

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 19, 2020

NEW ISSUE
SERIAL BONDS

RATING: Standard & Poor's:

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

\$15,770,000 GENERAL IMPROVEMENT BONDS

BOROUGH OF OAKLAND
COUNTY OF BERGEN, NEW JERSEY
(Book-Entry Only) (Callable)

Dated: December 1, 2020

Due: December 1, as shown below

The \$15,770,000 General Improvement Bonds (the "Bonds") of the Borough of Oakland, in the County of Bergen, New Jersey (the "Borough"), will be issued as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds, with the Bonds immobilized in the custody of DTC. Owners of beneficial interests in the Bonds will not receive physical delivery of bond certificates, but are to receive statements or other evidence of such ownership of beneficial interests from sources from which such interests were purchased. Investors may purchase beneficial interests in the Bonds in book-entry form in the denomination of \$5,000 or any integral multiple thereof. See "THE BONDS – Book-Entry Only System" herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will, in turn, remit such payments to the owners of beneficial interests in the Bonds. Principal of the Bonds is payable on December 1 of each of the years set forth below, and interest on the Bonds is payable on each June 1 and December 1, commencing June 1, 2021 in each year until maturity or prior redemption.

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

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

MATURITY SCHEDULE, INTEREST RATES AND YIELDS

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2021	\$660,000	%	%	2030	\$900,000	%	%
2022	750,000			2031	915,000		
2023	765,000			2032	930,000		
2024	780,000			2033	945,000		
2025	795,000			2034	960,000		
2026	815,000			2035	975,000		
2027	830,000			2036	990,000		
2028	845,000			2037	1,010,000		
2029	875,000			2038	1,030,000		

(plus accrued interest from December 1, 2020)

The Bonds are offered for sale upon the terms of the notice of sale and subject to the final approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about December 10, 2020.

**ELECTRONIC BIDS VIA PARITY AND
SEALED PROPOSALS WILL BE RECEIVED
UNTIL 11:00 O'CLOCK A.M. ON DECEMBER 1, 2020
AT THE MUNICIPAL BUILDING, ONE MUNICIPAL PLAZA
OAKLAND, NEW JERSEY 07436**

This is a Preliminary Official Statement "deemed final" within the meaning of, and with the exception of certain information permitted to be omitted by, Rule 15c2-12 of the Securities and Exchange Commission, and the information contained herein is subject to completion or amendment in accordance with applicable law. The Issuer will deliver a final Official Statement in compliance with Rule 15c2-12. This Preliminary Official Statement shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of any such jurisdiction.

**BOROUGH OF OAKLAND
BERGEN COUNTY
STATE OF NEW JERSEY**

MAYOR

Linda H. Schwager

BOROUGH COUNCIL

Russell Talamini – Council President

John P. Biale

Robert Knapp

Eric Kulmala

Pat Pignatelli

Grant Van Eck

BOROUGH ADMINISTRATOR

Richard S. Kunze

CHIEF FINANCIAL OFFICER

David Young

BOROUGH CLERK

Lisa M. Duncan

BOROUGH ATTORNEY

Brian M. Chewcaskie, Esq.

Cleary Giacobbe Alfieri Jacobs, LLC

Oakland, New Jersey

BOROUGH AUDITOR

Lerch, Vinci & Higgins, LLP

Fair Lawn, New Jersey

BOND COUNSEL

Rogut McCarthy LLC

Cranford, New Jersey

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

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

The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION	1
THE BONDS	1
SECURITY AND SOURCE OF PAYMENT	4
AUTHORIZATION FOR THE BONDS.....	4
PURPOSE OF THE BONDS.....	4
NO DEFAULT.....	5
MARKET PROTECTION – BOND AND NOTE FINANCING	5
CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT	5
MUNICIPAL BUDGET	8
ASSESSMENT AND COLLECTION OF TAXES	12
TAX MATTERS.....	13
STATEMENT OF LITIGATION.....	15
LEGALITY FOR INVESTMENT	15
RATING	15
UNDERWRITING	15
DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS	16
INFECTIOUS DISEASE OUTBREAK – COVID 19	17
SECONDARY MARKET DISCLOSURE.....	18
PREPARATION OF OFFICIAL STATEMENT	20
APPROVAL OF OFFICIAL STATEMENT	20
ADDITIONAL INFORMATION.....	20
MISCELLANEOUS	20
Economic and Demographic Information Relating to the Borough of Oakland	Appendix A
Financial Statements of the Borough of Oakland	Appendix B
Proposed Form of Bond Counsel Opinion.....	Appendix C

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

\$15,770,000 GENERAL IMPROVEMENT BONDS

INTRODUCTION

This Official Statement (the “Official Statement”) which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Oakland (the “Borough”), in the County of Bergen (the “County”), State of New Jersey (the “State”) in connection with the sale and issuance of its \$15,770,000 General Improvement Bonds (the “Bonds”) dated December 1, 2020. This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer and the Borough Clerk and may be distributed in connection with the Bonds.

This Preliminary Official Statement is “deemed final”, as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”), but is subject to (a) completion with certain pricing and other information to be made available by the Underwriter and (b) amendment. This Preliminary Official Statement, as so revised, will constitute the “final official statement” within the meaning of Rule 15c2-12.

THE BONDS

General Description

The Bonds will be dated and bear interest from December 1, 2020 and will mature on December 1 in the years and in the principal amounts as set forth on the cover page. Interest on the Bonds is payable on each June 1 and December 1, commencing June 1, 2021 (each, an “Interest Payment Date”), in each year until maturity or prior redemption at the respective interest rates set forth on the cover page of this Official Statement. Principal of and interest on the Bonds will be paid to The Depository Trust Company, New York, New York (“DTC”), acting as securities depository, by the Chief Financial Officer, as “Bond Registrar/Paying Agent”. Interest on the Bonds will be credited to the DTC Participants (as hereinafter defined) as listed on the records of DTC as of the fifteenth day of the month preceding the month in which such Interest Payment Date occurs (the “Record Dates” for the payment of interest on the Bonds).

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

Book-Entry Only System

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

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

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

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

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

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

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

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

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

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

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

Prior Redemption

The Bonds maturing on or before December 1, 2027 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after December 1, 2028 are subject to redemption at the option of the Borough prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after December 1, 2027, upon notice as hereinafter set forth at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

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

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

SECURITY AND SOURCE OF PAYMENT

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

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

AUTHORIZATION FOR THE BONDS

The Bonds are authorized and are to be issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended (the "Local Bond Law"). The Bonds also are authorized by various bond ordinances adopted by the Borough Council and by virtue of resolutions adopted by the Borough Council on November 9, 2020.

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

PURPOSE OF THE BONDS

The proceeds of the Bonds will be used to (i) currently refund \$7,219,219 of the Borough's \$7,951,000 outstanding bond anticipation notes dated December 13, 2019 and maturing on December 11, 2020 and (ii) provide funding for unfunded capital projects in the amount of \$8,550,781.

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

Ord. No.	Description	Amount
15-718	Various Capital Improvements	\$ 524,831
16-743	Various Capital Improvements	2,194,940
17-749	Improvement to Public Library	1,499,448
17-761	Various Capital Improvements	2,405,500
18-771/20-811	Various Capital Improvements	1,931,982
19-787	Various Capital Improvements	2,099,475
19-789/19-783	Allerman Brook Erosion Remediation	518,000
20-810	Various Capital Improvements	4,595,824
		\$ 15,770,000

NO DEFAULT

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

MARKET PROTECTION – BOND AND NOTE FINANCING

The Borough does not contemplate issuing any additional bonds, or any bond anticipation notes or any tax anticipation notes during the remainder of 2020.

CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

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

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

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

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

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

Debt Limits

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

The Borough has not exceeded its statutory debt limit. On December 31, 2019 the statutory net debt as a percentage of average equalized valuation was 0.87%. As noted above, the statutory limit is 3.50%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Purposes	\$ 23,626,292	\$ 1,591,534	\$ 22,034,758
School Purposes	4,614,035	4,614,035	-
Water and Sewer Utility	<u>2,770,123</u>	<u>2,770,123</u>	<u>-</u>
Total	<u>\$ 31,010,450</u>	<u>\$ 8,975,692</u>	<u>\$ 22,034,758</u>

Exceptions to Debt Limits - Extensions of Credit

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

Short-Term Financing

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

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

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

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

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

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

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

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

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

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

The Municipal Finance Commission exercises direct supervision over the finances and accounts of any local unit under its jurisdiction. Such commission is authorized to appoint an auditor to examine and approve all claims against the municipality and to serve as comptroller for that community. The Commission is also directed to supervise tax collections and assessments, to approve the funding of municipal school district indebtedness, the adjustment or composition of the claims of creditors, and the readjustment of debts under the Federal Municipal Bankruptcy Act.

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

Investment of Municipal Funds

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

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

The Borough has no investments in derivatives.

MUNICIPAL BUDGET

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

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

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

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

unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

Limitations on Municipal Appropriations and Tax Levy

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

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

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

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

The Borough's appropriation and tax levy increases for 2011 to 2020, inclusive, were within the limits allowed under the CAP Law, taking into account applicable adjustments and available "CAP" banks and without conducting a referendum to exceed the cap limits.

Miscellaneous Revenues

The Local Budget Law (N.J.S.A. 40A:4-26) provides that: “No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit.” See “INFECTIOUS DISEASE OUTBREAK – COVID -19” herein for a discussion of recent amendments to N.J.S.A. 40A:4-26 in response to the COVID-19 outbreak.

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

Real Estate Taxes

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

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

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

The reserve requirement is calculated as follows:

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

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

Deferral of Current Expenses

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

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow, and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, property revaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project. See "INFECTIOUS DISEASE OUTBREAK – COVID-19" herein for a discussion of recent amendments to the special emergency provisions in the Local Budget Law in response to the COVID-19 outbreak.

Budget Transfers

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

Operation of Utilities

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

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

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

Fiscal Year

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

Budget Process

Primary responsibility for the Borough's budget process lies with the Borough Council. As prescribed by the Local Budget Law, adoption should occur by the end of March, however, extensions may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation is taking place, the Borough operates under a temporary budget which may not exceed 26.25% of the previous fiscal year's adopted budget. In addition to the temporary budget, the Borough may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

Capital Budget

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

ASSESSMENT AND COLLECTION OF TAXES

Tax Collection Procedure

Real property taxes are assessed locally, based upon an assessment at true value. The tax bill includes a levy for Borough, County and School purposes. Tax bills are mailed annually in June. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, is transferred as of June 30 of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15 to the County by the Borough. Annually, all properties with unpaid taxes for the previous year are placed in a tax sale in accordance with the New Jersey Statutes. Annual interim tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough.

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

In response to the \$10,000 annual limitation on an individual's federal income tax deduction for state and local taxes paid (beginning in 2018 and ending in 2025) contained in the federal "Tax Cuts and Jobs Act", Pub. L. No. 115-97, New Jersey Governor Phil Murphy signed into law Senate Bill No. 1893 ("S-1893") on May 4, 2018. S-1893, which will take effect when implementing regulations are adopted by various State agencies, authorizes municipalities, counties and school districts ("local units") to establish one or more charitable funds, each for specific public purposes, and permits certain donations to those charitable funds to be credited toward the donor's property tax obligation. Moneys held in a

charitable fund are immediately available to pay debt service. On June 13, 2019, the Internal Revenue Service issued final regulations, effective August 12, 2019, denying the deductibility (except for a de minimis amount) for federal income tax purposes of property tax credit donation mechanisms authorized by S-1893 and similar laws adopted in other states. The Borough makes no representations as to whether any local units will establish charitable funds pursuant to S-1893 or how S-1893 will be implemented.

Tax Appeals

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

TAX MATTERS

Federal Income Taxes

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

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

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

Tax Opinions

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

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

Additional Federal Income Tax Consequences

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

Proposals for Tax Changes

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

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

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

STATEMENT OF LITIGATION

There is no litigation pending or threatened restraining or enjoining the issuance or the delivery of the Bonds or the levy or the collection of taxes to pay the Bonds or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes. There is at present no single action pending or threatened against the Borough which would impose an undue financial burden on the Borough. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Borough is a party-defendant in certain lawsuits, none of a kind unusual for a Borough of its size, and none of which, in the opinion of the Borough Attorney, would adversely impair the Borough's ability to pay its bondholders. All of the Borough's tort actions are being defended by municipal joint insurance funds (which provide pooled private insurance coverage and self-insurance coverage to its members). The Borough is also insured for liability in excess of the limits provided by the municipal joint insurance funds. Pending municipal real estate tax appeals are limited in number and, based upon the Borough's prior experience in tax appeals, and assuming that such tax appeals are resolved adversely to the interest of the Borough, such resolution would not in any way endanger the Borough's ability to pay its bondholders.

LEGALITY FOR INVESTMENT

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

RATING

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

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

UNDERWRITING

The Bonds have been purchased at a public sale from the Borough for resale by the following purchasers (the "Underwriters"):

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

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

Legal Matters

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

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

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

Certificates of Borough Officials

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

purchasers of the Bonds shall also receive certificates in form satisfactory to Rogut McCarthy LLC, Bond Counsel, evidencing the proper execution and delivery of the Bonds and receipt of payment therefor and a certificate, dated as of the date of delivery of the Bonds and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the Borough, nor the title of the said officers to their respective offices, is being contested.

INFECTIOUS DISEASE OUTBREAK – COVID 19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of New Jersey. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

New Jersey Governor Phil Murphy has issued multiple Executive Orders since March 16, 2020 including but not limited to aggressive social distancing measures, restrictions on local elections, restrictions on foreclosure and evictions, suspension of all elective surgeries, closing of all schools and child care centers, the commandeering of property such as medical supplies, the cessation of all non-essential construction projects, extending insurance premium grace periods, the temporary reprieve to certain at-risk inmates and the extension of the permitted statutory grace period from May 11, 2020 to June 1, 2020 for quarterly property taxes due May 1, 2020. The Borough expects ongoing actions will be taken by State, federal and local governments and private entities to mitigate the spread and impacts of COVID-19. The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the Borough. To secure the payment of the principal of and interest on the Bonds, the Borough has pledged its full faith, credit and all available taxing power, which taxing power presently includes the power to levy *ad valorem* taxes on all taxable real property within the Borough, within the limits provided by law as to rate or amount for such purpose. The declaration of a public health emergency remains in effect as of the date hereof. As part of a planned multi-stage approach to restart the State’s economy, Governor Murphy has signed a series of Executive Orders beginning on April 29, 2020 permitting the resumption of certain activities. Additional Executive Orders relating to the resumption of certain activities may be executed by Governor Murphy in the future as part of the planned multi-stage approach to restart the State’s economy.

In order to provide additional means for local governmental units to address the financial impact of the COVID-19 outbreak, Governor Murphy signed into law P.L. 2020, c. 74 (“Chapter 74”) on August 31, 2020. Chapter 74, which took effect immediately, adds two new purposes to the list of special emergency appropriations which may be raised by municipalities or counties over a five year period (either through the issuance of special emergency notes or raised internally without borrowing): (1) direct COVID-19 response expenses; and (2) deficits in prior year’s operations attributable to COVID-19 (the beginning of the five year repayment schedule is delayed by one year for this new purpose). Upon approval by the Director of the Division of Local Government Services in cases of significant fiscal distress, the five year period may be extended to up to ten years. In addition, the statute permits school districts and public authorities to issue debt with a maximum five year maturity schedule for direct COVID-19 expenses. Chapter 74 provides for State supervision of all local government unit borrowings. The statute also grants the Director the authority to modify municipal budgeting rules concerning anticipated revenues in order to lessen the impact of revenue reductions due to COVID-19.

Because of the evolving nature of the outbreak and federal, state and local responses thereto, the Borough cannot predict how the outbreak will impact the financial condition or operations of the Borough, or if there will be any impact on the assessed values of property within the Borough or deferral of tax payments to municipalities. The Borough cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or an increase in operational costs incurred to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease.

Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on the State's websites, including <https://covid19.nj.gov/> or nj.gov/health. *The Borough has not incorporated by reference the information on such websites and the Borough does not assume any responsibility for the accuracy of the information on such websites.*

SECONDARY MARKET DISCLOSURE

The Borough has agreed, pursuant to a resolution adopted on November 9, 2020, to undertake for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format, as prescribed by the MSRB. Specifically, the Borough will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof:

(A) Not later than seven months after the end of the Borough's fiscal year (presently December 31), commencing with the report for the fiscal year ending December 31, 2020, provide or cause to be provided, annual financial information with respect to the Borough consisting of (i) audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing, which audited financial statements will be delivered when and if available) of the Borough and (ii) certain financial information and operating data consisting of information concerning the Borough's debt, overlapping indebtedness, tax rate, levy and collection data, property valuation, budget and fund balance of the type contained under the headings "Debt Information", "Budget Information" and "Financial Information" in Appendix "A" hereof. The audited financial statements will be prepared in accordance with mandated State statutory accounting principles, as in effect from time to time. Audited financial statements if not available by the filing date will be submitted separately when available.

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

- (1) Principal or interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds ;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property which secures the repayment of the Bonds, if material;
- (11) Rating changes;

- (12) Bankruptcy, insolvency, receivership or similar event of the Borough (the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borough in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borough, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borough);
- (13) The consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Borough, any of which affect Bondholders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Borough, any of which reflect financial difficulties.

The Borough intends the words used in paragraphs (15) and (16) and the definition of “financial obligation” to have the meanings ascribed to them in SEC Release No. 34-83885 (August 20, 2018).

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

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

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

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

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

The Borough previously failed to file, in accordance with Rule 15c2-12, in a timely manner, under previous filing requirements, certain components of its operating data, specifically, the Fund Balance data for the Water Utility and the Sewer Utility, for the fiscal year ending December 31, 2018. Additionally, the Borough acknowledges that it previously failed to file, in a timely manner, a late filing notice in connection with its late filing of such annual financial information. Such financial information and notice of late filing have been filed with the MSRB's Electronic Municipal Market Access Dataport ("EMMA") as of the date of this Official Statement. The Borough has appointed Phoenix Advisors, LLC, Bordentown, New Jersey, to serve as continuing disclosure agent.

PREPARATION OF OFFICIAL STATEMENT

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

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

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

APPROVAL OF OFFICIAL STATEMENT

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including requests for information additional to that contained herein, may be directed to David Young, Chief Financial Officer, Borough of Oakland, One Municipal Plaza, Oakland, New Jersey 07436, telephone (201) 337-8111, ext. 2014.

MISCELLANEOUS

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

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

BOROUGH OF OAKLAND, IN THE
COUNTY OF BERGEN, NEW JERSEY

By: _____
David Young
Chief Financial Officer

By: _____
Lisa M. Duncan
Borough Clerk

Dated: December ____, 2020

APPENDIX A
ECONOMIC AND DEMOGRAPHIC INFORMATION
RELATING TO THE BOROUGH OF OAKLAND

GENERAL INFORMATION REGARDING THE BOROUGH

Size and Geographical Location

The Borough comprises an area of approximately 9.5 square miles, located in the Ramapo Valley in the western section of the County approximately twenty (20) miles from New York City. Surrounding municipalities include Franklin Lakes, Ringwood, Pompton Lakes and Mahwah. The easterly fringe of the Ramapo Mountain occupies about one-third of the Borough.

Form of Government

The Borough was organized in 1902 under the borough form of government. There is a Mayor and a Council, comprised of six (6) members. The Mayor and Council are assisted by an appointed Administrator responsible for implementation of policies established by the Governing Body and coordination of the various Borough departments.

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

The six (6) Council members are elected at-large, two (2) each year, for terms of three (3) years. The Council exercises general legislative powers conferred upon it by State law to protect and promote the general welfare of the Borough. Among these are the right to enact ordinances, approve resolutions, approve mayoral appointments, adopt the annual budget and determine the tax levy. The Council, acting in committees, oversees the various departments and functions of the Borough government.

Transportation

Railroad freight service is supplied by the New York Susquehanna and Western Railroad; frequent regularly scheduled bus service is available to New York City. The Borough is a suburban residential community, with its working population represented principally by white collar and professional people who commute to New York City and the commercial and industrial areas of Bergen, Passaic and Essex Counties.

Education

The Borough's school district, coterminous with the Borough, is a type II school district, and is an independent legal entity administered by a five member Board of Education elected by the voters of the school district. The school district is authorized by law to issue a debt for school purposed upon vote of the electorate. The school system is comprised of three (3) elementary schools and one (1) middle school. The Borough is also part of the Ramapo Indian Hills Regional High School District which consists of high school students residing in the Borough, the Borough of Franklin Lakes and the Township of Wyckoff.

Population

<u>Area</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2019</u>
Borough of Oakland	13,443	11,997	12,466	12,754	12,926
County of Bergen	845,385	825,380	884,118	905,116	932,202
State of New Jersey	7,365,011	7,730,188	8,414,350	8,791,894	8,882,190

Source: Census Data for 1980-2010, NJ Department of Labor 2019 estimate.

Employment and Unemployment Comparisons

According to the State of New Jersey, Department of Labor and Industry, the unemployment percentages for the last five years (on an annual average basis) were as follows:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough of Oakland</u>				
2019	6,644	6,455	189	2.8%
2018	6,546	6,307	239	3.7%
2017	6,717	6,446	271	4.0%
2016	6,745	6,461	284	4.2%
2015	6,728	6,425	303	4.5%
<u>County of Bergen</u>				
2019	482,038	467,946	14,092	2.9%
2018	472,001	455,773	16,228	3.4%
2017	483,324	464,527	18,797	3.9%
2016	484,167	463,988	20,179	4.2%
2015	485,316	463,223	22,093	4.6%
<u>State of New Jersey</u>				
2019	4,493,100	4,333,300	159,800	3.6%
2018	4,422,900	4,239,600	183,300	4.1%
2017	4,518,800	4,309,700	209,100	4.6%
2016	4,530,800	4,305,500	225,300	5.0%
2015	4,537,200	4,274,700	262,500	5.8%

Source: New Jersey Department of Labor, Division of Planning & Research.

Income as of 2018

	Median Household Income	Median Family Income	Per Capita Income
Borough of Oakland	\$ 117,996	\$ 126,743	\$ 49,893
County of Bergen	95,837	116,727	48,426
State of New Jersey	79,363	98,047	40,895

Source: U.S. Census Bureau, 2014-2018 American Community Survey – 5 Year Estimates

DEBT INFORMATION

Debt Statements

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

**Debt Incurring Capacity
As of December 31, 2019**

<u>Year</u>	<u>Equalized Valuations Amount</u>
2017	\$ 2,483,069,174
2018	2,479,746,292
2019	<u>2,628,563,027</u>
Total	<u>\$ 7,591,378,493</u>

Municipal	
Equalized Valuation Basis (last 3 years average)	<u>\$ 2,530,459,498</u>
3 1/2% Borrowing Margin	\$ 88,566,082
Net Debt Issued, Outstanding and Authorized	<u>22,034,758</u>
Remaining Municipal Borrowing Capacity	<u>\$ 66,531,324</u>
Regional School	
3% Borrowing Margin	\$ 75,913,785
Debt, Issued, Outstanding and Authorized	<u>3,517,035</u>
Remaining School Borrowing Capacity	<u>\$ 72,396,750</u>
Local School	
3% Borrowing Margin	\$ 75,913,785
Debt, Issued, Outstanding and Authorized	<u>1,097,000</u>
Remaining School Borrowing Capacity	<u>\$ 74,816,785</u>

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

<u>Year</u>	<u>Gross Debt</u>	<u>Statutory Net Debt</u>	
	<u>Amount</u>	<u>Amount</u>	<u>Percentage</u>
2019	\$ 31,010,450	\$ 22,034,758	0.87%
2018	30,341,508	20,798,498	0.90%
2017	28,824,527	18,954,883	0.78%
2016	28,664,771	15,953,281	0.67%
2015	44,459,762	18,590,807	0.80%

Source: Borough of Oakland Annual Audit Reports.

**Statement of Indebtedness
As of December 31, 2019**

General Purpose

Bonds	\$ 10,701,000	
Notes	7,951,000	
Authorized But Not Issued	<u>4,974,292</u>	
		\$ 23,626,292

Water Utility

Bonds	1,345,000	
Authorized But Not Issued	<u>377,363</u>	
		1,722,363

Sewer Utility

Bonds	155,000	
Notes	300,000	
Authorized But Not Issued	<u>592,760</u>	
		1,047,760

Regional School

Bonds Issued and Authorized		3,517,035
-----------------------------	--	-----------

Local School

Bonds Issued and Authorized		<u>1,097,000</u>
-----------------------------	--	------------------

Total Gross Debt		31,010,450
------------------	--	------------

Statement of Indebtedness
As of December 31, 2019
(Continued)

Statutory Deductions

Municipal Purpose	1,591,534	
Self Liquidating Purposes	2,770,123	
School Debt	<u>4,614,035</u>	
		<u>8,975,692</u>
Total Net Debt		<u>\$ 22,034,758</u>

Overlapping Debt

County of Bergen(1)	<u>\$ 19,442,857</u>	
Total Overlapping Debt		<u><u>\$ 19,442,857</u></u>

Gross Debt

Per Capita (2019 - 12,926)	\$	2,399
Percent of Net Valuation Taxable (2019 - \$2,176,713,043)		1.42%
Percent of Estimated True Value of Real Property (2019 - \$2,488,749,323)		1.25%

Net Municipal Debt

Per Capita (2019 - 12,926)	\$	1,705
Percent of Net Valuation Taxable (2019 - \$2,176,713,043)		1.01%
Percent of Estimated True Value of Real Property (2019 - \$2,488,749,323)		0.89%

Overall Debt (Gross and Overlapping Debt)

Per Capita (2019 - 12,926)	\$	3,903
Percent of Net Valuation Taxable (2019 - \$2,176,713,043)		2.32%
Percent of Estimated True Value of Real Property (2019 - \$2,488,749,323)		2.03%

Note (1) Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2019 Bergen County Abstract of Ratables published by the Bergen County Board of Taxation.

Source: Borough of Oakland 2019 Annual Debt Statement.

BUDGET INFORMATION
Current Fund
(As Adopted)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Anticipated Revenues					
Fund Balance Anticipated	\$ 1,555,000	\$ 1,510,000	\$ 1,548,000	\$ 1,198,000	\$ 860,000
Miscellaneous Revenues	3,199,461	3,428,439	3,262,679	5,810,090	3,374,411
Receipts from Delinquent Taxes	9,000	5,500	15,000	4,900	4,900
Amount to be Raised by Taxes for Support of Municipal Budget	<u>15,595,053</u>	<u>14,963,195</u>	<u>14,705,626</u>	<u>14,679,924</u>	<u>14,542,920</u>
	<u>\$ 20,358,514</u>	<u>\$ 19,907,134</u>	<u>\$ 19,531,305</u>	<u>\$ 21,692,914</u>	<u>\$ 18,782,231</u>
Appropriations					
Salaries and Wages	\$ 7,534,573	\$ 6,293,525	\$ 7,244,350	\$ 7,174,350	\$ 7,114,050
Other Expenses	7,607,303	8,568,284	7,686,888	7,502,885	7,438,115
Deferred Charges and Statutory Expenditures	1,822,450	1,841,477	1,814,202	1,762,079	1,731,441
Capital Improvements	1,130,000	935,000	900,000	900,000	900,000
Municipal Debt Service	1,784,188	1,801,848	1,427,865	3,903,600	1,405,625
Reserve for Uncollected Taxes	<u>480,000</u>	<u>467,000</u>	<u>458,000</u>	<u>450,000</u>	<u>193,000</u>
	<u>\$ 20,358,514</u>	<u>\$ 19,907,134</u>	<u>\$ 19,531,305</u>	<u>\$ 21,692,914</u>	<u>\$ 18,782,231</u>

Source: Borough of Oakland Adopted Annual Budgets.

FINANCIAL INFORMATION

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

<u>Year</u>	<u>Fund Balance</u> <u>December 31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2019	\$ 4,339,172	\$ 1,555,000
2018	4,461,264	1,510,000
2017	4,482,257	1,548,000
2016	3,939,967	1,198,000
2015	3,342,047	860,000

Source: Borough of Oakland Annual Audit Reports.

Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2019	\$ 63,044,270	\$ 62,883,424	99.74%
2018	61,701,584	61,543,796	99.74%
2017	60,834,575	60,762,716	99.88%
2016	59,243,045	58,816,021	99.28%
2015	58,033,896	57,920,732	99.81%

Source: Borough of Oakland Annual Audit Reports.

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2019	\$ 339,958	\$ 20,226	\$ 360,184	0.57%
2018	313,407	18,075	331,482	0.54%
2017	296,471	6,995	303,466	0.50%
2016	270,910	18,587	289,497	0.49%
2015	228,265	30,829	259,094	0.45%

Source: Borough of Oakland Annual Audit Reports.

Assessed Valuation of Property Owned by the Borough Acquired for Taxes

<u>Year</u>	<u>Amount</u>
2019	\$ 1,054,950
2018	1,054,950
2017	1,054,950
2016	1,054,950
2015	1,054,950

Source: Borough of Oakland Annual Audit Reports.

Ten Largest Taxpayers

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

<u>Taxpayer</u>	<u>Assessment</u>
Jayare Associates, LLC	\$ 15,500,000
Washington Square Owner, LLC	13,500,000
BD Oakland Owner, LLC	12,173,600
Unicorn Real Estate Investment, LLC	11,511,700
40 Potash Road Associates, LLC	10,674,000
Oakland Care Ctr Real Estate Co, LLC	9,725,000
5 Thornton Road Associates, LLC	8,750,000
Lincoln Realty Associates Fund	7,137,143
1 Raritan Road Realty LLC	6,235,900
Ramapo Valley Resources, LTD	<u>6,087,700</u>
 Total	 <u><u>\$ 101,295,043</u></u>
 Percentage of 2019 Assessed Valuation	 <u><u>4.65%</u></u>

Source: Borough of Oakland Tax Assessor.

Assessed Valuation Land Improvements by Class

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total</u>
2020	\$ 23,267,600	\$ 1,818,460,300	\$ 2,926,800	\$ 166,497,243	\$ 163,703,800	\$ 427,200	\$ 2,175,282,943
2019	23,504,400	1,820,110,100	2,926,500	169,794,243	160,377,800	-	2,176,713,043
2018	23,234,600	1,817,481,500	2,926,500	171,494,300	158,608,700	-	2,173,745,600
2017	23,622,400	1,813,417,100	2,925,400	170,534,900	161,192,500	-	2,171,692,300
2016	24,313,000	1,811,779,100	2,925,400	170,999,400	164,738,200	-	2,174,755,100

Source: Borough of Oakland Tax Duplicates.

**Assessed Valuations
Net Valuation Taxable**

<u>Year</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2020	\$ 2,175,282,943	82.81%	\$ 2,632,322,958
2019	2,176,713,043	87.66%	2,488,749,323
2018	2,173,745,600	87.46%	2,490,923,953
2017	2,171,692,300	90.40%	2,407,875,178
2016	2,174,755,100	92.03%	2,368,709,018

Source: Tax Duplicate and Abstract of Ratables.

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

<u>Year</u>	<u>Total</u>	<u>Municipal¹</u>	<u>Local School</u>	<u>Regional School</u>	<u>County²</u>
2020	\$ 2.999	\$ 0.727	\$ 1.399	\$ 0.572	\$ 0.301
2019	2.894	0.697	1.359	0.561	0.277
2018	2.833	0.686	1.313	0.553	0.281
2017	2.796	0.686	1.294	0.538	0.278
2016	2.720	0.679	1.268	0.506	0.267

(1) Includes Library and Open Space Taxes

(2) Includes Open Space Tax

Source: Borough of Oakland Tax Collector.

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

<u>Year</u>	<u>Total</u>	<u>Municipal¹</u>	<u>Local School</u>	<u>Regional School</u>	<u>County²</u>
2020	\$ 65,219,262	\$ 15,812,581	\$ 30,429,709	\$ 12,443,338	\$ 6,533,634
2019	63,044,270	15,238,989	29,569,800	12,200,829	6,034,652
2018	61,701,584	15,041,371	28,533,426	12,018,052	6,108,735
2017	60,834,575	15,012,545	28,088,656	11,673,969	6,059,405
2016	59,243,045	14,857,442	27,568,679	11,009,129	5,807,795

(1) Includes Library and Open Space Taxes

(2) Includes Open Space Tax

Source: Borough of Oakland Tax Collector.

APPENDIX B
FINANCIAL STATEMENTS
OF THE BOROUGH OF OAKLAND



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Oakland, as of December 31, 2019 and 2018, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Oakland as of December 31, 2019 and 2018, or changes in financial position, or, where applicable, cash flows for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2019 and 2018. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 17 percent and 14 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2019 and 2018.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Oakland as of December 31, 2019 and 2018, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2019 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

By/s/

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

Fair Lawn, New Jersey
September 30, 2020

BOROUGH OF OAKLAND
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2019 AND 2018

ASSETS	<u>2019</u>	<u>2018</u>
Cash	\$ 7,247,396	\$ 7,196,255
Cash - Change Funds	250	250
Due from State of New Jersey -Senior Citizens and Veterans Dedication	7,489	6,489
Grants Receivable	<u>351,860</u>	<u>349,554</u>
	<u>7,606,995</u>	<u>7,552,548</u>
Receivables and Other Assets With Full Reserves		
Delinquent Property Taxes Receivable	20,226	18,075
Tax Title Liens Receivable	339,958	313,407
Property Acquired for Taxes - Assessed Valuation	1,054,950	1,054,950
Revenue Accounts Receivable	<u>23,524</u>	<u>13,505</u>
	<u>1,438,658</u>	<u>1,399,937</u>
Total Assets	<u>\$ 9,045,653</u>	<u>\$ 8,952,485</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
Liabilities		
Appropriation Reserves	\$ 1,010,694	\$ 1,036,638
Encumbrances/Accounts Payable	856,901	679,475
Prepaid Taxes	343,397	354,974
Tax Overpayments	82,710	184,239
County Taxes Payable	5,216	11,382
Local School Taxes Payable	-	67,236
Due to Municipal Open Space Trust Fund	188	830
Due to Other Trust Fund	12,000	-
Reserve for Tax Appeals	301,054	305,190
Reserve for Special Emergency Appropriation	19,012	19,012
Reserve for Library Tax Payable		10,138
Appropriated Grant Reserves	604,958	389,364
Unappropriated Grant Reserves	28,829	28,605
Due to State of New Jersey		
DCA Construction Code Fees Payable	2,839	4,176
Marriage License Fees Payable	<u>25</u>	<u>25</u>
	3,267,823	3,091,284
Reserve for Receivables and Other Assets	1,438,658	1,399,937
Fund Balance	<u>4,339,172</u>	<u>4,461,264</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 9,045,653</u>	<u>\$ 8,952,485</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF OAKLAND
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
REVENUES AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 1,510,000	\$ 1,548,000
Miscellaneous Revenues Anticipated	3,870,348	3,574,608
Receipts from Delinquent Taxes	27,065	51,594
Receipts from Current Taxes	62,883,424	61,543,796
Non-Budget Revenue	227,600	60,731
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	586,599	799,621
Cancelled Payable	10,138	
Cancelled Accounts Payable	-	7,000
	<u>69,115,174</u>	<u>67,585,350</u>
EXPENDITURES		
Budget Appropriations		
Operations		
Salaries and Wages	7,353,425	7,206,350
Other Expenses	7,742,996	7,719,449
Capital Improvements	935,000	900,000
Municipal Debt Service	1,801,373	1,427,865
Deferred Charges and Statutory Expenditures	1,854,207	1,826,202
County Taxes	6,034,652	6,108,735
Local District School Taxes	29,569,800	28,533,426
Regional School Taxes	12,200,829	12,018,052
Municipal Open Space Taxes	217,859	217,797
Other Debits		
Appropriated Grants	17,125	
Refund of Prior Year Revenue	-	100,467
	<u>67,727,266</u>	<u>66,058,343</u>
Excess in Revenue	1,387,908	1,527,007
Fund Balance, January 1	<u>4,461,264</u>	<u>4,482,257</u>
	5,849,172	6,009,264
Decreased by:		
Utilization as Anticipated Revenue	<u>1,510,000</u>	<u>1,548,000</u>
Fund Balance, December 31	<u>\$ 4,339,172</u>	<u>\$ 4,461,264</u>

BOROUGH OF OAKLAND
COMPARATIVE STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>		<u>2018</u>	
	<u>Budget After</u>	<u>Actual</u>	<u>Budget After</u>	<u>Actual</u>
	<u>Modification</u>		<u>Modification</u>	
FUND BALANCE ANTICIPATED	\$ 1,510,000	\$ 1,510,000	\$ 1,548,000	\$ 1,548,000
MISCELLANEOUS REVENUES				
Licenses				
Alcoholic Beverages	24,000	24,650	24,000	24,450
Other	31,000	41,809	26,000	35,027
Fees and Permits				
Construction Code Official	200,000	147,465	199,000	217,910
Other	175,000	179,697	170,000	182,310
Fines and Costs				
Municipal Court	180,000	226,683	125,000	215,460
Interest and Costs on Taxes	60,000	60,710	60,000	62,213
Interest on Investments and Deposits	115,000	227,784	40,000	184,742
Recreation Fees	451,500	448,159	434,000	453,454
Energy Receipts Tax	1,312,169	1,312,169	1,312,169	1,312,204
Public and Private Revenues Offset with Appropriations				
Recycling Tonnage Grant			27,334	27,334
Municipal Alliance for Alcoholism and Drug Abuse	9,876	9,876	9,876	9,876
Sustainable Jersey	2,000	2,000		
Alcohol Education and Rehabilitation Fund	322	322	366	366
Body Armor Grant	4,017	4,017	6,195	6,195
Community Forestry			3,000	3,000
BCUA Styrofoam Recycling	3,000	3,000		
Drunk Driving Enforcement Fund	2,776	2,776		
Roots for Rivers	4,672	4,672		
Clean Communities Program	25,829	25,829		
Clean Communities Program - MINI	300	300		
CDBG - Emergency Generators - Senior Center	119,316	119,316		
BMED - Employee Wellness	10,000	10,000		
First Aide Vehicle	117,704	117,704		
Other Special Items				
Uniform Fire Safety Act	30,000	39,048	28,500	40,173
Reserve for Payment of Open Space Debt Service	200,000	200,000	200,000	200,000
Cellular Tower Lease	148,500	189,324	148,500	173,053
Cablevision Franchise Fee	127,500	127,807	128,000	128,456
Verizon Franchise Fee	68,500	68,948	71,500	76,777
Real Property Lease	76,000	71,606	72,000	76,440
Sale of Recyclables	10,000	37,807	55,000	10,731
Shared Service Agreement - School Crossing Guards	5,500	12,582	5,500	-
Off Duty Police Officers Administrative Fees	13,500	6,488	13,500	24,637
Pension Reimbursement - Library	40,100	40,100	39,000	39,000
Pension Reimbursement - Water Utility	63,300	63,300	61,600	61,600
Pension Reimbursement - Sewer Utility	9,400	9,400	9,200	9,200
General Capital Surplus	35,000	35,000	-	-
Total Miscellaneous Revenues	<u>3,675,781</u>	<u>3,870,348</u>	<u>3,269,240</u>	<u>3,574,608</u>
RECEIPTS FROM DELINQUENT TAXES	<u>5,500</u>	<u>27,065</u>	<u>15,000</u>	<u>51,594</u>
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET				
Local Tax for Municipal Purposes	14,136,614	14,500,703	13,877,937	14,296,097
Minimum Library Tax	826,581	826,581	827,689	827,689
	<u>14,963,195</u>	<u>15,327,284</u>	<u>14,705,626</u>	<u>15,123,786</u>
Total General Revenues	<u>\$ 20,154,476</u>	<u>\$ 20,734,697</u>	<u>\$ 19,537,866</u>	<u>\$ 20,297,988</u>

The Accompanying Notes are an Integral Part of these Financial Statements

[THIS PAGE INTENTIONALLY LEFT BLANK]

2019 STATEMENT OF EXPENDITURES

BOROUGH OF OAKLAND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Appropriated</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 280,250	\$ 280,250	\$ 276,306	\$ 3,944	
Other Expenses	7,000	7,000	4,649	2,351	
Communications Committee					
Other Expenses	11,500	11,500	10,904	596	
General Services					
Salaries and Wages	99,000	99,000	90,620	8,380	
Other Expenses	66,000	66,000	63,225	2,775	
Mayor and Council					
Salaries and Wages	50,200	50,200	49,444	756	
Other Expenses	30,000	30,000	22,350	7,650	
Municipal Clerk					
Salaries and Wages	93,450	93,450	93,379	71	
Other Expenses	21,300	21,300	20,832	468	
Elections					
Salaries and Wages	2,150	2,150	2,150	-	
Other Expenses	12,500	12,500	12,001	499	
Financial Administration					
Salaries and Wages	223,500	223,500	215,993	7,507	
Other Expenses	51,000	46,000	38,952	7,048	
Audit Services	37,000	37,000	30,500	6,500	
Information Technology					
Other Expenses	65,000	75,000	72,705	2,295	
Tax Assessment Administration					
Salaries and Wages	80,950	80,950	79,273	1,677	
Other Expenses	15,000	15,000	13,465	1,535	
Revenue Administration					
Salaries and Wages	78,000	83,000	78,874	4,126	
Other Expenses	7,000	7,000	6,714	286	
Legal Services & Costs					
Other Expenses	190,000	190,000	182,527	7,473	
Engineering Service & Costs					
Other Expenses	60,000	60,000	55,825	4,175	
Land Use Administration					
Salaries and Wages	15,700	15,700	13,800	1,900	
Other Expenses	18,100	18,100	13,974	4,126	
Zoning Board of Adjustment					
Salaries and Wages	15,700	15,700	13,800	1,900	
Other Expenses	7,900	7,900	7,236	664	
Insurance					
Other Insurance	475,000	475,000	468,379	6,621	
Employee Group Health	1,867,089	1,801,359	1,742,769	58,590	
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	4,586,300	4,586,300	4,290,190	296,110	
Other Expenses	177,200	177,200	154,397	22,803	
Office of Emergency Management					
Salaries and Wages	8,850	8,850	8,830	20	
Other Expenses	10,000	10,000	3,725	6,275	
Flood Control Committee					
Salaries and Wages	4,900	4,900	4,873	27	
Other Expenses	1,500	1,500	-	1,500	
Aid to Volunteer First Aid	45,000	45,000	36,500	8,500	
Fire Department					
Salaries and Wages	83,350	83,350	75,158	8,192	
Other Expenses	112,500	112,500	89,781	22,719	

BOROUGH OF OAKLAND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Appropriated</u>		<u>Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
PUBLIC WORKS FUNCTION					
Streets and Roads					
Salaries and Wages	\$ 522,000	\$ 527,200	\$ 526,596	\$ 604	
Other Expenses	103,500	103,500	83,837	19,663	
Snow Removal					
Salaries and Wages	60,000	60,000	36,974	23,026	
Other Expenses	80,000	80,000	27,722	52,278	
Solid Waste Collection					
Salaries and Wages	84,600	79,400	72,992	6,408	
Other Expenses	1,357,000	1,387,000	1,381,848	5,152	
Buildings and Grounds					
Salaries and Wages	195,000	195,000	184,898	10,102	
Other Expenses	157,000	168,000	167,612	388	
Vehicle Maintenance					
Salaries and Wages	73,300	73,300	71,456	1,844	
Other Expenses	83,000	83,000	75,727	7,273	
HEALTH AND HUMAN SERVICES					
Public Health Services					
Salaries and Wages	75,500	75,500	64,801	10,699	
Other Expenses	180,750	180,750	180,528	222	
Environmental Commission					
Salaries and Wages	1,200	1,200	1,200	-	
Other Expenses	1,000	1,000	968	32	
PARKS AND RECREATION FUNCTIONS					
Recreation Services and Programs					
Salaries and Wages	173,200	173,200	156,226	16,974	
Other Expenses	311,750	311,750	274,262	37,488	
Senior Citizens Activities					
Salaries and Wages	76,200	76,200	72,138	4,062	
Other Expenses	39,500	39,500	36,243	3,257	
OTHER COMMON OPERATING FUNCTIONS					
Accumulated Leave Compensation					
Salaries and Wages	100,000	100,000	100,000	-	
MUNICIPAL COURT					
Salaries and Wages	137,000	137,000	133,120	3,880	
Other Expenses	12,700	12,700	7,685	5,015	
Public Defender					
Other Expenses	10,600	10,600	8,400	2,200	
Municipal Prosecutor					
Other Expenses	21,000	21,000	19,350	1,650	
Shade Tree					
Other Expenses	38,000	38,000	7,065	30,935	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES (NJAC5:23-4.17)					
Uniform Construction Code Enforcement					
Salaries and Wages	228,125	228,125	215,984	12,141	
Other Expenses	48,375	48,375	41,170	7,205	

BOROUGH OF OAKLAND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
UTILITY EXPENSES AND BULK PURCHASES					
Electricity	\$ 126,000	\$ 126,000	\$ 110,709	\$ 15,291	
Street Lighting	149,000	149,000	118,231	30,769	
Telephone	93,000	93,000	88,308	4,692	
Natural Gas	33,000	33,000	30,351	2,649	
Gasoline	<u>155,000</u>	<u>144,000</u>	<u>112,953</u>	<u>31,047</u>	<u>-</u>
Total Operations Within "CAPS"	<u>13,636,189</u>	<u>13,610,459</u>	<u>12,753,454</u>	<u>857,005</u>	<u>-</u>
Contingent	<u>5,000</u>	<u>5,000</u>	<u>57</u>	<u>4,943</u>	<u>-</u>
Total Operations Including Contingent - Within "CAPS"	<u>13,641,189</u>	<u>13,615,459</u>	<u>12,753,511</u>	<u>861,948</u>	<u>-</u>
Detail:					
Salaries and Wages	7,348,425	7,353,425	6,929,075	424,350	-
Other Expenses (Including Contingent)	<u>6,292,764</u>	<u>6,262,034</u>	<u>5,824,436</u>	<u>437,598</u>	<u>-</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
Statutory Charges					
Public Employees Retirement System	416,345	429,075	429,075		
Social Security System	510,000	510,000	482,960	27,040	
Police and Firemen's Retirement System	907,132	907,132	907,132		
Defined Contribution Retirement Plan	<u>8,000</u>	<u>8,000</u>	<u>6,175</u>	<u>1,825</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,841,477</u>	<u>1,854,207</u>	<u>1,825,342</u>	<u>28,865</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>15,482,666</u>	<u>15,469,666</u>	<u>14,578,853</u>	<u>890,813</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
PUBLIC SAFETY FUNCTIONS					
Length of Service Awards Program					
Other Expenses	88,000	101,000	17,960	83,040	
Police Dispatch - 911					
Other Expenses	13,500	13,500	13,494	6	
PUBLIC WORKS FUNCTIONS					
Stormwater Management					
Salaries and Wages	62,600	62,600	62,415	185	
Other Expenses	28,000	28,000	18,007	9,993	
EDUCATION					
Maintenance of Free Public Library	826,581	826,581	817,956	8,625	
Supplemental Library Funding	45,000	45,000	45,000	-	
UNCLASSIFIED					
Reserve for Tax Appeals	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Total Other Operations Excluded From "CAPS"	<u>1,163,681</u>	<u>1,176,681</u>	<u>1,074,832</u>	<u>101,849</u>	<u>-</u>

BOROUGH OF OAKLAND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Appropriated</u>	<u>Budget After</u>	<u>Expended</u>		
	<u>Budget</u>	<u>Modification</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Cancelled</u>
			<u>Charged</u>		
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
Matching Fund for Grants	\$ 2,000	\$ 2,000	-	\$ 2,000	
Municipal Alliance on Alcoholism and Drug Abuse					
County Share	9,876	9,876	\$ 9,876	-	
Local Share	2,469	2,469	2,469	-	
Drunk Driving Enforcement Fund	2,776	2,776	2,776	-	
Clean Communities	25,829	25,829	25,829	-	
Clean Communities - MINI	300	300	300	-	
Sustainable Jersey	2,000	2,000	2,000	-	
Alcohol Education and Rehabilitation		322	322	-	
CDBG - Emergency Generators - Senior Center		119,316	119,316	-	
BMED - Employee Wellness		10,000	10,000	-	
First Aide Vehicle		117,704	117,704	-	
Body Armor Replacement	4,017	4,017	4,017	-	
Roots for Rivers	4,672	4,672	4,672	-	
BCUA Recycling	3,000	3,000	3,000	-	-
	<u>56,939</u>	<u>304,281</u>	<u>302,281</u>	<u>2,000</u>	<u>-</u>
Total Public and Private Programs					
Offset by Revenues	<u>56,939</u>	<u>304,281</u>	<u>302,281</u>	<u>2,000</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>1,220,620</u>	<u>1,480,962</u>	<u>1,377,113</u>	<u>103,849</u>	<u>-</u>
Detail:					
Other Expenses (Including Contingent)	<u>1,220,620</u>	<u>1,480,962</u>	<u>1,377,113</u>	<u>103,849</u>	<u>-</u>
CAPITAL IMPROVEMENTS -					
Capital Improvement Fund	900,000	900,000	900,000	-	
Capital Improvements	35,000	35,000	18,968	16,032	-
	<u>935,000</u>	<u>935,000</u>	<u>918,968</u>	<u>16,032</u>	<u>-</u>
MUNICIPAL DEBT SERVICE -					
Payment of Bond Principal	990,000	990,000	990,000		
Interest on Bonds	341,190	341,190	341,190		
Payment of Bond Anticipation Notes	300,000	300,000	300,000		
Interest on Notes	170,658	170,658	170,183	-	475
	<u>1,801,848</u>	<u>1,801,848</u>	<u>1,801,373</u>	<u>-</u>	<u>475</u>
Total Municipal Debt Service	<u>1,801,848</u>	<u>1,801,848</u>	<u>1,801,373</u>	<u>-</u>	<u>475</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,957,468</u>	<u>4,217,810</u>	<u>4,097,454</u>	<u>\$ 119,881</u>	<u>\$ 475</u>
Subtotal General Appropriations	19,440,134	19,687,476	18,676,307	1,010,694	475
Reserve for Uncollected Taxes	467,000	467,000	467,000	-	-
	<u>\$ 19,907,134</u>	<u>\$ 20,154,476</u>	<u>\$ 19,143,307</u>	<u>\$ 1,010,694</u>	<u>\$ 475</u>
Budget as Adopted		\$ 19,907,134			
Added by NJSA 40A:4-87		<u>247,342</u>			
		<u>\$ 20,154,476</u>			

[THIS PAGE INTENTIONALLY LEFT BLANK]

2018 STATEMENT OF EXPENDITURES

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

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATIONS - WITHIN "CAPS"				
GENERAL GOVERNMENT				
General Administration				
Salaries and Wages	\$ 250,550	\$ 250,550	\$ 228,910	\$ 21,640
Other Expenses	7,000	7,000	4,640	2,360
Communications Committee				
Other Expenses	12,000	12,000	10,293	1,707
General Services				
Salaries and Wages	102,000	102,000	65,445	36,555
Other Expenses	66,000	66,000	63,116	2,884
Mayor and Council				
Salaries and Wages	49,150	49,150	48,299	851
Other Expenses	30,000	30,000	20,157	9,843
Municipal Clerk				
Salaries and Wages	87,200	87,200	87,199	1
Other Expenses	22,000	22,000	19,735	2,265
Elections				
Salaries and Wages	2,100	2,100	2,100	-
Other Expenses	12,000	12,000	11,840	160
Financial Administration				
Salaries and Wages	252,500	215,500	193,769	21,731
Other Expenses	51,000	51,000	38,485	12,515
Audit Services	37,000	37,000	29,500	7,500
Information Technology				
Other Expenses	65,000	65,000	56,503	8,497
Tax Assessment Administration				
Salaries and Wages	81,250	81,250	79,278	1,972
Other Expenses	15,150	15,150	13,356	1,794
Revenue Administration				
Salaries and Wages	72,000	71,000	65,491	5,509
Other Expenses	10,300	11,300	7,052	4,248
Legal Services & Costs				
Other Expenses	190,000	190,000	160,000	30,000
Engineering Service & Costs				
Other Expenses	60,000	60,000	32,620	27,380
Land Use Administration				
Salaries and Wages	16,350	16,350	13,972	2,378
Other Expenses	18,200	18,200	14,721	3,479
Zoning Board of Adjustment				
Salaries and Wages	16,450	16,450	14,308	2,142
Other Expenses	7,800	7,800	7,763	37
Insurance				
Insurance, Other (Prop., Liab, W/C)	464,000	464,000	320,722	143,278
Employee Group Health	1,900,000	1,900,000	1,657,207	242,793
PUBLIC SAFETY FUNCTIONS				
Police Department				
Salaries and Wages	4,395,450	4,395,450	4,268,108	127,342
Other Expenses	170,500	195,500	188,588	6,912
Office of Emergency Management				
Salaries and Wages	8,650	8,650	8,614	36
Other Expenses	10,000	10,000	2,841	7,159
Flood Control Committee				
Salaries and Wages	4,800	4,800	4,784	16
Other Expenses	1,500	1,500	500	1,000
Aid to Volunteer First Aid	46,870	46,870	46,870	-
Fire Department				
Salaries and Wages	83,350	83,350	80,545	2,805
Other Expenses	112,500	112,500	101,458	11,042

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

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATIONS - WITHIN "CAPS" (Continued)				
PUBLIC WORKS FUNCTION				
Streets and Roads				
Salaries and Wages	\$ 508,300	\$ 508,300	\$ 480,286	\$ 28,014
Other Expenses	109,000	109,000	92,445	16,555
Snow Removal				
Salaries and Wages	60,000	60,000	51,330	8,670
Other Expenses	80,000	80,000	77,333	2,667
Solid Waste Collection				
Salaries and Wages	82,600	83,600	83,464	136
Other Expenses	1,347,000	1,337,000	1,322,556	14,444
Buildings and Grounds				
Salaries and Wages	188,850	187,850	177,380	10,470
Other Expenses	157,000	167,000	165,962	1,038
Vehicle Maintenance				
Salaries and Wages	71,700	71,700	70,201	1,499
Other Expenses	81,500	81,500	75,291	6,209
HEALTH AND HUMAN SERVICES				
Public Health Services				
Salaries and Wages	73,500	73,500	71,096	2,404
Other Expenses	173,100	173,100	168,195	4,905
Environmental Commission				
Salaries and Wages	1,200	1,200	1,200	-
Other Expenses	1,000	1,000	590	410
PARKS AND RECREATION FUNCTIONS				
Recreation Services and Programs				
Salaries and Wages	164,600	164,600	154,736	9,864
Other Expenses	302,850	302,850	301,453	1,397
Senior Citizens Activities				
Salaries and Wages	78,000	78,000	70,680	7,320
Other Expenses	34,500	34,500	30,374	4,126
OTHER COMMON OPERATING FUNCTIONS				
Accumulated Leave Compensation				
Salaries and Wages	200,000	200,000	200,000	-
MUNICIPAL COURT				
Salaries and Wages	124,500	122,500	119,564	2,936
Other Expenses	10,300	12,300	11,128	1,172
Public Defender				
Other Expenses	10,600	10,600	10,600	-
Municipal Prosecutor				
Other Expenses	21,000	21,000	21,000	-
Shade Tree				
Other Expenses	38,000	38,000	36,590	1,410

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

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)				
UNIFORM CONSTRUCTION CODE				
APPROPRIATIONS OFFSET BY				
DEDICATED REVENUES (NJAC5:23-4.17)				
Uniform Construction Code Enforcement				
Salaries and Wages	\$ 269,300	\$ 271,300	\$ 271,074	\$ 226
Other Expenses	6,000	4,000	895	3,105
 UTILITY EXPENSES AND BULK PURCHASES				
Electricity	120,500	123,500	117,383	6,117
Street Lighting	140,000	151,000	150,317	683
Telephone	90,000	93,000	90,974	2,026
Natural Gas	33,000	32,000	25,151	6,849
Gasoline	160,000	144,000	127,500	16,500
	<u>13,468,520</u>	<u>13,456,520</u>	<u>12,545,537</u>	<u>910,983</u>
Total Operations Within "CAPS"				
Contingent	5,000	5,000	-	5,000
Total Operations Including Contingent - Within "CAPS"	<u>13,473,520</u>	<u>13,461,520</u>	<u>12,545,537</u>	<u>915,983</u>
Detail:				
Salaries and Wages	7,244,350	7,206,350	6,911,833	294,517
Other Expenses (Including Contingent)	6,229,170	6,255,170	5,633,704	621,466
	<u>13,473,520</u>	<u>13,461,520</u>	<u>12,545,537</u>	<u>915,983</u>
 DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"				
Statutory Charges				
Public Employees Retirement System	405,152	405,152	405,152	
Social Security System (O.A.S.I.)	480,000	490,000	483,463	6,537
Police and Firemen's Retirement System	865,915	865,915	865,915	
Defined Contribution Retirement Plan	6,000	8,000	6,567	1,433
	<u>1,757,067</u>	<u>1,769,067</u>	<u>1,761,097</u>	<u>7,970</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"				
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>15,230,587</u>	<u>15,230,587</u>	<u>14,306,634</u>	<u>923,953</u>
 OPERATIONS - EXCLUDED FROM "CAPS"				
PUBLIC SAFETY FUNCTIONS				
Length of Service Awards Program				
Other Expenses	88,000	88,000	-	88,000
Police Dispatch - 911				
Other Expenses	13,250	13,250	13,229	21
PUBLIC WORKS FUNCTIONS				
Stormwater Management				
Salaries and Wages	61,100	61,100	59,865	1,235
Other Expenses	28,000	28,000	23,985	4,015
EDUCATION				
Maintenance of Free Public Library	827,689	827,689	810,275	17,414
Supplemental Library Funding	45,000	45,000	45,000	-
UNCLASSIFIED				
Reserve for Tax Appeals	350,000	350,000	350,000	-
Total Other Operations Excluded From "CAPS"	<u>1,413,039</u>	<u>1,413,039</u>	<u>1,302,354</u>	<u>110,685</u>

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

	<u>Appropriated</u>	<u>Budget After</u>	<u>Expended</u>	
	<u>Budget</u>	<u>Modification</u>	<u>Paid or</u>	<u>Reserved</u>
			<u>Charged</u>	
PUBLIC AND PRIVATE PROGRAMS				
OFFSET BY REVENUES				
Matching Fund for Grants	\$ 2,000	\$ 2,000		\$ 2,000
Municipal Alliance on Alcoholism and Drug Abuse				
County Share	9,876	9,876	\$ 9,876	-
Local Share	2,469	2,469	2,469	
Recycling Tonnage Grant	27,334	27,334	27,334	
Alcohol Education and Rehabilitation		366	366	
Police Body Armor Fund Grant		6,195	6,195	-
Community Forestry Grant	3,000	3,000	3,000	-
	<u>44,679</u>	<u>51,240</u>	<u>49,240</u>	<u>2,000</u>
Total Public and Private Programs Offset by Revenues				
	<u>44,679</u>	<u>51,240</u>	<u>49,240</u>	<u>2,000</u>
Total Operations Excluded from "CAPS"	<u>1,457,718</u>	<u>1,464,279</u>	<u>1,351,594</u>	<u>112,685</u>
Detail:				
Other Expenses (Including Contingent)	<u>1,457,718</u>	<u>1,464,279</u>	<u>1,351,594</u>	<u>112,685</u>
CAPITAL IMPROVEMENTS -				
Capital Improvement Fund	<u>900,000</u>	<u>900,000</u>	<u>900,000</u>	<u>-</u>
Total Capital Improvements	<u>900,000</u>	<u>900,000</u>	<u>900,000</u>	<u>-</u>
MUNICIPAL DEBT SERVICE -				
Payment of Bond Principal	935,000	935,000	935,000	
Interest on Bonds	361,590	361,590	361,590	
Interest on Notes	131,275	131,275	131,275	-
Total Municipal Debt Service	<u>1,427,865</u>	<u>1,427,865</u>	<u>1,427,865</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"				
DEFERRED CHARGES				
Deferred Charges Unfunded	\$ <u>57,135</u>	\$ <u>57,135</u>	\$ <u>57,135</u>	<u>-</u>
Total Deferred Charges	<u>57,135</u>	<u>57,135</u>	<u>57,135</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,842,718</u>	<u>3,849,279</u>	<u>3,736,594</u>	\$ <u>112,685</u>
Subtotal General Appropriations	19,073,305	19,079,866	18,043,228	1,036,638
Reserve for Uncollected Taxes	<u>458,000</u>	<u>458,000</u>	<u>458,000</u>	<u>-</u>
Total General Appropriations	\$ <u>19,531,305</u>	\$ <u>19,537,866</u>	\$ <u>18,501,228</u>	\$ <u>1,036,638</u>
Budget as Adopted		\$ 19,531,305		
Added by NJSA 40A:4-87		<u>6,561</u>		
		\$ <u>19,537,866</u>		

**BOROUGH OF OAKLAND
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
ANIMAL CONTROL FUND		
Cash	\$ 15,048	\$ 5,908
Change Fund	<u>50</u>	<u>50</u>
	<u>15,098</u>	<u>5,958</u>
OTHER TRUST FUND		
Cash	8,179,202	7,670,680
Due from Current Fund	<u>12,000</u>	<u>-</u>
	<u>8,191,202</u>	<u>7,670,680</u>
UNEMPLOYMENT INSURANCE TRUST FUND		
Cash	<u>141,347</u>	<u>140,238</u>
	<u>141,347</u>	<u>140,238</u>
MUNICIPAL OPEN SPACE TRUST FUND		
Cash	767,181	764,507
Due from Current Fund	<u>188</u>	<u>830</u>
	<u>767,369</u>	<u>765,337</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)		
Investment	1,780,679	1,384,836
Contribution Receivables	<u>80,395</u>	<u>65,055</u>
	<u>1,861,074</u>	<u>1,449,891</u>
Total Assets	<u>\$ 10,976,090</u>	<u>\$ 10,032,104</u>

BOROUGH OF OAKLAND
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2019 AND 2018
(Continued)

	<u>2019</u>	<u>2018</u>
LIABILITIES, RESERVES AND FUND BALANCE		
ANIMAL CONTROL FUND		
Due to State of New Jersey	-	\$ 5
Reserve for Animal Control Expenditures	<u>\$ 15,098</u>	<u>5,953</u>
	<u>15,098</u>	<u>5,958</u>
OTHER TRUST FUND		
Developer's Escrow and Other Reserves	3,389,386	3,666,706
Reserve for Health Benefit Claims	4,749,158	3,909,908
Reserve for Payroll Deductions Payable	<u>52,658</u>	<u>94,066</u>
	<u>8,191,202</u>	<u>7,670,680</u>
UNEMPLOYMENT INSURANCE TRUST FUND		
Due to State of New Jersey	5,953	259
Reserve for Unemployment Claims	<u>135,394</u>	<u>139,979</u>
	<u>141,347</u>	<u>140,238</u>
MUNICIPAL OPEN SPACE TRUST FUND		
Reserve for Expenditures	<u>767,369</u>	<u>765,337</u>
	<u>767,369</u>	<u>765,337</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)		
Reserve for Length of Service Award Program	<u>1,861,074</u>	<u>1,449,891</u>
	<u>1,861,074</u>	<u>1,449,891</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 10,976,090</u>	<u>\$ 10,032,104</u>

BOROUGH OF OAKLAND
COMPARATIVE STATEMENT OF REVENUES-REGULATORY BASIS
MUNICIPAL OPEN SPACE TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>		<u>2018</u>	
	<u>Budget After Modification</u>	<u>Realized</u>	<u>Budget After Modification</u>	<u>Realized</u>
Amount to be Raised by Taxation	\$ 217,671	\$ 217,859	\$ 217,671	\$ 217,797
Interest on Deposits	<u>-</u>	<u>6,516</u>	<u>-</u>	<u>6,938</u>
	<u>\$ 217,671</u>	<u>\$ 224,375</u>	<u>\$ 217,671</u>	<u>\$ 224,735</u>

BOROUGH OF OAKLAND
STATEMENT OF APPROPRIATIONS-REGULATORY BASIS
MUNICIPAL OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Variance</u>
Debt Service				
Payment of Bond Principal	\$ 200,000	\$ 200,000	\$ 200,000	
Other Expenses	<u>17,671</u>	<u>17,671</u>	<u>22,343</u>	\$ 4,672
	<u>\$ 217,671</u>	<u>\$ 217,671</u>	<u>\$ 222,343</u>	<u>\$ 4,672</u>

EXHIBIT B-2b

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

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Variance</u>
Debt Service				
Payment of Bond Principal	\$ 200,000	\$ 200,000	\$ 200,000	
Other Expenses	<u>17,671</u>	<u>17,671</u>	<u>20,635</u>	\$ 2,964
	<u>\$ 217,671</u>	<u>\$ 217,671</u>	<u>\$ 220,635</u>	<u>\$ 2,964</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF OAKLAND
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2019 AND 2018**

ASSETS	<u>2019</u>	<u>2018</u>
Cash	\$ 3,446,917	\$ 5,020,040
Deferred Charges to Future Taxation		
Funded	10,701,000	11,691,000
Unfunded	12,748,089	10,474,547
Grants Receivable	<u>4,362,395</u>	<u>4,147,227</u>
	<u>\$ 31,258,401</u>	<u>\$ 31,332,814</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
General Serial Bonds	\$ 10,701,000	\$ 11,691,000
Bond Anticipation Notes	7,951,000	5,251,000
Improvement Authorizations		
Funded	1,238,311	2,089,792
Unfunded	5,833,465	6,093,411
Accounts Payable	2,095,006	3,035,801
Reserve for Payment of Debt Service	1,414,331	1,367,049
Reserve for Preliminary Costs	9,000	9,000
Reserve for Ladder Truck	1,000,000	800,000
Reserve for Grants Receivable	150,000	150,000
Capital Improvement Fund	416,652	635,361
Fund Balance	<u>449,636</u>	<u>210,400</u>
	<u>\$ 31,258,401</u>	<u>\$ 31,332,814</u>

There were bonds and notes authorized but not issued of \$4,974,292 and \$5,400,750 at December 31, 2019 and 2018 respectively.

BOROUGH OF OAKLAND
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCES - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Balance, January 1	\$ 210,400	\$ 271,745
Increased by:		
Premium on Sale of Bond Anticipation Notes	60,069	48,993
Cancelled Improvement Authorizations	<u>332,920</u>	<u>29,662</u>
	<u>392,989</u>	<u>78,655</u>
	<u>603,389</u>	<u>350,400</u>
Decreased by:		
Anticipated as Revenue in the Current Fund	35,000	
Prior Year Adjustment		
Grants Receivable	118,750	
Capital Improvement Fund	3	
Appropriated to Finance Improvement Authorizations	<u>-</u>	<u>140,000</u>
	<u>153,753</u>	<u>140,000</u>
Balance, December 31	<u>\$ 449,636</u>	<u>\$ 210,400</u>

BOROUGH OF OAKLAND
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY FUND
AS OF DECEMBER 31, 2019 AND 2018

ASSETS	<u>2019</u>	<u>2018</u>
OPERATING FUND		
Cash	\$ 1,966,954	\$ 2,107,046
Change Fund	<u>50</u>	<u>50</u>
	<u>1,967,004</u>	<u>2,107,096</u>
Receivables With Full Reserves		
Consumer Accounts Receivable	<u>174,518</u>	<u>182,983</u>
	<u>2,141,522</u>	<u>2,290,079</u>
CAPITAL FUND		
Cash	1,754,373	1,494,839
Fixed Capital	13,813,896	13,276,932
Fixed Capital Authorized and Uncompleted	<u>205,000</u>	<u>684,246</u>
	<u>15,773,269</u>	<u>15,456,017</u>
Total Assets	<u>\$ 17,914,791</u>	<u>\$ 17,746,096</u>

BOROUGH OF OAKLAND
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
WATER UTILITY FUND
AS OF DECEMBER 31, 2019 AND 2018
(Continued)

	<u>2019</u>	<u>2018</u>
LIABILITIES, RESERVES AND FUND BALANCE		
OPERATING FUND		
Liabilities		
Appropriation Reserves	\$ 198,385	\$ 87,570
Accounts Payable	51,966	110,229
Reserve for Rate Stabilization	260,000	260,000
Accrued Interest Payable on Bonds	<u>3,323</u>	<u>3,540</u>
	513,674	461,339
Reserve for Receivables	174,518	182,983
Fund Balance	<u>1,453,330</u>	<u>1,645,757</u>
	<u>2,141,522</u>	<u>2,290,079</u>
CAPITAL FUND		
Serial Bonds Payable	\$ 1,345,000	\$ 1,475,000
Accounts Payable	75,879	9,954
Improvement Authorization		
Funded	203,029	309,851
Unfunded	-	40,832
Reserves for		
Amortization	11,562,391	11,333,841
Deferred Amortization	734,142	734,142
Payment of Debt	54,425	54,425
Capital Improvement Fund	1,484,245	1,183,814
Fund Balance	<u>314,158</u>	<u>314,158</u>
	<u>15,773,269</u>	<u>15,456,017</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 17,914,791</u>	<u>\$ 17,746,096</u>

There were bonds and notes authorized but not issued in the amount of \$377,363 and \$418,195 at December 31, 2019 and 2018.

BOROUGH OF OAKLAND
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
REVENUES AND OTHER INCOME		
Fund Balance Anticipated	\$ 265,000	\$ 265,000
Rents	1,840,594	1,880,903
Miscellaneous	45,191	45,185
Water Capital Surplus		150,000
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	<u>71,053</u>	<u>187,363</u>
	<u>2,221,838</u>	<u>2,528,451</u>
EXPENDITURES		
Budget Appropriations		
Operating	1,457,018	1,374,920
Capital Improvements	400,431	614,851
Debt Service	172,251	174,229
Deferred Charges and Statutory Expenditures	119,300	107,000
Refund of Prior Year Revenue	<u>265</u>	<u>625</u>
	<u>2,149,265</u>	<u>2,271,625</u>
Excess in Revenue	72,573	256,826
Fund Balance, January 1	<u>1,645,757</u>	<u>1,653,931</u>
	1,718,330	1,910,757
Decreased by:		
Utilization as Anticipated Revenue	<u>265,000</u>	<u>265,000</u>
Fund Balance, December 31	<u>\$ 1,453,330</u>	<u>\$ 1,645,757</u>

BOROUGH OF OAKLAND
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCES - REGULATORY BASIS
WATER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Balance, January 1	\$ 314,158	\$ 181,086
Increased by:		
Improvement Authorizations Cancelled	-	283,072
	314,158	464,158
Decreased by:		
Utilized as Revenue in Water Operating Fund	-	150,000
Balance, December 31	\$ 314,158	\$ 314,158

EXHIBIT D-3

COMPARATIVE STATEMENT OF REVENUES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>		<u>2018</u>	
	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>
Surplus Anticipated	\$ 265,000	\$ 265,000	\$ 265,000	\$ 265,000
Rents	1,874,000	1,840,594	1,850,000	1,880,903
Water Capital Surplus			150,000	150,000
Miscellaneous	10,000	45,191	6,000	45,185
	\$ 2,149,000	\$ 2,150,785	\$ 2,271,000	\$ 2,341,088

BOROUGH OF OAKLAND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>
OPERATING				
Salaries and Wages	\$ 724,700	\$ 724,700	\$ 657,817	\$ 66,883
Other Expenses	732,318	732,318	609,599	122,719
CAPITAL IMPROVEMENTS				
Capital Improvement Fund	300,431	300,431	300,431	-
Capital Outlay	100,000	100,000	98,550	1,450
DEBT SERVICE				
Payment of Bond Principal	130,000	130,000	130,000	-
Interest on Bonds	42,251	42,251	42,251	-
STATUTORY EXPENDITURES				
Public Employees Retirement System	63,300	63,300	63,300	-
Social Security System	56,000	56,000	48,667	7,333
	<u>\$ 2,149,000</u>	<u>\$ 2,149,000</u>	<u>\$ 1,950,615</u>	<u>\$ 198,385</u>

BOROUGH OF OAKLAND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>
OPERATING				
Salaries and Wages	\$ 601,850	\$ 601,850	\$ 585,835	\$ 16,015
Other Expenses	371,000	386,500	382,131	4,369
Utilities	276,500	259,000	218,803	40,197
Employee Group Health	73,800	73,800	73,800	-
Other Insurance Premiums	53,770	53,770	53,770	-
CAPITAL IMPROVEMENTS				
Capital Improvement Fund	364,851	364,851	364,851	-
Capital Outlay	250,000	250,000	224,084	25,916
DEBT SERVICE				
Payment of Bond Principal	130,000	130,000	130,000	-
Interest on Bonds	44,229	44,229	44,229	-
STATUTORY EXPENDITURES				
Public Employees Retirement System	61,600	61,600	61,000	600
Social Security System	43,400	45,400	44,927	473
	<u>\$ 2,271,000</u>	<u>\$ 2,271,000</u>	<u>\$ 2,183,430</u>	<u>\$ 87,570</u>

BOROUGH OF OAKLAND
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SEWER UTILITY FUND
AS OF DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
OPERATING FUND		
Cash	\$ 503,227	\$ 539,028
Change Fund	<u>25</u>	<u>25</u>
	503,252	539,053
Receivables with Full Reserves		
Consumer Accounts Receivable	<u>94,267</u>	<u>93,844</u>
	<u>597,519</u>	<u>632,897</u>
CAPITAL FUND		
Cash	333,367	193,868
Fixed Capital	304,100	304,100
Fixed Capital Authorized and Uncompleted	<u>928,917</u>	<u>934,760</u>
	<u>1,566,384</u>	<u>1,432,728</u>
 Total Assets	 <u>\$ 2,163,903</u>	 <u>\$ 2,065,625</u>

BOROUGH OF OAKLAND
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SEWER UTILITY FUND
AS OF DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
LIABILITIES, RESERVES AND FUND BALANCE		
OPERATING FUND		
Appropriation Reserves	\$ 39,019	\$ 20,210
Encumbrances Payable	180,731	96,235
Accrued Interest on Bonds	864	408
Reserve for Sewer Rate Stabilization	<u>79,000</u>	<u>79,000</u>
	299,614	195,853
Reserve for Receivables	94,267	93,844
Fund Balance	<u>203,638</u>	<u>343,200</u>
	<u>597,519</u>	<u>632,897</u>
CAPITAL FUND		
Encumbrances Payable	96,569	63
Improvement Authorizations		
Funded	9,328	15,171
Unfunded	572,648	833,056
Serial Bonds Payable	155,000	170,000
Bond Anticipation Notes	300,000	
Reserve for Amortization	149,100	134,100
Deferred Reserve for Amortization	36,157	42,000
Reserve for Debt Service	60,000	60,000
Capital Improvement Fund	175,273	174,873
Reserve for Preliminary Expenses	3,001	
Fund Balance	<u>9,308</u>	<u>3,465</u>
	<u>1,566,384</u>	<u>1,432,728</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 2,163,903</u>	<u>\$ 2,065,625</u>

There were bonds and notes authorized but not issued in the amount of \$592,760 and \$892,760 at December 31, 2019 and 2018.

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF OAKLAND
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
REVENUES AND OTHER INCOME REALIZED		
Operating Surplus Anticipated	\$ 180,000	\$ 181,000
Sewer Rents	418,065	418,015
Non-Budget Revenue	8,122	7,175
Other Credits		
Unexpended Balance of Appropriation Reserves	<u>14,251</u>	<u>18,150</u>
 Total Income	 <u>620,438</u>	 <u>624,340</u>
 EXPENDITURES		
Budget Appropriations		
Operating	530,325	475,325
Capital Improvements	20,400	37,050
Debt Service	19,875	20,175
Deferred Charges and Statutory Expenditures	<u>9,400</u>	<u>13,500</u>
 Total Expenditures	 <u>580,000</u>	 <u>546,050</u>
 Excess in Revenue	 40,438	 78,290
 Fund Balance, January 1	 <u>343,200</u>	 <u>445,910</u>
	383,638	524,200
Decreased by:		
Utilization as Anticipated Revenue	<u>180,000</u>	<u>181,000</u>
 Fund Balance, December 31	 <u>\$ 203,638</u>	 <u>\$ 343,200</u>

BOROUGH OF OAKLAND
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - SEWER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Balance, January 1	\$ 3,465	\$ 3,465
Increased by:		
Funded Improvement Authorizations Cancelled	<u>5,843</u>	<u>-</u>
Balance, December 31	<u>\$ 9,308</u>	<u>\$ 3,465</u>

EXHIBIT E-3

COMPARATIVE STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>		<u>2018</u>	
	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>
Surplus Anticipated	\$ 180,000	\$ 180,000	\$ 181,000	\$ 181,000
Sewer Rents	<u>400,000</u>	<u>418,065</u>	<u>365,050</u>	<u>418,015</u>
	<u>\$ 580,000</u>	<u>\$ 598,065</u>	<u>\$ 546,050</u>	<u>\$ 599,015</u>

BOROUGH OF OAKLAND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Appropriated</u>	<u>Budget After</u>	<u>Expended</u>	
	<u>Budget</u>	<u>Modification</u>	<u>Paid or</u>	<u>Reserved</u>
			<u>Charged</u>	
OPERATING				
Other Expenses	530,325	530,325	491,306	39,019
CAPITAL IMPROVEMENTS				
Capital Improvement Fund	20,400	20,400	20,400	
DEBT SERVICE				
Payment of Bond Principal	15,000	15,000	15,000	
Interest on Bonds	4,875	4,875	4,875	
STATUTORY EXPENDITURES				
Contribution to				
Public Employees Retirement System	<u>9,400</u>	<u>9,400</u>	<u>9,400</u>	<u>-</u>
Total Sewer Utility Appropriations	<u>\$ 580,000</u>	<u>\$ 580,000</u>	<u>\$ 540,981</u>	<u>\$ 39,019</u>

BOROUGH OF OAKLAND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>
OPERATING				
Salaries and Wages	\$ 53,750	\$ 53,750	\$ 53,632	\$ 118
Other Expenses	367,500	358,500	344,568	13,932
Utilities	32,000	41,000	35,014	5,986
Employee Group Health	10,900	10,900	10,900	-
Other Insurance Premiums	11,175	11,175	11,175	-
CAPITAL IMPROVEMENTS				
Capital Improvement Fund	37,050	37,050	37,050	-
DEBT SERVICE				
Payment of Bond Principal	15,000	15,000	15,000	-
Interest on Bonds	5,175	5,175	5,175	-
STATUTORY EXPENDITURES				
Contribution to				
Public Employees Retirement System	9,200	9,200	9,200	-
Social Security System	4,300	4,300	4,126	174
	<u>4,300</u>	<u>4,300</u>	<u>4,126</u>	<u>174</u>
 Total Sewer Utility Appropriations	 <u>\$ 546,050</u>	 <u>\$ 546,050</u>	 <u>\$ 525,840</u>	 <u>\$ 20,210</u>

BOROUGH OF OAKLAND
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Land	\$ 26,856,400	\$ 26,856,400
Buildings and Building Improvements	9,284,701	9,284,701
Machinery and Equipment	<u>9,360,061</u>	<u>9,102,770</u>
 Total Assets	 <u>\$ 45,501,162</u>	 <u>\$ 45,243,871</u>
 FUND BALANCE		
Investment in General Fixed Assets	 <u>\$ 45,501,162</u>	 <u>\$ 45,243,871</u>

NOTES TO FINANCIAL STATEMENTS

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Oakland (the "Borough") was incorporated in 1902 and operates under an elected Mayor and Council form of government. The Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

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

B. Description of Regulatory Basis of Accounting

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

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

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

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

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

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

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

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

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

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

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

Reclassifications - Certain reclassifications may have been made to the December 31, 2018 balances to conform to the December 31, 2019 presentation.

Financial Statements – Regulatory Basis

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

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

Incurred But Not Reported (IBNR) Reserves and Claims Payable - The Borough has not created a reserve for any potential unreported self-insurance losses which have taken place but in which the Borough has not received notices or report of losses (i.e. IBNR). Additionally, the Borough has not recorded a liability for those claims filed, but which have not been paid (i.e. claims payable). GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining potential claims are recorded as a long-term obligation in the government-wide financial statements.

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

**BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

General Fixed Assets purchased after December 31, 1985 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General Fixed Assets purchased prior to December 31, 1985 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Estimated Historical Cost

No depreciation has been provided for in the financial statements.

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

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

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

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

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

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

Trust Funds (Except for Open Space Trust Fund)
General Capital Fund
Water Capital Fund
Sewer Capital Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2019 and 2018 the Borough Council increased the original Current Fund budget by \$247,342 and \$6,561. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2019 and 2018.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

- A. **Cash Deposits**

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

**BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2019 and 2018, the book value of the Borough's deposits were \$24,355,387 and \$25,132,784 and bank and brokerage firm balances of the Borough's deposits amounted to \$25,592,460 and \$25,980,811, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2019</u>	<u>2018</u>
Insured	<u>\$ 25,592,460</u>	<u>\$ 28,980,811</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2019 and 2018, none of the Borough’s bank balances were exposed to custodial credit risk.

B. Investments

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

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

As of December 31, 2019 and 2018, the Borough had the following investments:

	<u>2019</u>	<u>Fair Value</u>	<u>2018</u>
Investment:			
Length of Service Awards Program			
Lincoln Financial (Unaudited)	\$ 1,780,679		\$ 1,384,836

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2019 and 2018, \$1,780,679 and \$1,384,836 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>2019</u>	<u>2018</u>
<u>Uninsured and Collateralized:</u>		
Collateral held by pledging financial institution's trust department not in the Borough's name (Unaudited)	\$ 1,780,679	\$ 1,384,836

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2019 and 2018, the Borough’s investment in Lincoln Financial Group was rated Baa1 by Moody’s Investor Services and A- by Standard Poor’s.

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

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

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

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE

Receivables at December 31, 2019 consisted of the following:

	<u>Current</u>	<u>Utility</u>		<u>Total</u>
		<u>Water</u>	<u>Sewer</u>	
<u>2019</u>				
Property Taxes	\$ 20,226			\$ 20,226
Tax Title Liens	339,958			339,958
Utility Rents	-	\$ 174,518	\$ 94,267	268,785
	<u>\$ 360,184</u>	<u>\$ 174,518</u>	<u>\$ 94,267</u>	<u>\$ 628,969</u>

In 2019, the Borough collected \$27,065 and \$276,827 from delinquent taxes and utility charges and fees, which represented 8% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2018.

Receivables at December 31, 2018 consisted of the following:

	<u>Current</u>	<u>Utility</u>		<u>Total</u>
		<u>Water</u>	<u>Sewer</u>	
<u>2018</u>				
Property Taxes	\$ 18,075			\$ 18,075
Tax Title Liens				-
Tax Title Liens	313,407			313,407
Utility Rents	-	\$ 182,983	\$ 93,844	276,827
	<u>\$ 331,482</u>	<u>\$ 182,983</u>	<u>\$ 93,844</u>	<u>\$ 608,309</u>

In 2018, the Borough collected \$51,594 and \$324,673 from delinquent taxes and utility charges and fees, which represented 17% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2017.

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2019</u>		<u>2018</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund		\$ 188		\$ 830
Trust Funds				
Municipal Open Space	\$ 188	-	\$ 830	-
Total	<u>\$ 188</u>	<u>\$ 188</u>	<u>\$ 830</u>	<u>\$ 830</u>

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

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

NOTE 6 FUND BALANCES APPROPRIATED

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

	<u>2019</u>		<u>2018</u>	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 3,979,823	\$ 1,555,000	\$ 4,105,221	\$ 1,510,000
Non-Cash Surplus	<u>359,349</u>	<u>-</u>	<u>356,043</u>	<u>-</u>
	<u>\$ 4,339,172</u>	<u>\$ 1,555,000</u>	<u>\$ 4,461,264</u>	<u>\$ 1,510,000</u>
Water Utility Operating Fund				
Cash Surplus	<u>\$ 1,453,330</u>	<u>\$ 200,000</u>	<u>\$ 1,645,757</u>	<u>\$ 265,000</u>
Sewer Utility Operating Fund				
Cash Surplus	<u>\$ 203,638</u>	<u>\$ 105,000</u>	<u>\$ 343,200</u>	<u>\$ 180,000</u>

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2019 and 2018.

	Balance December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>
Land	\$ 26,856,400			\$ 26,856,400
Buildings and Building Improvements	9,284,701			9,284,701
Machinery and Equipment	<u>9,102,770</u>	<u>\$ 610,921</u>	<u>\$ 353,630</u>	<u>9,360,061</u>
	<u>\$ 45,243,871</u>	<u>\$ 610,921</u>	<u>\$ 353,630</u>	<u>\$ 45,501,162</u>
	Balance December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>
Land	\$ 26,856,400			\$ 26,856,400
Buildings and Building Improvements	9,284,701			9,284,701
Machinery and Equipment	<u>8,753,544</u>	<u>\$ 466,192</u>	<u>\$ 116,966</u>	<u>9,102,770</u>
	<u>\$ 44,894,645</u>	<u>\$ 466,192</u>	<u>\$ 116,966</u>	<u>\$ 45,243,871</u>

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7 FIXED ASSETS (Continued)

B. Utility Funds Fixed Assets

The following is a summary of changes in the utility funds fixed assets for the years ended December 31, 2019 and 2018.

	Balance December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>
Water Utility Capital Fund				
Fixed Capital Unallocated	<u>\$ 13,276,932</u>	<u>\$ 536,964</u>	<u>\$ -</u>	<u>\$ 13,813,896</u>

	Balance December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>
Fixed Capital Unallocated	<u>\$ 12,584,757</u>	<u>\$ 692,175</u>	<u>\$ -</u>	<u>\$ 13,276,932</u>

	Balance December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>
Sewer Utility Capital Fund				
Fixed Capital Unallocated	<u>\$ 304,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,100</u>

	Balance December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>
Fixed Capital Unallocated	<u>\$ 304,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,100</u>

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 8 MUNICIPAL DEBT

The Local Bond Law (N.J.S.A. 40A:2 et. seq.) governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for both general capital and utility capital fund projects and acquisitions or other purposes permitted by the Local Bond Law. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2019</u>	<u>2018</u>
Issued		
General		
Bonds and Notes	\$ 18,652,000	\$ 16,942,000
Water Utility		
Bonds	1,345,000	1,475,000
Sewer Utility		
Bonds and Notes	<u>455,000</u>	<u>170,000</u>
Total Issued	20,452,000	18,587,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>1,705,959</u>	<u>1,658,677</u>
Net Debt Issued	18,746,041	16,928,323
Authorized But Not Issued		
General		
Bonds and Notes	4,974,292	5,400,750
Water Utility		
Bonds and Notes	377,363	418,195
Sewer Utility		
Bonds and Notes	<u>592,760</u>	<u>892,760</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 24,690,456</u>	<u>\$ 23,640,028</u>

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 8 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .87% and .90% at December 31, 2019 and 2018, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2019</u>			
General Debt	\$ 23,626,292	\$ 1,591,534	\$ 22,034,758
School Debt	4,614,035	4,614,035	
Water and Sewer Utility Debt	<u>2,770,123</u>	<u>2,770,123</u>	<u>-</u>
Total	<u>\$ 31,010,450</u>	<u>\$ 8,975,692</u>	<u>\$ 22,034,758</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2018</u>			
General Debt	\$ 22,342,750	\$ 1,544,252	\$ 20,798,498
School Debt	5,042,803	5,042,803	
Water and Sewer Utility Debt	<u>2,955,955</u>	<u>2,955,955</u>	<u>-</u>
Total	<u>\$ 30,341,508</u>	<u>\$ 9,543,010</u>	<u>\$ 20,798,498</u>

Statutory Borrowing Power

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

	<u>2019</u>	<u>2018</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 88,566,082	\$ 85,966,043
Less: Net Debt	<u>22,034,758</u>	<u>20,798,498</u>
Remaining Borrowing Power	<u>\$ 66,531,324</u>	<u>\$ 65,167,545</u>

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

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

General Obligation Bonds

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

	<u>2019</u>	<u>2018</u>
\$1,096,000, 2006 Bonds, due in annual installments of \$95,000 to \$96,000 through December 1, 2021, interest at 4.00%	\$ 191,000	\$ 281,000
\$14,235,000, 2015 Bonds, due in annual installments of \$950,000 to \$1,120,000 through December 1, 2029, interest at 2.50-3.125%	<u>10,510,000</u>	<u>11,410,000</u>
	<u>\$ 10,701,000</u>	<u>\$ 11,691,000</u>

Utility Bonds

The Borough pledges revenue from operations to pay debt service on utility bonds issued. The water and sewer utility bonds outstanding at December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Water Utility		
\$1,995,000, 2015 Bonds, due in annual installments of \$130,000 to \$135,000 through December 1, 2029, interest at 2.50-3.125%	<u>\$ 1,345,000</u>	<u>\$ 1,475,000</u>
Sewer Utility		
\$230,000, 2015 Bonds, due in annual installments of \$15,000 to \$20,000 through December 1, 2029, interest at 2.50-3.125%	<u>\$ 155,000</u>	<u>\$ 170,000</u>

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2019 is as follows:

Calendar Year	General Bonds		Water Utility Bonds		Sewer Utility Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2020	\$ 1,045,000	\$ 319,590	\$ 130,000	\$ 39,869	\$ 15,000	\$ 4,600	\$ 1,554,059
2021	1,096,000	292,040	135,000	36,619	15,000	4,225	1,578,884
2022	1,025,000	258,200	135,000	32,569	15,000	3,775	1,469,544
2023	1,025,000	227,450	135,000	28,519	15,000	3,325	1,434,294
2024	1,050,000	196,700	135,000	24,469	15,000	2,875	1,424,044
2025-2029	<u>5,460,000</u>	<u>503,800</u>	<u>675,000</u>	<u>61,594</u>	<u>80,000</u>	<u>7,625</u>	<u>6,788,019</u>
	<u>\$ 10,701,000</u>	<u>\$ 1,797,780</u>	<u>\$ 1,345,000</u>	<u>\$ 223,639</u>	<u>\$ 155,000</u>	<u>\$ 26,425</u>	<u>\$ 14,248,844</u>

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2019 and 2018 were as follows:

	Balance, December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<u>General Capital Fund</u> Bonds Payable	<u>\$ 11,691,000</u>	<u>\$ -</u>	<u>\$ 990,000</u>	<u>\$ 10,701,000</u>	<u>\$ 1,045,000</u>
<u>Water Utility Capital Fund</u> Bonds Payable	<u>\$ 1,475,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ 1,345,000</u>	<u>\$ 130,000</u>
<u>Sewer Utility Capital Fund</u> Bonds Payable	<u>\$ 170,000</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 155,000</u>	<u>\$ 15,000</u>

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<u>General Capital Fund</u>					
Bonds Payable	\$ 12,626,000	\$ -	\$ 935,000	\$ 11,691,000	\$ 990,000
<u>Water Utility Capital Fund</u>					
Bonds Payable	\$ 1,605,000	\$ -	\$ 130,000	\$ 1,475,000	\$ 130,000
<u>Sewer Utility Capital Fund</u>					
Bonds Payable	\$ 185,000	\$ -	\$ 15,000	\$ 170,000	\$ 15,000

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2019 and 2018 was as follows:

Bond Anticipation Notes

	Rate (%)	Maturity Date	Balance December 31, <u>2018</u>	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, <u>2019</u>
<u>General Capital Fund</u>						
Various Improvements	3.25%	12/13/2019	\$ 1,400,000		\$ 1,400,000	\$ -
Various Improvements	2.00%	12/13/2020		\$ 1,100,000		\$ 1,100,000
Van Allen House Improvements	3.25%	12/13/2019	2,298,000		2,298,000	-
Van Allen House Improvements	2.00%	12/13/2020		2,298,000		2,298,000
Renovation of Library	3.25%	12/13/2019	1,553,000	-	1,553,000	-
Renovation of Library	2.00%	12/13/2020		1,553,000		1,553,000
Various Public Improvements and Acquisition of New Communication Equipment	2.00%	12/13/2020		1,000,000		1,000,000
Various Public Improvements	2.00%	12/13/2020		1,000,000		1,000,000
Various Public Improvements	2.00%	12/13/2020	-	1,000,000	-	1,000,000
Total General Capital Fund			\$ 5,251,000	\$ 7,951,000	\$ 5,251,000	\$ 7,951,000

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 8 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

	Rate (%)	Maturity Date	Balance December 31 2018	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2019
<u>Sewer Utility Capital Fund</u>						
Engineering Phases of the Decommissioning and Conversion of Various Sanitary Sewer Treatment Plants to Pump Stations and the Construction of Force Mains to Connect to the Northeast Bergen County Utilities Authority Treatment System	2.00%	12/13/2020	\$ -	\$ 300,000	\$ -	\$ 300,000
Total Sewer Utility Capital Fund			<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>

	Rate (%)	Maturity Date	Balance December 31, 2017	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2018
<u>General Capital Fund</u>						
Various Improvements	2.50%	12/14/2018	\$ 1,400,000		\$ 1,400,000	
Various Improvements	3.25%	12/13/2019		\$ 1,400,000		\$ 1,400,000
Van Allen House Improvements	2.50%	12/14/2018	2,298,000		2,298,000	
Van Allen House Improvements	3.25%	12/13/2019		2,298,000		2,298,000
Renovation of Library	2.50%	12/14/2018	1,553,000		1,553,000	
Renovation of Library	3.25%	12/13/2019	<u>-</u>	<u>1,553,000</u>	<u>-</u>	<u>1,553,000</u>
Total General Capital Fund			<u>\$ 5,251,000</u>	<u>\$ 5,251,000</u>	<u>\$ 5,251,000</u>	<u>\$ 5,251,000</u>

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

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

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 9 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2019</u>		
2018 Road Program	\$ 246,722	2020
Exterior Renovations to Van Allen House	20,660	2020
Cascade System	52,330	2020
Restoration of Salt Spreader on Two International Dump Trucks	61,673	2020
Purchase of an Ambulance	242,704	2020
Construction of a Roller Hockey Rink	189,858	2020
2019 Road Program	188,508	2020
Two 2020 Chevy Tahoe Police Vehicles	76,690	2020
Purchase of 4RE In Car Video Systems	45,184	2020
Purchase of 22 sets of Turnout Gear	59,356	2020
Purchase of Two Ford F350 Pickup Trucks	75,066	2020
New Police Computer Network	156,121	2020
Dump Truck with Salt Spreader	143,180	2020
<u>2018</u>		
Library Renovations	\$ 57,456	2019
New Radio Communication System	544,390	2019
Various Equipment	56,876	2019
2018 Road Program	1,310,917	2020
3 Ford F-350 Pick-Up Trucks	107,484	2019
Ford F-550 Dump Truck with Plow	92,807	2019
Barrier Netting Repair	54,881	2019
Fire Suppression System and Suspended Ceiling Replacement at Senior Center	354,500	2019

NOTE 10 OPERATING LEASES

The Borough leases copiers under noncancelable operating leases. Lease payments for the years ended December 31, 2019 and 2018 were \$9,624 and \$8,020, respectively. The future minimum lease payments for these leases are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2020	\$ 9,624
2021	9,624
2022	<u>1,604</u>
Total	<u>\$ 20,852</u>

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$1,250,901 and \$1,246,204 at December 31, 2019 and 2018, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2019 and 2018, the Borough has reserved in the Other Trust Fund \$347,316 and \$362,036, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

Changes in Other Long-Term Liabilities

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

The Borough's changes in other long-term liabilities for the years ended December 31, 2019 and 2018 were as follows:

	Balance, December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<u>2019</u>					
Compensated Absences	\$ 1,246,204	\$ 4,697		\$ 1,250,901	\$ 400,000
Net OPEB Obligation	28,953,559	4,972,316		33,925,875	
Net Pension Liability					
PERS	8,226,867		860,726	7,366,141	
PFRS	12,376,970	-	1,395,033	10,981,937	-
Total Other Long-Term Liabilities	<u>\$ 50,803,600</u>	<u>\$ 4,977,013</u>	<u>\$ 2,255,759</u>	<u>\$ 53,524,854</u>	<u>\$ 400,000</u>
	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<u>2018</u>					
Compensated Absences	\$ 872,103	\$ 768,487	\$ 394,386	\$ 1,246,204	
Net OPEB Obligation	27,915,612	1,624,099	586,152	28,953,559	
Net Pension Liability					
PERS	10,127,737		1,900,870	8,226,867	
PFRS	15,104,830	-	2,727,860	12,376,970	-
Total Other Long-Term Liabilities	<u>\$ 54,020,282</u>	<u>\$ 2,392,586</u>	<u>\$ 5,609,268</u>	<u>\$ 50,803,600</u>	<u>\$ -</u>

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

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

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

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

The following represents the membership tiers for PFRS:

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

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

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

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

The following represents the membership tiers for PERS:

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

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have a least 25 years of service.

Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

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

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

Other Pension Funds

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

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

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

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2019 and 2018 is \$18.1 billion and \$19.7 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 56.27% and 53.60% respectively. The collective net pension liability of the participating employers for local PERS at June 30, 2019 and 2018 is \$14.2 billion and \$15.4 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 65.00% and 62.48%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2018 and 2017 which were rolled forward to June 30, 2019 and 2018, respectively.

Actuarial Methods and Assumptions

In the July 1, 2018 and 2017 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions for 2019 and 2018 based on 10.0% for PFRS, 7.50% (effective July 1, 2018) and 7.34% (effective July 1, 2017) for PERS and 5.50% for DCRP of employee's annual compensation.

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions (Contributions)

During the years ended December 31, 2019, 2018 and 2017, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2019	\$ 907,132	\$ 429,075	\$ 6,175
2018	865,915	405,152	6,567
2017	785,245	379,965	5,466

In addition for the years ended December 31, 2019, 2018 and 2017 the Borough contributed for long-term disability insurance premiums (LTDI) \$739, \$2,106 and \$739, respectively for PERS.

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No.68) their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2019 and 2018, the Borough reported a liability of \$7,366,141 and \$8,226,867, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2019, the Borough's proportionate share was 0.04088 percent, which was a decrease of 0.00090 percent from its proportionate share measured as of June 30, 2018 of .04178 percent.

BOROUGH OF OAKLAND
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough's pension expense to be \$219,042 and \$360,077, respectively, for PERS based on the actuarial valuations which are less than the actual contributions reported in the Borough's financial statements of \$429,075 and \$405,152, respectively. At December 31, 2019 and 2018, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 132,213	\$ 32,540	\$ 156,888	\$ 42,420
Changes of Assumptions	735,536	2,556,764	1,355,651	2,630,515
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		116,277		77,168
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>109,265</u>	<u>567,295</u>	<u>221,696</u>	<u>610,611</u>
Total	<u>\$ 977,014</u>	<u>\$ 3,272,876</u>	<u>\$ 1,734,235</u>	<u>\$ 3,360,714</u>

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ (361,077)
2021	(817,460)
2022	(716,316)
2023	(364,768)
2024	(36,241)
Thereafter	<u>-</u>
	<u>\$ (2,295,862)</u>

**BOROUGH OF OAKLAND
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2019</u>	<u>2018</u>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through 2026	2.00-6.00% Based on Years of Service	1.65-4.15% Based on Age
Thereafter	3.00%-7.00% Based on Years of Service	2.65%-5.15% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	Pub-2010	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2019 and AA for 2018.

The actuarial assumptions used in the July 1, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018 and July 1, 2011 to June 30, 2014, respectively.

BOROUGH OF OAKLAND
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2019</u>		<u>2018</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.78%
US Equity	28.00%	8.26%	30.00%	8.19%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
High Yield	2.00%	5.37%	2.50%	6.82%
Global Diversified Credit	-	-	5.00%	7.10%
Credit Oriented Hedge Funds	-	-	1.00%	6.60%
Debt Related Private Equity	-	-	2.00%	10.63%
Debt Related Real Estate	-	-	1.00%	6.61%
Real Assets	2.50%	9.31%	2.50%	11.83%
Equity Related Real Estate	-	-	6.25%	9.23%
Buyouts/Venture Capital	-	-	8.25%	13.08%
Private Credit	6.00%	7.92%	-	-
Real Estate	7.50%	8.33%	-	-
Private Equity	12.00%	10.85%	-	-

Discount Rate

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	6.28%
2018	June 30, 2018	5.66%

BOROUGH OF OAKLAND
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

	<u>2019</u>	<u>2018</u>
Period of Projected Benefit		
Payments for which the Following		
Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2057	Through June 30, 2046
Municipal Bond Rate *	From July 1, 2057 and Thereafter	From July 1, 2046 and Thereafter

* The municipal bond return rate used is 3.50% and 3.87% as of the measurement dates of June 30, 2019 and 2018, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2019 and 2018 calculated using the discount rate of 6.28% and 5.66%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 5.28% and 4.66%, respectively or 1-percentage-point higher 7.28% and 6.66%, respectively than the current rate:

<u>2019</u>	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 9,304,633</u>	<u>\$ 7,366,141</u>	<u>\$ 5,732,687</u>
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
<u>2018</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 10,344,337</u>	<u>\$ 8,226,867</u>	<u>\$ 6,450,445</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

BOROUGH OF OAKLAND
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

Police and Firemen’s Retirement System (PFRS)

At December 31, 2019 and 2018, the Borough reported a liability of \$10,981,937 and \$12,376,970, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough’s proportionate share of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2019, the Borough’s proportionate share was 0.089737 percent, which was a decrease of 0.001730 percent from its proportionate share measured as of June 30, 2018 of .091467 percent.

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough pension expense to be \$822,920 and \$860,911, respectively, for PFRS based on the actuarial valuations which are less than the actual contributions reported in the Borough’s financial statements of \$907,132 and \$865,915, respectively. At December 31, 2019 and 2018, the Borough’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough’s financial statements are from the following sources:

	<u>2019</u>		<u>2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 92,702	\$ 69,529	\$ 125,920	\$ 51,219
Changes of Assumptions	376,301	3,549,261	1,062,396	3,172,004
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		148,802		67,713
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>222,318</u>	<u>897,660</u>	<u>336,311</u>	<u>896,119</u>
Total	<u>\$ 691,321</u>	<u>\$ 4,665,252</u>	<u>\$ 1,524,627</u>	<u>\$ 4,187,055</u>

BOROUGH OF OAKLAND
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense (benefit) as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2020	\$ (685,379)
2021	(1,374,190)
2022	(1,063,546)
2023	(580,409)
2024	(270,407)
Thereafter	<u>-</u>
	<u>\$ (3,973,931)</u>

Actuarial Assumptions

The Borough’s total pension liability reported for the year ended December 31, 2019 was based on the June 30, 2019 measurement date as determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2019</u>	<u>2018</u>
Inflation Rate:		2.25%
Price	2.75%	
Wage	3.25%	
Salary Increases:		
Through	All Future Years 3.25%-15.25% Based on Years of Service	2026 2.10%-8.98% Based on Age
Thereafter	Not Applicable	3.10%-9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	Pub - 2010	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale MP for 2019 and AA for 2018.

The actuarial assumptions used in the July 1, 2018 and July 1, 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018 and July 1, 2010 to June 30, 2013, respectively.

BOROUGH OF OAKLAND
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocation as of June 30, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2019</u>		<u>2018</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	10.00%	3.87%
US Equity	28.00%	8.26%	30.00%	8.19%
Non-US Developed Markets Equity	12.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.37%	6.50%	11.64%
High Yield	2.00%	5.37%	2.50%	6.82%
Global Diversified Credit	-	-	5.00%	7.10%
Credit Oriented Hedge Funds	-	-	1.00%	6.60%
Debt Related Private Equity	-	-	2.00%	10.63%
Debt Related Real Estate	-	-	1.00%	6.61%
Real Assets	2.50%	9.31%	2.50%	11.83%
Equity Related Real Estate	-	-	6.25%	9.23%
Buyouts/Venture Capital	-	-	8.25%	13.08%
Private Credit	6.00%	7.92%	-	-
Real Estate	7.50%	8.33%	-	-
Private Equity	12.00%	10.85%	-	-

Discount Rate

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	6.85%
2018	June 30, 2018	6.51%

BOROUGH OF OAKLAND
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Discount Rate (Continued)

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

	<u>2019</u>	<u>2018</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2076	Through June 30, 2062
Municipal Bond Rate *	From July 1, 2076 and Thereafter	From July 1, 2062 and Thereafter

* The municipal bond return rate used is 3.50% and 3.87% as of the measurement dates of June 30, 2019 and 2018, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2019 and 2018 calculated using the discount rate of 6.85% and 6.51%, respectively, as well as what the Borough’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 5.85% and 5.51%, respectively or 1-percentage-point higher 7.85% and 7.51%, respectively than the current rate:

<u>2019</u>	1% Decrease (5.85%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 14,843,577</u>	<u>\$ 10,981,937</u>	<u>\$ 7,785,874</u>
	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
<u>2018</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 16,565,038</u>	<u>\$ 12,376,970</u>	<u>\$ 8,922,576</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2019 and 2018. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

BOROUGH OF OAKLAND
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Special Funding Situation

Under N.J.S.A. 43:16A-15, the Borough is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage 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, 2019 and 2018, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,734,069 and \$1,681,207, respectively. For the years ended December 31, 2019 and 2018, 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 \$201,485 and \$199,136, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$116,840 and \$99,568, respectively. At December 31, 2019 (measurement date June 30, 2019) the State's share of the PFRS net pension liability attributable to the Borough was 0.089737 percent, which was a decrease of 0.001730 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .091467 percent. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

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

**BOROUGH OF OAKLAND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Plan Description

The Borough provides a postemployment healthcare plan (OPEB) for its eligible retirees and their spouses. The plan is a single-employer defined benefit healthcare plan administered by the Bergen Medical Employee Benefits Fund on behalf of the Borough. In accordance with Borough ordinances, contracts and/or policies, the Borough can amend the benefit terms and financing requirements of the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Benefits Provided

The Borough provides postretirement healthcare insurance benefits for retirees and their dependents who meet certain eligibility requirements.

Employees Covered by Postemployment Benefits

At December 31, 2019, the following employees were covered by postemployment health care benefits:

Active Employees	73
Inactive Employees or Beneficiaries Currently Receiving Benefits	<u>48</u>
	<u>121</u>

At December 31, 2019 and 2018, the Borough’s total OPEB liabilities were \$33,925,875 and \$28,953,559, respectively. Net OPEB liability was measured as of December 31, 2019 and December 31, 2018, respectively, and the OPEB liability was determined by an actuarial valuation as of those dates.

For the years ended December 31, 2019 and 2018, the Borough has determined it’s OPEB expense to be \$1,981,319 and \$1,624,100, respectively, based on the actuarial valuations which are more than the actual contributions reported in the Borough’s financial statements of \$704,736 and \$586,152, respectively. At December 31, 2018 and 2017, the Borough’s deferred outflows of resources and deferred inflows of resources related to the OPEB plan which are not reported on the Borough’s financial statements are from the following sources:

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience				
Changes of Assumptions	\$ 3,695,733			
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments				
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions				
Contributions made Subsequent to the Measurement Date	-	-	-	-
Total	<u>\$ 3,695,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

At December 31, 2019 the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ 317,094
2021	317,094
2022	317,094
2023	317,094
2024	317,094
Thereafter	<u>2,110,263</u>
	<u>\$ 3,695,733</u>

Actuarial Assumptions

The Borough's total OPEB liability reported for the year ended December 31, 2019 was based on the December 31, 2019 measurement date as determined by an actuarial valuation. The total OPEB liability reported for the year ended December 31, 2018 was based on the December 31, 2018 measurement date as determined by an actuarial valuation. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Key Actuarial Assumptions

Mortality	RP 2000 Combined Healthy Male Mortality Rates Set Forward One Year and Adjusted for Generational Improvement.
Turnover	NJ State Pensions Ultimate Withdrawal Rates – prior to benefits eligibility.
Assumed Retirement Age	At first eligibility after the completion of 15 years of service police and white collar, later of 15 years of service and age 62 library, 25 years of service all others.
Full Attribution Period	Service to Assumed Retirement Age
Annual Discount Rate	4.10% Based on the Bond Buyer 20 Index December 31, 2018. 2.74% Based on the Bond Buyer 20 Index as of December 31, 2019.
CPI Increase	2.5%
Rate of Salary Increase	2.5%
Medical Trend	Medical: 5.8% in 2018, reducing by 0.1% per annum, leveling at 5% per annum in 2026. Drug: 10.0% in 2018, reducing by 0.5% per annum to 2022 and 1.0% per annum thereafter, leveling at 5% per annum in 2026. Dental: 3.5% per annum
Medical Cost Aging Factor	NJ SHBP Medical Morbidity Rates

- Attribution Period – The attribution period begins with the date of hire and ends with full benefits eligibility date.
- Per Capita Cost Methods – The valuation reflects per capita net premium costs based on actual 2019 premiums and the plan option selected. The age specific cost was derived based on per person costs at the average age of the active population (45) and scaled to each aged based on the medical cost aging factors. At age 65, Medicare becomes the primary payor of medical benefits and consequentially, per capita plan costs are offset by Medicare payments. When actual data is not available, post 65 costs are decreased using the assumption that Medicare picks up 66.7% of medical costs.
- Retiree Contributions – NJ Chapter 78 requires that certain future retirees contribute toward the cost of their benefits. Specifically, those who had retired prior to passage of Chapter 78 and those employees that had more than 25 years of service on the date of passage are grandfathered. All others are subject to the contribution rates in effect when they retire, but not less than 1.5% of their annual retirement allowance from the Public Employees Retirement System. For purposes of this valuation and for conservatism, we have assumed that a future retiree will contribute his/her current employee contribution as reported by the Borough increased annually by the rate of medical trend.
- Actuarial Valuation Method – Entry Age Normal Funding Method based on a level percentage of salary. 2019 salaries were reported as \$5.643 million.

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Changes in the Total OPEB Liability

The change in the Borough's OPEB liability for the years ended December 31, 2019 and 2018 based on measurement dates of December 31, 2019 and December 31, 2018, respectively are as follows:

	<u>2019</u>	<u>2018</u>
Balance - January 1	\$ 28,953,559	\$ 27,915,612
Changes for the Year:		
Service Cost	472,215	472,215
Interest on the Total OPEB Liability	1,192,010	1,151,884
Changes in Assumptions	4,012,827	
Benefit Payments	<u>(704,736)</u>	<u>(586,152)</u>
Net Changes	<u>4,972,316</u>	<u>1,037,947</u>
Balance - December 31	<u>\$ 33,925,875</u>	<u>\$ 28,953,559</u>

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Borough's net OPEB liability as of December 31, 2019 and 2018 calculated using the discount rate of 2.74% and 4.10%, respectively, as well as what the Borough's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 1.74% and 3.10% or 1-percentage-point higher 3.74% and 5.10%, respectively, than the current rate:

	1% Decrease <u>(1.74%)</u>	Current Discount Rate <u>(2.74%)</u>	1% Increase <u>(3.74%)</u>
<u>2019</u>			
Net OPEB Liability	<u>\$ 36,749,783</u>	<u>\$ 33,925,875</u>	<u>\$ 31,562,168</u>
	1% Decrease <u>(3.10%)</u>	Current Discount Rate <u>(4.10%)</u>	1% Increase <u>(5.10%)</u>
<u>2018</u>			
Net OPEB Liability	<u>\$ 31,913,933</u>	<u>\$ 28,953,559</u>	<u>\$ 26,475,405</u>

**BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the Borough’s net OPEB liability as of December 31, 2019 and 2018 calculated using the healthcare trend rates as disclosed above as well as what the Borough’s net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
<u>2019</u>			
Net OPEB Liability	<u>\$ 31,138,377</u>	<u>\$ 33,925,875</u>	<u>\$ 37,255,410</u>
	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
<u>2018</u>			
Net OPEB Liability	<u>\$ 26,850,731</u>	<u>\$ 28,953,559</u>	<u>\$ 31,465,053</u>

NOTE 14 RISK MANAGEMENT

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

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

The Borough is also a member of the Bergen Municipal Employee Benefits Fund (BMED). This fund is an insured and self-administered group established for the sole purpose of providing medical insurance coverage to the employees of member municipalities. The BMED is a risk-sharing public entity pool. The BMED coverage amounts are on file with the Borough.

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

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 14 RISK MANAGEMENT (Continued)

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

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

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

<u>Year Ended</u> <u>December 31</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2019	\$ 13,450	\$ 18,035	\$ 135,394
2018	12,462	10,814	139,979
2017	4,037	18,051	138,331

NOTE 15 CONTINGENT LIABILITIES

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

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2019 and 2018. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2019 and 2018, the Borough reserved \$301,054 and \$305,190 respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2019 and 2018, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 16 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2019 and 2018, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 17 LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)-UNAUDITED

The Borough of Oakland Length of Service Awards Program (the Plan) was created by a Borough ordinance adopted on August 23, 2000 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Awards Program as enacted into federal law in 1997. The voters of the Borough of Oakland approved the adoption of the Plan at the general election held November, 2000.

The first year of eligibility for entrance into the Plan was calendar year 2001. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the First Aid Organization, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

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

The Borough of Oakland has contributed \$1,410 and \$1,384 for 2019 and 2018, respectively, for each eligible volunteer fire department and volunteer ambulance corp. member into the Plan. The total Borough contributions were \$80,395 and \$65,055 for 2019 and 2018, respectively.

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

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

Vesting and Benefits

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

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

Reporting Requirements

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

BOROUGH OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 18 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

The World Health Organization has declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first discovered in China and has since spread to other countries, including the United States (and to the Borough) (the “COVID-19 Crisis”). On March 13, 2020, President Trump declared a national emergency to release federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy, of the State of New Jersey, has also instituted mandatory measures via various executive orders to contain the spread of the virus, including closing schools and nonessential businesses and limiting social gatherings. These measures, which alter the behavior of businesses and people, are expected to have negative impacts on regional, state and local economies and significant declines in the financial markets in the United States and volatility attributed to concerns about the duration of the pandemic and its continued economic impact. Recently, the United States Congress has passed relief and stimulus legislation. This legislation is intended to address the financial impact of the pandemic on the U.S. economy and financial markets. It is too early to predict if the legislation will have its intended affect.

In compliance with the Governor’s executive orders, the Borough has instituted necessary precautions and procedures, so as to allow the Borough to continue to provide services during this time. The Borough is functioning administratively, and its departments continue to operate both remotely and on-site, where safe and practicable. The Borough will continue to collect property taxes and other municipal revenues. At this time, it is not possible to predict any other financial impacts as a result of this pandemic on the Borough’s operations; however, such amounts, if any, could be material.

NOTE 19 SUBSEQUENT EVENTS

Debt Authorized

During 2020, the Borough adopted bond ordinances authorizing the issuance of \$5,283,188 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

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

ROGUT McCARTHY LLC

COUNSELLORS AT LAW

37 ALDEN STREET
CRANFORD, NEW JERSEY 07016

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

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

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

www.rogutmccarthy.com

APPENDIX C

[Proposed Form of Bond Counsel Opinion]

December ____, 2020

Borough Council
Borough of Oakland
County of Bergen, New Jersey

Dear Council Members:

We have acted as bond counsel in connection with the issuance of \$15,770,000 aggregate principal amount of General Improvement Bonds (the "Bonds") by the Borough of Oakland, in the County of Bergen, a municipal corporation of the State of New Jersey (the "Borough"). The Bonds are dated December 1, 2020 and comprise an issue of registered bonds. The Bonds bear interest from their date, payable on each June 1 and December 1, commencing June 1, 2021 (each, an "Interest Payment Date"), in each year until maturity or prior redemption.

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

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$660,000	%	2030	\$ 900,000	%
2022	750,000		2031	915,000	
2023	765,000		2032	930,000	
2024	780,000		2033	945,000	
2025	795,000		2034	960,000	
2026	815,000		2035	975,000	
2027	830,000		2036	990,000	
2028	845,000		2037	1,010,000	
2029	875,000		2038	1,030,000	

The Bonds maturing on or before December 1, 2027 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after December 1, 2028 are subject to redemption at the option of the Borough prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after December 1, 2027, upon notice as set forth in the resolutions referred to below at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

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

The Bonds are issued pursuant to the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended) and pursuant to nine bond ordinances adopted by the Borough Council of the Borough on June 10, 2015 (Ord. No. 15-718), September 14, 2016 (Ord. No. 16-743), January 25, 2017 (Ord. No. 17-749), December 20, 2017 (Ord. No. 17-761), July 25, 2018 (Ord. No. 18-771, as amended by Ord. No. 20-811 adopted on July 22, 2020), July 10, 2019 (Ord. No. 19-787), August 28, 2019 (Ord. No. 19-789), October 30, 2019 (Ord. No. 19-793) and July 22, 2020 (Ord. No. 20-810) and resolutions adopted by the Borough Council of the Borough on November 9, 2020.

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

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

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

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

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

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

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

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

Very truly yours,

Rogut McCarthy LLC