
Additional Tax Levied	<u>140,898</u>
	<u>14,961,920</u>
	<u>\$ 46,092,501</u>

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

Balance, December 31, 2015		\$	135,631
Increased by:			
Prior Year Adjustment		\$	1,360
Taxes Transferred at Tax Sale			7,490
			8,850
			144,481
Decreased by:			
Transferred to Foreclosed Property			80,153
			80,153
Balance, December 31, 2016		\$	64,328

EXHIBIT A-10

STATEMENT OF PROPERTY ACQUIRED FOR TAXES (AT ASSESSED VALUATION)

Balance, December 31, 2015		\$	3,198,600
Increased by:			
Transferred from Tax Title Liens		\$	80,153
Adjustment to Assessed Valuation			104,347
			184,500
Balance, December 31, 2016		\$	3,383,100

EXHIBIT A-11

STATEMENT OF DEFERRED CHARGES - SPECIAL EMERGENCY APPROPRIATIONS

<u>Date Authorized</u>	<u>Purpose</u>	<u>Net Amount Authorized</u>	<u>Balance, December 31, 2015</u>	<u>2016 Appropriations</u>	<u>Balance, December 31, 2016</u>
5/31/2011	Master Plan	20,000	\$ 4,000	\$ 4,000	
4/2/2013	Revaluation of Real Property	300,000	180,000	60,000	\$ 120,000
4/16/2013	Revaluation of Real Property	25,000	15,000	5,000	10,000
9/1/2015	Master Plan	50,000	50,000	10,000	40,000
12/1/2015	Severance Liabilities	150,000	150,000	30,000	120,000
			\$ 399,000	\$ 109,000	\$ 290,000

**BOROUGH OF WESTWOOD
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, December 31, <u>2015</u>	<u>Accrued</u>	<u>Collected</u>	Balance, December 31, <u>2016</u>
Borough Clerk				
Licenses				
Alcoholic Beverage		\$ 27,800	\$ 27,800	
Other		13,285	13,285	
Fees and Permits		667	667	
Construction Code Official				
Building Permits and Fees		415,181	415,181	
Police				
Fees and Permits		2,950	2,950	
Municipal Court				
Fines and Costs	\$ 8,872	82,492	86,362	\$ 5,002
Board of Health				
Other Licenses		20,576	20,576	
Fees and Permits		61,403	61,403	
Zoning				
Fees and Permits		30,450	30,450	
Interest and Cost on Taxes		67,959	67,959	
Interest on Investment and Deposits		22,849	22,849	
Consolidated Municipal Property Tax Relief		3,517	3,517	
Energy Receipts Tax		1,015,314	1,015,314	
Watershed Moratorium Offset Aid		705	705	
Westwood Parking Authority		45,000	45,000	
Police Off-Duty Detail		86,300	86,300	
Uniform Fire Safety Act		90,969	90,969	
Payment in Lieu of Taxes - Westwood House		108,906	108,906	
Cellular One Lease Agreement		150,331	150,331	
Cable TV Franchise Fees		103,010	103,010	
Safe Schools Reserves	-	9,765	9,765	-
	<u>\$ 8,872</u>	<u>\$ 2,359,429</u>	<u>\$ 2,363,299</u>	<u>\$ 5,002</u>

BOROUGH OF WESTWOOD
STATEMENT OF 2015 APPROPRIATION RESERVES

	Balance, December 31, 2015	Orders/Payables Restored	Transfers	Balance After Modification	Paid or Charged	Balance Lapsed
SALARIES AND WAGES						
General Administration	\$ 24			\$ 24		\$ 24
Mayor and Council	412			412		412
Municipal Clerk	40			40		40
Financial Department	3			3		3
Revenue Collection	236			236		236
Tax Assessment	6			6		6
Planning Board	2,101			2,101		2,101
Police Department	111,474		\$ 42,000	153,474	\$ 91,249	62,225
Police Dispatch/911	6,273			6,273		6,273
Fire Official	1,546			1,546		1,546
Prosecutor	3			3		3
Streets and Road Maintenance	81,116			81,116	66,058	15,058
Recycling	1,385			1,385		1,385
Buildings and Grounds	5,024			5,024		5,024
Public Health Services	3			3		3
Welfare/Admin. of Public Assistance	67			67		67
Recreation Services and Programs	1			1		1
Building Inspector	8,086			8,086		8,086
Municipal Court	1,447			1,447		1,447
Public Defender	1,374			1,374		1,374
OTHER EXPENSES						
General Administration	4,439	\$ 1,824		6,263	6,262	1
Mayor and Council	531	102		633	102	531
Municipal Clerk						
Other Expenses	9,418	1,354		10,772	755	10,017
Elections	1,837			1,837		1,837
Financial Administration						
Other Expenses	5,613	2,938		8,551	8,485	66
Annual Audit		1,500		1,500		1,500
Revenue Collection	143	1,650		1,793	1,200	593
Tax Assessment Administration	814	1,299	3,400	5,513	4,183	1,330
Legal Services and Costs	25,839	4,909		30,748	13,207	17,541
Engineering	1,038	1,448		2,486	2,448	38
Environmental	1,061			1,061		1,061
Historical Commission	1,942			1,942	1,924	18
Borough Historian	725			725		725
Planning Board	38,579	11,955		50,534	21,493	29,041
Insurance						
Health Insurance	12,252	36,672		48,924	12,083	36,841
General Liability Insurance	3,892			3,892	3,200	692
Workers Compensation Insurance	15,119			15,119		15,119
Fire Department						
Other Expenses	3,147	6,097		9,244	5,846	3,398
Fire Hydrant Service	859			859		859
Police Department						
Other Expenses	776	33,718	1,535	36,029	35,899	130
Acquisition of Police Vehicles	5,491	1,386		6,877	4,053	2,824
Police Dispatch 911	1,031	100		1,131	100	1,031
Police Reserves	210	767		977	906	71

**BOROUGH OF WESTWOOD
STATEMENT OF 2015 APPROPRIATION RESERVES**

	Balance, December 31, <u>2015</u>	Orders/Payables <u>Restored</u>	<u>Transfers</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
OTHER EXPENSES (Continued)						
Emergency Management Svcs.	\$ 1,351			\$ 1,351	\$ 123	\$ 1,228
Fire Official	1,179			1,179		1,179
Life Hazard Use Fees Payments	5			5		5
Streets and Road Maintenance						
Other Expenses	22,841	\$ 24,354		47,195	36,848	10,347
Repair to Traffic Lights	4,563			4,563		4,563
Sanitation - Garbage and Trash Collection	54,467			54,467	54,391	76
Recycling	8			8		8
Buildings and Grounds	452	3,925		4,377	3,540	837
Vehicle Maintenance	9,146	26,001		35,147	23,212	11,935
Public Health Services	952	2,438		3,390	2,509	881
Welfare/Admin. of Public Assistance	787			787		787
Recreation Services and Programs	1,327			1,327	315	1,012
Maintenance of Westvale Park	6,017	3,529		9,546	6,170	3,376
Celebration of Public Events	1,639			1,639		1,639
Municipal Court	7,552	710		8,262	1,070	7,192
Salary Negotiations and Costs	42,000		\$ (42,000)	-		
Building Inspector	1,921	1,219		3,140	1,297	1,843
Electricity	14,303			14,303	12,114	2,189
Street Lighting	14,168			14,168	13,854	314
Telephone	8,365	480		8,845	835	8,010
Gasoline	77,745	5,335		83,080	5,935	77,145
Natural Gas	23,105	1,188	(4,935)	19,358	2,408	16,950
Water	7,149			7,149	1,618	5,531
Sewerage Processing and Disp	1,504	3,300		4,804	3,195	1,609
Garbage Tipping Fees	20,000			20,000		20,000
Contingent	1,000			1,000		1,000
Social Security System	48			48		48
Contribution to Public Employees Retirement System	27			27		27
Contribution to Police and Fireman's Retirement System	27			27		27
Defined Contribution Plan	442			442		442
Maintenance of Free Public Library	28,853			28,853	28,853	
Health Insurance - Excluded from "CAPS"	26,976			26,976		26,976
Bergen County Utilities Authority	1			1		1
Length of Service Awards	1,567	68,433		70,000	68,433	1,567
Reserve for Tax Appeals	6,089	13,307		19,396		19,396
Federal Forfeiture Funds	2,125			2,125	2,125	
Alcohol Education and Rehabilitation	648			648	648	
Drive Sober	5,000			5,000	5,000	
Police - Body Armor	4,444			4,444	4,444	
BJHF Safety Award	152	162		314	314	
Clean Communities Grant	13,768	5,090		18,858	18,858	
Federal Ballistic Vest Fund	66			66	66	
Municipal Alliance						
State Share	7,607			7,607	7,607	
Community Development - Senior Citizens Activities	2,938	190	-	3,128	3,128	-
	<u>\$ 779,701</u>	<u>\$ 267,380</u>	<u>\$ -</u>	<u>\$ 1,047,081</u>	<u>\$ 607,759</u>	<u>\$ 439,322</u>
Cash Disbursements					\$ 584,731	
Accounts Payable					17,489	
Appropriated Reserve for Grants					<u>5,539</u>	
					<u>\$ 607,759</u>	

**BOROUGH OF WESTWOOD
STATEMENT OF DUE TO STATE OF NEW JERSEY**

	Balance, December 31, <u>2015</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2016</u>
Marriage Licenses	\$ 300	\$ 1,425	\$ 1,300	\$ 425
Uniform Construction Fees	12,071	22,821	30,009	4,883
Burial Permit Fees	<u>20</u>	<u>245</u>	<u>260</u>	<u>5</u>
	<u>\$ 12,391</u>	<u>\$ 24,491</u>	<u>\$ 31,569</u>	<u>\$ 5,313</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2015	\$ 200,830
Increased by:	
Transfer from 2016 Appropriations	\$ 436,560
Transfer from 2015 Appropriations Reserves	17,489
Prior Year Voided Checks	<u>4,609</u>
	<u>458,658</u>
	659,488
Decreased by:	
Cash Disbursements	2,141
Cancelled Payables Restored to Appropriation Reserves	<u>198,947</u>
	<u>201,088</u>
Balance, December 31, 2016	<u>\$ 458,400</u>

**BOROUGH OF WESTWOOD
STATEMENT OF APPROPRIATED GRANT RESERVES**

	Balance, December 31, <u>2015</u>	Transfer From Appropriation <u>Reserves</u>	Paid or <u>Charged</u>	<u>Cancelled</u>	Balance, December 31, <u>2016</u>
Alcohol Education and Rehabilitation	\$ 16,948	\$ 648	\$ 945		\$ 16,651
Municipal Alliance Program - State Share	2,635			\$ 2,635	
Municipal Alliance Program - Local Match	2,343			2,343	
NJ Forestry - Tree Grant - State Grant	3,000			3,000	
NJ Forestry - Tree Grant - Local Match	3,000			3,000	
Body Armor Fund	7,602	2,766	3,413		6,955
Drunk Driving Enforcement Fund	3,204		2,068		1,136
Drive Sober/Get Pulled Over	5,010			5,010	
Community Development - Senior Citizens Activities	16			16	
Federal Forfeiture Funds		2,125			2,125
Over the Limit/Under Arrest	4,382	-	-	4,382	-
	<u>\$ 48,140</u>	<u>\$ 5,539</u>	<u>\$ 6,426</u>	<u>\$ 20,386</u>	<u>\$ 26,867</u>

STATEMENT OF PREPAID TAXES

Balance, December 31, 2015	\$ 131,103
Increased by:	
Collection of 2017 Taxes	<u>190,673</u>
	321,776
Decreased by:	
Application to 2016 Taxes	<u>131,103</u>
Balance, December 31, 2016	<u>\$ 190,673</u>

**BOROUGH OF WESTWOOD
STATEMENT OF TAX OVERPAYMENTS**

Balance, December 31, 2015	\$	31,794
Increased by:		
Tax Overpayments		34,547
		66,341
Decreased by:		
Refunded		31,794
Balance, December 31, 2016	\$	34,547

STATEMENT OF REGIONAL SCHOOL DISTRICT TAX PAYABLE

Increased by:		
Levy - Calendar Year	\$	26,313,133
Decreased by:		
Payments	\$	26,313,133

STATEMENT OF COUNTY TAXES PAYABLE

Balance, December 31, 2015	\$	8,155
Increased by:		
2016 Levy	\$ 4,753,109	
County Open Space Preservation	48,982	
Added Taxes (54:4-63.1 et seq.)	15,357	
		4,817,448
		4,825,603
Decreased by:		
Payments		4,810,246
Balance, December 31, 2016	\$	15,357

**BOROUGH OF WESTWOOD
STATEMENT OF OTHER LIABILITIES - LOSAP CONTRIBUTION**

Balance, December 31, 2015	\$	68,433
Increased by:		
Transfer from 2016 Budget Appropriations		59,233
		127,666
Decreased by:		
Transferred to Appropriation Reserves		68,433
Balance, December 31, 2016	\$	59,233

EXHIBIT A-22

STATEMENT OF DUE FROM WESTWOOD PARKING AUTHORITY

Increased by:		
Authority Expenditures Paid by Borough	\$	74,508
Decreased by:		
Receipts from Parking Authority		68,723
Balance, December 31, 2016	\$	5,785

EXHIBIT A-23

STATEMENT OF SPECIAL EMERGENCY NOTE PAYABLE

<u>Purpose</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	Balance December 31, <u>2015</u>	<u>Increased</u>	<u>Decreased</u>	Balance December 31, <u>2016</u>
Revaluation of Real Property	10/29/2015	10/28/2016	\$ 195,000		\$ 195,000	
	5/16/2016	5/16/2017		\$ 160,000		\$ 160,000
	10/28/2016	5/16/2017	-	130,000	-	130,000
			\$ 195,000	\$ 290,000	\$ 195,000	\$ 290,000

**BOROUGH OF WESTWOOD
STATEMENT OF UNAPPROPRIATED GRANT RESERVES**

	Balance, December 31, <u>2015</u>	Increased by <u>Receipts</u>	Balance, December 31, <u>2016</u>
Drunk Driving Enforcement Fund	\$ -	\$ 2,882	\$ 2,882
	<u>\$ -</u>	<u>\$ 2,882</u>	<u>\$ 2,882</u>

EXHIBIT A-25

STATEMENT OF RESERVE FOR TAX APPEALS

	Balance, December 31, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2016</u>
Tax Appeals	\$ 111,044	\$ 75,000	\$ 40,633	\$ 145,411
	<u>\$ 111,044</u>	<u>\$ 75,000</u>	<u>\$ 40,633</u>	<u>\$ 145,411</u>

EXHIBIT A-26

STATEMENT OF RESERVE FOR SALE OF ASSETS

Increased by:	
Cash Received	\$ 5,000
Balance, December 31, 2016	<u>\$ 5,000</u>

EXHIBIT A-27

STATEMENT OF RESERVE FOR JIF DIVIDEND

Increased by:	
Cash Received	\$ 60,298
Balance, December 31, 2016	<u>\$ 60,298</u>

TRUST FUNDS

**BOROUGH OF WESTWOOD
STATEMENT OF TRUST CASH**

	<u>Animal Control</u>	<u>Other Trust</u>	<u>Unemployment Insurance</u>
Balance December 31, 2015	\$ 17,538	\$ 1,805,794	\$ 14,996
Increased by Receipts:			
Interest on Investments and Deposits	\$ 16	\$ 6,024	\$ 17
Due to Westwood Parking Authority		12,034	
POAA Receipts		1,062	
Miscellaneous Reserves		1,518,210	
License Fees Collected	6,978		
Receipts from Current Fund			8,500
Receipts from General Capital Fund		51,639	
Due to State of New Jersey	877		
Escrow Deposits		138,852	
Payroll and Payroll Deductions	-	8,324,078	8,737
	<u>7,871</u>	<u>10,051,899</u>	<u>17,254</u>
	25,409	11,857,693	32,250
Decreased by Disbursements:			
Expenditures Under R.S. 4:19-15.11	2,374		
Payment to Current Fund	6,002	6,190	17
Escrow Deposits		401,779	
Payments to State of NJ	883		9,535
Payments to Westwood Parking Authority		12,238	
Payments to General Capital		143,000	
POAA Expenditures		1,284	
Payroll and Payroll Deductions Payable		8,352,998	
Miscellaneous Reserves	-	1,279,259	-
	<u>9,259</u>	<u>10,196,748</u>	<u>9,552</u>
Balance, December 31, 2016	<u>\$ 16,150</u>	<u>\$ 1,660,945</u>	<u>\$ 22,698</u>

BOROUGH OF WESTWOOD
STATEMENT OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance, December 31, 2015		\$ 11,545
Increased by:		
Animal Control Fees		<u>6,978</u>
		18,523
Decreased by:		
Statutory Excess Due Current Fund Expenditures	\$ 4,235	
	<u>2,374</u>	
		<u>6,609</u>
Balance, December 31, 2016		<u>\$ 11,914</u>

EXHIBIT B-3

STATEMENT OF DUE TO STATE OF NEW JERSEY
DOG REGULATION FEES

Balance, December 31, 2015		\$ 7
Increased by:		
Registration Fees - Due State		<u>877</u>
		884
Decreased by:		
Payments		<u>883</u>
Balance, December 31, 2016		<u>\$ 1</u>

**BOROUGH OF WESTWOOD
STATEMENT OF DUE TO CURRENT FUND - ANIMAL CONTROL FUND**

Balance, December 31, 2015		\$ 5,986
Increased by:		
Statutory Excess	\$ 4,235	
Interest on Investments and Deposits	<u>16</u>	
		<u>4,251</u>
		10,237
Decreased by:		
Payments to Current Fund		<u>6,002</u>
Balance, December 31, 2016		<u>\$ 4,235</u>

EXHIBIT B-5

STATEMENT OF DUE TO CURRENT FUND - OTHER TRUST FUND

Balance, December 31, 2015		\$ 166
Increased by:		
Interest on Investments and Deposits		<u>6,024</u>
		6,190
Decreased by:		
Disbursements to Current Fund		<u>6,190</u>
Balance, December 31, 2016		<u>\$ -</u>

EXHIBIT B-6

STATEMENT OF ESCROW DEPOSITS

Balance, December 31, 2015		\$ 560,183
Increased by:		
Cash Receipts		<u>138,852</u>
		699,035
Decreased by:		
Cash Disbursements		<u>401,779</u>
Balance, December 31, 2016		<u>\$ 297,256</u>

**BOROUGH OF WESTWOOD
STATEMENT OF RESERVE FOR POAA COURT EXPENDITURES**

Balance, December 31, 2015	\$	18,874
Increased by:		
Cash Receipts		1,062
		19,936
Decreased by:		
Cash Disbursements		1,284
Balance, December 31, 2016	\$	18,652

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, December 31, <u>2015</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2016</u>
Affordable Housing	\$ 39,618	\$ 33		\$ 39,651
Redemption of Tax Sale Certificates	2		\$ 2	
Recycling Program	38,292	37,942	39,756	36,478
Police Off-Duty Detail	238,863	528,535	465,403	301,995
Accumulated Absences		190,000		190,000
Public Safety Donations	19,038	19,762	16,279	22,521
Code Compliance Penalty	113,904	11,550	37,983	87,471
Shade Tree	11,385		245	11,140
Fire Prevention	22,662	10,934	30,000	3,596
Premium on Tax Sale	410,000	182,500	305,200	287,300
Elevator Reserve	17,279	22,321	16,389	23,211
Recreation Fees	214,252	525,159	511,002	228,409
Snow Removal	36,560	20,000	-	56,560
	<u>\$ 1,161,855</u>	<u>\$ 1,548,736</u>	<u>\$ 1,422,259</u>	<u>\$ 1,288,332</u>
Due from/to General Capital Fund		\$ 30,526	\$ 143,000	
Cash Receipts		1,518,210		
Cash Disbursements		-	1,279,259	
		<u>\$ 1,548,736</u>	<u>\$ 1,422,259</u>	

**BOROUGH OF WESTWOOD
STATEMENT OF RESERVE FOR PAYROLL AND PAYROLL DEDUCTIONS PAYABLE**

Balance, December 31, 2015	\$	64,512
Increased by:		
Cash Receipts		8,324,078
		8,388,590
Decreased by:		
Cash Disbursements		8,352,998
Balance, December 31, 2016	\$	35,592

EXHIBIT B-10

STATEMENT OF DUE TO WESTWOOD PARKING AUTHORITY

Balance, December 31, 2015	\$	204
Increased by:		
Fines and Costs Due to Parking Authority		12,034
		12,238
Decreased by:		
Payments to Parking Authority		12,238
Balance, December 31, 2016	\$	-

EXHIBIT B-11

STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE CLAIMS

Balance, December 31, 2015	\$	13,513
Increased by:		
2016 Budget Appropriation	\$	8,500
Employee Payroll Deductions		8,737
		17,237
		30,750
Decreased by:		
Unemployment Claims		8,920
Balance, December 31, 2016	\$	21,830

**BOROUGH OF WESTWOOD
STATEMENT OF DUE TO CURRENT FUND -
UNEMPLOYMENT COMPENSATION INSURANCE FUND**

Increased by:		
Interest on Deposits	\$	<u>17</u>
Decreased by:		
Payments to Current Fund	\$	<u>17</u>

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

Balance, December 31, 2015	\$	1,483
Increased by:		
Unemployment Claims Due to State		<u>8,920</u>
		10,403
Decreased by:		
Payments to State of New Jersey		<u>9,535</u>
Balance, December 31, 2016	\$	<u>868</u>

GENERAL CAPITAL FUND

**BOROUGH OF WESTWOOD
STATEMENT OF GENERAL CAPITAL CASH**

Balance, December 31, 2015		\$ 1,819,527
Increased by Receipts:		
Reserve for Payment of Bonds	\$ 48,111	
Grants Received - Fund Balance	18,741	
Grants Received - Grants Receivable	811,215	
Receipts from Other Trust Fund	143,000	
Improvement Authorizations - Refunds	9,285	
Interest on Investments	7,474	
Receipts from Current Fund	<u>804,744</u>	
		<u>1,842,570</u>
		3,662,097
Decreased by:		
Improvement Authorizations	2,489,285	
Payments to Current Fund	298,778	
Payments to Other Trust Funds	<u>51,639</u>	
		<u>2,839,702</u>
Balance, December 31, 2016		<u><u>\$ 822,395</u></u>

**BOROUGH OF WESTWOOD
ANALYSIS OF GENERAL CAPITAL CASH
AS OF DECEMBER 31, 2016**

Fund Balance	\$ 597,948
Capital Improvement Fund	47,592
Accounts Payable	457,839
Grants Receivable	(592,038)
Due from Other Trust Fund	(21,113)
Reserve for Payment of Bonds	205,428

Improvement Authorizations:

<u>Ord. No.</u>	<u>Improvement Description</u>	
12-04	Railroad Signalization Project	368
13-07	DPW Equipment	4
13-08	Community Garden	(1,515)
13-09	Monitoring of Landfill Emissions	3
13-16	FD Equipment and Engine 12 Rebuild Tank/Pump	1,195
13-28	Methane Investigation and Remediations	24,952
14-04	Tax Appeals	2,086
14-08	Road Resurfacing Program	82,546
14-15	Pascack Road Improvements	8,574
14-17	Fire Department Equipment and Tank Rebuild (Engine 16)	1,644
14-23	Emerson Road Pump Station	345,775
14-30	Renovations to Borough Hall	54,965
15-01	Acquisition of Fire Apparatus for the Borough Fire Department	3,849
15-12	Road Improvements to First and Elm	36,730
15-13	Signage/Cones and Barricades	1,932
15-17	Monitoring of Landfill Emissions	16,365
15-18	Acquisition of a Radio Console for the Police Department Dispatch Desk	9,106
15-19	Acquisition of DPW Equipment- Mechanics Tools	1,967
15-26	Acquisition of Various Equipment for the Borough Fire Department	4,412
16-1	Acquisition of Property	(5,421)
16-2	Construction of Handicapped Accessible Curb Ramps	24,749
16-7	Acquisition of Scoreboards for Recreation	135
16-12	Acquisition of Fire Prevention Vehicle	699
16-13	Acquisition of Construction Code Vehicle	1,392
16-15	Monitoring of Landfill Emissions	(43,539)
16-16	Acquisition of Computer/Telecommunications Equipment	(148,612)
16-17	2016 Road Resurfacing Program	(363,583)
16-21	Acquisition of Various Equipment for the Borough Fire Department	9,153
16-22	Acquisition of Various Equipment for the Police Department	10,550
16-23	Acquisition of Various Equipment for the DPW Department	8
16-25	Construction of Handicapped Accessible Curb Ramps	40,250
16-26	Acquisition of Snow Plow Equipment	6,000
		<u>\$ 822,395</u>

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

Balance, December 31, 2015		\$ 17,673,625
Decreased by:		
2016 Budget Appropriation		
Serial Bonds	\$ 1,730,000	
EIT Loans	50,718	
Cancelled EIT Loans	<u>44,809</u>	
		<u>1,825,527</u>
Balance, December 31, 2016		<u>\$ 15,848,098</u>

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

Ord. No.	Improvement Description	Balance, December 31, 2015	2016 Authorizations	Cancelled	Grants/ Other Aid	Budget Appropriation	Balance, December 31, 2016	Analysis of Balance	
								Expenditures	Unexpended Improvement Authorizations
97-7	Impvt. of Drainage Ditch	\$ 14,250				\$ 14,250			
07-12	Acquisition of Various Equipment-Fire Department	5,560				5,560			
08-01	Road Improvements	6,582				6,582			
13-08	Community Garden	10,000		\$ 8,485			\$ 1,515	\$ 1,515	
13-28	Methane Investigation and Remediation	441		441					
14-04	Refunding Tax Appeals	916,000				292,000	624,000		\$ 624,000
14-17	Fire Department Equipment and Tank Rebuild (Engine 16)	1					1		1
15-18	Acquisition of a Radio Console for the Police Department Dispatch Desk	295					295		295
16-1	Acquisition of Property		\$ 477,875		\$ 390,000		87,875	5,421	82,454
16-2	Construction of Handicapped Accessible Curb Ramps		33,250				33,250		33,250
16-15	Monitoring of Landfill Emissions		47,500				47,500	43,539	3,961
16-16	Acquisition of Computer/Telecommunications Equipment		261,250				261,250	148,612	112,638
16-17	2016 Road Resurfacing Program		403,745				403,745	363,583	40,162
16-25	Construction of Handicapped Accessible Curb Ramps	-	19,000	-	-	-	19,000	-	19,000
		<u>\$ 953,129</u>	<u>\$ 1,242,620</u>	<u>\$ 8,926</u>	<u>\$ 390,000</u>	<u>\$ 318,392</u>	<u>\$ 1,478,431</u>	<u>\$ 562,670</u>	<u>\$ 915,761</u>

**BOROUGH OF WESTWOOD
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2015</u>	Grant <u>Awards</u>	Cash <u>Received</u>	<u>Cancelled</u>	Balance, December 31, <u>2016</u>
County of Bergen					
Ord. 01-01	\$ 63,741				\$ 63,741
Ord. 03-13	28,341				28,341
Ord. 08-25	1,550				1,550
Ord. 13-27	100			\$ 100	
Bergen County Open Space - Community Gardens - Ord. 2013-08	6,082			6,082	
Bergen County ADA Cooperative Curb Ramp Const. Program - Ord. 2013-24	185,900		\$ 101,102	67,438	17,360
Department of Transportation					
Fairview Avenue- Ordinance 06-04	78,459				78,459
2009 Roadway Improvement - Ord. 09-01	121,762				121,762
2010 Roadway Improvement - Ord. 10-3	14,361				14,361
2011 Road Repaving - Ord. 11-06	23,915				23,915
2012 Road Repaving - Ord. 12-02	36,400				36,400
Installation of Barrier Free Curb Cuts - Ord. 11-13	28,988			28,988	
First and Elm Streets - Ord 15-12	37,250				37,250
2016 Road Resurfacing Program - Ord. 16-17		\$ 148,005	85,676		62,329
Department of Environmental Protection					
Flood Mitigation Acquisition Project - Ord. 12-21	36,788		36,788		
Office of Emergency Management					
Flood Mitigation Acquisition Project - Ord. 12-21	79,219		79,219		
Bergen County Open Space					
Acquisition of Property - Ord. 16-1		292,500	292,500		
State of NJ Green Acres					
Acquisition of Property - Ord. 16-1		200,000	97,500		102,500
Bergen County Community Development Block Grant					
Construction of ADA Accessible Curb Ramps - Ord. 16-2		175,000	118,430		56,570
Construction of ADA Accessible Curb Ramps - Ord. 16-25	-	50,000	-	-	50,000
	<u>\$ 742,856</u>	<u>\$ 865,505</u>	<u>\$ 811,215</u>	<u>\$ 102,608</u>	<u>\$ 694,538</u>
				\$ 6,082	
				96,526	
				<u>\$ 102,608</u>	

EXHIBIT C-7

STATEMENT OF DUE FROM CURRENT FUND

Balance, December 31, 2015	\$ 416,352
Increased by:	
Payments to Current Fund	\$ 298,778
2016 Budget Appropriations	
Deferred Charges - Unfunded	318,392
Capital Improvement Fund	70,000
	<u>687,170</u>
	1,103,522
Decreased by:	
General Capital Fund Expenditures Paid By Current Fund	291,304
Interest on Investments and Deposits	7,474
Receipts from Current Fund	<u>804,744</u>
	<u>1,103,522</u>
Balance, December 31, 2016	<u>\$ -</u>

**BOROUGH OF WESTWOOD
STATEMENT OF GENERAL SERIAL BONDS**

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding <u>December 31, 2016</u>		Interest Rate	Balance, December 31,		Balance, December 31, 2016
			Date	Amount		2015	Decreased	
Refunding Bonds	4/1/2004	\$ 4,555,000	8/15/2017	\$ 480,000	2.00-3.60%	\$ 950,000	\$ 470,000	\$ 480,000
Refunding Bonds	5/6/2008	2,235,000	8/1/17	210,000	3.00-5.00 %	855,000	200,000	655,000
			8/1/18	215,000				
			8/1/19	230,000				
General Improvement Bonds	4/13/2010	3,736,000	4/1/2017	455,000	2.00-3.50%	3,541,000	420,000	3,121,000
			4/1/2018	450,000				
			4/1/2019	475,000				
			4/1/2020	530,000				
			4/1/2021	575,000				
			4/1/2022	636,000				
Refunding Bonds	2/29/2012	3,890,000	9/15/2017	335,000	2.00-4.00%	3,395,000	340,000	3,055,000
			9/15/2018	385,000				
			9/15/2019	380,000				
			9/15/2020	475,000				
			9/15/2021	490,000				
			9/15/2022	490,000				
			9/15/2023	500,000				
General Improvement Bonds	11/24/2015	8,160,000	11/15/2017	300,000	2.00-3.00%	8,160,000	300,000	7,860,000
			11/15/2018-21	575,000				
			11/15/2022-26	580,000				
			11/15/2027-30	590,000				
						<u>\$ 16,901,000</u>	<u>\$ 1,730,000</u>	<u>\$ 15,171,000</u>

BOROUGH OF WESTWOOD
STATEMENT OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	2016 Authorizations										Balance,			
		December 31, 2015		Deferred Charges Unfunded	Funded County/ State Grants	Funded by Capital Surplus	Funded by Recreation Trust	Funded by Other Trust	Capital Impvt. Fund	Payables Restored	Refunds	Authorizations		December 31, 2016	
		Funded	Unfunded									Cancelled	Expended	Funded	Unfunded
00-13/09-17	Landfill Closure	\$ 143,900								\$ 776		\$ 144,676			
11-06	Repaving of Various Roads	6,164										6,164			
11-08	Monitoring of Landfill Emissions	11,241										11,241			
11-13	Installation of Barrier Free Curb Cuts	31,628										31,628			
12-02	Borough Wide Road Improvements	2,000										2,000			
12-04	Railroad Signalization Project									6,182			\$ 5,814	\$ 368	
12-05	Various Improvements to Veterans Park									490			490		
12-06	Monitoring of Landfill Emissions									1,594			1,594		
12-13	Various Capital Improvements and Other Related Expenses	13,461								626		11,461	2,626		
12-14	Closure of a Landfill Located in the Borough	17,389										17,389			
12-21	Flood Mitigation Acquisition Project	388											388		
12-22/13-12/13-23	Various Road and Park Improvements	102									\$ 9,285	9,387			
13-02	911 Upgrade	1,108											1,108		
13-03	Borough Hall Security System	12,304								300		8,303	4,301		
13-07	DPW Equipment	10,626										5,326	5,296	4	
13-08	Community Garden		\$ 8,485										8,485		
13-09	Monitoring of Landfill Emissions	374									3	374		3	
13-16	FD Equipment and Engine 12 Rebuild Tank/Pump									15,978			14,783	1,195	
13-24/14-35	ADA Curb Cuts - Fourth, Third and Washington Avenues	16,783								59,215		75,381	617		
13-27	Handicapped Accessible Circulation Desk/Borough Hall Counters	3,091										3,091			
13-28	Methane Investigation and Remediation	11,151	441							24,952		8,592	3,000	24,952	
13-33	Drainage Improvements along Newark Avenue	966										966			
14-04	Refunding Tax Appeals	1,390	916,000										291,304	2,086	\$ 624,000
14-08	Road Resurfacing Program	9,819								169,696			96,969	82,546	
14-15	Pascack Road Improvements	3,393								5,181				8,574	
14-16	DPW Equipment	70,401										39,155	31,246		
14-17	Fire Department Equipment and Tank Rebuild (Engine 16)	990	1							25,956			25,302	1,644	1
14-18	Band Stand Improvements	800										800			
14-23	Emerson Road Pump Station	347,667								13,300			15,192	345,775	
14-28	Landfill Monitoring	19,300								21,898		19,300	21,898		
14-30	Renovations to Borough Hall	83,794											28,829	54,965	
14-31	Purchase of Water Oil Furnace	1,910										1,910			
14-36	Police Department Equipment	137								1,441		137	1,441		
15-01	Acquisition of Fire Apparatus for the Borough Fire Department	8,759								408,850			413,760	3,849	
15-09	Construction of New Lights for the Community Center	29,943										21,113	8,830		
15-11	Repair of the Borough Hall Roof	174,608								70,536		180,225	64,919		
15-12	Road Improvements to First and Elm	1,652								157,281			122,203	36,730	
15-13	Signage/Cones and Barricades	3,294								1,349			2,711	1,932	
15-16	Borough Wide Road Improvements	1,427								304,719			306,146		
15-17	Monitoring of Landfill Emissions	17,905								4,547			6,087	16,365	
15-18	Acquisition of a Radio Console for the Police Department Dispatch	144,106	295										135,000	9,106	295
15-19	Acquisition of DPW Equipment- Mechanics Tools	1,967											1,967		
15-26	Acquisition of Various Equipment for the Borough Fire Department	49,845									155		45,588	4,412	
16-1	Acquisition of Property			\$ 477,875					\$ 14,625				410,046		82,454
16-2	Construction of Handicapped Accessible Curb Ramps			33,250	\$ 175,000				1,750				152,001	24,749	33,250
16-7	Acquisition of Scoreboards for Recreation						\$ 8,000						7,865	135	
16-12	Acquisition of Fire Prevention Vehicle							\$ 33,000					32,301	699	
16-13	Acquisition of Construction Code Vehicle							29,000					27,608	1,392	
16-14	Replacement of the Gym Floor at the Community Center												9,413	63,587	
16-15	Monitoring of Landfill Emissions			47,500					2,500				46,039		3,961
16-16	Acquisition of Computer/Telecommunications Equipment			261,250					13,750				162,362		112,638
16-17	2016 Road Resurfacing Program			403,745	148,005				21,250				532,838		40,162
16-21	Acquisition of Various Equipment for the Borough Fire Department					61,000							51,847	9,153	

**BOROUGH OF WESTWOOD
STATEMENT OF DUE FROM OTHER TRUST FUNDS**

Increased by:			
Receipts from Other Trust Funds		\$ 143,000	
Improvement Authorizations Cancelled		<u>30,526</u>	
			\$ <u>173,526</u>
			173,526
Decreased by:			
Improvement Authorizations Funded by Other Trust Funds		143,000	
Payments to Other Trust Funds		<u>51,639</u>	
			<u>194,639</u>
Balance, December 31, 2016			\$ <u>21,113</u>

EXHIBIT C-11

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2015		\$ 1,295,025	
Increased by:			
Charges to Improvement Authorizations		<u>457,839</u>	
			1,752,864
Decreased by:			
Payables Restored to Improvement Authorizations		<u>1,295,025</u>	
Balance, December 31, 2016			\$ <u>457,839</u>

EXHIBIT C-12

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2015		\$ 32,467	
Increased by:			
2016 Budget Appropriation		<u>70,000</u>	
			102,467
Decreased by:			
Appropriation to Finance Impvt. Authorizations		<u>54,875</u>	
Balance, December 31, 2016			\$ <u>47,592</u>

**BOROUGH OF WESTWOOD
STATEMENT OF PROSPECTIVE ASSESSMENTS RAISED BY TAXATION**

Ord. No.	<u>Improvement Description</u>	Total Ordinance	Down- Payment	Balance, December 31, <u>2015</u>	Cancelled	Balance, December 31, <u>2016</u>
97-7	Impvts. of Drainage Ditch	\$ 15,000	\$ 750	\$ 750	\$ 750	
04-14	Improvements to Bogert Pond	42,300	2,200	<u>2,200</u>	<u>2,200</u>	\$ -
				<u>\$ 2,950</u>	<u>\$ 2,950</u>	<u>\$ -</u>

EXHIBIT C-14

STATEMENT OF LOANS PAYABLE

Balance, December 31, 2015	\$ 772,625
Decreased by:	
2016 Budget Appropriation	\$ 50,718
Cancelled	<u>44,809</u>
	<u>95,527</u>
Balance, December 31, 2016	<u>\$ 677,098</u>

EXHIBIT C-15

STATEMENT OF ENVIRONMENTAL INFRASTRUCTURE LOAN RECEIVABLE

Balance, December 31, 2015	\$ 44,809
Decreased by:	
Cancelled	<u>44,809</u>
Balance, December 31, 2016	<u>\$ -</u>

EXHIBIT C-16

STATEMENT OF RESERVE FOR PAYMENT OF BONDS

Balance, December 31, 2015	\$ 157,317
Increased by:	
State Aid Received in 2016	<u>48,111</u>
Balance, December 31, 2016	<u>\$ 205,428</u>

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

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance, December 31, 2015</u>	<u>2016 Authorizations</u>	<u>Funded By Grant Proceeds</u>	<u>Budget Appropriation</u>	<u>Cancelled</u>	<u>Balance, December 31, 2016</u>
97-7	Impvt. of Drainage Ditch	\$ 14,250			\$ 14,250		
07-12	Acquisition of Various Equipment-Fire Department	5,560			5,560		
08-01	Road Improvements	6,582			6,582		
13-08	Community Garden	10,000				\$ 8,485	\$ 1,515
13-28	Methane Investigation and Remediation	441				441	
14-04	Tax Appeals	916,000			292,000		624,000
14-17	Fire Department Equipment and Tank Rebuild (Engine 16)	1					1
15-18	Acquisition of a Radio Console for the Police Department	295					295
16-1	Acquisition of Property		\$ 477,875	\$ 390,000			87,875
16-2	Construction of Handicapped Accessible Curb Ramps		33,250				33,250
16-15	Monitoring of Landfill Emissions		47,500				47,500
16-16	Acquisition of Computer/Telecommunications Equipment		261,250				261,250
16-17	2016 Road Resurfacing Program		403,745				403,745
16-25	Construction of Handicapped Accessible Curb Ramps	-	19,000	-	-	-	19,000
		<u>\$ 953,129</u>	<u>\$ 1,242,620</u>	<u>\$ 390,000</u>	<u>\$ 318,392</u>	<u>\$ 8,926</u>	<u>\$ 1,478,431</u>

PUBLIC ASSISTANCE FUND

**BOROUGH OF WESTWOOD
STATEMENT OF PUBLIC ASSISTANCE CASH**

	PATF Account #1 (75)%	PATF Account #2 (100)%	Total
Balance, December 31, 2015	\$ 832	\$ 86,947	\$ 87,779
Increased by:			
Donations/State Aid	675	268,060	268,735
Petty Cash Returned		100	100
Interest on Deposits	<u>1</u>	<u>74</u>	<u>75</u>
	<u>676</u>	<u>268,234</u>	<u>268,910</u>
	<u>1,508</u>	<u>355,181</u>	<u>356,689</u>
Decreased by:			
Petty Cash Advanced		100	100
Public Assistance Expenditures	1,282	274,921	276,203
Bank Service Charges		203	203
Payments to Current Fund	<u>1</u>	<u>74</u>	<u>75</u>
	<u>1,283</u>	<u>275,298</u>	<u>276,581</u>
Balance, December 31, 2016	<u>\$ 225</u>	<u>\$ 79,883</u>	<u>\$ 80,108</u>

EXHIBIT D-2

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

	PATF Account #1	PATF Account #2	Total
Balance, December 31, 2015	\$ 832	\$ 86,947	\$ 87,779
Increased by:			
Revenues	<u>675</u>	<u>268,060</u>	<u>268,735</u>
	<u>1,507</u>	<u>355,007</u>	<u>356,514</u>
Decreased by:			
Expenditures	<u>1,282</u>	<u>275,124</u>	<u>276,406</u>
Balance, December 31, 2016	<u>\$ 225</u>	<u>\$ 79,883</u>	<u>\$ 80,108</u>

**BOROUGH OF WESTWOOD
STATEMENT OF PUBLIC ASSISTANCE REVENUES**

	PATF Account #1 (75)%	PATF Account #2 (100)%	<u>Total</u>
Donations	\$ 675		\$ 675
State Aid	-	\$ 268,060	268,060
	<u>675</u>	<u>268,060</u>	<u>268,735</u>
Total Revenues			
Petty Cash Returned		100	100
Interest on Deposits	1	74	75
	<u>1</u>	<u>74</u>	<u>75</u>
Total Receipts	<u>\$ 676</u>	<u>\$ 268,234</u>	<u>\$ 268,910</u>

EXHIBIT D-4

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

	PATF Account #1 (75)%	PATF Account #2 (100)%	<u>Total</u>
Current Year Assistance - Reported			
Maintenance Payments		\$ 57,518	\$ 57,518
Temporary Rental Assistance		191,368	191,368
Emergency Assistance		15,871	15,871
Transportation Assistance	-	10,164	10,164
	<u>-</u>	<u>10,164</u>	<u>10,164</u>
Total Reported	-	274,921	274,921
Unreimbursable Expenditures	\$ 1,282		1,282
Bank Service Charges	-	203	203
	<u>-</u>	<u>203</u>	<u>203</u>
Total Expenditures	1,282	275,124	276,406
Payments to Current Fund	1	74	75
Petty Cash Advanced	-	100	100
	<u>-</u>	<u>100</u>	<u>100</u>
Total	<u>\$ 1,283</u>	<u>\$ 275,298</u>	<u>\$ 276,581</u>

**BOROUGH OF WESTWOOD
STATEMENT OF DUE TO CURRENT FUND**

	PATF Account #1 (75)%	PATF Account #2 (100)%	Total
Increased by: Interest on Deposits	\$ 1	74	75
Decreased by: Payments to Current Fund	<u>\$ 1</u>	<u>\$ 74</u>	<u>\$ 75</u>

BOROUGH OF WESTWOOD



PART II

GOVERNMENT AUDITING STANDARDS

AND

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Westwood
Westwood, 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 Westwood as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated April 26, 2017. 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. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Westwood's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Westwood'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 Westwood'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
April 26, 2017

**BOROUGH OF WESTWOOD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED DECEMBER 31, 2016**

<u>Federal Funding Department</u>	<u>CFDA Number</u>	<u>Grant Receipts</u>	<u>Balance, January 1, 2016</u>	<u>Grant Award</u>	<u>Expended</u>	<u>Cancellation</u>	<u>Balance, December 31, 2016</u>	<u>Memo Cumulative Total Expenditures</u>
U.S. Department of Transportation: Over the Limit/Under Arrest	20.601		\$ 4,382			\$ 4,382		
Forfeiture Funds			2,125				\$ 2,125	
Highway Planning and Construction NJ Dept. of Transportation - Ord. 15-12	20.205		37,250				37,250	
NJ Dept. of Transportation - Ord. 16-17		85,676		\$ 148,005	\$ 85,676		62,329	\$ 85,676
Community Development - Senior Citizen Activities Grant			2,938		2,938			2,938
			16			16		
Senior Citizen Activities	N/A	1,503		3,530	940		2,590	940
Handicapped Accessible Curb Ramps	N/A	118,430		175,000	152,001		\$ 22,999	152,001
Ballistic Vest Fund	N/A		66		66			66
	N/A	3,413	-	3,413	3,413	-	-	3,413
			<u>\$ 46,777</u>	<u>\$ 329,948</u>	<u>\$ 245,034</u>	<u>\$ 4,398</u>	<u>\$ 127,293</u>	

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Note - This schedule was not subject to an audit in accordance with U.S. Uniform Guidance.

**BOROUGH OF WESTWOOD
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Grant Receipts</u>	<u>Balance, January 1, 2016</u>	<u>Revenue</u>	<u>Expended</u>	<u>Cancellations</u>	<u>Balance, December 31, 2016</u>	<u>Memo Cumulative Total Expenditures</u>
Clean Communities Grant	4900-765-1789000	2016	\$25,802		\$ 25,802	\$ 4,045		\$ 21,757	\$ 4,045
		2015		\$ 13,768		13,768			13,768
Drunk Driving Enforcement Fund	1110-448-031020-22	2016	8,201		8,201	4,471		3,730	4,471
		2014		1,406		270		1,136	270
		2013		1,798		1,798			1,798
Recycling Tonnage Grant	**	2016	33,476		33,476	256		33,220	256
Municipal Alliance on Alcoholism and Drug Abuse (Passed through County of Bergen)	**	2016	6,786		7,407	1,719		5,688	1,719
		2015		7,607		7,607			7,607
		2014		2,635			\$ 2,635		
Alcohol Education and Rehabilitation	**	2016	1,269		1,269			1,269	
		2015		648				648	
		2014		3,704				3,704	
		2012		20				20	
		2011		1,024				1,024	
		2010		863				863	
		2008		5,343				5,343	
		2007		247				247	
		2004		2,818				2,818	
		2002		1,885			945	940	945
Police Body Armor Fund	**	2016	2,505		2,505			2,505	
		2015		4,444		1,678		2,766	1,678
		2013		7,602		3,413		4,189	3,413
Drive Sober	**	2015		5,000		5,000			5,000
		2013		5,010			5,010		
NJ Forest Services Grant	**	2013		3,000			3,000		
General Welfare Assistance	7500-150-158010-60	2013	268,060	49,296	268,060	274,921		42,435	274,921

BOROUGH OF WESTWOOD
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Grant Receipts</u>	<u>Balance, January 1, 2016</u>	<u>Revenue</u>	<u>Expended</u>	<u>Cancellations</u>	<u>Balance, December 31, 2016</u>	<u>Memo Cumulative Total Expenditures</u>
Department of Environmental Protection New Jersey Environmental Infrastructure - Fund Loan	4860-150-093020-60	2010/2011		\$ 44,809				\$ 44,809	
Green Acres Acquisition of Property - Ord. No. 16-1		2016	\$97,500		\$200,000	\$ 97,500		\$ 102,500	\$ 97,500
Flood Mitigation Acquisition Project - Ord. No. 12-21		2012		388	-	388	-	-	388
				<u>\$ 164,359</u>	<u>\$ 546,720</u>	<u>\$ 417,779</u>	<u>\$ 55,454</u>	<u>\$ 237,846</u>	

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** Not Available

Note - This schedule was not subject to an audit in accordance with NJ OMB Circular 15-08.

**BOROUGH OF WESTWOOD
 NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
 YEAR ENDED DECEMBER 31, 2016**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 6,943	\$ 78,660	\$ 85,603
General Capital Fund	148,005	200,000	348,005
Public Assistance Fund	<u>-</u>	<u>268,060</u>	<u>268,060</u>
Total Financial Awards	<u>\$ 154,948</u>	<u>\$ 546,720</u>	<u>\$ 701,668</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 WESTWOOD
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2016**

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2016, which are not required to be reported on the schedules of expenditures of state financial assistance, are as follows:

Loan Program

Infrastructure Loan - 2010A	<u>\$ 677,098</u>
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**BOROUGH OF WESTWOOD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Part I – Summary of Auditor’s Results

Financial Statement Section

A) Type of auditors' report issued:	<u>Modified, Presentation of Unaudited LOSAP Fund</u>	
B) Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
2) Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported
C) Noncompliance material to basic financial statements noted?	_____ yes	_____ <u>X</u> no

Federal Awards Section

Not Applicable

State Awards Section

Not Applicable

**BOROUGH OF WESTWOOD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Part 2 – Schedule of Financial Statement Findings

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

There are none

**BOROUGH OF WESTWOOD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Part 3 – Schedule of State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major state programs, as required by U.S. Uniform Guidance and NJ OMB Circular Letter 15-08.

CURRENT YEAR FEDERAL AWARDS

Not Applicable.

CURRENT YEAR STATE AWARDS

Not Applicable.

**BOROUGH OF WESTWOOD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

This section identifies the status of prior-year findings related to the financial statements and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

There were none.

BOROUGH OF WESTWOOD

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2016

**BOROUGH OF WESTWOOD
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Tax Rate</u>	<u>\$2.627</u>	<u>\$2.544</u>	<u>\$2.492</u>

Apportionment of Tax Rate

Municipal	.810	.781	.751
Library	.037	.036	.036
County	.272	.249	.244
County Open Space	.003	.003	.003
Regional School	1.505	1.475	1.458

Assessed Valuation

2016	<u>\$1,748,751,200</u>
2015	<u>\$1,742,384,300</u>
2014	<u>\$1,741,729,100</u>

Comparison of Tax Levies and Collection

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>
2016	\$ 46,092,501	\$ 45,684,995	99.11%
2015	44,412,543	44,094,094	99.28%
2014	43,424,859	43,041,592	99.12%

**BOROUGH OF WESTWOOD
SUPPLEMENTARY DATA**

Delinquent Taxes and Tax Title Liens

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

<u>December 31 Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Amount of Tax Title Liens</u>	<u>Total</u>	<u>Percentage of Tax Levy</u>
2016	\$317,181	\$ 64,328	\$381,509	0.83%
2015	241,038	135,631	376,669	0.84%
2014	333,229	123,684	456,913	1.05%

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>
2016	\$3,383,100
2015	3,198,600
2014	3,198,600

**BOROUGH OF WESTWOOD
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Corporate Surety</u>
John Birkner, Jr.	Mayor		
Robert Bicocchi	Council President		
Christopher Montana	Councilmember		
Peter Grefrath	Councilmember		
Raymond Arroyo	Councilmember		
Beth Dell	Councilmember		
Christopher Owens	Councilmember		
Ben Kezmarsky	Borough Administrator		
Karen Hughes	Borough Clerk, Assessment Search Officer	1,000,000	(1)
Denise Holmes	Deputy Borough Clerk	1,000,000	(1)
Stefanie Stokes	Collector, Tax Search Officer	1,000,000	(2)
Durene Ayer	Treasurer, Chief Financial Officer, Qualified Purchasing Agent	1,000,000	(2)
Barbara Potash	Tax Assessor	1,000,000	(1)
Russell R. Huntington	Borough Attorney		
Stephen Boswell	Borough Engineer		
Alan Karch	Magistrate	1,000,000	(2)
Letitia Candeloro	Court Administrator and Violations Clerk	1,000,000	(2)
Elizabeth Kraus	Deputy Court Administrator and Violations Clerk	1,000,000	(2)
Frank Regino	Chief of Police	1,000,000	(1)
Kathy Elgert	Welfare Director	1,000,000	(1)

- (1) Selective Insurance Company. Employees are covered by Blanket Public Employees Faithful Performance Bond with the Bergen County Municipal Joint Insurance Fund (BJIF) and the Municipal Excess Liability Insurance Fund in the amount of \$1,000,000 each.
- (2) Statutory Position Bond coverage under the Bergen County Municipal Joint Insurance Fund and the (BJIF) Municipal Excess Liability Joint Insurance Fund (Excess Crime Policy – Public Employee Bond)

**BOROUGH OF WESTWOOD
SUPPLEMENTARY DATA**

GENERAL COMMENTS

Prior Year Findings Unresolved

Our audit of Fixed Assets revealed that a master listing of all Borough assets is not currently maintained. The Borough had an appraisal in 2007; this data was inputted into the Borough's fixed asset accounting system in 2012, however the amounts were not reconciled to financial reports and audited balances. It is recommended that the Borough currently maintain a master listing of all fixed assets that is in agreement with audited balances.

Our audit noted that the receipts collected by the Recreation Department were not always turned over to the Finance Department in a timely manner. It is recommended that the Recreation Department remit monies collected to the Finance Department in a timely manner.

Our audit of client case files for General Welfare Assistance revealed that certain mandated applications, forms and documents required to substantiate and ascertain the individual's eligibility were not always present and available for audit. It is recommended that all Public Assistance State mandated applications, forms and documents which are required to substantiate client eligibility be completed and be retained in the respective case files.

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 \$17,500, except by contract or agreement." If the municipality has a qualified purchasing agent ("QPA"), the bid threshold can be increased to \$40,000. The Borough has approved the Chief Financial Officer as its QPA and has set the bid threshold at \$40,000.

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 by public advertising for the following:

Vegetative Waste Disposal Services	Disposal of Solid Waste
Barrier Free Curb Ramp Project	Gym Floor Replacement
2016 Road Resurfacing Program	Collection and Disposal of Recyclables

The minutes indicate that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5. Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

**BOROUGH OF WESTWOOD
SUPPLEMENTARY DATA**

GENERAL COMMENTS (Continued)

Collection of Taxes 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 5, 2016 adopted the following resolution authorizing interest to be charged on delinquent taxes and assessments:

BE IT RESOLVED, by the Mayor and Council that the rate of interest on delinquent taxes for the year 2016 be fixed at the rate of 8% per annum on delinquent amounts up to \$1,500, and at 18% per annum on delinquent amounts on \$1,500 or more; and

BE IT FURTHER RESOLVED, that the interest charge on unpaid balances of assessment installments paid prior to delinquency is at the rate of 6% and 6.25% per annum, as stated at time of confirmation.

BE IT FURTHER RESOLVED, that a 10 day grace period will be allowed on the payment of taxes for each quarter from the first day of that month that taxes are due.

BE IT FURTHER RESOLVED that an additional penalty be charged for delinquency in the excess of \$10,000 that is not paid prior to the end of the year, the additional penalty so fixed shall not exceed 6% of the amount of delinquency.

BE IT FURTHER RESOLVED, that, in accordance with Chapter 99, the Tax Collector is hereby permitted to conduct the yearly tax sale.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on September 7, 2016.

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

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

<u>Year</u>	<u>Number of Liens</u>
2016	10
2015	11
2014	10

Suggestions to Management

Outstanding tax title liens receivable be reviewed for potential foreclosure.

Outstanding General Capital Fund grant receivable balances be reviewed.

Outstanding checks in the Public Assistance Fund be reviewed and cleared of record.

**BOROUGH OF WESTWOOD
SUPPLEMENTARY DATA**

RECOMMENDATIONS

It is recommended that:

- * 1. The Borough currently maintain a master listing of all fixed assets that is in agreement with audited balance.
- * 2. The Recreation Department remit monies collected to the Finance Department in a timely manner.
- * 3. All Public Assistance State mandated applications, forms and documents which are required to substantiate client eligibility be completed and be retained in the respective case files.

* * * * *

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

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

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


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