

BOROUGH OF PALISADES PARK

**Financial Statements with
Supplementary Information
December 31, 2022
(With Independent Auditors' Reports Thereon)**

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BOROUGH OF PALISADES PARK

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Palisades Park
Palisades Park, NJ 07650

Report on the Financial Statements

Adverse Opinion on U.S. Generally Accepted Accounting Principles

We have audited the accompanying balance sheets – regulatory basis of the various funds and account group of the Borough of Palisades Park, as of December 31, 2022 and 2021, 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 the statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

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 accompanying financial statements referred to above do not present fairly the financial position of each fund of the Borough of Palisades Park as of December 31, 2022 and 2021, or changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") and Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough of Palisades Park, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.



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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Palisades Park on the basis of the financial reporting provisions 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 requirements of New Jersey.

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.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above, present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2022 and 2021, the regulatory basis statements of operations and changes in fund balance for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2022 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Palisades Park's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 *Borough's* internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Palisades Park's basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.



Honorable Mayor and
Members of the Borough Council
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The supplementary information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

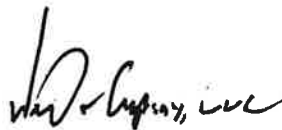
The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or any form of assurance thereon.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2023 on our consideration of the Borough of Palisades Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Palisades Park's internal control over financial reporting and compliance.



Steven D. Wielkocz, C.P.A.
Registered Municipal Accountant
No. CR00413



WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

October 27, 2023



BOROUGH OF PALISADES PARK

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2022 and 2021

	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
			<u>Assets</u>
Current Fund:			
Cash	A-4	\$ 11,584,906	9,823,588
Cash - Change Funds	A-5	250	250
Due from State of New Jersey - Ch. 20, PL 1971	A-7	56,023	55,167
		<u>11,641,179</u>	<u>9,879,005</u>
Receivables and other assets with full reserves:			
Delinquent Property Taxes Receivable	A-8	574,206	677,772
Foreclosed Property	A-9	275,000	275,000
Revenue Accounts Receivable	A-10	176,973	229,605
Interfund Receivables	A-11	5,335	6,134
		<u>1,031,514</u>	<u>1,188,511</u>
		<u>12,672,693</u>	<u>11,067,516</u>
Deferred Charges:			
Special Emergency	A-12	140,735	310,735
		<u>12,813,428</u>	<u>11,378,251</u>
Federal and State Grant Fund:			
Due from Current Fund	A-26	327,088	284,771
Grants Receivable	A-27	78,790	
		<u>405,878</u>	<u>284,771</u>
		<u>\$ 13,219,306</u>	<u>11,663,022</u>

BOROUGH OF PALISADES PARK
Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2022 and 2021

	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Liabilities:			
Encumbrances Payable	A-3,A-19	516,410	347,307
Appropriation Reserves	A-3,A-13	2,678,777	987,911
Interfund Payables	A-11	505,942	163,845
Tax Overpayments	A-14	105,325	137,303
Prepaid Taxes	A-15	600,266	556,689
Due to County for Added Taxes	A-18	42,274	
Sewer Charges Payable-Fort Lee	A-20	20,776	20,776
Due to Public Library	A-21	912,800	741,668
Accounts Payable	A-22	35,432	
Reserve for:			
Tax Sale Premiums	A-23	76,000	162,500
Maintenance of Public Library	A-24	49,893	46,031
Miscellaneous Reserves	A-25	51,828	2,325
Due to Federal and State Grant Fund	A-26	327,088	284,771
		<u>5,922,811</u>	<u>3,451,126</u>
Reserves for receivables and other assets	A	1,031,514	1,188,511
Fund balance	A-1	<u>5,859,103</u>	<u>6,738,614</u>
		<u>6,890,617</u>	<u>7,927,125</u>
		<u>12,813,428</u>	<u>11,378,251</u>
Federal and State Grant Fund:			
Appropriated Grant Reserves	A-28	321,909	228,935
Unappropriated Grant Reserves	A-29	83,969	55,836
		<u>405,878</u>	<u>284,771</u>
		<u>\$ 13,219,306</u>	<u>11,663,022</u>

See accompanying notes to financial statements.

BOROUGH OF PALISADES PARK

Comparative Statement of Operations and Changes
in Fund Balance-Regulatory Basis

Current Fund

Year Ended December 31,

	<u>2022</u>	<u>2021</u>
Revenue and other income realized:		
Fund balance utilized	\$ 3,568,000	3,490,000
Miscellaneous revenue anticipated	4,545,989	3,675,171
Receipts from delinquent taxes	677,772	825,056
Receipts from current taxes	53,009,475	50,588,678
Non-budget revenues	344,547	346,217
Other credits to income:		
Unexpended balance of appropriation reserves and encumbrances	407,441	2,113,931
Liabilities cancelled	56,448	10,790
Interfunds returned	6,134	2,059
Total revenue and other income	<u>62,615,806</u>	<u>61,051,902</u>
Expenditures:		
Budget and emergency appropriations:		
Appropriations within "CAPS":		
Operations:		
Salaries and wages	9,778,800	9,105,032
Other expenses	7,462,701	7,194,575
Deferred charges and statutory expenditures	2,607,894	2,373,750
Appropriations excluded from "CAPS":		
Operations:		
Salaries and wages	65,060	50,000
Other expenses	4,384,331	4,103,087
Capital improvements	100,000	100,000
Municipal debt service	1,166,762	1,011,481
Deferred charges	170,000	489,265
Judgements	180,000	443,048
County taxes	8,759,684	8,279,178
Amount due county for added and omitted taxes	42,274	20,875
Local district school tax	25,098,588	24,434,348
Interfunds Advanced	94,176	
Tax Court Judgements	6,356	112,948
Revenue Refunds	10,691	10,196
Settlements		50,000
Total expenditures	<u>59,927,317</u>	<u>57,777,783</u>
Excess in revenue	<u>2,688,489</u>	<u>3,274,119</u>

BOROUGH OF PALISADES PARK

**Comparative Statement of Operations and Changes
in Fund Balance-Regulatory Basis**

Current Fund

Year Ended December 31,

	<u>2022</u>	<u>2021</u>
Fund balance, January 1	<u>6,738,614</u>	<u>6,954,495</u>
	9,427,103	10,228,614
Decreased by utilization as anticipated revenue	<u>3,568,000</u>	<u>3,490,000</u>
Fund balance, December 31	<u>\$ 5,859,103</u>	<u>6,738,614</u>

See accompanying notes to financial statements.

BOROUGH OF PALISADES PARK

Statement of Revenues-Regulatory Basis

Current Fund

Year ended December 31, 2022

	<u>Budget</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Fund balance anticipated	\$ 3,568,000	3,568,000	
Miscellaneous revenues:			
Licenses:			
Alcoholic beverages	68,000	73,138	5,138
Other	1,400	1,300	(100)
Fees and permits:			
Construction Code Official	450,000	664,000	214,000
Other	200,000	274,557	74,557
Municipal Court - fines and costs	385,000	475,863	90,863
Interest and costs on taxes	125,000	149,739	24,739
Parking Meters	200,000	458,856	258,856
Interest on investments and deposits	12,000	35,508	23,508
Recreation Fees	14,000	15,925	1,925
Energy Receipts Tax	948,990	948,990	
Parking Meters	50,000	50,000	
Alcohol Education and Rehabilitation	3,181	3,181	
Body Armor Replacement Fund	2,833	2,833	
Body Worn Camera Grant	97,824	97,824	
Bulletproof Vest Partnership Program	5,142	5,142	
Clean Communities	29,266	29,266	
Edward Byrne Memorial Justice Assistance Grant			
Bolstering Police - Youth Trust Program	16,500	16,500	
Highway Traffic Safety Grants			
U Drive, U Text, U Pay	9,180	9,180	
Drive Sober or Get Pulled Over	5,880	5,880	
Municipal Alliance	354	354	
General Capital Fund Balance	46,765	46,765	
Local Housing Inspections	18,000	9,846	(8,154)
Sewer Connection Fees	76,000	87,238	11,238
American Rescue Plan	1,084,104	1,084,104	
Total miscellaneous revenues	<u>3,849,419</u>	<u>4,545,989</u>	<u>696,570</u>
Receipts from delinquent taxes	<u>675,000</u>	<u>677,772</u>	<u>2,772</u>

BOROUGH OF PALISADES PARK

Statement of Revenues-Regulatory Basis

Current Fund

Year ended December 31, 2022

	<u>Budget</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Amount to be raised by taxes for support of municipal purposes	19,253,402	20,060,428	807,026
Total budget revenues	\$ <u>27,345,821</u>	<u>28,852,189</u>	<u>1,506,368</u>
Non-budget revenues		344,547	
		\$ <u>29,196,736</u>	

Analysis of Realized Revenue

<u>Allocation of current tax collections:</u>			
Revenue from collections		\$ 53,009,475	
Allocated to school and county taxes		<u>34,149,047</u>	
Balance for support of municipal budget appropriations		18,860,428	
Add reserve for uncollected taxes		<u>1,200,000</u>	
Amount for support of municipal budget		\$ <u>20,060,428</u>	
Receipts from delinquent taxes:			
Delinquent tax collections		\$ <u>677,772</u>	

Analysis of Non-Budget Revenue

Miscellaneous Revenue Not Anticipated:

Seepage Pits	\$ 7,250
LEA Rebate	33,780
FEMA Reimbursement - Isais	93,141
FEMA Reimbursement - Ida	41,885
Bid Specs	2,070
Polling	180
Vision Cable	56,942
Verizon	59,117
Sale of Vehicles	4,487
Miscellaneous	<u>45,695</u>
	\$ <u>344,547</u>
Reimbursement of Prior Year Expenses	15,060
Cash Receipts	<u>329,487</u>
	\$ <u>344,547</u>

See accompanying notes to financial statements.

BOROUGH OF PALISADES PARK, N.J.

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2022

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
General Government:					
Administrative and Executive:					
Salaries and Wages	965,000	970,000	951,813	18,187	
Printing and Supplies	12,500	27,500	22,071	5,429	
Miscellaneous Expense	130,000	150,000	145,569	4,431	
Website Maintenance	40,000	40,000	27,110	12,890	
Financial Administration:					
Salaries and Wages	210,000	210,000	189,130	20,870	
Other Expenses	85,000	100,000	89,576	10,424	
Collection of Taxes:					
Salaries and Wages	240,000	240,000	218,328	21,672	
Other Expenses	20,000	30,000	29,677	323	
Assessment of Taxes:					
Salaries and Wages	33,000	33,000	31,483	1,517	
Other Expenses	90,000	90,000	26,542	63,458	
Legal-Tax Appeals	20,000	74,000	50,637	23,363	
Legal Services and Costs:					
Other Expenses	175,000	265,275	243,593	21,682	
Engineering Services and Costs:					
Other Expenses	10,000	15,000	11,128	3,872	

BOROUGH OF PALISADES PARK, N.J.

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2022

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Planning Board:					
Salaries and Wages	6,700	6,700	6,533	167	
Other Expenses	10,000	10,000	2,461	7,539	
Zoning Board of Adjustment:					
Salaries and Wages	15,500	15,500	14,813	687	
Other Expenses	25,000	25,000	1,517	23,483	
Zoning Officer					
Salaries and Wages	20,400	20,400	13,574	6,826	
Housing Inspector					
Salaries and Wages	16,000	16,000	5,253	10,747	
Rent Leveling Board:					
Salaries and Wages	4,400	5,100	4,770	330	
Other Expenses	200	200		200	
Municipal Court					
Salaries and Wages	205,000	205,000	202,500	2,500	
Other Expenses	50,000	50,000	49,031	969	
Public Defender					
Salaries and Wages	3,000	3,750	3,250	500	
Health Standards Act N.J.A.C. 12:100-4.2					
Other Expenses	1,000	1,000		1,000	

BOROUGH OF PALISADES PARK, N.J.

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2022

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Public Safety:					
Police:					
Salaries and Wages	3,680,896	3,680,896	3,069,148	611,748	
Salaries and Wager - Police Director	50,000	50,000	50,000		
Salaries and Wagers - Traffic	195,000	195,000	195,000		
Salaries and Wages - Crossing Guards	200,000	200,000	200,000		
Salaries and Wagers - Secretaries	70,000	70,000	70,000		
Salaries and Wagers - ARP Revenue Loss	1,084,104	1,084,104	1,084,104		
Clothing Allowance	25,000				
Miscellaneous Other Expenses	245,000	245,000	198,862	46,138	
Police Cars	5,000	20,000	14,510	5,490	
Communications					
Other Expenses	18,000	18,000	15,505	2,495	
Emergency Management					
Other Expenses	35,000	35,000	9,518	25,482	
Traffic Division					
Salaries and Wages	180,000	195,000	188,401	6,599	
Qualified Purchasing Agent					
Salaries and Wages	35,000	35,000	34,715	285	
Fire:					
Salaries and Wages	120,000	120,000	12,250	107,750	
Salaries and Wages - Stipends	170,000	230,000	214,110	15,890	
Clothing Allowance	80,000	25,000	5,550	19,450	

BOROUGH OF PALISADES PARK, N.J.

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2022

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Miscellaneous Other Expenses	125,000	125,000	124,316	684	
Uniform Fire Safety Act:					
Salaries and Wages	131,000	163,000	161,439	1,561	
Other Expenses	32,500	32,500	25,143	7,357	
Public Works Function:					
Road Repairs and Maintenance:					
Salaries and Wages	882,000	1,042,000	1,029,374	12,626	
Salaries and Wages - Overtime	25,540	25,540	14,750	10,790	
Other Expenses	140,000	170,000	166,947	3,053	
Garbage and Trash Removal:					
Trash Removal - Contractual	1,482,000	1,482,000	1,458,632	23,368	
Sanitary Landfill	550,000				
Windsor Road Garbage Removal	20,000	20,000	20,000		
Park Development West	15,155	15,155		15,155	
Recycling:					
Salaries and Wages	20,000	20,000	3,573	16,427	
Other Expenses	5,000	5,000		5,000	
Public Buildings and Grounds:					
Other Expenses	40,000	165,000	160,222	4,778	
Snow Removal - Other Expenses	40,000	40,000	27,760	12,240	
Sewer System:					
Sewer repairs and rehabilitation	15,000	15,000	1,600	13,400	

BOROUGH OF PALISADES PARK, N.J.

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2022

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Board of Health					
Salaries and Wages	200,000	200,000	194,118	5,882	
Other Expenses	16,000	16,000	15,914	86	
Housing Officer					
Salaries and Wages	4,000	4,000		4,000	
Environmental Commission (NJSA 40:56A-1 etc.):					
Salaries and Wages	2,650	2,650	2,481	169	
Tree Removal	12,000	37,000	29,335	7,665	
Animal Welfare:					
Other Expenses	35,000	35,000	30,130	4,870	
Recreation and Education:					
Salaries and Wages	60,000	60,000	51,557	8,443	
Other Expenses	60,000	60,000	26,077	33,923	
Senior Citizen Committee:					
Salaries and Wages	15,000	15,800	4,717	11,083	
Other Expenses	6,000	11,550	8,950	2,600	
Parks and Playgrounds:					
Salaries and Wages	3,000	3,000		3,000	
Other Expenses	7,500	7,500	3,740	3,760	
Summer Youth Program					
Other Expenses	24,000	28,000	27,525	475	

BOROUGH OF PALISADES PARK, N.J.

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2022

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Town Historian					
Salaries and Wages	5,500	5,500	5,253	247	
Replacement and Repairs all Departments:					
Other Expenses	1,000	1,000	250	750	
Police Administration Hearings:					
Other Expenses	150,000				
Parking Lot Rental					
Other Expenses	35,000	36,500	35,961	539	
Traffic Control Other Expenses	1,000	1,000		1,000	
Anniversary or Holiday					
Other Expenses	30,000	30,000	29,203	797	
Grants Person					
Other Expenses	39,600	39,600	37,920	1,680	
Insurance:					
Other Insurance Premiums	516,421	896,421	638,890	257,531	
Group Insurance for Employees	2,045,000	2,045,000	1,998,581	46,419	
Workers Compensation	359,075				
Uniform Construction Code Officials					
Salaries and Wages	120,000	121,000	120,333	667	
Building Inspector					
Salaries and Wages	100,000	100,000	96,656	3,344	
Other Expenses	34,000	64,000	60,774	3,226	

BOROUGH OF PALISADES PARK, N.J.

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2022

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Plumbing Inspector	38,000	38,000	33,348	4,652	
Salaries and Wages					
Electrical Inspector	17,000	19,000	18,329	671	
Salaries and Wages					
Fire Sub-Code Officials	15,000	17,000	16,194	806	
Salaries and Wages					
Code Enforcement Officer	227,000	227,000	221,583	5,417	
Salaries and Wages					
Elevator Inspection	13,000	13,000	657	12,343	
Salaries and Wages					
Building Sub-Code Official	16,000	16,000	2,276	13,724	
Salaries and Wages					
Residential Permit Fees	60,000	60,000	49,383	10,617	
Salaries and Wages					
COAH Enforcement	18,360	21,360	20,790	570	
Salaries and Wages					
Zoning Official	2,000	2,000		2,000	
Salaries and Wages					
State Housing	17,500	17,500	17,500		
Salaries and Wages					

BOROUGH OF PALISADES PARK, N.J.

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2022

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
UNCLASSIFIED:					
Utilities:					
Electricity	80,000	80,000	59,221	20,779	
Street Lighting	90,000	90,000	86,502	3,498	
Telephone	300,000	300,000	86,956	213,044	
Water	10,000	10,000	4,572	5,428	
Natural Gas	20,000	20,000	12,220	7,780	
Fire Hydrant Service	180,000	180,000	108,778	71,222	
Diesel	6,000	13,500	12,660	840	
Gasoline	170,000	170,000	153,820	16,180	
Total Operations within "CAPS"	<u>17,265,501</u>	<u>17,241,501</u>	<u>15,218,942</u>	<u>2,022,559</u>	
B. Contingent					
Total Operations Including Contingent-within "CAPS"	<u>17,265,501</u>	<u>17,241,501</u>	<u>15,218,942</u>	<u>2,022,559</u>	
Detail:					
Salaries & Wages	9,496,550	9,778,800	8,823,486	955,314	
Other Expenses (Including Contingent)	7,768,951	7,462,701	6,395,456	1,067,245	
	<u>17,265,501</u>	<u>17,241,501</u>	<u>15,218,942</u>	<u>2,022,559</u>	

BOROUGH OF PALISADES PARK, N.J.

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2022

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
(E) Deferred Charges and Statutory Expenditures- Municipal within "CAPS"	82,035	82,035			82,035
DEFERRED CHARGES:					
Deficit in Swim Pool					
STATUTORY EXPENDITURES:					
Contribution to:					
Public Employees' Retirement System	559,011	559,011	558,011	1,000	
Police and Firemen's Retirement System	1,378,883	1,378,883	1,378,883		
Social Security System (O.A.S.I.)	640,000	640,000	463,353	176,647	
Unemployment Compensation Insurance	30,000	30,000	30,000		
Total Deferred Charged and Statutory Expenditures-Municipal within "CAPS"	2,689,929	2,689,929	2,430,247	177,647	82,035
Total General Appropriations for Municipal Purposes within "CAPS"	19,955,430	19,931,430	17,649,189	2,200,206	82,035
Operations - Excluded from "CAPS"					
Maintenance of Free Public Library (Ch. 82 & 541, P.L. 1985)	1,263,845	1,263,845	1,065,986	197,859	
Other Expenses					
Sewer Rent:					
Borough of Ridgefield	230,000	230,000	80,715	149,285	

BOROUGH OF PALISADES PARK, N.J.

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2022

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Borough of Fort Lee	17,500	17,500	5,754	11,746	
Bergen County Utilities Authority					
Service Charges - Contractual	2,443,886	2,443,886	2,336,007	107,879	
Total Other Operations - Excluded from "CAPS"	3,955,231	3,955,231	3,488,462	466,769	
Interlocal Municipal Service Agreements:					
Ridgefield Contractual Services:					
Other Expenses	40,000	64,000	52,198	11,802	
Palisades Park Board of Education					
School Security - Other Expenses	50,000	50,000	50,000		
Bergen County					
911 Dispatch - Other Expenses	160,000	160,000	160,000		
Total Interlocal Agreements Excluded from "CAPS"	250,000	274,000	262,198	11,802	
Additional Appropriations Offset by					
Revenues (N.J.S. 40A:4-45.3h)					
Parking Meters:					
Salaries and Wages	50,000	50,000	50,000		
Total Additional Appropriations Offset by	50,000	50,000	50,000		
Revenues (N.J.S. 40A:4-45.3h)					

BOROUGH OF PALISADES PARK, N.J.

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2022

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Public and Private Programs Offset by Revenues					
Body Armor Grant	2,833	2,833	2,833		
Police - Other Expenses					
Municipal Alliance	354	354	354		
Other Expenses					
Clean Communities					
Other Expenses	29,266	29,266	29,266		
Alcohol Education and Rehabilitation Other Expenses	3,181	3,181	3,181		
Highway Traffic Safety Grants Salaries and Wagers	15,060	15,060	15,060		
Body Worn Camera Grant					
Other Expenses	97,824	97,824	97,824		
Bolstering Police - Youth Grant					
Other Expenses	16,500	16,500	16,500		
Bullet Proof Vest					
Other Expenses	5,142	5,142	5,142		
Total Public and Private Programs Offset by Revenues	170,160	170,160	170,160		

BOROUGH OF PALISADES PARK, N.J.

Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2022

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Total Operations-Excluded from "CAPS"	4,425,391	4,449,391	3,970,820	478,571	
Detail:					
Salaries and Wages	65,060	65,060	65,060		
Other Expenses	4,360,331	4,384,331	3,905,760	478,571	
	4,425,391	4,449,391	3,970,820	478,571	
Capital Improvements - Excluded from "CAPS"					
Capital Improvement Fund	100,000	100,000	100,000		
Total Capital Improvements Excluded from "CAPS"	100,000	100,000	100,000		
Municipal Debt Service - Excluded from "CAPS"					
Payment of Bond Principal	787,977	787,977	755,000		32,977
Payment of Bond Anticipation and Capital Notes	142,023	142,023	142,023		
Interest on Bonds	265,000	265,000	210,387		54,613
Interest on Notes	60,000	60,000	59,352		648
Total Municipal Debt Service-Excluded from "CAPS"	1,255,000	1,255,000	1,166,762		88,238
Deferred Charges:					
Special Emergency Authorization	170,000	170,000	170,000		
Total Deferred Charges - Municipal - Excluded from "CAPS"	170,000	170,000	170,000		
Judgements	240,000	240,000	180,000		60,000

BOROUGH OF PALISADES PARK, N.J.
Statement of Expenditures-Regulatory Basis

Current Fund

Year Ended December 31, 2022

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>6,190,391</u>	<u>6,214,391</u>	<u>5,587,582</u>	<u>478,571</u>	<u>148,238</u>
Subtotal General Appropriations Reserve for Uncollected Taxes	<u>26,145,821</u>	<u>26,145,821</u>	<u>23,236,771</u>	<u>2,678,777</u>	<u>230,273</u>
Total General Appropriations	<u>\$ 27,345,821</u>	<u>27,345,821</u>	<u>24,436,771</u>	<u>2,678,777</u>	<u>230,273</u>

Adopted Budget \$ 27,345,821

Reserve for Uncollected Taxes	1,200,000
Reserve for Encumbrances	516,410
Federal and State Grant Fund	170,160
Deferred Charges	170,000
Cash	<u>22,380,201</u>
	<u>\$ 24,436,771</u>

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BOROUGH OF PALISADES PARK

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2022 and 2021

	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
<u>Assets</u>			
Animal License Fund:			
Cash	B-2	\$ 3,980	6,332
Due from Board of Health	B-4	250	257
Due from State of New Jersey	B-6		49
		<u>4,230</u>	<u>6,638</u>
Assessment Trust Fund:			
Due from Current Fund	B-8	<u>204</u>	<u>204</u>
Other Trust Fund:			
Cash	B-2	3,954,677	3,535,706
Interfund - Due from Current Fund	B-7	2,666	2,906
Intrafund - Affordable Housing Trust	B-7	378	378
		<u>3,957,721</u>	<u>3,538,990</u>
Law Enforcement Trust Fund:			
Cash	B-2	<u>793</u>	<u>781</u>
Library Trust Fund:			
Cash	B-2	<u>61,824</u>	<u>59,047</u>
		<u>\$ 4,024,772</u>	<u>3,605,660</u>

BOROUGH OF PALISADES PARK

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2022 and 2021

	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Animal License Fund:			
Reserve for Animal License Fund expenditures	B-3	\$ 3,120	3,119
Due to Current Fund	B-5	1,110	3,519
		<u>4,230</u>	<u>6,638</u>
Assessment Trust Fund:			
Fund Balance	B-1	<u>204</u>	<u>204</u>
Other Trust Fund:			
Due to Current Fund	B-7	4,225	1,500
Intrafund - Affordable Housing Rental Income	B-7	378	378
Reserve for:			
Other Trust Deposits	B-9	3,953,118	3,537,112
		<u>3,957,721</u>	<u>3,538,990</u>
Law Enforcement Trust Fund:			
Reserve for Law Enforcement expenditures	B-10	<u>793</u>	<u>781</u>
Library Trust Fund:			
Reserve for Library expenditures	B-11	55,519	51,742
Reserve for Donations - Restricted	B-12	6,305	7,305
		<u>61,824</u>	<u>59,047</u>
		<u>\$ 4,024,772</u>	<u>3,605,660</u>

See accompanying notes to financial statements.

BOROUGH OF PALISADES PARK

Comparative Statement of Changes in Fund Balance - Regulatory Basis

Assessment Trust Funds

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Balance - January 1,	\$ <u>204</u>	<u>204</u>
Balance - December 31,	\$ <u><u>204</u></u>	<u><u>204</u></u>

See accompanying notes to financial statements.

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BOROUGH OF PALISADES PARK
Comparative Balance Sheet - Regulatory Basis
General Capital Fund
Years Ended December 31, 2022 and 2021

	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
<u>Assets</u>			
Cash	C-2,C-3	\$ 1,681,553	1,431,431
Expenditure without Appropriation	C-5	61,415	
Grants Receivable			
Community Development Block Grant	C-6	143,470	143,470
Bergen County Open Space Trust Fund	C-7	127,375	233,897
State of New Jersey Department of Transportation	C-9	322,451	259,397
Due from Property Owner	C-8	74,213	
Due from Current Fund	C-14	503,072	
Deferred Charges to Future Taxation:			
Funded	C-4	7,085,000	7,840,000
Unfunded	C-10	6,757,211	6,874,356
		<u>\$ 16,755,760</u>	<u>16,782,551</u>
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds	C-16	7,085,000	7,840,000
Bond Anticipation Notes Payable	C-17	4,879,735	3,984,000
Improvement Authorizations:			
Funded	C-12	1,384,632	1,332,358
Unfunded	C-12	2,123,772	2,701,328
Due to Current Fund	C-14		1,115
Reserve for Payment of Debt	C-13	304,505	5
Reserve for Grants Receivable	C-15	593,296	636,764
Capital Improvement Fund	C-11	340,215	240,215
Fund Balance	C-1	44,605	46,766
		<u>\$ 16,755,760</u>	<u>16,782,551</u>

There were bonds and notes authorized but not issued on December 31, 2022 of \$1,877,476 and \$2,890,356 at December 31, 2021 (per exhibit C-18).

See accompanying notes to financial statements.

BOROUGH OF PALISADES PARK

Comparative Statement of Changes in Fund Balance-Regulatory Basis

General Capital Fund

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Balance - December 31,	\$ 46,766	26,923
Increased by:		
Premium on Note Sale	<u>44,604</u>	<u>46,743</u>
	91,370	73,666
Decreased by:		
Utilitized as Budget Revenue	<u>46,765</u>	<u>26,900</u>
Balance - December 31,	<u>\$ 44,605</u>	<u>46,766</u>

See accompanying notes to financial statements

BOROUGH OF PALISADES PARK

Comparative Balance Sheet - Regulatory Basis

Swimming Pool Utility Fund

Years ended December 31, 2022 and 2021

	<u>Ref.</u>	<u>2022</u>	<u>2021</u>
<u>Assets</u>			
Operating Fund:			
Cash	D-6	\$ 439,440	194,476
Due from Current Fund	D-8	<u>160,735</u>	<u>160,735</u>
		<u>439,440</u>	<u>355,211</u>
Deferred Charges-			
Special Emergency Authorization	D-11	<u>184,000</u>	<u>230,000</u>
Total Operating Fund		<u>623,440</u>	<u>585,211</u>
Capital Fund:			
Cash	D-5,D-6	467,005	505,540
Interfund Receivable - Swim Pool Operating	D-10	29,735	8,000
Fixed Capital	D-12	3,318,997	3,318,997
Fixed Capital Authorized and Uncompleted	D-13	<u>837,238</u>	<u>837,238</u>
Total Capital Fund		<u>4,652,975</u>	<u>4,669,775</u>
		<u>\$ 5,276,415</u>	<u>5,254,986</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserves	D-4,D-7	\$ 137,884	160,781
Encumbrances Payable	D-4,D-7	8,380	5,656
Accrued Interest	D-9	8,418	7,892
Interfund Payable - Swim Pool Capital	D-10	29,735	8,000
Fund Balance	D-1	<u>439,023</u>	<u>402,882</u>
Total Operating Fund		<u>623,440</u>	<u>585,211</u>
Capital Fund:			
Improvement Authorizations - Funded	D-14	17,884	34,684
Improvement Authorizations - Unfunded	D-14	760,957	760,957
Reserve for Amortization	D-15	3,171,552	3,141,817
Bond Anticipation Notes Payable	D-16	654,265	684,000
Deferred Reserve for Amortization	D-17	37,700	37,700
Fund Balance	D-2	<u>10,617</u>	<u>10,617</u>
Total Capital Fund		<u>4,652,975</u>	<u>4,669,775</u>
		<u>\$ 5,276,415</u>	<u>5,254,986</u>

There were bonds and notes authorized but not issued on December 31, 2022 and December 31, 2021 in the amount of \$292,718 and \$292,718 respectively (per Exhibit D-18).

See accompanying notes to financial statements.

BOROUGH OF PALISADES PARK

**Comparative Statement of Operations and
Changes in Fund Balance - Regulatory Basis**

Swimming Pool Utility Fund

For the Years Ended December 31,

	<u>2022</u>	<u>2021</u>
Revenue and other income realized:		
Fund balance utilized	\$ 172,800	
Membership fees	496,146	351,919
American Rescue Plan		160,735
Miscellaneous revenues	2,295	542
Other credits to income:		
Liabilities cancelled		1,254
Unexpended balance of appropriation reserves	144,435	227,079
Total income	<u>815,676</u>	<u>741,529</u>
Expenditures:		
Operations:		
Salaries and wages	320,000	320,000
Other expenses	200,000	200,000
Deferred Charges and Statutory Expenditures	46,000	
Debt service	40,735	19,000
Membership Refunds		1,576
Total expenditures	<u>606,735</u>	<u>540,576</u>
Excess	208,941	200,953
Fund balance, January 1	<u>402,882</u>	<u>201,929</u>
	611,823	402,882
Decreased by utilization as anticipated revenue	<u>172,800</u>	
Fund balance, December 31	<u>\$ 439,023</u>	<u>402,882</u>

See accompanying notes to financial statements.

BOROUGH OF PALISADES PARK

Comparative Statement of Changes in Capital Fund Balance - Regulatory Basis

Swimming Pool Utility Capital Fund

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Balance - December 31,	\$ 10,617	2,369
Increased by:		
Premium received on Note Sale	<u> </u>	<u>8,248</u>
Balance - December 31,	<u>\$ 10,617</u>	<u>10,617</u>

See accompanying notes to financial statements.

BOROUGH OF PALISADES PARK

Statement of Revenues-Regulatory Basis

Swimming Pool Utility Fund

Year ended December 31, 2022

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Operating Surplus	\$ 172,800	172,800	
Membership fees	351,900	496,146	144,246
Deficit (General Budget)	82,035		(82,035)
Miscellaneous revenues		2,295	2,295
	<u>\$ 606,735</u>	<u>671,241</u>	<u>64,506</u>
		Cash Receipts \$ <u>496,146</u>	
		\$ <u>496,146</u>	

Analysis of Membership Revenues

Interest on Investments	\$ <u>2,295</u>
	\$ <u>2,295</u>

See accompanying notes to financial statements.

BOROUGH OF PALISADES PARK

Statement of Expenditures-Regulatory Basis

Swimming Pool Utility Fund

Year ended December 31, 2022

	<u>Appropriations</u>		<u>Expended</u>	
	<u>Budget</u>	Budget after modifi- cation	Paid or <u>charged</u>	<u>Reserved</u>
Operating:				
Salaries and wages	\$ 320,000	320,000	224,294	95,706
Other expenses	200,000	200,000	157,822	42,178
	<u>520,000</u>	<u>520,000</u>	<u>382,116</u>	<u>137,884</u>
Debt Service:				
Principal on Notes	29,735	29,735	29,735	
Interest on Notes	11,000	11,000	11,000	
	<u>40,735</u>	<u>40,735</u>	<u>40,735</u>	
Deferred Charges and Statutory Expenditures:				
Special Emergency	46,000	46,000	46,000	
	<u>606,735</u>	<u>606,735</u>	<u>468,851</u>	<u>137,884</u>
		Adopted Budget		
		<u>606,735</u>		
		<u>\$ 606,735</u>		
		Encumbrances	8,380	
		Accrued Interest	11,000	
		Due to Swimming Pool Capital Fund	29,735	
		Deferred Charges	46,000	
		Cash Disbursed	<u>373,736</u>	
			<u>\$ 468,851</u>	

See accompanying notes to financial statements.

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BOROUGH OF PALISADES PARK
Comparative Balance Sheet-Regulatory Basis

Payroll Account

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Cash	\$ <u>11,162</u>	<u>15,815</u>
	\$ <u><u>11,162</u></u>	<u><u>15,815</u></u>
<u>Reserves</u>		
Reserve for Net Payroll	\$ 3,461	8,180
Payroll Deductions and Withholdings	<u>7,701</u>	<u>7,635</u>
	\$ <u><u>11,162</u></u>	<u><u>15,815</u></u>

See accompanying notes to financial statements.

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BOROUGH OF PALISADES PARK

Comparative Statement of General Fixed Assets-Regulatory Basis

General Fixed Assets Account Group

Year Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Land	\$ 6,866,186	6,866,186
Building	3,557,832	3,557,832
Vehicles and Equipment	<u>11,192,390</u>	<u>10,709,956</u>
	<u>\$ 21,616,408</u>	<u>21,133,974</u>
Investment in General Fixed Assets	<u>\$ 21,616,408</u>	<u>21,133,974</u>

See accompanying notes to financial statements.

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BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

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. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities that are not recorded in those Funds.

The Borough has the following funds and account group:

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

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

Assessment Trust Fund - This fund is used to account for the collection of special assessments for improvements.

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

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

Law Enforcement Trust Fund - This fund is used to account for receipt and disbursement of funds related to the U.S. Equitable Forfeiture Sharing Program.

Library Trust Fund - This fund is used to account for receipts and donations collected and used to offset miscellaneous expenses and book purchases made by the Library.

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

Payroll Account - This fund is to account for the receipt and disbursement of net payroll and all payroll deductions and withholdings.

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

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

Swim Pool Utility Fund - is used to account for the operations and acquisition of the capital facilities and municipally owned utility.

Basis of Accounting

A modified accrual basis of accounting is followed by the Borough of Palisades Park. 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 for municipalities by the Division 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:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal 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 the 11th day of the 11th month in the current year taxes are levied, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

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

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

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

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

General Capital Fund
Trust Fund

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality.

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

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 the years ended December 31, 2022 and 2021, the Governing Body approved several budget transfers.

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

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

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

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

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

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

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

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

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at fair value which approximates cost and are limited by N.J.S.A. 40A:5-15.1(a).

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

General Fixed Assets - The Borough of Palisades Park has developed a fixed assets accounting and reporting system as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

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 drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

No depreciation has been provided for in the financial statements.

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

GAAP requires that fixed assets be capitalized at historical or estimated historical cost if actual historical cost is not available.

Use of Estimates

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

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

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

There were no new accounting pronouncements adopted by the Borough in 2022.

C. Basic Financial Statements

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

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodian credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2022, \$-0- of the Borough's bank balance of \$19,056,649 was exposed to custodial credit risk. As of December 31, 2021, \$-0- of the Borough's bank balance of \$15,919,097 was exposed to custodial credit risk.

Investments

Investment Rate Risk

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

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the town is located: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer.

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 3. MUNICIPAL DEBT

Long-term debt as of December 31, 2022 and 2021 consisted of the following:

	<u>Balance</u> <u>Dec. 31, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Bonds Payable - General Obligation Debt	\$7,840,000		\$755,000	\$7,085,000	\$780,000
Other Liabilities:					
Compensated Absences Payable	1,821,279	169,629	485,995	1,504,913	
Deferred PERS/PFRS Pension Obligation	<u>131.051</u>	<u> </u>	<u>50.196</u>	<u>80.855</u>	<u>52.383</u>
	<u>\$9,792.330</u>	<u>\$169.629</u>	<u>\$1,291.191</u>	<u>\$8,670.768</u>	<u>\$832.383</u>
	<u>Balance</u> <u>Dec. 31, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Bonds Payable - General Obligation Debt	\$8,570,000		\$730,000	\$7,840,000	\$755,000
Other Liabilities:					
Compensated Absences Payable	1,567,141	480,089	225,951	1,821,279	
Deferred PERS/PFRS Pension Obligation	<u>176.961</u>	<u> </u>	<u>45.910</u>	<u>131.051</u>	<u>50.916</u>
	<u>\$10,314.102</u>	<u>\$480.089</u>	<u>\$1,001.861</u>	<u>\$9,792.330</u>	<u>\$805.916</u>

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

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BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

The Borough's debt is summarized as follows:

Summary of Municipal Debt (Excluding Current Operating Debt)

<u>Issued:</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
General - bonds, notes and loans	\$11,964,735	\$11,824,000	\$11,850,000
Swimming Pool	<u>654,265</u>	<u>684,000</u>	<u>692,000</u>
Total Issued	12,619,000	12,508,000	12,542,000
<u>Less:</u>			
Funds Temporarily Held to Pay			
Bonds and Notes	<u>304,505</u>	<u>5</u>	<u>5</u>
Net Debt Issued	<u>12,314,495</u>	<u>12,507,995</u>	<u>12,541,995</u>
<u>Authorized But Not Issued</u>			
General - bonds, notes and loans	1,877,476	2,890,356	2,424,481
Swimming pool - bonds and notes	<u>292,718</u>	<u>292,718</u>	<u>292,718</u>
Total Authorized But Not Issued	<u>2,170,194</u>	<u>3,183,074</u>	<u>2,717,199</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$14,484,689</u>	<u>\$15,691,069</u>	<u>\$15,259,194</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .366% for 2022.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School District Debt	\$	\$	\$
Swimming Pool Utility Debt	946,983	946,983	
General Debt	<u>13,842,211</u>	<u>304,505</u>	<u>13,537,706</u>
	<u>\$14,789,194</u>	<u>\$1,251,488</u>	<u>\$13,537,706</u>

Net debt of \$13,537,706 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended of \$3,697,745,126 equals .366%.

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of (.442)% for 2021.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School District Debt	\$	\$	\$
Swimming Pool Utility Debt	976,718	614,709	362,009
General Debt	<u>14,714,356</u>	<u>5</u>	<u>14,714,351</u>
	<u>\$15,691,074</u>	<u>\$614,714</u>	<u>\$15,076,360</u>

Net debt of \$15,076,360 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended of \$3,414,175,577 equals 0.442%.

Borrowing Power Available Under N.J.S.A. 40A:2-6 as Amended

	<u>2022</u>	<u>2021</u>
3 ½% of Equalized Valuation Basis (Municipal)	\$129,421,079	\$119,496,145
Net Debt	<u>13,537,706</u>	<u>15,076,360</u>
Remaining Borrowing Power	<u>\$115,883,373</u>	<u>\$104,419,785</u>

Calculation of "Self-Liquidating Purpose", Swimming Pool Utility Per N.J.S.A. 40A:2-45

	<u>2022</u>	<u>2021</u>
Cash receipts from fees, rents or other charges for year	\$671,241	\$513,196
Deductions:		
Operating and Maintenance Cost	520,000	520,000
Debt Service	<u>40,735</u>	<u>19,000</u>
Total Deductions	<u>560,735</u>	<u>539,000</u>
Excess in Revenue - Self-Liquidating	<u>\$110,506</u>	<u>(\$25,804)</u>

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

General Obligation Bonds

The Borough's general long-term debt consisted of the following at December 31, 2022:

Paid by Current Fund.

	<u>2022</u>	<u>2021</u>
<u>General serial bonds:</u>		
\$3,735,000 General Improvement Bonds - with an interest rate of 2.00% to 4.00% issued April 5, 2011, due through April 15, 2025	\$945,000	\$1,265,000
\$8,125,000 General Improvement Bonds - with an interest rate of 2.00% to 3.00% issued April 1, 2017, due through April 1, 2032	<u>6,140,000</u>	<u>6,575,000</u>
	<u>\$7,085,000</u>	<u>\$7,840,000</u>

Aggregate bonded debt service requirements are as follows:

<u>Year</u>	<u>General Capital</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2023	780,000	188,688	968,688
2024	830,000	165,644	995,644
2025	855,000	141,175	996,175
2026	640,000	120,800	760,800
2027	660,000	104,550	764,550
2028-2032	<u>3,320,000</u>	<u>340,875</u>	<u>3,660,875</u>
	<u>\$7,085,000</u>	<u>\$1,061,732</u>	<u>\$8,146,732</u>

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

At December 31, 2022 and 2021, the Borough had authorized but not issued debt as follows:

	<u>2022</u>	<u>2021</u>
General Capital Fund	\$1,877,476	\$2,890,356
Swim Pool Capital Fund	292,718	292,718

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 4. BOND ANTICIPATION NOTES

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

On December 31, 2022 and 2021, the Borough had \$4,879,735 and \$3,984,000, respectively, in outstanding general capital bond anticipation notes, and \$654,265 and \$684,000 Swim Pool Utility bond anticipation notes. These notes were renewed for a one year term at 4.50% on March 17, 2023 for \$4,738,470 and \$624,530 respectively.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2022 and 2021:

<u>2022</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
Piper Sandler & Co.	\$	\$5,534,000	\$	\$5,534,000
BNY Mellon Capital Markets, LLC	<u>4,668,000</u>		<u>4,668,000</u>	<u>0</u>
	<u>\$4,668,000</u>	<u>\$5,534,000</u>	<u>\$4,668,000</u>	<u>\$5,534,000</u>
<u>2021</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
BNY Mellon Capital Markets, LLC	\$	\$4,668,000	\$	\$4,668,000
TD Securities, LLC	<u>3,972,000</u>		<u>3,972,000</u>	<u>0</u>
	<u>\$3,972,000</u>	<u>\$4,668,000</u>	<u>\$3,972,000</u>	<u>\$4,668,000</u>

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 5. LOCAL DISTRICT SCHOOL TAXES

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

The Borough of Palisades Park has elected to defer school taxes as follows:

	Local District School Tax Balance December 31,	
	<u>2022</u>	<u>2021</u>
Balance of Tax	\$12,673,545	\$12,425,044
Deferred	<u>12,673,545</u>	<u>12,425,044</u>
Tax Payable	<u>\$0</u>	<u>\$0</u>

NOTE 6. PENSION PLANS

Description of Plans:

Borough employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employees' Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about the PERS, please refer to the Division's Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

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

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 6. PENSION PLANS, (continued)

Public Employees' Retirement System (PERS), (continued)

Benefits Provided, (continued)

<u>Tier</u>	<u>Definition</u>
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 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 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 a 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 at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Police and Firemens' Retirement System (PFRS)

Plan Description

The State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey Division of Pensions and Benefits (the "Division"). For additional information about the PFRS, please refer to the Division's Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 6. PENSION PLANS, (continued)

Police and Firemens' Retirement System (PFRS), (continued)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service. The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
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% (Tiers 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.

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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 DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 6. PENSION PLANS, (continued)

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 and 8.5% for PFRS, which increased to 10% in October 2011, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

The Borough's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
2022	\$541,604	\$1,323,894
2021	524,721	1,274,363
2020	453,369	1,169,960

Statement No's 68 and 71 require a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. However, since the financial statements are prepared on another comprehensive basis of accounting, the net pension liability of the various pension systems is not recorded in the financial statements and is only required to be disclosed in the notes to the financial statements.

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 6. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS)

At December 31, 2022, the Borough had a liability of \$6,966,735 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion 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. At June 30, 2022, the Borough's proportion was .0463624691 percent, which was an increase of .0001156502 percent from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Borough recognized pension expense of \$541,604. At December 31, 2022, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$50,499	\$44,533
Changes of assumptions	21,678	1,047,688
Net difference between projected and actual earnings on pension plan investments	289,589	-0-
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	<u>282,303</u>	<u>245,524</u>
Total	<u>\$644,069</u>	<u>\$1,337,745</u>

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 6. PENSION PLANS, (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)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2022) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2022	(1,292,718)
2023	(600,173)
2024	(305,768)
2025	(149,117)
2026	325,317
2027	(714)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.04, 5.13, 5.16, 5.21, 5.63 and 5.48 years for 2022, 2021, 2020, 2019, 2018 and 2017 amounts, respectively.

Additional Information

Local Group Collective balances net of nonemployer (State of New Jersey) balances at June 30, 2022 and June 30, 2021 are as follows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Collective deferred outflows of resources	\$1,660,772,008	\$1,164,738,169
Collective deferred inflows of resources	3,236,303,935	8,339,123,762
Collective net pension liability	15,219,184,920	11,972,782,878
Borough's Proportion	.0463624699%	.0462468189%

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 6. PENSION PLANS, (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)

Actuarial Assumptions

The collective total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which rolled forward to June 30, 2022. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	2.75-6.55% (based on years of service)
Investment Rate of Return	7.00 Percent

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. It is likely that future experience will not exactly conform to these assumptions.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement based on Scale MP-2021.

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 6. PENSION PLANS, (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 Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 PERS's target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Market Equity	13.50%	8.38%
Emerging Market Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Assets	3.00%	7.60%
Real Estate	8.00%	11.19%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 6. PENSION PLANS, (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

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2022, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1 - percentage-point higher than the current rate:

	<u>June 30, 2022</u>		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Borough's proportionate share of the pension liability	\$9,005,625	\$6,996,735	\$5,287,088

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 6. PENSION PLANS, (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)

At December 31, 2022, the Borough had a liability of \$11,790,328 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion 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. At June 30, 2021, the Borough's proportion was .1030050800 percent, which was a decrease of .010588617 percent from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Borough recognized pension expense of \$1,323,894. At December 31, 2022, deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in actual and expected experience	\$533,662	\$722,318
Changes of assumptions	32,313	1,484,169
Net difference between projected and actual earnings on pension plan investments	1,079,648	
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>165,352</u>	<u>1,391,326</u>
Total	<u>\$1,810,975</u>	<u>\$3,597,813</u>

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BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 6. PENSION PLANS, (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, (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2022) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$(589,704)
2024	(376,858)
2025	(358,999)
2026	749,893
2027	7,227
Thereafter	7,577

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 6.22, 6.17, 5.90, 5.92, 5.73 and 5.59 years for 2022, 2021, 2020, 2019, 2018 and 2017 amounts, respectively.

Additional Information

Local Group Collective balances net of nonemployer (State of New Jersey) balances at June 30, 2022 and June 30, 2021 are as follows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Collective deferred outflows of resources	\$2,136,793,985	\$817,271,932
Collective deferred inflows of resources	2,805,919,493	6,875,738,520
Collective net pension liability	13,483,472,009	9,364,849,587
Borough's Proportion	.1030050800%	.1135936969%

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 6. PENSION PLANS, (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, (continued)

Actuarial Assumptions

The collective total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	2.75%
Salary Increases:	
Through all Future Years	3.25-16.25% (based on years of service)
Thereafter	Not Applicable
Investment Rate of Return	7.00%

Mortality Rates

Employee mortality rates were based on the PubS-2010 amount-weighted mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and a 96.0% adjustment for females. Disability rates were based on the PubS-2010 amount-weighted mortality table with a 152.0% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of the actuarial experience study for the period July 1, 2018 to June 30, 2021.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 6. PENSION PLANS, (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, (continued)

Long-Term Rate of Return, (continued)

trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 PFRS's target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Market Equity	13.50%	8.38%
Emerging Market Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	2.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	8.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	5.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 6. PENSION PLANS, (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, (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2022, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1 - percentage-point higher than the current rate:

	June 30, 2022		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Borough's proportionate share of the pension liability	\$16,958,410	\$11,790,328	\$7,487,875

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 6. PENSION PLANS, (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, (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, 2022 and 2021, the State proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$2,098,333 and \$2,335,143, respectively. For the years ended December 31, 2022 and 2021, 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 \$242,092 and \$260,067, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$261,232 and \$202,852, respectively. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 7. OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to the pension described in Note 6, the Borough provides post employment health care benefits as part of the State Health Benefits Local Government Retired Employments Plan.

General Information about the OPEB Plan

The State Health Benefit Local Government Retired Employees Plan (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) Annual Comprehensive Financial Report (ACFR), 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) retired 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) retired 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.

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 7. OTHER POST EMPLOYMENT BENEFITS (OPEB), (continued)

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 provides 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 of coverage.

Total OPEB Liability

The following other post employment benefit information is as of June 30, 2021 which is the latest information available. This information is eighteen months prior to December 31, 2022. GASB Statement No. 75 requires that the information be no more than twelve months prior to the employer's fiscal year end. No modification of the Independent Auditor's Report is being made since the Division of Local Government Services, Department of Community Affairs, State of New Jersey, is permitting the regulatory basis financial statements of Municipal, County and Library's to be issued with unmodified opinion's until such time current other post employment benefit information is available.

At December 31, 2021, the Borough had a liability of \$22,340,248 for its proportionate share of the non-special funding net OPEB liability. The net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net OPEB liability was based on a projection of the Borough's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers a in the plan. At June 30, 2021 the Borough's proportion was .124114000 percent which was a decrease of .0025660000 percent from its proportion measured as of June 30, 2020.

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 7. OTHER POST EMPLOYMENT BENEFITS (OPEB), (continued)

For the year ended December 31, 2021, the Borough recognized OPEB expense (Benefit) of \$(24,440). At December 31, 2021, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$501,288	\$4,673,910
Changes of assumptions	3,213,712	3,948,901
Net difference between projected and actual earnings on OPEB plan investments	10,682	
Changes in proportion	<u>1,668,501</u>	<u>2,835,248</u>
Total	<u>\$5,394,183</u>	<u>\$11,458,059</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB (excluding changes in proportion) will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	(1,333,919)
2023	(1,335,674)
2024	(1,337,278)
2025	(954,954)
2026	(160,535)
Thereafter	225,231

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 7.82, 7.87, 8.05, 8.14 and 8.04 years for 2021, 2020, 2019, 2018 and 2017 amounts, respectively.

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 7. OTHER POST EMPLOYMENT BENEFITS (OPEB), (continued)

Actual Assumptions and Other Inputs

The total OPEB liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which rolled forward to June 30, 2021. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation rate	2.50%
Salary increases*:	
Public Employees' Retirement System (PERS)	
Initial fiscal year applied	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 15.25%
Mortality:	
PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

* Salary increases are based on years of service within the respective plan.

Actuarial assumptions used in the July 1, 2020 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Discount Rate

The discount rate for June 30, 2021 was 2.16%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 7. OTHER POST EMPLOYMENT BENEFITS (OPEB), (continued)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Borough's proportionate share of the net OPEB liability as of June 30, 2021 as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

	June 30, 2021		
	1%	At Current	1%
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
	<u>1.16%</u>	<u>2.16%</u>	<u>3.16%</u>
Borough's proportionate share of Net OPEB liability	\$26,290,187	\$22,340,248	\$19,209,837

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rates:

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

	June 30, 2021		
	1%	Healthcare Cost	1%
	<u>Decrease</u>	<u>Trend Rate</u>	<u>Increase</u>
Borough's proportionate share of Net OPEB liability	\$18,639,291	\$22,340,248	\$27,169,539

NOTE 8. FUND BALANCE APPROPRIATED

The fund balances at December 31, 2022 and December 31, 2021 which have been appropriated as revenue in the 2023 and 2022 budgets are as follows:

	<u>2023</u>	<u>2022</u>
Current Fund	\$4,100,000	\$3,568,000
Swimming Pool Utility	165,735	172,800

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 9. FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group as of December 31, 2022.

	<u>Balance</u> <u>Dec. 31, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2022</u>
General Fixed Assets:				
Land and Land Improvements	\$6,866,186	\$	\$	\$6,866,186
Building and Building Improvements	3,557,832			3,557,832
Machinery and Equipment	<u>10,709,956</u>	<u>482,434</u>	<u>-0-</u>	<u>11,192,390</u>
	<u>\$21,133,974</u>	<u>\$482,434</u>	<u>\$0</u>	<u>\$21,616,408</u>
Investment in Fixed Assets	<u>\$21,133,974</u>			<u>\$21,616,408</u>

	<u>Balance</u> <u>Dec. 31, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2021</u>
General Fixed Assets:				
Land and Land Improvements	\$5,494,992	\$1,371,194	\$	\$6,866,186
Building and Building Improvements	3,557,832			3,557,832
Machinery and Equipment	<u>11,759,185</u>	<u>222,648</u>	<u>1,271,877</u>	<u>10,709,956</u>
	<u>\$20,812,009</u>	<u>\$1,593,842</u>	<u>\$1,271,877</u>	<u>\$21,133,974</u>
Investment in Fixed Assets	<u>\$20,812,009</u>			<u>\$21,133,974</u>

NOTE 10. ACCRUED SICK AND VACATION BENEFITS

The Borough permits employees to accrue (with certain restrictions) unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$1,504,913 and \$1,821,279 as of December 31, 2022 and 2021, respectively. The amount is not reported either as a liability or an expenditure.

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 11. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at December 31, 2022 consist of the following:

\$503,072	Due to the General Capital from Current Fund for grant receipts deposited in error less interest earned on investments.
1,110	Due to the Current Fund from the Animal License Trust Fund for the current years' statutory excess.
204	Due to the Assessment Trust Fund from the Current Fund for the collection of assessments received in the Current Fund.
3,900	Due to the Current Fund from the UFC Fines Trust account for non-dedicated penalties deposited in error.
325	Due to the Current fund from Developers Escrow for interest.
2,666	Due to the Unemployment Trust Fund from the Current Fund for employee deductions deposited in Current in error.
327,088	Due to the Federal and State Grant Fund from the Current Fund for grant monies received less expenditures made.
378	Due to Affordable Housing Rental Trust from Affordable Housing Security Trust to transfer security deposits utilized as last month's rent.
29,735	Due to Swim Pool Capital from Swim Pool Operating for the budget appropriation - Note Principal paydown.

\$868,478

It is anticipated that all interfunds will be liquidated during the fiscal year.

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 12. RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2022 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The Borough of Palisades Park is a member of the Bergen County Joint Insurance Fund (BCJIF) 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 BCJIF 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 insurance funds, to report claims on a timely basis, cooperate with the management of the Fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the insurance funds. Members have a contractual obligation to fund any deficit of the insurance funds attributable to a membership year during which they were 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.

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

In 2021, the MEL agreed to advance the Borough's share of \$245,000 with respect to settlements reached in various litigation proceedings. A repayment agreement and promissory note was executed on January 28, 2021 for the repayment of this advance in \$35,000 installments starting in 2021 through 2026.

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 13. TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	Balance <u>Dec. 31, 2022</u>	Balance <u>Dec 31, 2021</u>
Prepaid Taxes	<u>\$600,266</u>	<u>\$556,689</u>
Cash Liability for Taxes Collected in Advance	<u>\$600,266</u>	<u>\$556,689</u>

NOTE 14. DEFERRED CHARGES

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2022 and 2021, the following deferred charges are shown on the balance sheet of the various funds:

	Balance <u>Dec. 31, 2022</u>	Subsequent Year Budget <u>Appropriation</u>	Balance to Succeeding Years' Budget
Current Fund:			
Special Emergencies -			
Reassessment of Real Property	\$100,000	\$50,000	\$50,000
COVID Related Revenue Losses	<u>40,735</u>	<u>40,735</u>	<u>-</u>
General Capital Fund:			
Expenditure without Appropriation	61,415		61,415
Swimming Pool Utility:			
Special Emergencies -			
COVID Related Revenue Losses	<u>184,000</u>	<u>46,000</u>	<u>138,000</u>
Total Deferred Charges	<u>\$386,150</u>	<u>\$136,735</u>	<u>\$249,415</u>

BOROUGH OF PALISADES PARK
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(continued)

NOTE 14. DEFERRED CHARGES, (continued)

	<u>Balance</u> <u>Dec. 31, 2021</u>	<u>Subsequent</u> <u>Year Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Years' Budget</u>
Current Fund:			
Special Emergencies -			
Reassessment of Real Property	\$150,000	\$50,000	\$100,000
COVID Related Revenue Losses	<u>160,735</u>	<u>120,000</u>	<u>40,735</u>
Swimming Pool Utility:			
Special Emergencies -			
COVID Related Revenue Losses	<u>230,000</u>	<u>46,000</u>	<u>184,000</u>
Total Deferred Charges	<u>\$540,735</u>	<u>\$216,000</u>	<u>\$324,735</u>

NOTE 15. LITIGATION

The Borough is a defendant in various legal proceedings. A portion of these cases, if decided against the Borough, would be covered by insurance. Any judgements not covered by insurance would be raised by future taxation. Those amounts may be material.

NOTE 16. COMMITMENTS AND CONTINGENCIES

There are numerous tax appeal litigations pending at December 31, 2022. The Borough's tax appeal attorney is rigorously defending the Borough's interest in those appeals which are currently estimated to be \$1,097,200. Any successful appeals would be raised through future taxation.

BOROUGH OF PALISADES PARK

Schedule of Expenditures of State Awards

Year ended December 31, 2021

State funding department	State program	Grant year	Allocation or grant award amount	Receipts	Expended	MEMO Cumulative Total Expenditures
National Opioid Settlement		2022	7,528	7,528		*
<i>Total Other Financial Assistance</i>				7,528		*
<i>Total State and Other Financial Assistance</i>				\$ 505,090	157,731	*

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

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BOROUGH OF PALISADES PARK
Schedule of Expenditures of Federal Awards

Year ended December 31, 2022

Federal Grantor	Federal Program	Federal Assistance Number	Federal FAIN Number	Grant or State Project Number	Grant Year	Grant Award Amount	Receipts	Expended	MEMO Cumulative Total Expenditures
General Capital Fund: (1) Department of Housing and Urban Development	Community Development Block Grant Resurficing of Pembroke Way, 2020-2 West Ruby and Fairview St., 2021-6	14,218		21-213-750-155-49-86	7/1/19-6/30/20	53,470			
				21-213-751-155-49-86	7/1/20-6/30/21	90,000			
Total Federal Financial Assistance - General Capital Fund									
Current Fund: (2) Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Hurricane Ida Tropical Storm Isaias	97,036	DR4614PA		2022	41,885	41,885	41,885	41,885
		97,036	DR4574PA		2021	93,141	93,141	93,141	93,141
							135,026	135,026	
Total Federal Financial Assistance - Current Fund									
(2) U.S. Department of the Treasury	Coronavirus State and Local Fiscal Recovery Funds	21,027			3/13/21-12/31/24	2,168,209	1,084,104	1,084,104	2,007,474
Total Federal Financial Assistance - Current Fund									
Federal and State Grant Fund: (2) Department of Health and Human Services	Local Public Health Emergency Response to H1N1	93,069			2009	104,746			94,999
	Public Health Priority Funding	93,069			2009	5,746			1,107
Total Federal Financial Assistance - Federal and State Grant Fund									
U.S. Department of Justice	Edward Byrne Memorial Justice Assistance Bulletproof Vest Partnership Program Bulletproof Vest Partnership Program Bulletproof Vest Partnership Program Bulletproof Vest Partnership Program	16,738	15PBA22CG00627AGX	Bolstering Youth Trust	10/1/21-9/30/22	16,500	15,969	5,836	5,836
		16,607			2021	5,143		1,162	1,162
		16,607			2020	458			
		16,607			2018	2,287			
		16,607			2017	1,385			
Total Federal Financial Assistance - Federal and State Grant Fund									
(2) U.S. Department of Transportation National Highway Traffic Safety Administration	Distacted Driving 2022 Crackdown Overlimit Under Arrest Alcohol Impaired Driving Countermeasures Incentive Grant	20,616	AL-18-45-04-MH-90	U Drive, U Text, U Pay	4/1 - 4/30/22	8,890	8,890	5,880	5,880
		20,616	AL-18-45-04-MH-90		2021	5,880		9,180	9,180
		20,616	AL-18-45-04-MH-90		2021	9,180			
		20,601			2015	1,258			
		20,601			2010	4,350			
Total Federal Financial Assistance - Federal and State Grant Fund									
							15,969	6,998	1,153
							8,890	24,859	22,058

BOROUGH OF PALISADES PARK

Schedule of Expenditures of Federal Awards
Year ended December 31, 2022

Federal Grantor	Federal Program	Federal Assistance Number	Federal FAIN Number	Grant or State Project Number	Grant Year	Grant Award Amount	Receipts	Expended	MEMO Cumulative Total Expenditures
Trust Funds: U.S. Department of Justice	Equitable Sharing Program	16.922			2018	15,172			* 14,416
						\$ 1,243,989	<u>1,241,188</u>		* *

- (1) Passed through the County of Bergen
- (2) Passed through the State of New Jersey

Note: This schedule was subject to an audit in accordance with the Uniform Guidance.

**BOROUGH OF PALISADES PARK
NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules do not agree with amounts reported in the Borough's financial statements because encumbrances are not reported in the accompanying schedules. Financial assistance awards are reported in the Borough's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$1,219,130	\$	\$1,219,130
Federal and State Grant Fund	22,058	55,128	77,186
General Capital Fund		102,603	102,603
Swim Pool Utility Fund	_____	_____	_____0
Total Current Fund	<u>\$1,241,188</u>	<u>\$157,731</u>	<u>\$1,398,919</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree, in all material respect, with the amounts reported in the related federal and state financial reports. However, we noted certain differences which are reported in the accompanying schedule of findings of noncompliance and questioned costs.

**BOROUGH OF PALISADES PARK
NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022
(continued)**

NOTE 5. INDIRECT COST RATE

The Borough of Palisades Park has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**BOROUGH OF PALISADES PARK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Adverse - USGAAP
Unmodified - regulatory

Internal control over financial reporting:

1. Significant deficiencies identified that are not considered to be material weaknesses? yes X no

2. Material weakness(es) identified? yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards Section

Dollar threshold used to determine type A programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

Type of auditors' report on compliance for major programs: unmodified

Internal Control over compliance:

1. Significant deficiencies identified that are not considered to be material weaknesses? yes X none

2. Material weakness(es) identified? yes X no

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? yes X no

Identification of major programs:

CFDA Number(s)
21.027

Name of Federal Program
Coronavirus State and Local
Fiscal Recovery Funds

**BOROUGH OF PALISADES PARK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022
(continued)**

State Awards

Not Applicable

**BOROUGH OF PALISADES PARK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(continued)**

Section II – Financial Statement Findings

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

NONE

**BOROUGH OF PALISADES PARK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(continued)**

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

NONE

**BOROUGH OF PALISADES PARK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(continued)**

Financial Statement Findings

NONE

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BOROUGH OF PALISADES PARK

GENERAL COMMENTS

Contracts and Agreements

N.J.S.A. 40A:11-3 states:

- a. When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to 25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.
- c. The Governor, in consultation with the Department of the Treasury, shall no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, c.198(C.40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made.

N.J.S.A. 40A:11-4 states:

- a. Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act of specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder.

BOROUGH OF PALISADES PARK

GENERAL COMMENTS, (continued)

Effective January 1, 2011, the bid threshold, in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500 and with a qualified purchasing agent the threshold may be up to \$36,000. On July 1, 2020, the threshold with a qualified purchasing agent was increased to \$44,000.

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

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

- Solid Waste Collection and Disposal
- West Palisades Blvd. Improvements
- Clothing, Shoes and Textiles Curbside Pickup
- Improvements to Columbus Park
- Mold remediation and Water Damage

Resolutions were adopted authorizing the awarding of contracts and agreements for "Professional Services" N.J.S. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed. No violations were disclosed.

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

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on January 3, 2022 adopted the following amended resolution authorizing interest to be charged on delinquent taxes:

BOROUGH OF PALISADES PARK

GENERAL COMMENTS, (continued)

"NOW THEREFORE BE IT RESOLVED by the Mayor and Council of the Borough of Palisades Park, that taxes due the Borough shall be payable February 1st, May 1st, August 1st and November 1st each year, after which dates, if unpaid, shall become delinquent and from and after the respective dates herein before provided for taxes to become delinquent, the taxpayer or property assessed shall be subject to interest at 8% per annum on the first \$1,500 and 18% on any amount in excess of \$1,500;

ALSO, BE IT RESOLVED, that in the event said taxes shall be paid within ten days from due date the interest shall be waived except if the office of the Tax Collector is closed on the tenth day of February, May, August or November then the grace period shall be extended to include the first business day thereafter; and,

BE IT FURTHER RESOLVED that the interest rates so stated will revert back to the due date of any installment of taxes or assessments received after the expiration of the ten-day grace period or as otherwise provided in this Resolution."

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

Delinquent Taxes and Tax Title Liens

A tax sale was held on December 6, 2022 and was complete.

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

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

<u>Year</u>	<u>Number of liens</u>
2022	0
2021	0
2020	0

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax-paying basis.

Suggestions to Management:

1. A second authorizing signature be added to the following Borough accounts:
 - a. Health Department Revenue Account
 - b. Municipal Court Bail and Fines Account
2. Stale outstanding checks in the Net Payroll, be voided by resolution.
3. Health and Dental benefit charges for library employees be charged ratably per month to the library appropriation.

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**BOROUGH OF PALISADES PARK
COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2022**

COMMENTS

Finance/Treasurer/Accounts Payable:

1. *There are General Capital Fund and Swim Pool Capital improvement authorizations greater than five years old that have unfunded portions outstanding.
2. *There is a significant amount of unexpended appropriated grant balances.
3. *Not all improvement authorization balances per the client general ledger are in agreement with the budgetary subsidiary records.
4. *Contracts awarded via resolution are not being encumbered against the designated budget appropriation and/or approved improvement authorization; bills are processed ratably as received in violation of Technical Accounting Directive No. 1.
5. *Quotes were not obtained for all purchases in excess of 15 % of the bid threshold.
 - i. Repairs at the Pool Complex
 - ii. Senior Facility Construction Services
6. *Some expenditures are often being processed through the use of an authorizing resolution; no formal purchase order is being created and/or approved.
7. *Departmental revenue in the Health and Construction Code departments is not being turned over to the Finance office prior to year-end.
8. *Outside Duty/Outside Employment of borough police officers is not being accounted for in accordance with Local Finance Notice 2000-14.
9. Expenditures authorized as emergencies are, in some instances, being paid in excess of the amount originally authorized with no amending resolution.
10. Goods and services are being ordered prior to encumbrance in violation of Technical Accounting Directive #1.
11. Sick and Vacation time payouts are not being approved via resolution of the governing body.
12. The Borough is making sick and vacation leave payments to employees that are not in compliance with N.J.S.A. 40A:9-10.4.
13. The 2022 Equitable Sharing and Agreement Certification was not filed as required.
14. Emergency payments related to an underground storage tank removal were made and charged to an unrelated improvement authorization. The reclassification of these expenses resulted in a deferred charge – expenditure without appropriation.

**BOROUGH OF PALISADES PARK
COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2022**

COMMENTS, (cont.)

Payroll

1. *Overtime related to police outside duty employment is not being paid in a timely manner.

Municipal Court

1. *A review of the December monthly management report indicated that there were an excessive amount of tickets assigned over 180 days and complaints eligible for warrant.

Swim Pool

1. A record of daily swim pool collections was not provided for review.

Recreation

1. Departmental records from the Recreation Department were not provided for review.

RECOMMENDATIONS

Finance/Treasurer/Accounts Payable:

1. That unfunded improvement authorizations over 5 years old, where projects have been completed, be funded through either a budget appropriation or through the issuance of temporary or permanent debt.
2. Greater effort be made to expend available appropriated grant reserves.
3. Improvement Authorization balances per the general ledger be compared to the budgetary subsidiary ledgers and adjustments be made to ensure agreement.
4. All contracts awarded via resolution be encumbered for the contract amount against the designated budget appropriation and/or approved improvement authorization in accordance with Technical Accounting Directive No. 1.
5. Quotes be obtained for purchases that exceed 15% of the bid threshold in accordance with the Local Public Contracts Law.
6. Purchase orders be utilized for all expenditures to ensure proper approvals and certifications are received prior to payment being made.

**BOROUGH OF PALISADES PARK
COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2022**

RECOMMENDATIONS, (cont.)

Finance/Treasurer/Accounts Payable, (cont.):

7. Departmental revenue in the Health and Construction Code departments be turned over to the Finance officer prior to year-end for proper revenue recognition.
8. Accounting practices be updated to account for the receipt and payment of Off-Duty/Outside employment of police officers to comply with the requirements as set forth in Local Finance Notice 2000-14.
9. Amending resolutions to increase the cost of emergency purchases be approved when the initial not to exceed cost limit is exceeded.
10. A purchase order be issued prior to the ordering of any goods and services.
11. Sick and Vacation Payouts are approved via resolution prior to payment.
12. Sick and vacation compensation policies be updated to maintain compliance with N.J.S.A. 40A: 9-10.4.
13. Greater oversight of expenditures charged to capital ordinances be made to ensure expenditures posted to ordinances are for purposes authorized within the ordinance.
14. The annual Equitable Sharing Agreement and Certification Report be prepared and filed to ensure the Borough is eligible to receive federal forfeiture distributions available.

Payroll:

1. Greater effort be made to remit overtime wages related to outside duty employment to officers in a more timely manner per the requirements of Local Finance Notice 2000-14.

Municipal Court

1. Policies be implemented to clear the back-log of complaints and/or tickets that are eligible for warrant or dismissal and those tickets assigned not issued over 180 days be recalled and either re-assigned or destroyed.

Swim Pool

1. Adequate records detailing daily receipts be maintained by the swim pool.

Recreation

1. Departmental records detailing receipts be provided for auditor review.

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STATUS OF PRIOR YEARS' AUDIT FINDINGS/RECOMMENDATIONS

A review was performed on all prior years' recommendations and corrective action was taken on all except those with an "*".

ACKNOWLEDGMENT

We received the complete cooperation of all of the officials of the municipality and we greatly appreciate the courtesies extended to all members of the audit team.

Respectfully submitted,



Steven D. Wielkocz, C.P.A.
Registered Municipal Accountant
No. CR00413



WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

October 27, 2023

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