

**BOROUGH OF UPPER SADDLE RIVER**  
**BERGEN COUNTY, NEW JERSEY**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

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**BOROUGH OF UPPER SADDLE RIVER**

**COUNTY OF BERGEN**

**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2018**



# 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 Upper Saddle River  
Upper Saddle River, 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 Upper Saddle River, as of December 31, 2018 and 2017, 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, 2018, 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 Upper Saddle River 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 Upper Saddle River as of December 31, 2018 and 2017, or changes in financial position for the years then ended.

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

The notes to the Borough of Upper Saddle River’s financial statements do not disclose the 2018 other post-employment benefit information related to post-retirement medical benefits provided to its eligible retirees and their dependents under a special funding situation as required by Government Accounting Standards Board Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and the Division of Local Government Services, Department of Community Affairs, State of New Jersey. In our opinion, disclosure of that information is required to conform with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

In addition as discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2018 and 2017. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 21 percent and 22 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2018 and 2017.

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

In our opinion, except for the omission of the 2018 note disclosures regarding the other postemployment health benefit information as well as the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Upper Saddle River as of December 31, 2018 and 2017, 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, 2018 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 Upper Saddle River 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 Upper Saddle River.

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.

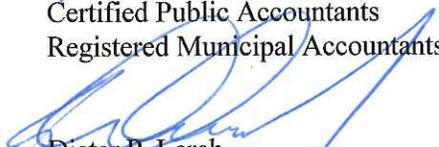
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with Government Auditing Standards, we have also issued our report dated July 2, 2019 on our consideration of the Borough of Upper Saddle River's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Upper Saddle River's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Upper Saddle River's internal control over financial reporting and compliance.



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



Dieter P. Lerch  
Registered Municipal Accountant  
RMA Number CR00398

Fair Lawn, New Jersey  
July 2, 2019

**BOROUGH OF UPPER SADDLE RIVER**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND**  
**AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
Cash - Treasurer	A-4	\$ 2,004,806	\$ 11,784,598
Cash - Change Fund	A-6	150	150
Grant Receivable	A-7	<u>51,214</u>	<u>6,828</u>
		<u>2,056,170</u>	<u>11,791,576</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes	A-9	422,833	304,169
Revenue Accounts Receivable	A-11	4,315	6,399
Due from General Capital Fund	C-5	138,523	
Due from Other Trust Fund - CDBG Acct.	B-6	8	2
Due from Animal Control Trust Fund	B-4	10,303	6,316
Due from Other Trust Fund - Payroll Agency Acct.	B-8	4,726	
Due from Other Trust Fund - Other Trust Acct.	B-7	<u>394,232</u>	<u>-</u>
		<u>974,940</u>	<u>316,886</u>
Deferred Charges			
Overexpenditure of 2018 Appropriations	A-10	4,029	
Emergency Authorizations	A-10	<u>320,000</u>	<u>600,000</u>
		<u>324,029</u>	<u>600,000</u>
Total Assets		<u>\$ 3,355,139</u>	<u>\$ 12,708,462</u>

**BOROUGH OF UPPER SADDLE RIVER**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND**  
**AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Current Fund:			
Appropriation Reserves	A-3,A-12	\$ 300,901	\$ 678,424
Encumbrances Payable	A-13	142,056	98,845
Accounts Payable	A-14	2,932	1,754
Prepaid Taxes	A-15	383,800	8,740,917
Tax Overpayments	A-16	516,720	286,921
County Taxes Payable	A-17	10,656	
Local School Taxes Payable	A-18	40	119,336
Due to Other Trust Fund - Other Trust Acct	B-7		73,600
Due to General Capital Fund	C-5		385,859
Due to State of NJ-Senior Citizens Deductions	A-8	12,465	20,287
Due to the State of NJ - DCA Fees	A-22	4,526	6,305
Emergency Note Payable	A-25		600,000
Reserve for Appropriated Grants	A-20	52,434	31,475
Reserve for Unappropriated Grants	A-21	5,342	10,883
Reserve for Assessment Program	A-23	1,185	1,185
Reserve for 100th Anniversary Celebration	A-24	<u>1,143</u>	<u>1,143</u>
		1,434,200	11,056,934
Reserve for Receivables	A	974,940	316,886
Fund Balance	A-1	<u>945,999</u>	<u>1,334,642</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 3,355,139</u>	<u>\$ 12,708,462</u>

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

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b>REVENUES AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	A-2	\$ 1,000,000	\$ 494,317
Miscellaneous Revenue Anticipated	A-2	2,145,909	2,850,090
Receipts from Delinquent Taxes	A-2	298,113	275,283
Receipts from Current Taxes	A-2	52,683,548	51,665,605
Nonbudget Revenue	A-2	573,055	261,077
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-12	303,579	313,748
Statutory Excess of Animal License Reserve	B-4	3,987	6,316
Cancellation of Old Outstanding Checks	A-4	20,542	7,015
Interfunds Returned	A	<u>6,318</u>	<u>10,966</u>
Total Revenues and Other Income		<u>57,035,051</u>	<u>55,884,417</u>
<b>EXPENDITURES</b>			
Budget and Emergency Appropriations			
Operations			
Salaries and Wages	A-3	4,786,451	4,630,305
Other Expenses	A-3	4,792,354	4,915,315
Capital Improvements	A-3	50,250	50,600
Municipal Debt Services	A-3	914,220	1,149,054
Deferred Charges and Statutory Expenditures	A-3	1,811,678	1,483,406
Local District School Tax	A-18	22,909,658	22,460,827
Regional School Taxes	A-19	14,049,566	13,769,864
County Taxes	A-17	6,884,254	7,000,332
Other Debits to Income			
Interfund Advances	A	547,792	6,318
Prior Year Senior Deductions Disallowed	A		250
Reimbursement Due to Taxation Audit - Prior Year Senior Citizen	A-8	1,500	
Cancellation of Grants Receivable	A	<u>-</u>	<u>32,875</u>
Total Expenditures		<u>56,747,723</u>	<u>55,499,146</u>
Excess of Revenues and Other Income Over Expenditures		287,328	385,271
Adjustments to Income Before Fund Balance - Expenditures			
Included Above Which are by Statute Deferred Charges to Budget of the Succeeding Year	A-10	<u>324,029</u>	<u>600,000</u>
Regulatory Excess to Fund Balance		611,357	985,271
Fund Balance, Beginning of Year	A	<u>1,334,642</u>	<u>843,688</u>
		1,945,999	1,828,959
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	<u>1,000,000</u>	<u>494,317</u>
Fund Balance, December 31	A	<u>\$ 945,999</u>	<u>\$ 1,334,642</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF UPPER SADDLE RIVER**  
**STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Reference	2018 Budget	Added by N.J.S.A. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 1,000,000	-	\$ 1,000,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-11	1,300		1,593	\$ 293
Other	A-2	5,400		19,547	14,147
Fees and Permits					
Other	A-2	2,300		10,343	8,043
Fines and Costs					
Municipal Court	A-11	125,000		107,238	(17,762)
Interest and Costs on Taxes	A-11	85,000		83,686	(1,314)
Interest on Investments and Deposits	A-2	10,000		55,722	45,722
Energy Receipts Tax	A-11	858,614		858,614	-
Construction Code Official	A-11	390,000		413,912	23,912
Upper Saddle River Board of Education - Reverse 911	A-11	1,980			(1,980)
Public and Private Programs					
Offset with Appropriations					
Municipal Alliance on Alcoholism and Drug Abuse	A-7	9,876		9,876	-
NJ DOT - Carlough Rd 9Section 5)	A-7,A-21		\$ 165,627	165,627	-
Clean Communities Grant - Reserve	A-21		19,914	19,914	-
Recycling Tonnage Grant	A-21	5,541		5,541	-
Other Special Items					
Uniform Fire Safety Act	A-11	38,500		41,235	2,735
Sewer Flow Charges	A-11	25,000		19,555	(5,445)
Verizon - Franchise Fees	A-11	72,069		72,069	-
Upper Saddle River Library - Payment of Services	A-11	72,536		78,172	5,636
Hotel Tax	A-11	10,000		16,929	6,929
Rental Income	A-11	15,600		15,950	350
Cable Television Franchise Fees	A-11	66,622		66,622	-
Health Department Fees	A-11	19,510		33,764	14,254
Reserve for Environmental Cleanup	B-7	50,000	-	50,000	-
Total Miscellaneous Revenues	A-1	<u>1,864,848</u>	<u>185,541</u>	<u>2,145,909</u>	<u>95,520</u>
Receipts from Delinquent Taxes	A-1,A-9	<u>250,000</u>	-	<u>298,113</u>	<u>48,113</u>
Amount to be Raised by Taxes for Support of Municipal Budget -					
Local Tax for Municipal Purposes	A-2	8,313,763		8,422,629	108,866
Minimum Library Tax	A-2	<u>917,441</u>	-	<u>917,441</u>	-
		<u>9,231,204</u>	-	<u>9,340,070</u>	<u>108,866</u>
Total Budget Revenues	A-3	<u>\$ 12,346,052</u>	<u>\$ 185,541</u>	12,784,092	<u>\$ 252,499</u>
Nonbudget Revenue	A-1,A-2			<u>573,055</u>	
				<u>\$ 13,357,147</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF UPPER SADDLE RIVER**  
**STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(Continued)**

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-1, A-9	\$ 52,683,548
Less: Allocated to School and County Taxes	A-17, A-18, A-19	<u>43,843,478</u>
		8,840,070
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>500,000</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u>\$ 9,340,070</u>
Licenses - Other		
Borough Clerk	A-11	\$ 10,716
Health Officer	A-11	<u>8,831</u>
	A-2	<u>\$ 19,547</u>
Fees and Permits		
Borough Clerk	A-11	\$ 9,274
Tax Assessor	A-11	50
Police Department	A-11	<u>1,019</u>
	A-2	<u>\$ 10,343</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-11	\$ 55,716
Due from Other Trust - CDBG Acct.	B-6	<u>6</u>
	A-2	<u>\$ 55,722</u>

**BOROUGH OF UPPER SADDLE RIVER**  
**STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(Continued)**

	<u>Reference</u>	
Nonbudget Revenue		
Sale of Assets		\$ 25,705
Administration Fee - Senior's & Veteran's		620
Police Outside Duty		27,771
Water/Sewer Connection Charge		11,600
DMV Fines		738
Planning Board Fees		11,389
Zoning Board Fees		12,975
Reimbursement of Prior Years Expenditure		10,604
Tree Removal Fees		5,575
JIF Dividends		850
Inspection Fines		20,215
Cancellation of State Tax Title Lien Premiums		439,166
Administration Fee - Homestead Benefit Program		354
Miscellaneous		<u>5,493</u>
	A-2	<u>\$ 573,055</u>
Cash	A-4	\$ 133,889
Due from Other Trust Fund	B-7	<u>439,166</u>
		<u>\$ 573,055</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>	<u>Over-</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>	<u>expended</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>	
OPERATIONS - WITHIN "CAPS"						
GENERAL GOVERNMENT FUNCTIONS						
Administrative and Executive:						
Salaries and Wages	\$ 234,000	\$ 235,600	\$ 235,600			
Other Expenses	70,000	71,823	71,811	\$ 12		
Municipal Clerk:						
Salaries and Wages	106,000	105,100	105,086		14	
Other Expenses	2,000					
Financial Administration						
Salaries and Wages	128,000	130,200	130,136		64	
Other Expenses	115,000	131,000	130,991		9	
Revenue Administration						
Salaries and Wages	54,000	51,000	50,974		26	
Other Expenses	2,000	2,000	1,999		1	
Tax Assessment Administration						
Salaries and Wages	87,000	94,000	93,874		126	
Other Expenses	10,000	9,500	9,293		207	
Legal Services and Costs						
Other Expenses	150,000	240,000	154,008		85,992	
Engineering Services						
Other Expenses	32,000	19,000	16,684		2,316	
LAND USE ADMINISTRATION						
Planning Board						
Salaries and Wages	11,000	11,900	11,808		92	
Other Expenses	8,000	6,000	5,941		59	
Zoning Board Adjustment						
Salaries and Wages	7,000	7,300	7,274		26	
Other Expenses	2,000	1,700	1,665		35	
INSURANCE						
General Liability	180,723	168,960	168,960			
Workers Compensation	160,277	160,277	160,277			
Employee Group Health	810,000	762,108	747,663		14,445	
Health Benefit Waiver	20,000	20,000	10,000		10,000	
Police Department						
Salaries and Wages	2,877,000	2,902,758	2,902,758			
Other Expenses	204,000	194,000	194,000			
Office of Emergency Management						
Other Expenses	2,700	700			700	
Ambulance Corps						
Salaries and Wages	109,000	111,843	111,382		461	
Other Expenses	5,000	12,000	9,835		2,165	
Fire Department						
Other Expenses	39,000	67,927	57,002		10,925	
Fire Hydrant Services	57,000	57,000	30,185		26,815	

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>	<u>Over-</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>	<u>expended</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)						
PUBLIC SAFETY FUNCTIONS						
Fire Prevention						
Salaries and Wages	\$ 32,000	\$ 32,000	\$ 27,958	\$ 4,042		
Other Expenses	4,100	4,100	3,747	353		
Municipal Prosecutor						
Salaries and Wages	13,000	11,000	10,314	686		
PUBLIC WORKS FUNCTIONS						
Streets and Roads Maintenance						
Salaries and Wages	622,000	606,000	601,955	4,045		
Other Expenses	190,000	210,000	200,306	9,694		
Shade Tree Commission						
Salaries and Wages	5,000	5,000	4,848	152		
Other Expenses	4,000	1,000	743	257		
Solid Waste Collection						
Other Expenses - Sanitation - Contractual	542,461	529,118	524,117	5,001		
Other Expenses - Recycling	241,067	249,464	249,464			
Public Buildings and Grounds						
Other Expenses	30,000	30,000	29,933	67		
HEALTH AND HUMAN SERVICES						
Board of Health						
Other Expenses	55,000	65,000	54,473	10,527		
Bloodborne Pathogens						
Other Expenses	2,600	2,600	1,026	1,574		
Occupational Safety and Health Act						
Other Expenses	11,000	11,000	9,455	1,545		
PARKS AND RECREATION FUNCTIONS						
Maintenance of Parks						
Salaries and Wages	73,000	73,000	72,388	612		
Other Expenses	30,000	27,500	27,462	38		
Contribution to Senior Citizens Center	6,000					
OTHER COMMON OPERATING						
Celebration of Public Events						
Other Expenses	18,000	25,000	24,828	172		
MUNICIPAL COURT						
Salaries and Wages	101,000	93,500	93,046	454		
Other Expenses	15,000	15,000	13,972	1,028		
Public Defender (P.L. 1997.C.256)						
Other Expenses	5,000	5,000	4,125	875		

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>	<u>Over-</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>	<u>expended</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>	
OPERATIONS - WITHIN "CAPS" (Continued)						
UNIFORM CONSTRUCTION CODE						
ADMINISTRATION						
Salaries and Wages	\$ 187,000	\$ 184,250	\$ 184,142	\$ 108		
Other Expenses	15,000	7,354	6,823	531		
OTHER CODE ENFORCEMENT FUNCTIONS						
Plumbing Sub-Code Officials						
Salaries and Wages	33,000	32,000	31,337	663		
OPERATIONS - WITHIN "CAPS" (Continued)						
UTILITY EXPENSES AND BULK						
PURCHASES						
Electricity	53,000	53,000	48,161	4,839		
Street Lighting	14,000	14,000	9,385	4,615		
Telephone	43,000	43,000	38,445	4,555		
Telecommunication	1,000	3,500	3,042	458		
Water	10,000	20,000	18,733	1,267		
Gas (Natural or Propane)	14,000	14,000	14,066		\$	66
Gasoline	61,000	61,000	64,963			3,963
LANDFILL/SOLID WASTE DISPOSAL COSTS						
Tipping Fees						
Other Expenses		234,946	234,946			
Reserve for Accumulated Absences	<u>100,000</u>	<u>100,000</u>	<u>61,269</u>	<u>38,731</u>	<u>-</u>	<u>-</u>
Total Operations Within "CAPS"	<u>8,013,928</u>	<u>8,336,028</u>	<u>8,088,678</u>	<u>251,379</u>	<u>-</u>	<u>4,029</u>
Detail:						
Salaries and Wages	4,779,000	4,786,451	4,736,149	50,302	-	-
Other Expenses	<u>3,234,928</u>	<u>3,549,577</u>	<u>3,352,529</u>	<u>201,077</u>	<u>-</u>	<u>4,029</u>
Deferred Charges and Statutory Expenditures -						
Municipal Within "CAPS"						
Deferred Charges						
Emergency Authorizations	311,864	311,864	311,864			
Statutory Charges						
Social Security System (O.A.S.I.)	331,000	307,000	302,047	4,953		
Police and Firemen's Retirement System of N.J.	613,321	613,321	613,321			
Public Employees' Retirement System	239,127	239,127	239,127			
Unemployment Compensation	3,000	3,000	1,836	1,164		
Defined Contribution Retirement Program	<u>8,000</u>	<u>16,000</u>	<u>10,604</u>	<u>5,396</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>1,506,312</u>	<u>1,490,312</u>	<u>1,478,799</u>	<u>11,513</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes - Within "CAPS"	<u>9,520,240</u>	<u>9,826,340</u>	<u>9,567,477</u>	<u>262,892</u>	<u>-</u>	<u>4,029</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>	<u>Over-</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>	<u>expended</u>
OPERATIONS - WITHIN "CAPS" (Continued)						
OPERATIONS - EXCLUDED FROM "CAPS"						
EDUCATION FUNCTIONS						
Municipal Library						
Maintenance of Free Public Library	\$ 917,441	\$ 917,441	\$ 917,441			
UTILITY EXPENSES AND BULK PURCHASES						
Sewerage Processing and Disposal						
Borough of Montvale - Sewer Flow Charge Fees	18,800	18,800	16,943	\$ 1,857		
Borough of Woodcliff Lake - Sewer Flow Charge Fees	6,200	6,200	5,606	594		
PUBLIC SAFETY						
LOSAP	52,000	52,000	33,531	18,469		
Reserve for Tax Appeals	25,000	38,900	23,791	15,109		
SHARED SERVICES AGREEMENTS						
Upper Saddle River Board of Education						
Reverse 911-Other Expenses	1,980	1,980	-	1,980	-	-
Total Other Operations Excluded from "CAPS"	<u>1,021,421</u>	<u>1,035,321</u>	<u>997,312</u>	<u>38,009</u>	<u>-</u>	<u>-</u>
PUBLIC AND PRIVATE REVENUES OFF-SET BY REVENUES						
Municipal Alliance on Alcoholism and Drug Abuse						
State Share	9,876	9,876	9,876			
Local Share	2,469	2,469	2,469			
Recycling Tonnage Grant	5,541	5,541	5,541			
Clean Communities Grant		19,914	19,914			
NJDOT - Carlough Road (Section 5)	-	165,627	165,627	-	-	-
Total Public and Private Programs Offset by Revenues	<u>17,886</u>	<u>203,427</u>	<u>203,427</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>1,039,307</u>	<u>1,238,748</u>	<u>1,200,739</u>	<u>38,009</u>	<u>-</u>	<u>-</u>
Detail:						
Salaries and Wages	-	-	-	-	-	-
Other Expenses	<u>1,039,307</u>	<u>1,238,748</u>	<u>1,200,739</u>	<u>38,009</u>	<u>-</u>	<u>-</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>	<u>Over-</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>	<u>expended</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"						
Capital Improvement Fund	\$ 50,250	\$ 50,250	\$ 50,250	-	-	-
 Total Capital Improvements Excluded from "CAPS"	<u>50,250</u>	<u>50,250</u>	<u>50,250</u>	-	-	-
 MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"						
Payment of Bond Principal	350,000	350,000	350,000			
Payment of Bond Anticipation and Capital Notes	293,104	293,104	293,104			
Interest on Bonds	95,669	95,669	95,669			
Interest on Notes	176,116	176,116	175,447	-	\$ 669	-
 Total Municipal Debt Service Excluded from "CAPS"	<u>914,889</u>	<u>914,889</u>	<u>914,220</u>	-	669	-
 Deferred Charges:						
Emergency Authorization	288,136	288,136	288,136			
Expenditure without Ordinance Appropriations - General Capital	33,230	33,230	33,230	-	-	-
 Total Deferred Charges	<u>321,366</u>	<u>321,366</u>	<u>321,366</u>	-	-	-
 Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>2,325,812</u>	<u>2,525,253</u>	<u>2,486,575</u>	<u>\$ 38,009</u>	<u>669</u>	<u>-</u>
 Subtotal General Appropriations	11,846,052	12,351,593	12,054,052	300,901	669	\$ 4,029
 Reserve for Uncollected Taxes	500,000	500,000	500,000	-	-	-
 Total General Appropriations	<u>\$12,346,052</u>	<u>\$12,851,593</u>	<u>\$12,554,052</u>	<u>\$300,901</u>	<u>\$ 669</u>	<u>\$ 4,029</u>
		<u>Reference</u>				
Budget as Adopted		A-3	\$12,346,052			
Emergency Appropriation 40A:4-47		A-10	320,000			
Added by N.J.S.A. 40A:4-87		A-2	185,541			
			<u>\$12,851,593</u>			
 Cash Disbursed		A-4		\$11,073,973		
Encumbrances Payable		A-13		141,927		
Transferred to Appropriated Grant Reserves		A-20		203,427		
Deferred Charges - Emergency Authorization		A-10		600,000		
Deferred Charges - Expenditure without Ordinance Appropriations - General Capital Fund		C-7		33,230		
Payment of Interest on Notes		C-5		1,495		
Reserve for Uncollected Taxes		A-2		500,000		
				<u>\$12,554,052</u>		

**BOROUGH OF UPPER SADDLE RIVER  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS  
AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
<b>ANIMAL CONTROL FUND</b>			
Cash	B-1	\$ 19,399	\$ 15,882
		<u>19,399</u>	<u>15,882</u>
<b>UNEMPLOYMENT INSURANCE TRUST FUND</b>			
Cash	B-1	22,221	16,145
Due from Payroll Agency	B-13	<u>5,471</u>	<u>5,471</u>
		<u>27,692</u>	<u>21,616</u>
<b>OPEN SPACE TRUST FUND</b>			
Cash	B-1	<u>46,573</u>	<u>117,456</u>
		<u>46,573</u>	<u>117,456</u>
<b>OTHER TRUST FUND</b>			
Cash	B-1	4,643,105	4,445,064
Due from Current Fund - Other Trust Acct	B-7	<u>-</u>	<u>73,600</u>
		<u>4,643,105</u>	<u>4,518,664</u>
<b>EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PROGRAM (UNAUDITED)</b>			
Investments	B	1,201,232	1,254,859
Contribution Receivable	B	<u>73,825</u>	<u>59,711</u>
		<u>1,275,057</u>	<u>1,314,570</u>
Total Assets		<u>\$ 6,011,826</u>	<u>\$ 5,988,188</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF UPPER SADDLE RIVER  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS  
AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b>LIABILITIES AND RESERVES</b>			
<b>ANIMAL CONTROL TRUST FUND</b>			
Due to State of New Jersey	B-2	\$ 2	\$ 13
Due to Current Fund	B-4	10,303	6,316
Reserve for Animal Control Expenditures	B-3	<u>9,094</u>	<u>9,553</u>
		<u>19,399</u>	<u>15,882</u>
<b>UNEMPLOYMENT COMPENSATION FUND</b>			
Reserve for Unemployment Expenditures	B-11	<u>27,692</u>	<u>21,616</u>
		<u>27,692</u>	<u>21,616</u>
<b>OPEN SPACE FUND</b>			
Reserve for Expenditures	B-14	<u>46,573</u>	<u>117,456</u>
<b>OTHER TRUST FUND</b>			
Due to Current Fund - CDBG Acct	B-6	8	2
Due to Current Fund - Payroll Agency Acct	B-8	4,726	
Due from Current Fund - Other Trust Acct	B-7	394,232	
Due to Unemployment Trust Account - Payroll Agency Acct	B-13	5,471	5,471
Reserve for Accrued Payroll	B-9	45,682	30,956
Reserve for Payroll Deductions Payable	B-10	51,527	58,486
Reserve for Escrow and Miscellaneous Reserves	B-5	<u>4,141,459</u>	<u>4,423,749</u>
		<u>4,643,105</u>	<u>4,518,664</u>
<b>EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PROGRAM (UNAUDITED)</b>			
Net Assets Available for Benefits	B	<u>1,275,057</u>	<u>1,314,570</u>
<b>Total Liabilities and Reserves</b>		<u>\$ 6,011,826</u>	<u>\$ 5,988,188</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF UPPER SADDLE RIVER**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
Cash	C-2,C-3	\$ 13,823	\$ 2,482,539
Due from Bergen County	C-4	1,031	1,031
Due from Current Fund	C-5		385,859
Deferred Charges to Future Taxation:			
Funded	C-6	4,685,000	4,775,000
Unfunded	C-8	9,165,442	9,166,796
Expenditure Without Ordinance Appropriations	C-7	<u>210,775</u>	<u>33,230</u>
 Total Assets		 <u>\$ 14,076,071</u>	 <u>\$ 16,844,455</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Due to Current Fund	C-5	\$ 138,523	
Bond Anticipation Notes	C-9	8,550,599	\$ 8,589,203
General Serial Bonds	C-10	4,685,000	4,775,000
Reserve for:			
Payment of Debt	C-11	40,268	58,096
Contracts Payable	C-12	119,152	561,283
Improvement Authorizations:			
Funded	C-13	34,173	24,223
Unfunded	C-13	324,911	2,694,374
Down Payment on Improvements	C-14	6,350	6,350
Capital Improvement Fund	C-15	12,850	850
Fund Balance	C-1	<u>164,245</u>	<u>135,076</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 14,076,071</u>	 <u>\$ 16,844,455</u>

There were bonds and notes authorized but not issued on December 31, 2018 and 2017 in the amount of \$614,843 and \$614,843, respectively (Exhibit C-16).

**BOROUGH OF UPPER SADDLE RIVER**  
**COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
Balance, January 1, 2018	C	\$ 135,076	\$ 412,228
Increased by:			
Premiums on Notes Issued	C-5	67,521	72,848
Permanently Funded Improvement Authorizations Canceled	C-13	<u>21,648</u>	<u>-</u>
		224,245	485,076
Decreased by:			
Anticipated Revenue in Current Fund	C		350,000
Appropriation to Finance Improvement Authorizations	C-13	<u>60,000</u>	<u>-</u>
Balance, December 31, 2018	C	<u>\$ 164,245</u>	<u>\$ 135,076</u>

**BOROUGH OF UPPER SADDLE RIVER  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
PUBLIC ASSISTANCE FUND  
AS OF DECEMBER 31, 2018 AND 2017**

	<u>Reference</u>	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>			
Cash	D-1	\$ <u>5,279</u>	\$ <u>5,279</u>
<b>TOTAL ASSETS</b>		<b>\$ <u>5,279</u></b>	<b>\$ <u>5,279</u></b>
<b><u>LIABILITIES</u></b>			
Reserve for Public Assistance	D-2	\$ <u>5,279</u>	\$ <u>5,279</u>
<b>TOTAL LIABILITIES</b>		<b>\$ <u>5,279</u></b>	<b>\$ <u>5,279</u></b>

**BOROUGH OF UPPER SADDLE RIVER**  
**COMPARATIVE BALANCE SHEETS OF GENERAL FIXED ASSETS - REGULATORY BASIS**  
**AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
Land and Land Improvements	\$ 13,997,914	\$ 11,989,510
Buildings and Building Improvements	3,358,250	3,335,120
Machinery and Equipment	<u>5,683,650</u>	<u>5,235,720</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 23,039,814</u></b>	<b><u>\$ 20,560,350</u></b>
 <b><u>RESERVES</u></b>		
Reserve for Fixed Assets	<u>\$ 23,039,814</u>	<u>\$ 20,560,350</u>

**NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Borough of Upper Saddle River (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 the 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 Upper Saddle River 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 UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

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

The Borough has the following funds and account group:

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

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

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

*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.

*Open Space Trust Fund* - This fund is used to account for the receipts and disbursements relating to taxes raised to reserve open space.

*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.

*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 UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

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

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

**Financial Statements – Regulatory Basis**

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

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

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

The Borough of Upper Saddle River 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 UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

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

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

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

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

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

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

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

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

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

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

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

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

**General Fixed Assets** - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Upper Saddle River 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, 1989 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

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

Land and Buildings	Assessed Value - 2017
Machinery and Equipment	Replacement Cost

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

**General Fixed Assets (Continued)**

No depreciation has been provided for in the financial statements.

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

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

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

- Animal Control Trust Fund
- Unemployment Insurance Trust Fund
- Other Trust Fund
- Length of Service Award Program Trust Fund
- General Capital Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2018 and 2017 the Borough Council increased the original budget by \$505,541 and \$632,337. The 2018 increase was funded by additional aid allotted to the Borough in the amount of \$185,541 and emergency resolutions for \$320,000. The 2017 increase was funded by additional aid allotted to the Borough in the amount of \$32,337 and emergency resolutions for \$600,000. In addition, the governing body approved several budget transfers during 2018 and 2017.

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**B. Excess Expenditures Over Appropriations**

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

<u>2018</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Current Fund			
Utility Expenses and Bulk Purchases			
Gas (Natural or Propane)	\$14,000	\$14,066	\$66
Gasoline	61,000	64,903	3,963
General Capital Fund			
Expenditures Without Ordinance			
Appropriations		210,775	210,775
 <u>2017</u>			
General Capital Fund			
Expenditures Without Ordinance			
Appropriations		\$33,230	\$33,230

In accordance with the regulatory basis of accounting, the above variances or overexpenditures were recorded as deferred charges on the balance sheet of the respective fund at year end and are required to be funded in the succeeding year's budget. GAAP does not permit the deferral of overexpenditures at year end. Current Fund's excess expenditures or appropriations will be funded in the succeeding years budget. General Capital Fund's expenditures without ordinance appropriations will be funded in the succeeding year by a capital ordinance.

**NOTE 3 CASH DEPOSITS AND INVESTMENTS**

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

**A. Cash Deposits**

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

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**A. Cash Deposits (Continued)**

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2018 and 2017, the book value of the Borough's deposits were \$6,755,356 and \$18,867,113 and bank and brokerage firm balances of the Borough's deposits amounted to \$7,117,095 and \$16,454,540, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2018</u>	<u>2017</u>
Insured	\$ 7,117,095	\$ 16,454,540
	<u>\$ 7,117,095</u>	<u>\$ 16,454,540</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2018 and 2017, none of 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, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law, “ (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

**BOROUGH OF UPPER SADDLE RIVER  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**B. Investments (Continued)**

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

	Fair Value (Unaudited)	
	<u>2018</u>	<u>2017</u>
Investment:		
Length of Service Award Program	\$ 1,201,232	\$ 1,254,859

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2018 and 2017, \$1,201,232 and \$1,254,859 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value (LOSAP - Unaudited)	
	<u>2018</u>	<u>2017</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 1,201,232	\$ 1,254,859

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

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

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

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

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

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 4 TAXES RECEIVABLE**

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

	<u>2018</u>	<u>2017</u>
<u>Current</u>		
Property Taxes	\$ 422,833	\$ 304,169
	<u>\$ 422,833</u>	<u>\$ 304,169</u>

In 2018 and 2017, the Borough collected \$298,113 and \$275,283 from delinquent taxes, which represented 98% and 99%, 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>2018</u>		<u>2017</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	\$ 547,792		\$ 6,318	\$ 459,459
General Capital Fund		\$ 138,523	385,859	
Animal Control Trust Fund		10,303		6,316
Unemployment Trust Fund	5,471		5,471	
Other Trust Fund:				
CDBG Acct.		8		2
Other Trust Acct.		394,232	73,600	
Payroll Agency Acct.	-	10,197	-	5,471
	<u>-</u>	<u>10,197</u>	<u>-</u>	<u>5,471</u>
 Total	 <u>\$ 553,263</u>	 <u>\$ 553,263</u>	 <u>\$ 471,248</u>	 <u>\$ 471,248</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 UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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>Subsequent Year Capital Ordinance</u>	<u>Balance to Succeeding Budgets</u>
<b><u>2018</u></b>				
Current Fund				
Emergency Authorizations	\$ 320,000	\$ 320,000		
Overexpenditure of 2018 Appropriations	4,029	4,029		
General Capital Fund				
Expenditure without Ordinance Appropriations	<u>210,775</u>	<u>-</u>	<u>\$ 210,775</u>	<u>\$ -</u>
	<u>\$ 534,804</u>	<u>\$ 324,029</u>	<u>\$ 210,775</u>	<u>\$ -</u>
<b><u>2017</u></b>				
Current Fund				
Emergency Authorizations	\$ 600,000	\$ 600,000		
General Capital Fund				
Expenditure without Ordinance Appropriations	<u>33,230</u>	<u>33,230</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ 633,230</u>	<u>\$ 633,230</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 7 FUND BALANCES APPROPRIATED**

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

	<b><u>2018</u></b>		<b><u>2017</u></b>	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 570,756	\$ 570,756	\$ 1,327,814	\$ 1,000,000
Non-Cash Surplus	<u>375,243</u>	<u>-</u>	<u>6,828</u>	<u>-</u>
	<u>\$ 945,999</u>	<u>\$ 570,756</u>	<u>\$ 1,334,642</u>	<u>\$ 1,000,000</u>

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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, 2018 and 2017.

	Balance January 1, <u>2018</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2018</u>
<b><u>2018</u></b>				
Land and Land Improvements	\$ 11,989,510	\$ 2,008,404		\$ 13,997,914
Buildings and Building Improvements	3,335,120	23,130		3,358,250
Machinery and Equipment	5,235,720	487,930	\$ 40,000	5,683,650
	<u>\$ 20,560,350</u>	<u>\$ 2,519,464</u>	<u>\$ 40,000</u>	<u>\$ 23,039,814</u>
	Balance January 1, <u>2017</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2017</u>
<b><u>2017</u></b>				
Land and Land Improvements	\$ 11,973,800	\$ 15,710		\$ 11,989,510
Buildings and Building Improvements	3,312,640	22,480		3,335,120
Machinery and Equipment	4,802,485	794,230	\$ 360,995	5,235,720
	<u>\$ 20,088,925</u>	<u>\$ 832,420</u>	<u>\$ 360,995</u>	<u>\$ 20,560,350</u>

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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>2018</u>	<u>2017</u>
Issued		
General		
Bonds and Notes	\$ 13,235,599	\$ 13,364,203
Less Funds Temporarily Held to Pay Bonds and Notes	<u>40,268</u>	<u>95,346</u>
Net Debt Issued	13,195,331	13,268,857
Authorized But Not Issued		
General		
Bonds and Notes	<u>614,843</u>	<u>614,843</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 13,810,174</u>	<u>\$ 13,883,700</u>

**Statutory Net Debt**

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .500% and .504% at December 31, 2018 and 2017, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2018</u></b>			
General Debt	\$ 13,850,442	\$ 40,268	\$ 13,810,174
School Debt	<u>6,180,337</u>	<u>6,180,337</u>	<u>-</u>
Total	<u>\$ 20,030,779</u>	<u>\$ 6,220,605</u>	<u>\$ 13,810,174</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2017</u></b>			
General Debt	\$ 13,979,046	\$ 95,346	\$ 13,883,700
School Debt	<u>8,097,025</u>	<u>8,097,025</u>	<u>-</u>
Total	<u>\$ 22,076,071</u>	<u>\$ 8,192,371</u>	<u>\$ 13,883,700</u>

**BOROUGH OF UPPER SADDLE RIVER  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**Statutory Borrowing Power**

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

	<u>2018</u>	<u>2017</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 96,618,295 <u>13,810,174</u>	\$ 96,757,118 <u>13,883,700</u>
Remaining Borrowing Power	<u>\$ 82,808,121</u>	<u>\$ 82,873,418</u>

**A. Long-Term Debt**

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

**General Obligation Bonds**

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

	<u>2018</u>	<u>2017</u>
\$6,130,000, 2012 Bonds, due in annual installments of \$370,000 to \$490,000 through June 1, 2028 interest at 2.000% to 2.375%	\$ 4,425,000	\$ 4,775,000
\$260,000 2018 Bonds, due in annual installments of \$70,000 to \$95,000 through February 15, 2021 interest at 2.400%	<u>260,000</u>	<u>-</u>
	<u>\$ 4,685,000</u>	<u>\$ 4,775,000</u>

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 MUNICIPAL DEBT (Continued)**

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

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

<u>Calendar Year</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 440,000	\$ 95,672	\$ 535,672
2020	485,000	84,289	569,289
2021	505,000	74,009	579,009
2022	425,000	64,519	489,519
2023	440,000	55,869	495,869
2024-2028	<u>2,390,000</u>	<u>135,470</u>	<u>2,525,470</u>
	<u>\$ 4,685,000</u>	<u>\$ 509,828</u>	<u>\$ 5,194,828</u>

**Changes in Long-Term Municipal Debt**

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

	<u>Balance, January 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31, 2018</u>	<u>Due Within One Year</u>
<b><u>2018</u></b>					
General Capital Fund Bonds Payable	<u>\$ 4,775,000</u>	<u>\$ 260,000</u>	<u>\$ 350,000</u>	<u>\$ 4,685,000</u>	<u>\$ 440,000</u>
General Capital Fund Long-Term Liabilities	<u>\$ 4,775,000</u>	<u>\$ 260,000</u>	<u>\$ 350,000</u>	<u>\$ 4,685,000</u>	<u>\$ 440,000</u>
	<u>Balance, January 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31, 2017</u>	<u>Due Within One Year</u>
<b><u>2017</u></b>					
General Capital Fund Bonds Payable	<u>\$ 5,470,000</u>	<u>\$ -</u>	<u>\$ 695,000</u>	<u>\$ 4,775,000</u>	<u>\$ 350,000</u>
General Capital Fund Long-Term Liabilities	<u>\$ 5,470,000</u>	<u>\$ -</u>	<u>\$ 695,000</u>	<u>\$ 4,775,000</u>	<u>\$ 350,000</u>

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

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

**Bond Anticipation Notes**

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2018</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2018</u>
<b><u>2018</u></b>						
<b><u>General Capital Fund</u></b>						
Various Capital Improvements	2.00%	2/16/2018	\$ 3,235,266		\$ 3,235,266	
	1.65%	2/16/2018		\$ 435,000	435,000	
	2.50%	2/15/2019		2,583,112		\$ 2,583,112
Various Capital Improvements and Acquisition of Equipment	2.00%	2/16/2018	4,408,687		4,408,687	
	2.50%	2/15/2019		4,295,487		4,295,487
Various Capital Improvements and Acquisition of Equipment, Furnishings and Vehicles	2.25%	2/16/2018	945,250		945,250	
	2.50%	2/15/2019		945,250		945,250
Various Capital Improvements and Acquisition of Equipment and Vehicles	2.00%	2/15/2019	-	726,750	-	726,750
<b>Total Bond Anticipation Notes Payable</b>			<b>\$ 8,589,203</b>	<b>\$ 8,985,599</b>	<b>\$ 9,024,203</b>	<b>\$ 8,550,599</b>
<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2017</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2017</u>
<b><u>2017</u></b>						
<b><u>General Capital Fund</u></b>						
Various Capital Improvements	0.70%	2/17/2017	\$ 3,483,388		\$ 3,483,388	
	2.00%	2/16/2018		\$ 3,235,266		\$ 3,235,266
Various Capital Improvements and Acquisition of Equipment	0.70% and 1.50%	2/17/2017	4,446,443		4,446,443	
	2.00%	2/16/2018		4,408,687		4,408,687
Various Capital Improvements and Acquisition of Equipment, Furnishings and Vehicles	2.25%	2/16/2018	-	945,250	-	945,250
<b>Total Bond Anticipation Notes Payable</b>			<b>\$ 7,929,831</b>	<b>\$ 8,589,203</b>	<b>\$ 7,929,831</b>	<b>\$ 8,589,203</b>

**BOROUGH OF UPPER SADDLE RIVER  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 MUNICIPAL DEBT (Continued)**

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

**Bond Anticipation Notes (Continued)**

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

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

In addition to the debt shown in the above schedule, municipalities may issue debt to finance emergency or special emergency appropriations or to meet cash flow needs (Tax Anticipation Notes) to temporarily finance operating expenditures. This debt which is not included in the Borough's statutory debt limit calculation is reported in the Current Fund for the year 2017 as follows:

**Emergency Notes**

Any local unit may borrow money and issue its negotiable notes to meet an emergency appropriation. All emergency notes, and any renewals thereof, shall mature not later than the last day of the fiscal year following the fiscal year in which the notes were issued and the emergency appropriation authorized.

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2018</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2018</u>
<u>2017</u> Legal Services	1.50%	12/21/2018	\$ 600,000	\$ -	\$ 600,000	\$ -

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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 Projects</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2018</u>		
Two (2) Police Vehicles	\$ 68,953	2019
Generator at Fire House	<u>50,050</u>	2019
	<u>\$ 119,003</u>	
<u>2017</u>		
DPW Tandem Dump Truck with Plow Equipment	\$ 227,575	2018
Police - Chevy Tahoe	34,719	2018
DPW - F-550 Truck	63,433	2018
Improvements to Carlough Road - Section 5	<u>169,019</u>	2018
	<u>\$ 494,746</u>	

**NOTE 11 OTHER LONG-TERM LIABILITIES**

**A. Compensated Absences**

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$1,325,992 and \$1,455,295 at December 31, 2018 and 2017, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

**B. Deferred Pension Obligation**

During the year ended December 31, 2009 the Borough elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$273,826 and will be paid back with interest over 15 years beginning in the 2012 year. The Borough is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (7.00% effective July 1, 2017 and 7.65% effective July 1, 2016 through June 30, 2017) at December 31, 2018 and 2017 is \$197,930 and \$227,061, respectively.

During the years ended December 31, 2018, 2017 and 2016 the Borough was required to contribute for the deferred pension obligation the following amounts which equaled the required contribution for each year.

<u>Years Ended December 31,</u>	<u>PERS</u>	<u>PFRS</u>
2018	\$ 9,534	\$ 32,733
2017	9,415	32,405
2016	9,312	32,092

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)**

**B. Deferred Pension Obligation (Continued) (Delete or modify as necessary)**

**Changes in Other Long-Term Liabilities**

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

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

	Balance, January 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<b><u>2018</u></b>					
Compensated Absences	\$ 1,455,295		\$ 129,303	\$ 1,325,992	
Deferred Pension Obligation	227,061	\$ 13,136	42,267	197,930	\$ 42,467
Net Pension Liability - PERS	5,682,469		1,031,664	4,650,805	
Net Pension Liability - PFRS	<u>10,127,649</u>	<u>-</u>	<u>1,216,668</u>	<u>8,910,981</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 17,492,474</u>	<u>\$ 13,136</u>	<u>\$ 2,419,902</u>	<u>\$ 15,085,708</u>	<u>\$ 42,467</u>
	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<b><u>2017</u></b>					
Compensated Absences	\$ 1,152,839	\$ 335,530	\$ 33,074	\$ 1,455,295	
Deferred Pension Obligation	251,745	17,136	41,820	227,061	\$ 42,267
Net Pension Liability - PERS	6,712,202		1,029,733	5,682,469	
Net Pension Liability - PFRS	<u>13,427,940</u>	<u>-</u>	<u>3,300,291</u>	<u>10,127,649</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 21,544,726</u>	<u>\$ 352,666</u>	<u>\$ 4,404,918</u>	<u>\$ 17,492,474</u>	<u>\$ 42,267</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.

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

**BOROUGH OF UPPER SADDLE RIVER  
 NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

The following represents the membership tiers for PFRS:

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

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tier 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years, but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case, benefits would begin at age 55 equal to 2% of final compensation for each year of service.

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

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have a least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

**Other Pension Funds**

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

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

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

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

**Measurement Focus and Basis of Accounting**

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Investment Valuation**

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

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

**Collective Net Pension Liability**

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

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

**Actuarial Methods and Assumptions**

In the July 1, 2017 and 2016 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

**Employer and Employee Pension Contributions**

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

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Employer and Employee Pension Contributions (Continued)**

For the years ended December 31, 2018 and 2017, for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Borough for 2018, 2017 and 2016 were equal to the required contributions.

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

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2018	\$ 580,588	\$ 226,141	\$ 10,604
2017	573,135	201,337	4,547
2016	554,230	197,783	

In addition for the years ended December 31, 2018 and 2017 the Borough contributed for long-term disability insurance premiums (LTDI) \$3,452 and \$743, respectively for PERS.

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

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

**Public Employees Retirement System (PERS)**

At December 31, 2018 and 2017, the Borough reported a liability of \$4,650,805 and \$5,682,469, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the Borough's proportionate share was .02362 percent, which was a decrease of .00079 percent from its proportionate share measured as of June 30, 2017 of .02441 percent.

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough’s pension expense to be \$257,371 and \$441,076, respectively, for PERS based on the actuarial valuations which are more than the actual contributions reported in the Borough’s financial statements of \$226,141 and \$201,337 respectively. At December 31, 2018 and 2017, the Borough’s deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough’s financial statements are from the following sources:

	2018		2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 88,692	\$ 23,981	\$ 133,803	
Changes of Assumptions	766,376	1,487,080	1,144,822	\$ 1,140,625
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		43,625	38,694	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	241,965	216,469	311,495	108,225
Total	<u>\$ 1,097,033</u>	<u>\$ 1,771,155</u>	<u>\$ 1,628,814</u>	<u>\$ 1,248,850</u>

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

<u>Year Ending December 31,</u>	<u>Total</u>
2019	\$ 26,215
2020	(35,307)
2021	(283,056)
2022	(272,096)
2023	(109,878)
Thereafter	-
	<u>\$ (674,122)</u>

**BOROUGH OF UPPER SADDLE RIVER  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

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

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

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

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

***Discount Rate***

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

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

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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:

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

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

***Sensitivity of Net Pension Liability***

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2018 and 2017 calculated using the discount rate of 5.66% and 5.00%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 4.66% and 4.00%, respectively or 1-percentage-point higher 6.66% and 6.00%, respectively than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
<b><u>2018</u></b>	<b><u>(4.66%)</u></b>	<b><u>(5.66%)</u></b>	<b><u>(6.66%)</u></b>
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>5,847,851</u>	\$ <u>4,650,805</u>	\$ <u>3,646,560</u>
<b><u>2017</u></b>	<b><u>(4.00%)</u></b>	<b><u>(5.00%)</u></b>	<b><u>(6.00%)</u></b>
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>7,049,488</u>	\$ <u>5,682,469</u>	\$ <u>4,543,572</u>

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

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

At December 31, 2018 and 2017, the Borough reported a liability of \$8,910,981 and \$10,127,649, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The Borough’s proportionate share of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the Borough’s proportionate share was .06585 percent, which was an increase of .00025 percent from its proportionate share measured as of June 30, 2017 of .06560 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough pension expense to be \$795,993 and \$1,016,457, respectively, for PFRS based on the actuarial valuations which are more than the actual contributions reported in the Borough’s financial statements of \$580,588 and \$573,135, respectively. At December 31, 2018 and 2017, the Borough’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough’s financial statements are from the following sources:

	2018		2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 90,658	\$ 36,876	\$ 65,702	\$ 59,441
Changes of Assumptions	764,888	2,283,731	1,248,852	1,658,613
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		48,751	193,259	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	407,500	459,343	600,737	587,293
Total	<u>\$ 1,263,046</u>	<u>\$ 2,828,701</u>	<u>\$ 2,108,550</u>	<u>\$ 2,305,347</u>

**BOROUGH OF UPPER SADDLE RIVER  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

Year Ending <u>December 31,</u>	<u>Total</u>
2019	\$ 103,219
2020	(182,547)
2021	(813,834)
2022	(530,981)
2023	(141,512)
Thereafter	<u>-</u>
	<u>\$ (1,565,655)</u>

***Actuarial Assumptions***

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

<u>PFRS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	2.10%-8.98% Based on Age	2.10-8.98% Based on Age
Thereafter	3.10%-9.98% Based on Age	3.10-9.98% Based on Age

Investment Rate of Return	7.00%	7.00%
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Mortality Rate Table	RP-2000	RP-2000
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Assumptions for mortality improvements are based on Society of Actuaries Scale AA and one year using Scale BB.

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

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

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

***Discount Rate***

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

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

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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:

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

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

**Sensitivity of Net Pension Liability**

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

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
<b><u>2018</u></b>	<b><u>(5.51%)</u></b>	<b><u>(6.51%)</u></b>	<b><u>(7.51%)</u></b>
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>11,926,242</u>	\$ <u>8,910,981</u>	\$ <u>6,423,940</u>
<b><u>2017</u></b>	<b><u>(5.14%)</u></b>	<b><u>(6.14%)</u></b>	<b><u>(7.14%)</u></b>
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>13,344,012</u>	\$ <u>10,127,649</u>	\$ <u>7,485,041</u>

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

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

***Special Funding Situation – PFRS***

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

At December 31, 2018 and 2017, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,210,409 and \$1,134,382, respectively. For the years ended December 31, 2018 and 2017, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$143,371 and \$138,761, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$71,685 and \$56,724, respectively. At December 31, 2018 (measurement date June 30, 2018) the State's share of the PFRS net pension liability attributable to the Borough was .06585 percent, which was an increase of .00025 percent from its proportionate share measured as of December 31, 2017 (measurement date June 30, 2017) of .06560 percent. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

***Pension Plan Fiduciary Net Position***

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

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS**

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

**Plan Description and Benefits Provided**

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

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

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

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

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

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

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Measurement Focus and Basis of Accounting**

The financial statements of the OPEB plan are prepared in accordance with U.S. generally accepted accounting principles as applicable to government organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the other postemployment benefit plan. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**Investment Valuation**

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

***Special Funding Situation***

Under N.J.S.A. 43:3C-24 the Borough is responsible for their own OPEB contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 330, P.L. 1997 and Chapter 271, P.L., 1989. Under Chapter 330, P.L. 1997, the State pays the premiums or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium of periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 75 is zero percent and the State's proportionate share is 100% of OPEB under this legislation.

The State's proportionate share of the OPEB liability and expense attributable to the Borough for the OPEB special funding situation for 2018 was not made available by the State of New Jersey.

At December 31, 2017, the State's proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$9,684,169. For the year ended December 31, 2017 the plan has determined the State's proportionate share of the OPEB expense attributable to the Borough for the OPEB special funding situation is \$693,058. At December 31, 2017, (measurement date June 30, 2017), the State's share of the OPEB liability attributable to the Borough was .11137 percent. The State's proportionate share attributable to the Borough was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

***OPEB Plan Fiduciary Net Position***

Detailed information about the June 30, 2017 OPEB plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 14 RISK MANAGEMENT**

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

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

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

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

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

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

<u>Year Ended</u> <u>December 31</u>	<u>Borough</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2018	\$ 1,836	\$ 9,815	\$ 5,689	\$ 27,692
2017		5,161	794	21,616
2016		4,972	157	17,234

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 15 CONTINGENT LIABILITIES**

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

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

**Federal and State Awards** - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2018 and 2017, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

**NOTE 16 FEDERAL ARBITRAGE REGULATIONS**

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

**NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED**

The Borough of Upper Saddle River Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on October 10, 2001 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 Upper Saddle River approved the adoption of the Plan at the general election held on November 6, 2001

The first year of eligibility for entrance into the Plan was calendar year 2002. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the Volunteer Ambulance Corp., 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.

**BOROUGH OF UPPER SADDLE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)**

The Borough of Upper Saddle River has contributed \$1,350 and \$1,329 for 2018 and 2017, respectively, for each eligible volunteer fire department and volunteer ambulance corp. member into the Plan. The total Borough contributions were \$52,642 and \$50,485 for 2018 and 2017, 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.

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 18 SUBSEQUENT EVENTS**

**Bond Anticipation Notes**

On February 15, 2019 the Borough issued bond anticipation notes in the amount of \$8,205,267 to temporarily finance expenditures related to various capital projects. The Borough have awarded the sale of said notes to TD Securities, LLC at an interest rate of 2.5%. These notes dated February 15, 2019 will mature on February 14, 2020.

**Debt Authorized**

On April 4, 2019 the Borough adopted a bond ordinance amending a previously adopted bond ordinance authorizing an additional issuance of \$209,000 in Bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

**Grant Agreement**

On February 1, 2019, the Borough entered into a Trust Fund Grant Agreement with the County of Bergen awarding the municipality a \$1,600,000 grant for its acquisition of approximately 7.4 acres identified as Block 601, Lot 1.02 at 1-15 Lake Street in the Borough of Upper Saddle River.

**CURRENT FUND**

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF CASH - TREASURER**

Balance, January 1, 2018		\$	11,784,598
Increased by Cash Receipts:			
Taxes Receivable	\$	44,010,894	
Petty Cash Returned		750	
2019 Prepaid Taxes		363,046	
Tax Overpayments		445,067	
Revenue Accounts Receivable		1,894,945	
Non-Budget Revenue		133,889	
Due from State of NJ - Senior Citizens and Veterans Deductions		29,500	
Grant Receivable		11,852	
Unappropriated Grants		19,914	
Cancellation of Old Outstanding Checks		20,542	
Receipts due to General Capital Fund		67,521	
Receipts from Other Trust Fund - Other Trust Account		1,437	
Receipts due to Other Trust Fund - Other Trust Account		19,897	
Due to State of New Jersey - DCA Fees		<u>22,110</u>	
			<u>47,041,364</u>
			58,825,962
Decreased by Cash Disbursements:			
2018 Budget Appropriation		11,073,973	
2017 Appropriation Reserves		470,043	
Petty Cash Received		750	
Tax Overpayments		3,486	
Local District School Taxes Payable		23,028,954	
Regional School Taxes Payable		14,049,566	
County Taxes Payable		6,873,598	
Reserve for Appropriated Grants		26,725	
Due to State of New Jersey - DCA Fees		23,889	
Emergency Note Payable		600,000	
Disbursements to Other Trust Fund - Payroll Agency Account		4,726	
Disbursements on behalf of General Capital Fund		6,230	
Disbursements to General Capital Fund		<u>659,216</u>	
			<u>56,821,156</u>
Balance, December 31, 2018		\$	<u>2,004,806</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF PETTY CASH**

Increased by:	
Petty Cash Received	\$ <u>750</u>
Decreased by:	
Petty Cash Returned	\$ <u>750</u>

**SCHEDULE OF CHANGE FUNDS**

Balance, January 1, 2018	\$ <u>150</u>
Balance, December 31, 2018	\$ <u><u>150</u></u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF GRANTS RECEIVABLE**

	Balance January 1, <u>2018</u>	Realized As Revenues <u>2018 Budget</u>	<u>Collected</u>	Balance, December 31, <u>2018</u>
Drunk Driving Enforcement Fund	\$ 2,717			\$ 2,717
Municipal Alliance - 2016	4,061		\$ 4,061	
Municipal Alliance - 2017	50		50	
Municipal Alliance - 2018		\$ 9,876	7,741	2,135
NJDOT - Carlough Rd (Section 5)	<u>-</u>	<u>165,627</u>	<u>119,265</u>	<u>46,362</u>
	<u>\$ 6,828</u>	<u>\$ 175,503</u>	<u>\$ 131,117</u>	<u>\$ 51,214</u>
		Cash	\$ 11,852	
		Due from General Capital Fund	<u>119,265</u>	
			<u>\$ 131,117</u>	

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF DUE TO STATE OF NEW JERSEY  
SENIOR CITIZENS AND VETERANS DEDUCTIONS**

Balance, January 1, 2018		\$ 20,287
Increased by:		
Reimbursement Due to Taxation Audit - Prior Year	\$ 1,500	
Cash Receipts	<u>29,500</u>	
		<u>31,000</u>
		51,287
Decreased by:		
2018 Veterans' and Senior Citizen Deductions Allowed by Tax Duplicate	31,000	
2018 Veterans' and Senior Citizen Deductions Allowed by Tax Collector	<u>7,822</u>	
		<u>38,822</u>
Balance, December 31, 2018		<u>\$ 12,465</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

<u>Year</u>	<u>Balance January 1, 2018</u>	<u>2018 Levy</u>	<u>Senior Citizens' and Veterans' Deductions Disallowed</u>	<u>Collected in</u>		<u>Overpayments Applied</u>	<u>Senior Citizens' and Veterans' Deductions Allowed</u>	<u>Remitted or Cancelled</u>	<u>Balance, December 31, 2018</u>
				<u>2017</u>	<u>2018</u>				
2016	\$ 1,999				\$ 21				\$ 1,978
2017	<u>302,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,078</u>
	304,169	-	-	-	298,113	-	-	-	6,056
2018	<u>-</u>	<u>\$ 53,234,636</u>	<u>\$ -</u>	<u>\$ 8,740,917</u>	<u>43,712,781</u>	<u>\$ 191,028</u>	<u>\$ 38,822</u>	<u>134,311</u>	<u>416,777</u>
	<u>\$ 304,169</u>	<u>\$ 53,234,636</u>	<u>\$ -</u>	<u>\$ 8,740,917</u>	<u>\$ 44,010,894</u>	<u>\$ 191,028</u>	<u>\$ 38,822</u>	<u>\$ 134,311</u>	<u>\$ 422,833</u>

Analysis of 2018 Property Tax Levy

Tax Yield	
General Purpose	\$ 53,086,272
Added Taxes (R.S. 54:4-63.1 et seq).	<u>148,364</u>
	<u>\$ 53,234,636</u>
Tax Levy	
Regional High School Tax (Abstract)	\$ 14,049,566
Local District School Tax (Abstract)	22,909,658
County Tax (Abstract)	\$ 6,592,850
County Tax for Open Space Preservation	280,748
County Tax for Added and Omitted	
Ⓢ Taxes (R.S. 54:4-63.1 et seq.)	<u>10,656</u>
	6,884,254
Local Tax for Municipal Purposes (Abstract)	8,313,763
Minimum Library Tax Levy (Abstract)	917,441
Add Additional Tax Levied	22,246
Added Taxes (54:4-63.1 et seq.)	<u>137,708</u>
	<u>9,391,158</u>
	<u>\$ 53,234,636</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF DEFERRED CHARGES  
EMERGENCY AUTHORIZATIONS**

	Balance, January 1, <u>2018</u>	Added in <u>2018</u>	Reduced by <u>2018 Budget</u>	Balance, December 31, <u>2018</u>
Emergency Authorizations (40A:4-47)	\$ 600,000	\$ 320,000	\$ 600,000	\$ 320,000
Overexpenditure of 2018 Appropriations	<u>-</u>	<u>4,029</u>	<u>-</u>	<u>4,029</u>
	<u>\$ 600,000</u>	<u>\$ 324,029</u>	<u>\$ 600,000</u>	<u>\$ 324,029</u>

**BOROUGH OF UPPER SADDLE RIVER**  
**STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, January 1, <u>2018</u>	Accrued in <u>2018</u>	Received in <u>2018</u>	Balance, December 31, <u>2018</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 1,593	\$ 1,593	
Other		10,716	10,716	
Fees and Permits		9,274	9,274	
Health Officer				
Licenses - Other		8,831	8,831	
Tax Assessor				
Fees and Permits		50	50	
Police Department				
Fees and Permits		1,019	1,019	
Construction Code Official				
Fees and Permits		413,912	413,912	
Municipal Court-Fines and Costs	\$ 6,399	105,154	107,238	\$ 4,315
Energy Receipts Tax		858,614	858,614	
Health Department				
Interest and Cost on Taxes		83,686	83,686	
Interest on Investments		55,716	55,716	
Uniform Fire Safety Act		41,235	41,235	
Sewer Flow Charges		19,555	19,555	
Verizon - Franchise Fees		72,069	72,069	
Upper Saddle River Library		78,172	78,172	
Hotel Tax		16,929	16,929	
Rental Income		15,950	15,950	
Cable Television Franchise Fees		66,622	66,622	
Health Department Fees	-	33,764	33,764	-
	<u>\$ 6,399</u>	<u>\$ 1,892,861</u>	<u>\$ 1,894,945</u>	<u>\$ 4,315</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF 2017 APPROPRIATION RESERVES**

	Balance, January 1, <u>2018</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Salaries and Wages				
Administrative and Executive	\$ 1,387	\$ 1,387		\$ 1,387
Municipal Clerk	84	84		84
Financial Administration	2,111	2,111		2,111
Revenue Administration	452	452		452
Tax Assessment Administration	1,956	1,956		1,956
Planning Board	285	285		285
Zoning Board of Adjustment	745	745		745
Police	48,391	48,391		48,391
Ambulance Corp	2,317	2,317		2,317
Fire Prevention Bureau	885	885		885
Municipal Prosecutor	1,696	1,696		1,696
Road Repairs and Maintenance	2,649	2,649		2,649
Shade Tree Commission	271	271		271
Parks and Playgrounds	579	579		579
Municipal Court	124	124		124
State Uniform Construction Code	274	274		274
Plumbing Sub-Code Officials	1,904	1,904		1,904
Other Expenses				
Administrative and Executive - Other Expenses	757	1,304	\$ 1,245	59
Municipal Clerk	2,200	2,200		2,200
Financial Administration	3,065	4,569	2,417	2,152
Revenue Administration	212	212		212
Tax Assessment Administration	1,004	1,004	1,000	4
Legal Services and Costs	295,754	358,271	358,271	-
Engineering Services and Costs	7,106	7,106	6,930	176
Planning Board	332	332	332	-
Zoning Board of Adjustment	100	100		100
Other Insurance Premiums	7,773	7,773		7,773
Workers Compensation	2,168	2,168		2,168
Employee Group Health	20,287	20,287		20,287
Police	10,734	25,597	21,592	4,005
Emergency Management Services	2,700	2,700		2,700
Ambulance Corp	309	309	309	-
Fire Dept	1,664	4,341	4,045	296
Fire Prevention Bureau	192	192		192
Road Repair and Maintenance	24,283	32,438	30,234	2,204
Shade Tree Commission	3,263	3,263		3,263
Garbage and Trash Removal - Sanitation - Contractual	23,110	23,110	23,110	-
Garbage and Trash Removal - Recycling	388	388	388	-
Public Buildings and Grounds	12,935	13,967	3,690	10,277
Sewer Charges				
Borough of Woodcliff Lake	412	412		412
Borough of Ramsey	2,000	2,000		2,000
Board of Health	20,773	20,773	4,218	16,555
Bloodborne Pathogens	1,466	1,466		1,466
Fire - Occupational Safety and Health Act	7,761	7,920		7,920
Contribution to Senior Citizen Center	3,417	3,417	2,362	1,055
Parks and Playgrounds	1,157	1,157	670	487
Celebration of Public Events	1,918	2,540	337	2,203
Municipal Court	6,532	6,942	522	6,420
Public Defender	1,135	2,010	750	1,260
State Uniform Construction Code	9,441	9,441	38	9,403

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF 2017 APPROPRIATION RESERVES**

	Balance, January 1, <u>2018</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Other Expenses (continued)				
Utilities:				
Electricity	\$ 3,362	\$ 3,362	\$ 188	\$ 3,174
Street Lighting	13,946	14,637		14,637
Telephone	4,241	4,241	3,959	282
Water	1,753	1,753	1,753	-
Natural Gas	3,224	3,224	6	3,218
Fire Hydrants	823	823		823
Gasoline	531	2,855	2,855	-
Reserve for Accumulated Absences	66,926	66,926		66,926
Social Security System (O.A.S.I.)	13,765	13,765		13,765
Unemployment Compensation	1,172	1,172		1,172
Defined Contribution Retirement Program	3,453	3,453		3,453
Reserve for Tax Appeals	20,790	20,790		20,790
9-1-1 Interlocal Agreement	<u>1,980</u>	<u>1,980</u>	<u>-</u>	<u>1,980</u>
	<u>\$ 678,424</u>	<u>\$ 774,800</u>	<u>\$ 471,221</u>	<u>\$ 303,579</u>
Appropriation Reserves		\$ 678,424		
Encumbrances Payable		<u>96,376</u>		
		<u>\$ 774,800</u>		
Transferred to Accounts Payable			\$ 1,178	
Cash Disbursements			<u>470,043</u>	
			<u>\$ 471,221</u>	

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, January 1, 2018		\$ 98,845
Increased by:		
Charges to 2018 Appropriations	\$ 141,927	
Charges to Appropriated Grant Reserves	<u>129</u>	
		<u>142,056</u>
		240,901
Decreased by:		
Restored to 2018 Appropriation Reserves	96,376	
Restored to Appropriated Grant Reserves	<u>2,469</u>	
		<u>98,845</u>
Balance, December 31, 2018		<u>\$ 142,056</u>

EXHIBIT A-14

**STATEMENT OF ACCOUNTS PAYABLE**

Balance, January 1, 2018		\$ 1,754
Increased by:		
Transferred from 2018 Appropriation Reserves		<u>1,178</u>
Balance, December 31, 2018		<u>\$ 2,932</u>

EXHIBIT A-15

**STATEMENT OF PREPAID TAXES**

Balance, January 1, 2018		\$ 8,740,917
Increased by:		
Overpayments Applied	\$ 20,754	
Collection - 2019 Taxes	<u>363,046</u>	
		<u>383,800</u>
		9,124,717
Decreased by:		
Application to 2018 Taxes Receivable		<u>8,740,917</u>
Balance, December 31, 2018		<u>\$ 383,800</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2018		\$ 286,921
Increased by:		
Overpayments in 2018		<u>445,067</u>
		731,988
Decreased by:		
Applied to Prepaid Taxes	\$ 20,754	
Applied to Taxes Receivable - 2018	191,028	
Refunds	<u>3,486</u>	
		<u>215,268</u>
Balance, December 31, 2018		<u><u>\$ 516,720</u></u>

**SCHEDULE OF COUNTY TAXES PAYABLE**

Increased by:		
County Share of 2018 Levy	\$ 6,592,850	
County Open Space Preservation	280,748	
County Share of 2018 Levy - Added Taxes	<u>10,656</u>	
		\$ 6,884,254
Decreased by:		
Cash Disbursements		<u>6,873,598</u>
Balance, December 31, 2018		<u><u>\$ 10,656</u></u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE**

Balance, January 1, 2018	\$	119,336
Increased by:		
Local School Share of 2018 Levy		<u>22,909,658</u>
		23,028,994
Decreased by:		
Payments		<u>23,028,954</u>
Balance, December 31, 2018	\$	<u>40</u>

**STATEMENT OF REGIONAL SCHOOL TAXES**

Increased by:		
Local School Share of 2018 Levy	\$	<u>14,049,566</u>
Decreased by:		
Payment	\$	<u>14,049,566</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF RESERVE FOR APPROPRIATED GRANTS**

<u>Grant</u>	<u>Balance, January 1, 2018</u>	<u>Transferred from 2018 Budget Appropriations</u>	<u>Encumbrances Restored</u>	<u>Expended</u>	<u>Balance, December 31, 2018</u>
Counter Measure Grant	\$ 1,862				\$ 1,862
Drunk Driving Enforcement Fund	10,002				10,002
Bergen County 200 Club	4,300				4,300
Municipal Alliance:					
County Share		\$ 9,876			9,876
Local Share	3,015	2,469	\$ 129	\$ 129	5,484
Body Armor	4,799		2,340	4,680	2,459
Alcohol Education Rehabilitation Fund	348				348
Clean communities		19,914		16,504	3,410
Recycling Tonnage Grant	4,999	5,541		5,541	4,999
State Forestry Service	2,150				2,150
NJDOT - Carlough Road (Section 5)	-	165,627	-	158,083	7,544
	<u>\$ 31,475</u>	<u>\$ 203,427</u>	<u>\$ 2,469</u>	<u>\$ 184,937</u>	<u>\$ 52,434</u>
				\$ 26,725	
				158,083	
				<u>129</u>	
				<u>\$ 184,937</u>	

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF UNAPPROPRIATED GRANT RESERVES**

<u>Grant</u>	<u>Balance, January 1, 2018</u>	<u>Transferred to 2018 Budget</u>	<u>Cash Receipts</u>	<u>Grant Award</u>	<u>Balance, December 31, 2018</u>
Clean Communities		\$ 19,914	\$ 19,914		
Recycling Tonnage	\$ 5,541	5,541			
NJDOT - Carlough Rd (Section 5)		165,627		\$ 165,627	
Distracted Driving Incentive	5,342	-	-	-	\$ 5,342
	<u>\$ 10,883</u>	<u>\$ 191,082</u>	<u>\$ 19,914</u>	<u>\$ 165,627</u>	<u>\$ 5,342</u>

EXHIBIT A-22

**STATEMENT OF DUE TO STATE OF NEW JERSEY - DCA TRAINING FEES**

Balance, January 1, 2018	\$ 6,305
Increased by: Cash Receipts	<u>22,110</u>
	28,415
Decreased by: Cash Disbursements	<u>23,889</u>
Balance, December 31, 2018	<u>\$ 4,526</u>

EXHIBIT A-23

**STATEMENT OF RESERVE FOR REASSESSMENT OF REAL PROPERTY**

Balance, January 1, 2018	\$ <u>1,185</u>
Balance, December 31, 2018	\$ <u>1,185</u>

EXHIBIT A-24

**STATEMENT OF RESERVE FOR 100TH ANNIVERSARY CELEBRATION**

Balance, January 1, 2018	\$ <u>1,143</u>
Balance, December 31, 2018	\$ <u>1,143</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF EMERGENCY NOTE PAYABLE**

<u>Description</u>	<u>Date of Original Note</u>	<u>Amount of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>		<u>Balance, January 1, 2018</u>	<u>Decreased</u>	<u>Balance, December 31, 2018</u>
Emergency - Legal Services	12/22/2017	\$ 600,000	12/22/2017	12/21/2018	1.50 %		\$ 600,000	\$ 600,000	\$ -
							<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ -</u>

**TRUST FUND**

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF TRUST FUND CASH - TREASURER**

	<u>Animal Control Trust Fund</u>	<u>Other Trust Fund</u>	<u>Open Space Trust Fund</u>	<u>Unemployment Insurance Trust Fund</u>
Balance, January 1, 2018	\$ 15,882	\$ 4,445,064	\$ 117,456	\$ 16,145
Increased by Receipts:				
Animal Control Fees	\$ 3,671			
Late and Other Fees	160			
State Fees	400			
Interest on Deposits	95	\$ 6	\$ 338	\$ 114
Receipts from Current Fund - Payroll Agency Account		4,726		
Borough Contributions				1,836
Employee Contributions				9,815
Payroll Deposits		3,540,903		
Payroll Deductions Payable		3,894,680		
Escrow Deposits and Miscellaneous Reserves	-	<u>2,210,812</u>	-	
	<u>4,326</u>	<u>9,651,127</u>	<u>338</u>	<u>-</u>
	20,208	14,096,191	117,794	27,910
Decreased by Disbursements:				
Expenditures Under R.S 4:19-15.11	398			
Payments to State of New Jersey	411			5,689
Payments to Current Fund - Other Trust Account		1,437		
Payroll Deposits		3,526,177		
Payroll Deductions Payable		3,901,639		
Open Space Disbursements			71,221	
Escrow Deposits and Miscellaneous Reserves	-	<u>2,023,833</u>	-	
	<u>809</u>	<u>9,453,086</u>	<u>71,221</u>	<u>5,689</u>
Balance, December 31, 2018	<u>\$ 19,399</u>	<u>\$ 4,643,105</u>	<u>\$ 46,573</u>	<u>\$ 22,221</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF DUE TO STATE OF NEW JERSEY  
ANIMAL CONTROL TRUST FUND**

Balance, January 1, 2018		\$ 13
Increased by:		
State Fees Collected		<u>400</u>
		413
Decreased by:		
Paid to State of New Jersey		<u>411</u>
Balance, December 31, 2018		<u><u>\$ 2</u></u>

EXHIBIT B-3

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

Balance, January 1, 2018		\$ 9,553
Increased by:		
Animal Control Fees	\$ 3,671	
Interest on Deposits	95	
Late and Other Fees	<u>160</u>	
		<u>3,926</u>
		13,479
Decreased by:		
Statutory Excess	3,987	
Disbursements	<u>398</u>	
		<u>4,385</u>
Balance, December 31, 2018		<u><u>\$ 9,094</u></u>

EXHIBIT B-4

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

Balance, January 1, 2018		\$ 6,316
Increased by:		
Statutory Excess		<u>3,987</u>
Balance, December 31, 2018		<u><u>\$ 10,303</u></u>

**BOROUGH OF UPPER SADDLE RIVER**  
**STATEMENT OF ESCROW DEPOSITS AND MISCELLANEOUS RESERVES - OTHER TRUST FUND**  
**OTHER TRUST FUND**

	Balance, January 1, <u>2018</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2018</u>
Shade Tree Commission Deposits	\$ 249,234		\$ 2,661	\$ 246,573
Planning/Zoning Escrow Deposits	1,013,378	\$ 95,773	230,166	878,985
Easement Vacation	418			418
Recreation Commission Expenditures	21,461	130,632	101,387	50,706
Builder's Escrow Deposits	1,136,067	667,982	577,046	1,227,003
Builder's Escrow Deposits - New		573,135	269,389	303,746
Rental Deposits	475			475
Parking Offense Adjudication Act	1,424	34		1,458
Police Recruit Fees	8			8
Filming Permits	2,000			2,000
Environmental Clean-Up	164,000		50,000	114,000
LOSAP	40,008			40,008
Drug Awareness Resistance Education	78,982	15,952	29,021	65,913
Affordable Housing	229,483	174,747	200,141	204,089
Affordable Housing - Porcelanosa		50,036	21,626	28,410
Discretionary Fire Penalties	15,495	75		15,570
Public Defender	557	589		1,146
Tax Title Lien Premiums	84,528	252,100	193,428	143,200
Tax Title Lien Redemptions	185,200	164,597	349,797	
Tax Sale Premium	383,100		383,100	
Construction Code Escrow	304,150			304,150
Performance bond	428,798		5,000	423,798
Inspection Fees	33,645			33,645
Storm Drain Escrow	38,305		7,320	30,985
Health	1,638	50,660	48,012	4,286
Police - Forfeited Funds		34,500	34,500	
Police - Sale of Assets		19,897	10,405	9,492
Miscellaneous	11,395	-	-	11,395
	<u>\$ 4,423,749</u>	<u>\$ 2,230,709</u>	<u>\$ 2,512,999</u>	<u>\$ 4,141,459</u>
		Cash Receipts \$ 2,210,812		
		Due from Current Fund 19,897		
		Due to Current Fund \$ 489,166		
		Cash Disbursements - 2,023,833		
		<u>\$ 2,230,709</u>	<u>\$ 2,512,999</u>	

**STATEMENT OF DUE TO CURRENT FUND - CDBG ACCOUNT  
OTHER TRUST FUND**

Balance, January 1, 2018		\$	2
Increased by:			
Interest on Deposits			<u>6</u>
Balance, December 31, 2018		\$	<u>8</u>

EXHIBIT B-7

**STATEMENT OF DUE FROM/(TO) CURRENT FUND - OTHER TRUST ACCOUNT  
OTHER TRUST FUND**

Balance, January 1, 2018 - Due from		\$	73,600
Increased by:			
Cash Disbursements	\$	1,437	
Cash Receipts in Current Fund relating to Reserve for Police - Sale of Assets		<u>19,897</u>	
			<u>21,334</u>
			94,934
Decreased by:			
Anticipate Revenue - Reserve for Environmental Cleanup		50,000	
Cancellation of State Tax Title Lien Premiums		<u>439,166</u>	
			<u>489,166</u>
Balance, December 31, 2018 - (Due to)		\$	<u>(394,232)</u>

EXHIBIT B-8

**STATEMENT OF DUE TO CURRENT FUND - PAYROLL AGENCY ACCOUNT  
OTHER TRUST FUND**

Increased by:			
Cash Receipts		\$	<u>4,726</u>
Balance, December 31, 2018		\$	<u>4,726</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF RESERVE FOR ACCRUED PAYROLL  
OTHER TRUST FUND**

Balance, January 1, 2018	\$	30,956
Increased by:		
Cash Receipts		3,540,903
		3,571,859
Decreased by:		
Cash Disbursements		3,526,177
Balance, December 31, 2018	\$	45,682

**STATEMENT OF RESERVE FOR PAYROLL DEDUCTIONS PAYABLE  
OTHER TRUST FUND**

Balance, January 1, 2018	\$	58,486
Increased by:		
Cash Receipts		3,894,680
		3,953,166
Decreased by:		
Cash Disbursements		3,901,639
Balance, December 31, 2018	\$	51,527

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION TRUST EXPENDITURES  
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, January 1, 2018		\$ 21,616
Increased by:		
Interest on Deposits	\$ 114	
Borough Contributions	1,836	
Employee Contributions	<u>9,815</u>	
		<u>11,765</u>
		33,381
Decreased by:		
Unemployment Compensation Claims		<u>5,689</u>
Balance, December 31, 2018		<u>\$ 27,692</u>

EXHIBIT B-12

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

Increased by:		
Unemployment Compensation Claims		<u>\$ 5,689</u>
Decreased by:		
Cash Disbursements		<u>\$ 5,689</u>

EXHIBIT B-13

**STATEMENT OF DUE FROM OTHER TRUST FUND - PAYROLL AGENCY ACCOUNT  
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, January 1, 2018		<u>\$ 5,471</u>
Balance, December 31, 2018		<u>\$ 5,471</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF RESERVE FOR OPEN SPACE EXPENDITURES  
OPEN SPACE TRUST FUND**

Balance, January 1, 2018	\$ 117,456
Increased by:	
Interest on Deposits	<u>338</u>
	117,794
Decreased by:	
Expenditures	<u>71,221</u>
Balance, December 31, 2018	<u>\$ 46,573</u>

**GENERAL CAPITAL FUND**

**BOROUGH OF UPPER SADDLE RIVER**  
**STATEMENT OF GENERAL CAPITAL CASH AND CASH EQUIVALENTS**

Balance, January 1, 2018		\$	2,482,539
Increased by Receipts:			
Bond Anticipation Notes Issued - Principal	\$	726,750	
Serial Bonds Issued - Principal		260,000	
Budget Appropriation - Capital Improvement Fund		50,250	
Cash Receipts related to Current Fund - Grants Receivable		119,265	
Cash Receipts from Current Fund		<u>659,216</u>	
			<u>1,815,481</u>
			4,298,020
Decreased by Disbursements:			
Improvement Authorizations		2,862,483	
Contracts Payable		561,283	
Expenditure without Ordinance Appropriations		210,775	
Bond Anticipated Notes Paydowns		472,250	
Bond Anticipated Notes Interest Payments		1,495	
Preliminary Debt Issuance Costs		17,828	
Cash Disbursements on behalf of Current Fund		<u>158,083</u>	
			<u>4,284,197</u>
Balance, December 31, 2018		\$	<u>13,823</u>

**BOROUGH OF UPPER SADDLE RIVER**  
**ANALYSIS OF GENERAL CAPITAL CASH AND CASH EQUIVALENTS**

		Balance December 31, <u>2018</u>
Fund Balance		\$ 164,245
Contracts Payable		119,152
Down Payment on Improvements		6,350
Capital Improvement Fund		12,850
Reserve for Payment of Debt		40,268
Due to Current Fund		138,523
Due from Bergen County		(1,031)
Deferred Charge - Expenditure without Ordinance Appropriation		(210,775)
Ord.		
<u>No.</u>	<u>Improvement Description</u>	
14-1990	1990 Road Resurfacing Program	(485)
18-2002	Acquisition of Light Weight Dump Truck	(745)
16-2003	Watermain Extension	(271,758)
17-2004/14-2005	Improvements to Municipal Building	(1,855)
08-2005	Acquisition of Land (Affordable Housing 1016/6)	21,622
08-2006/11-2006	2006 Road resurfacing Program	2,601
09-2008	Improvements to Lions Memorial Park, Acquisition of New Fire Engine Including Apparatus and Equipment	(69,420)
04-2009	Refunding Bond Ordinance	(17,752)
11-2010	Various Public Improvements	45,416
05-2011	Various Public Improvements	8,296
05-2015	Various Public Improvements, Acq. Of Equipment/ Communication Equipment/New Vehicles	351
09-2017	Various Public Improvements and the Acquisition of Equipment, Furnishings and Vehicles	10,832
01-2018	Various Public Improvements & Acq. Of Equip. and Vehicles	7,188
12-2018	Acquisition and Installation of an Emergency Generator at Fire House	<u>9,950</u>
		<u>\$ 13,823</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF DUE FROM BERGEN COUNTY**

Balance, January 1, 2018	\$ <u>1,031</u>
Balance, December 31, 2018	\$ <u>1,031</u>

**STATEMENT OF DUE FROM/(TO) CURRENT FUND**

Balance, January 1, 2018 - Due From	\$ 385,859
Increased by:	
Budget Appropriation - Interest on Notes	1,495
Budget Appropriation - Deferred Charge - Expenditure without Ordinance Appropriation	33,230
Cash Receipt in Current Fund related to General Capital Fund - BAN Premium	67,521
Cash Disbursements on behalf of Current Fund	<u>158,083</u>
	<u>260,329</u>
	646,188
Decreased by:	
Cash Receipt related to Current Fund - Grant Receivable	119,265
Cash Disbursement in Current Fund on behalf of General Capital Fund	6,230
Cash Receipts	<u>659,216</u>
	<u>784,711</u>
Balance, December 31, 2018 - (Due To)	\$ <u>(138,523)</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED**

Balance, January 1, 2018	\$ 4,775,000
Increased by:	
Serial Bond Issued	<u>260,000</u>
	5,035,000
Decreased by:	
Serial Bond Principal Paid	<u>350,000</u>
Balance, December 31, 2018	<u>\$ 4,685,000</u>

**STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION -  
EXPENDITURE WITHOUT ORDINANCE APPROPRIATIONS**

Balance, January 1, 2018	\$ 33,230
Increased by:	
Expenditure without Ordinance Appropriations	<u>210,775</u>
	244,005
Decreased by:	
2018 Budget Appropriation	<u>33,230</u>
Balance, December 31, 2018	<u>\$ 210,775</u>



**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF BOND ANTICIPATION NOTES**

Ord. No.	Improvement Description	Date of Issuance of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance January 1, 2018	Increased	Decreased	Balance December 31, 2018
05-2007	Various Capital Improvements	7/26/2007	2/17/2017 2/16/2018	2/16/2018 5/1/2018	2.00% 1.65%	\$ 437,406	\$ 435,000	\$ 437,406 435,000	
11-2010	Various Capital Improvements	10/21/2010	2/17/2017 2/16/2018	2/16/2018 2/15/2019	2.00% 2.50%	477,010	439,212	477,010	\$ 439,212
05-2011	Various Capital Improvements	9/20/2011	2/17/2017 2/16/2018	2/16/2018 2/15/2019	2.00% 2.50%	684,888	638,360	684,888	638,360
03-2012	Various Capital Improvements	7/18/2012	2/17/2017 2/16/2018	2/16/2018 2/15/2019	2.00% 2.50%	890,012	803,265	890,012	803,265
05-2013	Various Capital Improvements	7/17/2013	2/17/2017 2/16/2018	2/16/2018 2/15/2019	2.00% 2.50%	745,950	702,275	745,950	702,275
05-2014	Various Capital Improvements & Acq. Of Equip.	8/13/2014	2/17/2017 2/16/2018	2/16/2018 2/15/2019	2.00% 2.50%	628,244	590,488	628,244	590,488
05-2015	Various Capital Improvements & Acq. Of Equip.	6/25/2015	2/17/2017 2/16/2018	2/16/2018 2/15/2019	2.00% 2.50%	707,750	669,556	707,750	669,556
04-2016	Various Capital Improvements & Acq. Of Equip.	7/22/2016	2/17/2017 2/16/2018	2/16/2018 2/15/2019	2.00% 2.50%	3,072,693	3,035,443	3,072,693	3,035,443
09-2017	Various Public Improvements and the Acquisition of Equipment, Furnishings and Vehicles	7/14/2017	7/14/2017 2/16/2018	2/16/2018 2/15/2019	2.25% 2.50%	945,250	945,250	945,250	945,250
01-2018	Various Public Improvements & Acq. Of Equip. and Vehicles	5/18/2018	5/18/2018	2/15/2019	2.00%	-	726,750	-	726,750
						<u>\$ 8,589,203</u>	<u>\$ 8,985,599</u>	<u>\$ 9,024,203</u>	<u>\$ 8,550,599</u>
							\$ 726,750		
								\$ 212,250	
								260,000	
								293,104	
							8,258,849	8,258,849	
							<u>\$ 8,985,599</u>	<u>\$ 9,024,203</u>	

Issued for Cash	\$ 726,750	
Paid by Excess Note Proceeds		\$ 212,250
Paid by Bond Proceeds		260,000
Paid by Budget Appropriation		293,104
Renewals of BAN	8,258,849	8,258,849
	<u>\$ 8,985,599</u>	<u>\$ 9,024,203</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF GENERAL SERIAL BONDS**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Maturities of Bonds Outstanding December 31, 2018</u>		<u>Interest Rate</u>	<u>Balance, January 1, 2018</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, December 31, 2018</u>
			<u>Date</u>	<u>Amount</u>					
General Improvement Bonds	6/1/2012	\$ 6,130,000	06/01/19	\$ 370,000	2.00%	\$ 4,775,000		\$ 350,000	\$ 4,425,000
			06/01/20	390,000	2.00%				
			06/01/21	410,000	2.00%				
			06/01/22	425,000	2.00%				
			06/01/23	440,000	2.00%				
			06/01/24	450,000	2.00%				
			06/01/25	475,000	2.00%				
			06/01/26	485,000	2.125%				
			06/01/27	490,000	2.250%				
			06/01/28	490,000	2.375%				
General Improvement Bonds	5/1/2018	260,000	2/15/19	70,000	2.400%	-	\$ 260,000	-	260,000
			2/15/20	95,000	2.400%				
			2/15/21	95,000	2.400%				
						<u>\$ 4,775,000</u>	<u>\$ 260,000</u>	<u>\$ 350,000</u>	<u>\$ 4,685,000</u>
								Paid by Budget Appropriation	<u>\$ 350,000</u>
								Issued for Cash	<u>\$ 260,000</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF RESERVE FOR PAYMENT OF DEBT**

Balance, January 1, 2018	\$ 58,096
Decreased by:	
Charges for Preliminary Debt Issuance Costs	<u>17,828</u>
Balance, December 31, 2018	<u>\$ 40,268</u>

**STATEMENT OF CONTRACTS PAYABLE**

Balance, January 1, 2018	\$ 561,283
Increased by:	
Encumbrances - Improvements Authorizations	<u>119,152</u>
	680,435
Decreased by:	
Cash Disbursement	<u>561,283</u>
Balance, December 31, 2018	<u>\$ 119,152</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ordinance Date	Ordinance Amount	Balance, January 1, 2018		2018 Capital Authorizations	Expended	Cancelled	Balance, December 31, 2018	
				Funded	Unfunded				Funded	Unfunded
08-2005	Acquisition of Land (Affordable Housing 1016/6)	06/08/05	\$ 500,000	\$ 21,622					\$ 21,622	
08-2006/11-2006	2006 Road resurfacing Program	7/12/06, 9/13/06	350,000	2,601					2,601	
05-2007	Various Capital Improvements	06/13/07	1,611,463		\$ 196,648			\$ 196,648		
09-2008	Improvements to Lions Memorial Park, Acquisition of New Fire Engine Including Apparatus and Equipment	10/08/08	1,068,450		5,580					\$ 5,580
04-2009	Refunding Bond Ordinance	05/13/09	2,550,000		247,248					247,248
11-2010	Various Public Improvements	09/02/10	700,000		45,416					45,416
05-2011	Various Public Improvements	08/04/11	1,335,000		27,721		\$ 19,425			8,296
05-2015	Various Public Improvements, Acq. Of Equipment/ Communication Equipment/New Vehicles	05/07/15	750,000		351					351
04-2016	Various Public Improvements, Acq. Of Equipment & Machinery, New Comm. & Signal Sys. Equip.	05/05/16	3,233,887		1,830,528		1,830,528			
09-2017	Various Public Improvements and the Acquisition of Equipment, Furnishings and Vehicles	6/1/2017	995,000		340,882		330,050			10,832
01-2018	Various Public Improvements & Acq. Of Equip. and Vehicles	4/5/2018	765,000			\$ 765,000	757,812			7,188
12-2018	Acquisition and Installation of an Emergency Generator at Fire House	11/1/2018	60,000	-	-	60,000	50,050	-	9,950	-
				<u>\$ 24,223</u>	<u>\$ 2,694,374</u>	<u>\$ 825,000</u>	<u>\$ 2,987,865</u>	<u>\$ 196,648</u>	<u>\$ 34,173</u>	<u>\$ 324,911</u>
						Capital Improvement Fund \$ 38,250				
						Capital Surplus 60,000				
						Deferred Charges - Unfunded 726,750				
						<u>\$ 825,000</u>				
						Cash Disbursements \$ 2,862,483				
						Cash Disbursements Due to Current 6,230				
						Contracts Payable 119,152				
						<u>\$ 2,987,865</u>				
						Capital Surplus \$ 21,648				
						Deferred Charges - Unfunded 175,000				
						<u>\$ 196,648</u>				

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF DOWN PAYMENT OF IMPROVEMENTS**

Balance, January 1, 2018	\$ <u>6,350</u>
Balance, December 31, 2018	\$ <u>6,350</u>

**STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, January 1, 2018	\$ 850
Increased by:	
Budget Appropriation	<u>50,250</u>
	51,100
Decreased by:	
Appropriation to Finance	
Improvement Authorizations	<u>38,250</u>
Balance, December 31, 2018	\$ <u>12,850</u>

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

<u>Ord. No.</u>	<u>Improvement Description</u>	Balance, January 1, <u>2018</u>	2018 Capital <u>Authorizations</u>	Bond Anticipation Notes <u>Issued</u>	Balance, December 31, <u>2018</u>
14-1990	1990 Road Resurfacing Program	\$ 485			\$ 485
18-202	Acquisition of Light Weight Dump Truck	745			745
16-2003	Watermain Extension	271,758			271,758
14-2005	Supp. To 17-2004: Improvements to Municipal Building	1,855			1,855
09-2008	Improvements to Lions Memorial Park, Acquisition of New Fire Engine including Apparatus and Equipment	75,000			75,000
04-2009	Refunding Bond Ordinance	265,000			265,000
01-2018	Various Public Improvements & Acq. Of Equip. and Vehicles	-	\$ 726,750	\$ 726,750	-
		<u>\$ 614,843</u>	<u>\$ 726,750</u>	<u>\$ 726,750</u>	<u>\$ 614,843</u>

**PUBLIC ASSISTANCE FUND**

**BOROUGH OF UPPER SADDLE RIVER  
STATEMENT OF PUBLIC ASSISTANCE FUND CASH**

	P.A.T.F. <u>Account #1</u>
Balance, January 1, 2018	\$ <u>5,279</u>
Balance, December 31, 2018	\$ <u>5,279</u>

**STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES**

	P.A.T.F. <u>Account #1</u>
Balance, January 1, 2018	\$ <u>5,279</u>
Balance, December 31, 2018	\$ <u>5,279</u>

**BOROUGH OF UPPER SADDLE RIVER**

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**PART II**

**GOVERNMENT AUDITING STANDARDS**

**YEAR ENDED DECEMBER 31, 2018**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
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ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
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SHERYL M. LEIDIG, CPA, PSA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA

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

### INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the Borough Council  
Borough of Upper Saddle River  
Upper Saddle River, 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 Upper Saddle River, as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated July 2, 2019. 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 omission of the 2018 note disclosures regarding the other postemployment health benefit information related to post-retirement medical benefits and 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 Upper Saddle River'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 Upper Saddle River's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Upper Saddle River's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2018-001, 2018-002 and 2018-003 that we consider to be significant deficiencies in internal control over financial reporting.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough of Upper Saddle River'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 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 and which are described in the accompanying schedule of findings and responses as item 2018-001, 2018-002 and 2018-003.

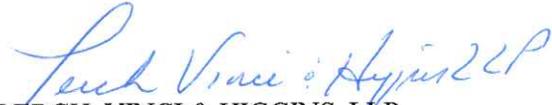
We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Upper Saddle River in Part III of this report of audit entitled; "Letter of Comments and Recommendations".

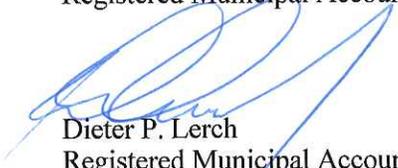
### **Borough of Upper Saddle River's Response to the Finding**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Upper Saddle River'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 Upper Saddle River's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

  
Dieter P. Lerch  
Registered Municipal Accountant  
RMA Number CR00398

Fair Lawn, New Jersey  
July 2, 2019

**BOROUGH OF UPPER SADDLE RIVER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Grant Program</u>	<u>State Account Number</u>	<u>CFDA Number</u>	<u>Grant Year</u>	<u>Grant Receipts</u>	<u>Grant Award</u>	<u>Balance, January 1, 2018</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2018</u>	<u>(Memo) Cumulative Expenditures</u>
U.S. Department of Environmental Protection (Passed Through State Department of Environmental Protection) Consolidated Forest Management - State Forestry Service	4870-100-042-038	10.664	2013	\$ 2,150	\$ 2,150	<u>\$ 2,150</u>	-	-	<u>\$ 2,150</u>	-
U.S. Department of Law and Public Safety (Passed Through State Department of Law and Public Safety) National Priority Safety Programs - Distracted Driving Incentive	1160-100-066-158	20.616	2018	6,530	6,530	-	<u>\$ 6,530</u>	<u>\$ 6,530</u>	-	<u>\$ 6,530</u>
<b>Total Federal Assistance</b>						<u>\$ 2,150</u>	<u>\$ 6,530</u>	<u>\$ 6,530</u>	<u>\$ 2,150</u>	<u>\$ 6,530</u>

Note: This schedule was not subject to an audit in accordance with Federal Uniform Guidance

**BOROUGH OF UPPER SADDLE RIVER  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Year</u>	<u>Grant Receipts</u>	<u>Grant Award</u>	<u>Balance, January 1, 2018</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2018</u>	<u>Cumulative Expenditures</u>
Counter Measure		2014		\$ 1,862	\$ 1,862	-	-	\$ 1,862	-
Alcohol Education and Rehabilitation	9735-760-098-Y900	2013		106	106			106	
	9735-760-098-Y900	2016		242	242	-	-	242	-
					348	-	-	348	-
Body Armor	1020-718-066-001-YCIS	2015		1,931	1,069		\$ 1,069	-	\$ 1,931
	1020-718-066-001-YCIS	2016		1,864	1,864		1,271	593	1,271
	1020-718-066-001-YCIS	2017		1,866	1,866	-	-	1,866	-
					4,799	-	2,340	2,459	3,202
Drunk Driving Enforcement Fund	6400-100-078-6400	Prior Years		16,887	4,211			4,211	12,676
	6400-100-078-6400	2015		1,790	1,790			1,790	
	6400-100-078-6400	2016		1,501	1,501			1,501	
	6400-100-078-6400	2017		2,500	2,500	-	-	2,500	-
					10,002	-	-	10,002	12,676
Clean Communities Act	4900-765-042-004	2018	\$ 19,914	19,914	-	\$ 19,914	16,504	3,410	16,504
					-	19,914	16,504	3,410	16,504
Recycling Tonnage Grant	4910-100-042-224	2017		4,999	4,999			4,999	
	4910-100-042-224	2018		5,541	-	5,541	5,541	-	5,541
					4,999	5,541	5,541	4,999	5,541

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**BOROUGH OF UPPER SADDLE RIVER  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>State Grant Program</u>	<u>Grant Number</u>	<u>Year</u>	<u>Grant Receipts</u>	<u>Grant Award</u>	<u>Balance, January 1, 2018</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Balance, December 31, 2018</u>	<u>Cumulative Expenditures</u>
Municipal Alliance on Alcoholism and Drug Abuse	Not Available	2016	\$ 4,061	\$ 9,876					
		2017	50	9,876					
		2018	7,741	9,876	-	\$ 9,876	-	\$ 9,876	-
					-	9,876	-	9,876	-
State Aid Highway Projects									
Highway Planning and Construction - NJDOT - Carlough Road (Section 5)	6320-480-078-AMQ	2017	119,265	165,627	-	165,627	\$ 158,083	\$ 7,544	\$ 158,083
					\$ 22,010	\$ 200,958	\$ 182,468	\$ 40,500	\$ 196,006

Note: This schedule was not subject to an audit in accordance with N.J. OMB 15-08

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE**

**BOROUGH OF UPPER SADDLE RIVER  
 NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
 AND STATE FINANCIAL ASSISTANCE  
 YEAR ENDED DECEMBER 31, 2018**

**NOTE 1 GENERAL**

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Borough of Upper Saddle River. 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	\$ 6,530	\$ 200,958	\$ 207,488
	<u>\$ 6,530</u>	<u>\$ 200,958</u>	<u>\$ 207,488</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 UPPER SADDLE RIVER  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

*Part 1 – Summary of Auditors' Results*

**Financial Statements Section**

Type of auditors' report issued on financial statements

Modified-Presentation of Unaudited  
LOSAP Fund and Omission of Certain  
Footnotes Disclosures

Internal control over financial reporting:

1) Material weakness(es) identified?

yes       no

2) Significant Deficiency(ies) identified that are not  
considered to be material weakness(es)?

yes       none reported

Noncompliance material to basic financial  
statements noted?

yes       no

**Federal Awards Section**

NOT APPLICABLE

**State Awards Section**

NOT APPLICABLE

**BOROUGH OF UPPER SADDLE RIVER  
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**Finding 2018-001** – Our audit of the general ledger accounting system maintained for the various funds revealed the following:

- General ledger control account balances were not reconciled to the revenue, appropriation and reserve accounts subsidiary reports and other supporting records on a monthly basis.
- Numerous cash transactions were either misposted or not posted to the general ledger and subsidiary records during the year.
- Certain interfund transactions were not posted to the respective fund’s general ledger and subsidiary records during the year.

**Criteria or Specific Requirement** – Maintaining General Ledger Accounting System – N.J.A.C. 5:30-5.7.

**Condition** – The general ledger account balances were not reviewed and reconciled with the subsidiary revenue, appropriation and reserve account reports and other records on a timely basis. Cash transactions related to receipt and disbursement activities of the various funds were misposted or not posted to the respective fund’s accounting records. In addition, certain interfund transactions between funds were not recorded in the accounting records of the reciprocal fund.

**Context** – The general ledger account balances for the Current Fund were not reconciled to the subsidiary revenue and appropriation status reports. As a result, the general ledger account balances for the Current Fund contained various incorrect postings and unrecorded transactions. In addition, the general ledger account balances for the Other Trust Fund did not include all cash transactions and contained various incorrect postings. In addition, there were certain cash expenditures recorded in the General Capital Fund improvement authorization account status subsidiary report that related to the Current Fund.

**Effect** – General ledger account balances may not be in agreement with the balances on the subsidiary supporting reports and records.

**Cause** – General ledger account balances were not reviewed and reconciled in a timely manner with the account balances reported in the subsidiary revenue, appropriation and reserve account reports and other supporting records.

**Recommendation** – Internal control procedures over the general ledger accounting system be reviewed and enhanced to ensure general ledger account balances are reconciled on a monthly basis to the respective fund’s subsidiary reports and supporting records and that all transactions are accurately recorded during the year.

**View of Responsible Official and Planned Corrective Action** – Management has reviewed this finding and has indicated corrective action has been developed and implemented in 2019 to address this finding.

**BOROUGH OF UPPER SADDLE RIVER**

**SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**Finding 2018-002** – Our audit of the tax overpayments revealed the following:

- Tax overpayment subsidiary report was not being reviewed monthly to determine the validity of the balances and reconciled to the general ledger reserve account and tax system.
- Tax overpayments were not being applied or refunded to the applicable block and lots in a timely manner.

**Criteria or Specific Requirement** – Maintaining the Tax Overpayment Subsidiary Report – N.J.S.A. 54:4-73

**Condition** – The tax overpayment subsidiary report was not being reviewed monthly to determine validity of balances and reconciled to the general ledger reserve account. In addition, tax overpayments were not being applied or refunded to the applicable block and lots in a timely manner.

**Context** – The tax overpayment subsidiary report was not in agreement with the general ledger reserve account as of December 31, 2018. There were numerous old overpayments listed on the tax overpayment subsidiary report that had been applied or refunded in prior years but not removed from the tax overpayment subsidiary report. In addition, there were certain current year tax collections and tax adjustments that were recorded on the tax overpayment subsidiary report that should have been recorded against current year taxes receivable and applied against the applicable block and lot in the tax system.

**Effect** – The tax overpayment subsidiary report and records are not in agreement with the general ledger.

**Cause** – Tax overpayment subsidiary report was not being reviewed and reconciled to the general ledger reserve account and tax system and overpayments were not being refunded or applied to the applicable block and lots in a timely manner.

**Recommendation** – The tax overpayment subsidiary report be reviewed and adjusted to agree to the general ledger reserve account. Further, tax overpayments be applied or refunded to the applicable block and lots in a timely manner.

**View of Responsible Official and Planned Corrective Action** – Management has reviewed this finding and has indicated corrective action will be developed and implemented in 2019 to address this finding.

**BOROUGH OF UPPER SADDLE RIVER  
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**Finding 2018-003** – Our audit revealed the following:

- Two (2) General Fund budget accounts in the 2018 Appropriations were overexpended.
- Expenditures were made from General Capital Fund without an ordinance appropriation.

**Criteria or Specific Requirement** – Encumbrance Accounting System N.J.A.C. 5:30-5.3  
Expenditures void without Appropriations N.J.S.A. 40A:4-57

**Condition** – Two (2) General Fund budget accounts in the 2018 Appropriations were overexpended. Certain expenditures were made that did not have available General Capital Fund improvement authorization balances.

**Context** – Two (2) General Fund budget accounts in the 2018 Appropriations relating to the Gas budget line account and the Gasoline budget line account were overexpended by \$66 and \$3,963, respectively. In addition, \$210,775 in expenditures were made that did not have available General Capital Fund improvement authorization balances.

**Effect** – Appropriations for expenditures incurred were not available resulting in overexpenditures at year end.

**Cause** – Available budget and ordinance appropriation balances were not reviewed and budget transfers approved prior to the incurring of expenditures, also certification of availability of funds were not prepared.

**Recommendation** – Internal control procedures be reviewed and revised to ensure sufficient budget and improvement authorization funds are available in the Current Fund and General Capital Fund prior to expenditures being incurred.

**View of Responsible Official and Planned Corrective Action** – Management has reviewed this finding and has indicated corrective action will be developed and implemented in 2019 to address this finding.

**BOROUGH OF UPPER SADDLE RIVER  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**STATUS OF PRIOR YEAR FINDINGS**

**Finding 2017-001** – Our audit of the general ledger accounting system maintained for the various funds revealed the following:

- General ledger control account balances were not reconciled to the revenue, appropriation and reserve accounts subsidiary reports and other supporting records on a monthly basis.
- Numerous cash transactions were either misposted or not posted to the general ledger and subsidiary records during the year.
- Numerous interfund transactions were not posted to the respective fund's general ledger and subsidiary records during the year.

**Current Status**

See Finding 2018-001

**Finding 2017-002** – Our audit of bank reconciliations in the various funds revealed the following:

- Bank reconciliations prepared at year end were incomplete.
- Numerous reconciling items and old outstanding checks exist at year end in the various accounts.

**Current Status**

Corrective action was taken.

**BOROUGH OF UPPER SADDLE RIVER**

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**PART III**

**SUPPLEMENTARY DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2018**

**BOROUGH OF UPPER SADDLE RIVER  
SUPPLEMENTARY DATA**

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

	<u>Year 2018</u>		<u>Year 2017</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUES AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 1,000,000	1.75 %	\$ 494,317	0.88 %
Miscellaneous - From Other Than Local				
Property Tax Levies	2,718,964	4.76	3,111,167	5.56
Collection of Delinquent Taxes and Tax Title Liens	298,113	0.52	275,283	0.49
Collection of Current Tax Levy	52,683,548	92.37	51,665,605	92.45
Other Credits to Income	<u>334,426</u>	<u>0.59</u>	<u>338,045</u>	<u>0.60</u>
Total Revenues and Other Income	<u>57,035,051</u>	<u>100.00</u> %	<u>55,884,417</u>	<u>100.00</u> %
<b>EXPENDITURES</b>				
<b>Budget Expenditures</b>				
Municipal Purposes	12,354,953	21.77 %	12,228,680	22.03 %
County Taxes	6,884,254	12.13	7,000,332	12.61
Local School Taxes	22,909,658	40.37	22,460,827	40.47
Regional School Taxes	14,049,566	24.76	13,769,864	24.81
Other Expenditures	<u>549,292</u>	<u>0.97</u>	<u>39,443</u>	<u>0.07</u>
Total Expenditures	<u>56,747,723</u>	<u>100.00</u> %	<u>55,499,146</u>	<u>100.00</u> %
Excess of Revenues and Other Income Over Expenditures	287,328		385,271	
Adjustments to Income Before Fund Balance: Expenditures Included Above Which are by Statute Deferred Charges to Budgets of Succeeding Years	<u>324,029</u>		<u>600,000</u>	
Statutory Excess to Fund Balance	611,357		985,271	
Fund Balance, January 1	<u>1,334,642</u>		<u>843,688</u>	
	1,945,999		1,828,959	
Decreased by: Utilization as Anticipated Revenue	<u>1,000,000</u>		<u>494,317</u>	
Fund Balance, December 31	<u>\$ 945,999</u>		<u>\$ 1,334,642</u>	

**BOROUGH OF UPPER SADDLE RIVER  
SUPPLEMENTARY DATA**

**Comparative Schedule of Tax Rate Information**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate</u>	<u>\$2.361</u>	<u>\$2.342</u>	<u>\$2.271</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.370	.343	.334
Library	.041	.042	.041
County	.294	.303	.303
County Open Space	.012	.012	.003
Local School	1.019	1.018	.990
Regional School	.625	.624	.600

Assessed Valuation

2018	<u>\$2,248,465,500</u>
2017	<u>\$2,208,210,100</u>
2016	<u>\$2,224,571,900</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>
2018	\$ 53,234,636	\$ 52,683,548	98.96%
2017	52,015,704	51,665,605	99.32%
2016	50,724,005	50,341,661	99.24%

**BOROUGH OF UPPER SADDLE RIVER  
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</u> <u>Year</u>	<u>Delinquent</u> <u>Taxes</u>	<u>Tax Title</u> <u>Liens</u>	<u>Total</u>	<u>Percentage</u> <u>of</u> <u>Tax Levy</u>
2018	\$ 422,833		\$ 422,833	0.79%
2017	304,169		304,169	0.58%
2016	279,960	\$ 151,572	431,532	0.85%

**Comparative Schedule of Fund Balance**

	<u>Year</u>	<u>Balance,</u> <u>December 31</u>	<u>Utilized</u> <u>In Budget of</u> <u>Succeeding Year</u>
Current Fund	2018	\$945,999	\$570,756
	2017	1,334,642	1,000,000
	2016	843,688	494,317

**BOROUGH OF UPPER SADDLE RIVER  
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>Type of Bond</u>
Joanne Minichetti	Mayor		
Steven DiMartino	Councilman		
Vincent Durante	Councilman		
Joanne Florio	Councilwoman		
Roger DeBerardine	Councilman		
Jonathan Ditkoff	Councilman		
Thomas Hafner	Councilman		
Theodore F. Preusch	Borough Administrator		
Gene Leporiere	Chief Financial Officer/Tax Collector	1,000,000.00	(A)
Rose Vido	Borough Clerk		
Boswell Engineering	Borough Engineer		
James Dougherty	Construction Code Official		
Harry D. Norton Jr.	Magistrate	1,000,000.00	(A)
Sherri D'Alessandro	Court Clerk/Violations Clerk	1,000,000.00	(A)
Marie Merolla	Tax Assessor (1/1/18 to 3/28/18)		
Anthony Rinaldi	Tax Assessor (4/1/18 to Present)		
Gina DeMott	Secretary-Construction Code Official		

Note A – All officials handling cash were insured for public employee dishonesty and faithful performance issued by the Bergen County Municipal Joint Insurance Fund and Municipal Excess Liability Joint Insurance Fund in the total amount of \$1,000,000.

**BOROUGH OF UPPER SADDLE RIVER  
SUPPLEMENTARY DATA**

Our comments with respect to the examination and any error, omission, irregularity, violation of law, discrepancy or other nonconformity to the law or regulation found during the examination are herewith set forth.

**GENERAL COMMENTS**

**Prior Year Unresolved Findings**

Our audit of the Other Trust Fund cash reserve balances revealed that the monthly and year end balances were not supported by a detail analysis. It is recommended that a monthly detail analysis be maintained for all escrow deposits and performance bonds.

Our audit of the Other Trust Fund payroll accounts indicated that an excess balance exists at year end. In addition, a detail payroll deduction ledger is not being maintained on a monthly basis. It is recommended that the excess balance relating to the Other Trust Fund payroll accounts be reviewed and cleared of record and a detail analysis be maintained for payroll deductions on a monthly basis.

**Current Year Findings**

Our audit of tax appeal judgments indicated that the resolution approving the tax appeal settlement does not indicate whether the tax appeal settlement will be refunded or applied to future tax years. It is recommended that the resolution for all tax appeal settlements indicate whether the settlement will be refunded or applied to future tax years.

Our audit of Current Fund expenditures indicated that certain charges relating to recycling fees, legal fees and insurance expense were charged to the incorrect budget account; the financial statements have been adjusted for these mischarges. It is recommended that all Current Fund expenditures be charged to the correct budget account.

Our audit of expenditures indicated that several purchase orders examined had invoice dates that preceded the purchase order dates. It is recommended that efforts be made to ensure all purchase orders be issued prior to the ordering of goods or services.

Our audit of purchasing indicated that various contracts awarded through Local Cooperatives or State Contracts were not approved by resolution. In addition, certain change orders relating to certain contract awards were not approved by resolution. It is recommended that all contract awards through Local Cooperatives or State Contracts and all change orders be approved by resolution.

Our audit of the health benefit waiver payments indicated that an employee was not calculated in accordance with N.J.S.A. 52:14-17.31a and 40A:10-17.1, which resulted in an overpayment. It is recommended that in all instances, health benefit waiver payments be calculated in accordance with N.J.S.A. 52:14-17.31a and 40A:10-17.1.

Our audit of the payroll indicated that certain non-contractual salary payments were not in agreement with the salary ordinance. It is recommended that all non-contractual salary payments be paid in accordance with the salary ordinance.

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

N.J.S. 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 by the governing body of the contracting unit 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 the bid threshold, except by contract or agreement."

The threshold permitted by the State of New Jersey is \$17,500 unless the Borough has a qualified purchasing agent. If the Borough's purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (c.40A:11-9), the Borough may establish a bid threshold up to \$40,000. The Borough approved the bid threshold to be \$40,000. The Borough Administrator was appointed as the qualified purchasing agent effective June 2, 2011.

**BOROUGH OF UPPER SADDLE RIVER  
SUPPLEMENTARY DATA**

**GENERAL COMMENTS (Continued)**

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

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 Attorney's opinion should be sought before a commitment is made.

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

- Road Improvement Project
- Solid Waste Collection Service and Collection of Recyclable Material

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 furnishings 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 violations existed.

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

**Collection of Interest on Delinquent Taxes and Assessments**

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

The Governing Body on January 4, 2018, adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED, by the Mayor and Council of the Borough of Upper Saddle River, County of Bergen, State of New Jersey, that the penalty upon delinquent taxes and assessments be fixed at the rate of eight (8) per centum per annum on the first \$1,500.00 of the delinquency and eighteen (18%) per cent per annum on any amount in excess of \$1,500 will be added from payable date to date of payment received; and that no penalty be imposed if payment upon taxes or assessments become due and payable and the Collector is hereby authorized and empowered to waive any penalty for interest provided said taxes and assessments are paid before the expiration of ten (10) days after each quarterly payment of taxes and assessments become due. A penalty of up to 6% may be charged on any delinquency in excess of \$10,000 if not paid by the end of the fiscal year.

BE IT FURTHER RESOLVED, that this resolution shall be effective immediately and that the penalty rate herein fixed for assessments shall not apply where there is a specific ordinance fixing a penalty rate for a specific assessment.

**Delinquent Taxes and Tax Title Liens**

The last tax sale was held on December 27, 2018.

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>
2018	-
2017	-
2016	-

## BOROUGH OF UPPER SADDLE RIVER

### RECOMMENDATIONS

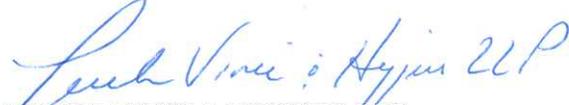
It is recommended that:

- \* 1. Internal control procedures over the general ledger accounting system be reviewed and enhanced to ensure general ledger account balances are reconciled on a monthly basis to the respective fund's subsidiary reports and supporting records and that all transactions are accurately recorded during the year.
- 2. The tax overpayment subsidiary report be reviewed and adjusted to agree to the general ledger reserve account. Further, tax overpayments be applied or refunded to the applicable block and lots in a timely manner.
- 3. Internal control procedures be reviewed and revised to ensure sufficient budget and improvement authorization funds are available in the Current Fund and General Capital Fund prior to expenditures being incurred.
- \* 4. A monthly detail analysis be maintained for all escrow deposits and performance bonds.
- \* 5. The excess balance relating to the Trust Fund payroll accounts be reviewed and cleared of record and a detail analysis be maintained for payroll deductions on a monthly basis.
- 6. The resolution for all tax appeal settlements indicate whether the settlement will be refunded or applied to future tax years.
- 7. All Current Fund expenditures be charged to the correct budget account.
- 8. Efforts be made to ensure all purchase orders be issued prior to the ordering of goods or services.
- 9. All contract awards through Local Cooperatives or State Contracts and all change orders be approved by resolution.
- 10. In all instances, health benefit waiver payments be calculated in accordance with N.J.S.A. 52:14-17.31a and 40A:10-17.1.
- 11. All non-contractual salary payments be paid in accordance with the salary ordinance.

\*\*\*\*\*

A review was performed on all prior year's recommendations. The Borough has taken corrective action on all prior year recommendations except those denoted by an asterisk (\*).

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

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

  
Dieter P. Lerch  
Registered Municipal Accountant  
RMA Number CR00398