

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 4, 2019

NEW ISSUE
SERIAL BONDS

RATING: Standard & Poor's: "AAA"

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.

\$4,060,000 BONDS
Consisting of
\$3,550,000 GENERAL IMPROVEMENT BONDS
and
\$510,000 SEWER UTILITY BONDS
BOROUGH OF OLD TAPPAN
COUNTY OF BERGEN, NEW JERSEY
(Book-Entry Only) (Non-Callable) (Bank-Qualified)

Dated: September 15, 2019

Due: September 15, as shown below

The \$4,060,000 Bonds (the "Bonds") consisting of \$3,550,000 General Improvement Bonds and \$510,000 Sewer Utility Bonds of the Borough of Old Tappan, 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 September 15 of each of the years set forth below, and interest on the Bonds is payable on each March 15 and September 15, commencing March 15, 2020 in each year until maturity.

The Bonds are not subject to optional redemption prior to their stated maturities.

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.

COMBINED MATURITY SCHEDULE, INTEREST RATES AND YIELDS

<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Yield</u>
2020	\$ 285,000			2025	\$ 535,000		
2021	295,000			2026	540,000		
2022	305,000			2027	515,000		
2023	535,000			2028	515,000		
2024	535,000						

(plus accrued interest from September 15, 2019)

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 September 23, 2019.

**ELECTRONIC BIDS VIA PARITY AND
SEALED PROPOSALS WILL BE RECEIVED
UNTIL 11:00 O'CLOCK A.M. ON SEPTEMBER 12, 2019
AT THE MUNICIPAL BUILDING
227 OLD TAPPAN ROAD
OLD TAPPAN, NEW JERSEY 07675**

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 Borough 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 OLD TAPPAN
BERGEN COUNTY
STATE OF NEW JERSEY**

MAYOR

John M. Kramer

BOROUGH COUNCIL

Matthew Nalbandian – Council President

Ronald Binaghi, Jr.

Guy Carnazza

Victor Cioce

Thomas Gallagher

Jin Yhu

BOROUGH ADMINISTRATOR

Anna Haverilla

BOROUGH CLERK

Jean M. Donch

**CHIEF FINANCIAL OFFICER/
TAX COLLECTOR**

Rebecca Overgaard

BOROUGH ATTORNEY

Allen M. Bell, Esq.

Tenafly, 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 Underwriter 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 Underwriter 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 Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does 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 Underwriter.

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

**\$4,060,000 BONDS
Consisting of
\$3,550,000 GENERAL IMPROVEMENT BONDS
and
\$510,000 SEWER UTILITY 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 Old Tappan (the "Borough"), in the County of Bergen (the "County"), State of New Jersey (the "State") in connection with the sale and issuance of its \$4,060,000 Bonds consisting of \$3,550,000 General Improvement Bonds (the "General Bonds") and \$510,000 Sewer Utility Bonds (the "Sewer Bonds" and together with the General Bonds, the "Bonds") dated September 15, 2019. This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer 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 September 15, 2019 and will mature on September 15 in the years and in the principal amounts as set forth on the cover page. Interest on the Bonds is payable on each March 15 and September 15, commencing March 15, 2020 (each, an "Interest Payment Date"), in each year until maturity 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 last business 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 of each issue 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.

Maturity Schedule

<u>Year</u>	<u>General Bonds</u>	<u>Sewer Bonds</u>	<u>Total Bonds</u>
2020	\$ 250,000	\$ 35,000	\$ 285,000
2021	250,000	45,000	295,000
2022	250,000	55,000	305,000
2023	475,000	60,000	535,000
2024	475,000	60,000	535,000
2025	475,000	60,000	535,000
2026	475,000	65,000	540,000
2027	450,000	65,000	515,000
2028	450,000	65,000	515,000
	<u>\$ 3,550,000</u>	<u>\$ 510,000</u>	<u>\$ 4,060,000</u>

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 each issue 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.

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).

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 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 are not subject to redemption prior to their stated maturities.

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 of the Borough and by virtue of resolutions adopted by the Borough Council of the Borough on August 19, 2019.

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 \$2,173,223 of the Borough's outstanding bond anticipation notes maturing on September 27, 2019 and (ii) provide funding for unfunded capital projects in the amount of \$1,886,777.

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

<u>Ordinance No.</u>	<u>Description</u>	<u>Amount</u>
<u>General Bonds</u>		
1099-16	Improvements to Russell Avenue	\$ 40,000
1109-17	Various Public Improvements & Acquisitions	1,043,850
1117-17	Improvements to Washington Avenue North	26,373
1123-18	Various Public Improvements & Acquisitions	838,000
1146-19	Various Public Improvements & Acquisitions	<u>1,601,777</u>
	<i>Total General Bonds</i>	<u>3,550,000</u>
<u>Sewer Bonds</u>		
1093-16	Replacement of Channel Grinder	49,000
1110-17	Various Improvements to Pump Stations	60,000
1124-18/1132-18	Upgrade of Control Panels & Acquisition of Grinder Pump	121,000
1147-19	Upgrade of Control Panels & Acquisition of Sewer Truck	<u>280,000</u>
	<i>Total Sewer Bonds</i>	<u>510,000</u>
	Total Bonds	<u>\$ 4,060,000</u>

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Borough has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, and has represented that it reasonably expects that, collectively, neither it nor its subordinate entities, if any, will issue more than \$10,000,000 of new money tax-exempt obligations in the current calendar year.

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 tax anticipation notes during the remainder of 2019.

**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, 2018 the statutory net debt as a percentage of average equalized valuation was 0.361%. As noted above, the statutory limit is 3.50%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Purposes	\$6,403,278	\$59,442	\$6,343,836
Utility Purposes	1,214,939	1,214,939	
School Purposes	<u>3,400,832</u>	<u>3,400,832</u>	_____
Total	<u>\$11,019,049</u>	<u>\$4,675,213</u>	<u>\$6,343,836</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 local and regional school districts are Type II districts.

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. 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 (“Government Obligations”); (2) U.S. Government money market mutual funds; (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 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 and repurchase agreements fully collateralized by securities set forth in (1) and (3) 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. 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 2019, 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."

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.

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 to 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 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 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 "AAA" to the Bonds.

The rating reflects only the view of the Rating Agency and an explanation of the significance of the 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 the rating will be maintained for any given period of time or that the 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 the 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 "Underwriter").

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 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 officer has no reason to believe and does not believe that such information is materially inaccurate or misleading, and (b) to the knowledge of such officer, 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.

SECONDARY MARKET DISCLOSURE

The Borough has agreed, pursuant to a resolution adopted on August 19, 2019, 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, 2019, 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 "Budget Information", "Financial Information" and "Debt 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 has previously entered into continuing disclosure undertakings under Rule 15c2-12. The Borough has appointed Phoenix Advisors, LLC, Bordentown, New Jersey, to serve as Dissemination Agent to the Borough to assure future compliance with Rule 15c2-12.

PREPARATION OF OFFICIAL STATEMENT

The firm of Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey, Certified Public Accountants, 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.

APPROVAL OF OFFICIAL STATEMENT

Prior to the delivery of the Bonds, the Borough Council of the Borough 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 Underwriter for its 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 the Borough of Old Tappan, Municipal Building, 227 Old Tappan Road, Old Tappan, New Jersey 07675, Rebecca Overgaard, Chief Financial Officer, (201) 664-1849, ext. 15.

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 on behalf of the Borough.

BOROUGH OF OLD TAPPAN, IN THE COUNTY OF BERGEN, NEW JERSEY

By: /s/ _____
Rebecca Overgaard
Chief Financial Officer

Dated: September ____, 2019

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APPENDIX A

**ECONOMIC AND DEMOGRAPHIC INFORMATION
RELATING TO THE BOROUGH OF OLD TAPPAN**

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GENERAL INFORMATION

Size and Geographical Location

The Borough of Old Tappan is a 3.9 square mile residential area situated in the north-eastern section of Bergen County of New Jersey. Neighboring communities include River Vale, Northvale, Norwood and Harrington Park in New Jersey and Tappan in New York.

Form of Government

The Borough of Old Tappan, incorporated in 1894, has a governing body which consists of a Mayor and six-member council. Council members are elected for staggered three-year terms; the Mayor is elected separately every four years. At the annual reorganization meeting, the council elects one member as its President. In addition, a Borough Administrator is appointed by the Borough Council to run the day to day operations of the Borough.

The executive power of the Borough is exercised by the Mayor, subject to the approval of the Borough Council. The Mayor has the responsibility for implementing policies of the Council and functions as liaison officer between the council, municipal personnel, and residents of the Borough.

The governing body meets on the first and third Monday of each month, with the first Monday being designated as an executive meeting and third Monday is the regular meeting, at which all public business is conducted.

Transportation

The Borough is located approximately 19 miles from the George Washington Bridge. Old Tappan is less than seven miles from the Garden State Parkway and less than four miles from the Palisades Interstate Parkway, which allows for easy access to the northern New Jersey and southern New York areas.

Protection

Old Tappan is served by a Police Department consisting of 12 police officers and 1 detective and operates 6 marked and 2 unmarked patrol cars. Its fire department includes 50 volunteers, 2 pumpers, 1 tower truck, 1 rescue truck, 1 boat and 1 chief's vehicle. Old Tappan participates in the Pascack Valley Fireman's Mutual Aid Association which provides the additional manpower and equipment of eight other towns.

Sanitation

Garbage is collected twice weekly by various private sanitation companies. Recycling is picked up once a week by a private contractor. Residents pay for their own garbage collection directly. Recycling costs are included in the municipal budget and paid for directly by the Borough.

The Borough is 90% sewerred with most homeowners connected to the municipal sanitary sewer system. The residents benefiting from the system are billed semi-annually. The remaining residents of the Borough maintain their own septic systems. The Borough contracts with the Bergen County Utilities Authority and the Town of Orangetown to dispose of sewerage. For this service the Borough pays an annual service charge based on the metered flow of sewerage. This service charge is part of the sewer utility levy.

Utilities

Electricity and gas are supplied by Rockland Electric Company and Public Service Electric and Gas Company, respectively. Water is provided by either Suez Water and/or private wells.

Zoning and Planning

A Planning Board has been in existence since 1953 and rigid requirements on lot size, drainage and state requirements for roads are strictly enforced.

Old Tappan has approximately 50 businesses and approximately 1,900 housing units.

Recreation

Stone Point Park, Irving Street Little League Field, Chestnut Avenue Field, Stanaland Park, Bonnabel Park and Memorial Park are maintained by the Borough for residents' enjoyment. In addition, the Borough recently constructed two new parks, Twin Oakes Park and Borough Hall Park which will be used for passive recreation. The Borough provides a variety of programs for residents including: volleyball, soccer, football, basketball, baseball and softball. A day camp program is also available to residents.

The Borough also owns and operates the Old Tappan Golf Course, a 9-hole course, located within the Borough. The Course is private but residents are given preference over non-residents for membership.

Education

The Borough's local 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 local school district. The local school district is authorized by law to issue debt for school purposes upon vote of the electorate. The local school system is comprised of one elementary school and one middle school. The Borough is also a part of the Northern Valley Regional High School District which consists of high school students residing in the Boroughs of Closter, Demarest, Harrington Park, Haworth, Northvale and Norwood. Old Tappan students attend Northern Valley Regional High School at Old Tappan.

Population

Population trends for the Borough, County and the State of New Jersey since 1980 are shown below:

<u>Area</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018</u>
Borough of Old Tappan	4,168	4,254	5,482	5,750	5,946
County of Bergen	845,385	825,380	884,118	905,116	936,692
State of New Jersey	7,365,011	7,730,188	8,414,350	8,791,894	8,908,520

Source: U.S. Census Bureau.

Income as of 2017

	<u>Median Household Income</u>	<u>Median Family Income</u>	<u>Per Capita Income</u>
Borough of Old Tappan	\$141,185	\$166,528	\$80,586
County of Bergen	91,572	112,099	46,601
State of New Jersey	76,475	94,337	39,069

Source: U.S. Census Bureau, 2013 - 2017 American Community Survey 5 Year Estimates

ECONOMIC AND DEMOGRAPHIC INFORMATION

Labor Force, Employment and Unemployment

The New Jersey Department of Labor reported the following annual average employment information for the Borough of Old Tappan, the County of Bergen and the State of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough of Old Tappan</u>				
2018	2,635	2,562	73	2.8%
2017	2,647	2,568	79	3.0%
2016	2,670	2,587	83	3.1%
2015	2,684	2,584	100	3.7%
2014	2,645	2,536	109	4.1%
<u>County of Bergen</u>				
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%
2014	479,448	453,688	25,760	5.4%
<u>State of New Jersey</u>				
2018	4,422,900	4,239,600	183,300	4.1%
2017	4,518,800	4,309,700	209,100	4.6%
2016	4,524,300	4,299,900	224,400	5.0%
2015	4,530,500	4,267,900	262,600	5.8%
2014	4,518,700	4,218,400	300,300	6.6%

Source: New Jersey Department of Labor, Division of Labor Market and Demographic Research

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, 2018

Municipal	
Equalized Valuation Basis (last 3 years average)	\$ 1,757,481,973
3 1/2% Borrowing Margin	61,511,869
Net Debt Issued, Outstanding and Authorized	6,343,836
Remaining Municipal Borrowing Capacity	55,168,033
Local School	
3% Borrowing Margin	52,724,459
Debt Issued, Outstanding and Authorized	-
Remaining School Borrowing Capacity	52,724,459
Regional School	
3% Borrowing Margin	52,724,459
Debt Issued, Outstanding and Authorized	3,400,832
Remaining School Borrowing Capacity	49,323,627

Gross and Statutory Net Debt as of December 31,

<u>Year</u>	<u>Gross Debt Amount</u>	<u>Statutory Net Debt</u>	
		<u>Amount</u>	<u>Percentage</u>
2018	\$ 11,019,049	\$ 6,343,836	0.361%
2017	13,136,391	6,560,539	0.376%
2016	15,185,471	6,519,236	0.376%
2015	15,755,811	7,551,921	0.439%
2014	16,822,533	6,694,117	0.385%

Source: Borough of Old Tappan Annual Audit Reports

**Statement of Indebtedness
As of December 31, 2018**

GENERAL PURPOSES

Bonds Issued and Outstanding	\$ 4,394,000	
Bond Anticipation Notes	1,948,223	
Loans	<u>61,055</u>	
		\$ 6,403,278

SEWER UTILITY

Bonds Issued and Outstanding	390,000	
Bond Anticipation Notes	225,000	
Loans	591,439	
Bonds and Notes Authorized But Not Issued	<u>8,500</u>	
		1,214,939

REGIONAL SCHOOL

Debt Issued, Outstanding and Authorized		<u>3,400,832</u>
---	--	------------------

TOTAL GROSS DEBT 11,019,049

STATUTORY DEDUCTIONS

Municipal Purpose	59,442	
Sewer Utility	1,214,939	
School Purposes	<u>3,400,832</u>	
		<u>4,675,213</u>

TOTAL NET DEBT \$ 6,343,836

OVERLAPPING DEBT

County of Bergen (Note 1)	14,320,494	
Bergen County Utilities Authority (2)	<u>1,054,431</u>	
		<u>\$ 15,374,925</u>

GROSS DEBT

Per Capita (2018 Estimate - 5,946)		\$ 1,853
Percent of Net Valuation Taxable (2018 - \$1,741,230,299)		0.63%
Percent of Estimated True Value of Real Property (2018 - \$1,769,692,974)		0.62%

NET MUNICIPAL DEBT

Per Capita (2018 Estimate - 5,946)		\$ 1,067
Percent of Net Valuation Taxable (2018 - \$1,741,230,299)		0.36%
Percent of Estimated True Value of Real Property (2018 - \$1,769,692,974)		0.36%

OVERALL DEBT (Gross and Overlapping Debt)

Per Capita (2018 Estimate - 5,946)		\$ 4,439
Percent of Net Valuation Taxable (2018 - \$1,741,230,299)		1.52%
Percent of Estimated True Value of Real Property (2018 - \$1,769,692,974)		1.49%

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 2018 Bergen County Abstract of Ratables published by the Bergen County Board of Taxation.

Note (2) Overlapping debt was computed based upon usage.

Source: Borough of Old Tappan.

BUDGET INFORMATION
Current Fund
(As Adopted)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Anticipated Revenues					
Fund Balance	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000
Miscellaneous Revenues	3,094,811	2,915,923	3,011,069	2,923,879	3,036,454
Receipts from Delinquent Taxes	325,000	295,000	295,000	267,000	255,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>5,738,606</u>	<u>5,613,889</u>	<u>5,460,778</u>	<u>5,309,369</u>	<u>5,095,115</u>
	<u>\$ 9,958,417</u>	<u>\$ 9,624,812</u>	<u>\$ 9,566,847</u>	<u>\$ 9,300,248</u>	<u>\$ 9,186,569</u>
Appropriations					
Salaries and Wages	\$ 3,637,259	\$ 3,461,549	\$ 3,452,046	\$ 3,359,874	\$ 3,324,131
Other Expenses	3,161,404	3,142,735	3,043,655	2,976,428	3,013,220
Deferred Charges and Statutory Expenditures	1,007,269	921,061	919,858	831,308	1,016,541
Capital Improvement Fund	50,000	50,000	150,000	150,000	100,000
Municipal Debt Service	1,212,485	1,184,467	1,161,288	1,167,638	942,677
Reserve for Uncollected Taxes	<u>890,000</u>	<u>865,000</u>	<u>840,000</u>	<u>815,000</u>	<u>790,000</u>
	<u>\$ 9,958,417</u>	<u>\$ 9,624,812</u>	<u>\$ 9,566,847</u>	<u>\$ 9,300,248</u>	<u>\$ 9,186,569</u>

Source: Borough of Old Tappan.

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>
2018	\$ 1,892,832	\$ 800,000
2017	1,855,598	800,000
2016	1,745,369	800,000
2015	1,724,117	800,000
2014	1,721,913	800,000

Source: Borough of Old Tappan 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>
2018	\$ 35,229,351	\$ 34,756,839	98.66%
2017	34,843,378	34,476,453	98.95%
2016	33,869,570	33,482,423	98.86%
2015	33,259,195	32,904,879	98.93%
2014	32,296,333	31,976,361	99.00%

Source: Borough of Old Tappan Annual Audit Reports.

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2018	\$ 43,083	\$ 371,180	\$ 414,263	1.18%
2017	39,170	299,789	338,959	0.97%
2016	36,265	322,593	358,858	1.06%
2015	32,310	295,611	327,921	0.99%
2014	28,418	278,937	307,355	0.95%

Source: Borough of Old Tappan Annual Audit Reports.

Assessed Valuation of Property Owned by the Borough Acquired for Taxes

<u>Year</u>	<u>Amount</u>
2018	\$ 278,485
2017	278,485
2016	278,485
2015	278,485
2014	278,485

Source: Borough of Old Tappan 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>
United Water of NJ	\$ 26,460,000
200 OTR LLC	19,000,000
Sunrise S.L.	10,860,800
A&R, A LTD Ptnr	9,869,000
A&R, A LTD Ptnr	7,227,800
Resident	3,924,000
Resident	3,400,000
Resident	2,960,000
Resident	2,889,000
MCH-OT Realty, LLC	2,809,800
	<u>\$ 89,400,400</u>

Source: 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>Apartment</u>	<u>Total</u>
2019	\$ 37,375,800	\$ 1,612,161,900	\$ 373,800	\$ 80,256,200	\$ 2,817,100	\$ 1,732,984,800
2018	37,566,000	1,619,099,500	373,800	80,256,200	2,817,100	1,740,112,600
2017	39,118,600	1,609,983,000	373,800	80,256,200	2,817,100	1,732,548,700
2016	40,450,900	1,606,134,700	373,800	80,545,500	2,817,100	1,730,322,000
2015	43,312,500	1,599,653,900	373,800	80,399,200	698,100	1,724,437,500

Source: Tax Duplicate.

Assessed Valuations Net Valuation Taxable

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</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>
2019	\$ 1,732,984,800	\$ 1,128,230	\$ 1,734,113,030	99.27%	\$ 1,748,800,451
2018	1,740,112,600	1,117,699	1,741,230,299	98.50%	1,769,692,974
2017	1,732,548,700	1,117,527	1,733,666,227	98.28%	1,765,955,122
2016	1,730,322,000	1,149,128	1,731,471,128	100.69%	1,721,634,054
2015	1,724,437,500	1,190,284	1,725,627,784	99.64%	1,733,909,301

Source: Bergen County Abstract of Ratables and 2019 Preliminary Equalization Table.

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

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>
2019	\$ 2.063	\$ 0.340	\$ 0.850	\$ 0.627	\$ 0.246
2018	2.021	0.332	0.823	0.617	0.249
2017	2.005	0.325	0.835	0.589	0.256
2016	1.953	0.316	0.822	0.570	0.245
2015	1.922	0.305	0.805	0.570	0.242

Source: Tax Collector.

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

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>
2019	\$ 35,772,060	\$ 5,912,017	\$ 14,739,927	\$ 10,867,144	\$ 4,252,972
2018	35,229,351	5,837,292	14,324,223	10,732,232	4,335,604
2017	34,843,378	5,719,547	14,469,005	10,209,913	4,444,913
2016	33,869,570	5,534,055	14,236,864	9,865,906	4,232,745
2015	33,259,195	5,361,142	13,895,990	9,832,838	4,169,225

Source: Borough of Old Tappan.

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APPENDIX B

**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
OF THE BOROUGH OF OLD TAPPAN,
IN THE COUNTY OF BERGEN, STATE OF NEW JERSEY**

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LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
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CHRIS SOHN, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Old Tappan
Old Tappan, 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 Old Tappan, as of December 31, 2018 and 2017, and the related statements of operations and changes in fund balance - regulatory basis, the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the years then ended, 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 Old Tappan 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 Old Tappan as of December 31, 2018 and 2017, 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 18 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough's financial statements as of and for the years ended December 31, 2018 and 2017. The LOSAP Trust Fund financial activities are included in the Borough's Trust Funds, and represent 42.2 percent and 43.1 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2018 and 2017.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the 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 Old Tappan as of December 31, 2018 and 2017, and the results of operations and changes in fund balance – regulatory basis of such funds, the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the years then ended in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated July 24, 2019 on our consideration of the Borough of Old Tappan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Old Tappan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Old Tappan's internal control over financial reporting and compliance.

By/s/

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

Fair Lawn, New Jersey
July 24, 2019

BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 5,667,484	\$ 10,460,718
Cash - Change Funds	255	255
Cash - Petty Cash	100	100
Due from State-Senior Citizens and Veteran's Deductions	2,696	2,696
Grants Receivable	<u>22,053</u>	<u>8,114</u>
	<u>5,692,588</u>	<u>10,471,883</u>
RECEIVABLES AND OTHER ASSETS		
WITH FULL RESERVES		
Delinquent Property Taxes Receivable	371,180	299,789
Tax Title Liens Receivable	43,083	39,170
Property Acquired for Taxes - Assessed Valuation	278,485	278,485
Revenue Accounts Receivable	24,096	20,069
Due from Other Trust Fund	<u>57</u>	<u>-</u>
	<u>716,901</u>	<u>637,513</u>
DEFERRED CHARGES		
Special Emergency Authorization	<u>9,000</u>	<u>12,000</u>
	<u>9,000</u>	<u>12,000</u>
Total Assets	<u>\$ 6,418,489</u>	<u>\$ 11,121,396</u>

BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Appropriation Reserves	\$ 161,506	\$ 142,292
Encumbrances Payable	276,131	244,294
Accounts Payable	9,032	6,004
Due to State - Sales Tax Payable	1,294	1,293
Due to State-DCA Training Fees	1,768	1,235
Due to Other Trust Fund	-	5,954
Third Party Lien Payable	1,480	1,480
Prepaid Revenues	353	-
Prepaid Taxes	216,132	4,654,801
County Taxes Payable	4,816	10,644
Local District School Taxes Payable	3,055,251	3,458,343
Reserve for Tax Appeals	50,966	50,707
Reserve for Master Plan	5,327	5,327
Reserve for Grants - Appropriated	9,139	3,768
Reserve for Grants - Unappropriated	<u>15,561</u>	<u>42,143</u>
	3,808,756	8,628,285
Reserve for Receivables and Other Assets	716,901	637,513
Fund Balance	<u>1,892,832</u>	<u>1,855,598</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 6,418,489</u>	 <u>\$ 11,121,396</u>

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
REVENUE AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 800,000	\$ 800,000
Miscellaneous Revenue Anticipated	3,097,108	3,022,658
Receipts from Delinquent Taxes	300,420	322,843
Receipts from Current Taxes	34,731,839	34,451,453
Non-Budget Revenue	170,749	267,151
Other Credits to Income		
Unexpended Balances of Appropriation Reserves	98,191	81,191
Accounts Payable Cancelled	1,055	3,050
Prior Year Interfunds Returned	-	33
	<hr/>	<hr/>
Total Income	39,199,362	38,948,379
	<hr/>	<hr/>
EXPENDITURES		
Operations		
Salaries and Wages	3,460,849	3,451,772
Other Expenses	3,176,100	3,038,568
Capital Improvements	50,000	150,000
Municipal Debt Service	1,184,465	1,161,286
Deferred Charges and Statutory Expenditures	921,401	930,143
County Taxes	4,330,788	4,434,269
Due County for Added and Omitted Taxes	4,816	10,644
Local District School Taxes	14,324,223	14,469,005
Regional High School District Taxes	10,732,232	10,209,913
Municipal Open Space Taxes	174,316	173,783
Other Debits to Income		
Prior Year Senior Citizen Deductions Disallowed	631	250
Refund of Prior Year Revenue	2,250	5,010
Refund of Prior Year Taxes	-	3,507
Interfunds Advanced	57	-
	<hr/>	<hr/>
Total Expenditures	38,362,128	38,038,150
	<hr/>	<hr/>
Excess in Revenue	837,234	910,229
Fund Balance, January 1	<hr/>	<hr/>
	1,855,598	1,745,369
	<hr/>	<hr/>
	2,692,832	2,655,598
	<hr/>	<hr/>
Less Utilization as Anticipated Revenue	800,000	800,000
	<hr/>	<hr/>
Fund Balance, December 31	\$ 1,892,832	\$ 1,855,598
	<hr/>	<hr/>

The Accompanying Notes are an Integral Part of These Financial Statements

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>		<u>2017</u>	
	<u>Budget After</u>	<u>Realized</u>	<u>Budget After</u>	<u>Realized</u>
	<u>Modification</u>		<u>Modification</u>	
Surplus Anticipated	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	10,800	11,040	10,800	10,800
Other	5,400	6,130	5,500	5,438
Fees and Permits	20,000	25,599	20,000	20,407
Fines and Costs - Municipal Court	55,000	56,949	50,000	60,990
Interest and Costs on Taxes	87,500	92,310	84,000	107,171
Uniform Fire Safety Act	6,500	6,802	5,900	7,035
Interest on Investments and Deposits	39,000	121,873	32,000	39,241
Golf Course Fees	500,000	482,951	569,000	513,711
Uniform Construction Code Fees	170,000	215,361	175,000	170,793
Energy Receipts Tax	1,463,986	1,463,986	1,463,986	1,463,986
Watershed Moratorium Offset Aid	38,540	38,540	38,540	38,540
River Vale Fuel Reimbursement	123,100	122,006	101,700	91,410
Public and Private Revenues Offset with Appropriations				
Recycling Tonnage Grant	27,589	27,589	25,241	25,241
Drunk Driving Enforcement Fund	2,500	2,500	4,402	4,402
Clean Communities Program	12,736	12,736	14,991	14,991
Alcohol Education and Rehabilitation Fund	193	193	544	544
Municipal Alliance on Alcoholism and Drug Abuse	9,876	9,876	9,876	9,876
Body Armor Fund	2,679	2,679	1,543	1,543
Community Development Block Grants				
Senior Citizens' Programs	5,623	5,623	3,338	3,338
Sustainable Jersey Small Grant			2,000	2,000
Drive Sober or Get Pulled Over	5,500	5,500		
Special Items of Revenue:				
NVRHS SLEO Interlocal Agreement	62,500			
Cell Tower Leases	170,000	191,661	160,000	180,103
Police Outside Duty Admin Fee	30,000	30,000	30,000	30,000
Library Contribution - Municipal Services	49,888	49,888	50,456	50,477
Golf Concession , Rent and Utilities	30,000	31,704	27,000	30,155
Reserve for Insurance Proceeds			54,254	54,254
Library Debt Service Reimbursement	83,612	83,612	86,212	86,212
	<u>3,012,522</u>	<u>3,097,108</u>	<u>3,026,283</u>	<u>3,022,658</u>
Receipts from Delinquent Taxes	<u>295,000</u>	<u>300,420</u>	<u>295,000</u>	<u>322,843</u>
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for Municipal Purposes	<u>5,613,889</u>	<u>6,030,464</u>	<u>5,460,778</u>	<u>5,993,839</u>
	<u>\$ 9,721,411</u>	<u>\$ 10,227,992</u>	<u>\$ 9,582,061</u>	<u>\$ 10,139,340</u>

The Accompanying Notes are an Integral Part of These Financial Statements

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2018 STATEMENT OF EXPENDITURES
CURRENT FUND

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

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Balance</u> <u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
Administrative and Executive					
Salaries and Wages	\$ 179,615	\$ 178,615	\$ 178,376	\$ 239	
Other Expenses	63,255	67,925	67,794	131	
Mayor and Council					
Salaries and Wages	45,509	45,509	45,509	-	
Other Expenses	600	600	420	180	
Financial Administration					
Salaries and Wages	100,386	100,386	100,385	1	
Other Expenses	43,818	46,418	40,959	5,459	
Audit Services					
Other Expenses	22,500	22,500	22,500	-	
Assessment of Taxes					
Salaries and Wages	17,260	17,260	17,260	-	
Other Expenses	8,585	5,690	1,885	3,805	
Collection of Taxes					
Salaries and Wages	112,360	112,360	112,360	-	
Other Expenses	3,060	3,734	3,734	-	
Legal Services and Costs					
Other Expenses	80,000	80,000	65,700	14,300	
Engineering Services & Costs					
Other Expenses	11,500	8,301	5,460	2,841	
Open Space Advisory					
Other Expenses	80	80		80	
Senior Advisory					
Other Expenses	9,150	9,150	8,094	1,056	
Municipal Land Use Law (NJSA 40:55D-1)					
Planning Board					
Salaries and Wages	22,253	20,253	19,606	647	
Other Expenses	7,286	7,286	5,129	2,157	
Insurance					
General Liability	110,150	110,150	110,069	81	
Workers Compensation	107,618	107,618	106,618	1,000	
Employee Group Health	758,750	758,750	754,831	3,919	
Health Benefit Waiver	13,200	13,200	10,652	2,548	
Unemployment Insurance	10,000	10,000	10,000	-	
PUBLIC SAFETY					
Fire					
Salaries and Wages	32,000	32,000	31,999	1	
Other Expenses	28,200	28,200	27,940	260	
Rent	11,643	11,643	11,643	-	
Fire Hydrant Services	124,000	120,000	115,755	4,245	

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd.)					
GENERAL GOVERNMENT (Cont'd.)					
PUBLIC SAFETY					
Uniform Fire Safety Act (PL 1983, C.383)					
Fire Official					
Salaries and Wages	\$ 11,822	\$ 11,822	\$ 11,822		
Other Expenses	3,350	3,350	1,922	\$ 1,428	
Police					
Salaries and Wages	2,006,690	2,006,690	1,967,821	38,869	
Other Expenses	57,500	57,500	56,903	597	
Purchase of Police Vehicles	25,000	25,000	24,732	268	
Police Dispatch/911					
Contractual	129,393	129,393	128,825	568	
First Aid Organization - Contribution	39,780	39,780	39,780	-	
Emergency Management Services					
Salaries and Wages	793	793	793	-	
Other Expenses	500	500	312	188	
Municipal Prosecutor					
Salaries and Wages	5,607	5,607	5,107	500	
PUBLIC WORKS FUNCTIONS					
Road Repairs & Maintenance					
Salaries and Wages	453,910	459,910	458,917	993	
Other Expenses	38,000	38,000	37,200	800	
Shade Tree Commission					
Other Expenses	26,895	26,895	26,894	1	
Recycling					
Salaries and Wages	2,700	2,910	2,857	53	
Other Expenses	48,399	48,399	47,951	448	
Solid Waste Collection					
Other Expenses	5,400	5,400	5,400	-	
Public Buildings and Grounds					
Other Expenses	34,375	34,375	31,061	3,314	
Contractual	18,953	18,953	17,580	1,373	
Vehicle Maintenance					
Other Expenses	56,150	56,150	55,435	715	
HEALTH & HUMAN SERVICES					
Board of Health					
Other Expenses	34,164	34,224	34,168	56	
O.S.H.A.					
Hepatitis B Program					
Other Expenses	666	666	666	-	
Environmental Commission					
Salaries and Wages	1,467	1,467	1,467	-	
Other Expenses	150	150	131	19	
Administration of Public Assistance					
Salaries and Wages	7,561	7,561	7,561	-	
Other Expenses	972	972	484	488	
Aid to Community Center for Mental Health (NJSA 40:4-2-9)	2,000	2,000	2,000	-	

The Accompanying Notes are an Integral Part of These Financial Statements

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

	<u>Appropriated</u>		<u>Expended</u>		Unexpended Balance <u>Cancelled</u>
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd.)					
PARKS AND RECREATION FUNCTIONS					
Parks and Playgrounds					
Salaries and Wages	\$ 33,421	\$ 33,674	\$ 33,673	\$ 1	
Other Expenses	14,540	14,540	14,390	150	
Golf Course					
Salaries and Wages	308,677	304,514	299,040	5,474	
Other Expenses	92,500	93,250	93,046	204	
Recreation Program Fees					
Other Expenses	300	300	110	190	
OTHER COMMON OPERATING FUNCTIONS					
Celebration of Public Events					
Other Expenses	500	500	426	74	
Municipal Court Administration					
Salaries and Wages	13,167	13,167	11,983	1,184	-
Other Expenses	2,905	2,905	1,729	1,176	-
Public Defender					
Other Expenses	600	700	700	-	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
State Uniform Construction Code					
(N.J.S.A. 52:27D-120, et seq.)					
Construction Code Official					
Salaries and Wages	106,351	106,351	105,750	601	
Other Expenses	3,150	3,150	2,730	420	
UNCLASSIFIED					
Utilities					
Electricity	101,010	101,010	98,436	2,574	
Street Lighting	13,000	13,000	12,540	460	
Telephone	19,850	21,450	21,155	295	
Water	28,000	28,000	23,885	4,115	
Gasoline	39,500	39,500	37,649	1,851	
Interlocal Service Agreement					
Harrington Park Service Fee	10,200	10,200	10,200	-	-
Total Operations Within "CAPS"	5,722,646	5,722,306	5,609,909	112,397	-
Contingent	25,000	25,000	2,500	22,500	-
Total Operations including Contingent Within "CAPS"	5,747,646	5,747,306	5,612,409	134,897	-
Detail:					
Salaries and Wages	3,461,549	3,460,849	3,412,286	48,563	-
Other Expenses	2,286,097	2,286,457	2,200,123	86,334	-

The Accompanying Notes are an Integral Part of These Financial Statements

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd.)					
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
- Municipal Within "CAPS"					
Statutory Expenditures:					
Social Security System (O.A.S.I.)	\$ 210,782	\$ 210,782	\$ 210,450	\$ 332	
Public Employees Retirement System	252,500	252,500	251,883	617	
Police and Firemen's Retirement System	453,479	453,504	453,502	2	-
Defined Contribution Retirement Program	<u>1,300</u>	<u>1,615</u>	<u>1,514</u>	<u>101</u>	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>918,061</u>	<u>918,401</u>	<u>917,349</u>	<u>1,052</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>6,665,707</u>	<u>6,665,707</u>	<u>6,529,758</u>	<u>135,949</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM CAPS					
Aid to Public Library Association	586,683	586,683	586,683	-	
Stormwater Management					
Other Expenses	10,300	10,300	10,300	-	
Fire					
LOSAP	<u>84,000</u>	<u>84,000</u>	<u>84,000</u>	<u>-</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>680,983</u>	<u>680,983</u>	<u>680,983</u>	<u>-</u>	<u>-</u>
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS					
River Vale Fuel Reimbursement					
Gasoline	110,000	123,100	118,117	3,889	\$ 1,094
Emerson - Municipal Court Administration					
Other Expenses	19,958	19,958	19,958	-	-
NVRHS- SLEO III Agreement					
Salaries and Wages	<u>-</u>	<u>62,500</u>	<u>-</u>	<u>-</u>	<u>62,500</u>
Total Interlocal Municipal Service Agreements	<u>129,958</u>	<u>205,558</u>	<u>138,075</u>	<u>3,889</u>	<u>63,594</u>
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
Drunk Driving Enforcement Fund	2,500	2,500		2,500	
Municipal Alliance Program		9,876	3,690	6,186	
Clean Communities Grant	12,736	12,736	12,540	196	
Body Armor Replacement	2,679	2,679		2,679	
Recycling Tonnage Grant	27,589	27,589	27,589	-	
Alcohol Education and Rehabilitation Fund	193	193		193	
Drive Sober or Get Pulled Over Grant		5,500	1,209	4,291	
Community Development-Senior Citizen Program	<u>-</u>	<u>5,623</u>	<u>-</u>	<u>5,623</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues	<u>45,697</u>	<u>66,696</u>	<u>45,028</u>	<u>21,668</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>856,638</u>	<u>953,237</u>	<u>864,086</u>	<u>25,557</u>	<u>63,594</u>

The Accompanying Notes are an Integral Part of These Financial Statements

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

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS" (Cont'd.)					
Detail:					
Salaries and Wages		\$ 62,500			\$ 62,500
Other Expenses	\$ 856,638	<u>890,737</u>	\$ 864,086	\$ 25,557	<u>1,094</u>
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	-	-
Total Capital Improvements Excluded from "CAPS"	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,015,000	1,015,000	1,015,000	-	
Interest on Bonds	144,438	144,438	144,436	-	2
Interest on Notes	<u>25,029</u>	<u>25,029</u>	<u>25,029</u>	-	-
Total Municipal Debt Service Excluded from "CAPS"	<u>1,184,467</u>	<u>1,184,467</u>	<u>1,184,465</u>	-	<u>2</u>
DEFERRED CHARGES					
Special Emergency Authorizations- 5 years	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>2,094,105</u>	<u>2,190,704</u>	<u>2,101,551</u>	<u>25,557</u>	<u>63,596</u>
Subtotal General Appropriations	8,759,812	8,856,411	8,631,309	161,506	63,596
Reserve for Uncollected Taxes	<u>865,000</u>	<u>865,000</u>	<u>865,000</u>	-	-
Total General Appropriations	<u>\$ 9,624,812</u>	<u>\$ 9,721,411</u>	<u>\$ 9,496,309</u>	<u>\$ 161,506</u>	<u>\$ 63,596</u>
Budget as Adopted		\$ 9,624,812			
Appropriation by 40A:4-87		<u>96,599</u>			
		<u>\$ 9,721,411</u>			

2017 STATEMENT OF EXPENDITURES
CURRENT FUND

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
Administrative and Executive					
Salaries and Wages	\$ 176,175	\$ 176,175	\$ 174,998	\$ 1,177	
Other Expenses	65,650	65,650	61,782	3,868	
Mayor and Council					
Salaries and Wages	44,620	44,620	44,618	2	
Other Expenses	600	600	600	-	
Financial Administration					
Salaries and Wages	98,440	98,551	98,550	1	
Other Expenses	40,418	40,418	39,893	525	
Audit Services					
Other Expenses	21,000	21,000	21,000	-	
Assessment of Taxes					
Salaries and Wages	16,931	16,931	16,930	1	
Other Expenses	8,660	8,660	1,821	6,839	
Collection of Taxes					
Salaries and Wages	110,160	110,160	110,157	3	
Other Expenses	2,660	2,660	2,480	180	
Legal Services and Costs					
Other Expenses	60,000	70,000	68,239	1,761	
Engineering Services & Costs					
Other Expenses	11,500	11,500	9,128	2,372	
Open Space Advisory					
Other Expenses	80	80		80	
Senior Advisory					
Other Expenses	8,080	8,080	7,815	265	
Municipal Land Use Law (NJSA 40:55D-1)					
Planning Board					
Salaries and Wages	21,820	21,920	21,920	-	
Other Expenses	7,286	7,286	5,568	1,718	
Insurance					
General Liability	109,700	109,700	109,619	81	
Workers Compensation	109,378	109,378	109,281	97	
Employee Group Health	731,550	711,339	683,153	28,186	
Health Benefit Waiver	17,610	17,610	17,610	-	
Unemployment Insurance	10,000	10,000	10,000	-	
PUBLIC SAFETY					
Fire					
Salaries and Wages	29,000	29,000	28,985	15	
Other Expenses	27,500	27,500	27,277	223	
Rent	11,415	11,415	11,415	-	
Fire Hydrant Services	125,000	125,000	123,647	1,353	

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

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	Budget After	Paid or	<u>Reserved</u>	Balance
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd.)					
GENERAL GOVERNMENT (Cont'd.)					
PUBLIC SAFETY					
Uniform Fire Safety Act (PL 1983, C.383)					
Fire Official					
Salaries and Wages	\$ 11,600	\$ 11,600	\$ 11,600		
Other Expenses	3,000	3,000	1,735	\$ 1,265	
Police					
Salaries and Wages	1,988,785	1,988,785	1,982,515	6,270	
Other Expenses	63,146	60,646	54,993	5,653	
Purchase of Police Vehicles	26,000	26,000	24,732	1,268	
Police Dispatch/911					
Contractual	126,742	129,242	128,716	526	
First Aid Organization - Contribution	39,000	39,000	39,000	-	
Emergency Management Services					
Salaries and Wages	778	778	777	1	
Other Expenses	500	500		500	
Municipal Prosecutor					
Salaries and Wages	5,507	5,507	5,007	500	
PUBLIC WORKS FUNCTIONS					
Road Repairs & Maintenance					
Salaries and Wages	443,933	444,293	444,287	6	
Other Expenses	35,250	35,250	34,623	627	
Shade Tree Commission					
Other Expenses	26,095	26,095	24,140	1,955	
Recycling					
Salaries and Wages	2,700	2,700	2,397	303	
Other Expenses	50,529	50,529	49,981	548	
Solid Waste Collection					
Other Expenses	5,400	5,400	5,400	-	
Public Buildings and Grounds					
Other Expenses	29,975	29,975	26,631	3,344	
Contractual	17,776	17,776	17,580	196	
Vehicle Maintenance					
Other Expenses	56,070	56,070	52,116	3,954	
HEALTH & HUMAN SERVICES					
Board of Health					
Other Expenses	33,957	33,957	33,780	177	
O.S.H.A.					
Hepatitis B Program					
Other Expenses	666	666	666	-	
Environmental Commission					
Salaries and Wages	1,440	1,440	1,280	160	
Other Expenses	150	150	140	10	
Administration of Public Assistance					
Salaries and Wages	7,420	7,420	7,418	2	
Other Expenses	900	900	896	4	
Aid to Community Center for Mental Health (NJSA 40:4-2-9)					
	2,000	2,000	2,000	-	

The Accompanying Notes are an Integral Part of These Financial Statements

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd.)					
PARKS AND RECREATION FUNCTIONS					
Parks and Playgrounds					
Salaries and Wages	\$ 32,800	\$ 32,800	\$ 32,764	\$ 36	
Other Expenses	14,040	14,040	13,943	97	
Golf Course					
Salaries and Wages	312,515	312,840	312,835	5	
Other Expenses	93,720	93,720	93,664	56	
Recreation Program Fees					
Other Expenses	400	400	110	290	
OTHER COMMON OPERATING FUNCTIONS					
Celebration of Public Events					
Other Expenses	750	750	196	554	
Municipal Court Administration					
Salaries and Wages	12,945	12,945	11,735	1,210	-
Other Expenses	2,905	2,905	1,617	1,288	-
Public Defender					
Other Expenses	600	800	800	-	
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
State Uniform Construction Code					
(NJSA 52:27D-120, et seq.)					
Construction Code Official					
Salaries and Wages	115,115	113,645	110,045	3,600	
Other Expenses	4,500	4,500	2,679	1,821	
UNCLASSIFIED					
Utilities					
Electricity	102,000	102,000	94,220	7,780	
Street Lighting	12,600	12,600	12,600	-	
Telephone	19,950	19,950	19,518	432	
Water	28,275	28,275	26,645	1,630	
Gasoline	39,500	39,500	18,971	20,529	
Interlocal Service Agreement					
Harrington Park Service Fee	10,200	10,200	10,200	-	-
Total Operations Within "CAPS"	<u>5,647,367</u>	<u>5,636,782</u>	<u>5,521,438</u>	<u>115,344</u>	<u>-</u>
Contingent	<u>5,000</u>	<u>5,000</u>	<u>747</u>	<u>4,253</u>	<u>-</u>
Total Operations including Contingent Within "CAPS"	<u>5,652,367</u>	<u>5,641,782</u>	<u>5,522,185</u>	<u>119,597</u>	<u>-</u>
Detail:					
Salaries and Wages	3,432,684	3,432,110	3,418,818	13,292	-
Other Expenses	<u>2,219,683</u>	<u>2,209,672</u>	<u>2,103,367</u>	<u>106,305</u>	<u>-</u>

The Accompanying Notes are an Integral Part of These Financial Statements

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd.)					
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
- Municipal Within "CAPS"					
Statutory Expenditures:					
Social Security System (O.A.S.I.)	\$ 240,000	\$ 249,315	\$ 249,315		
Public Employees Retirement System	215,361	216,083	216,083		
Police and Firemen's Retirement System	399,197	399,445	399,445		-
Defined Contribution Retirement Program	<u>1,300</u>	<u>1,300</u>	<u>1,263</u>	\$ 37	<u>-</u>
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>855,858</u>	<u>866,143</u>	<u>866,106</u>	<u>37</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>6,508,225</u>	<u>6,507,925</u>	<u>6,388,291</u>	<u>119,634</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM CAPS					
Aid to Public Library Association	587,251	587,251	587,251	-	
Stormwater Management					
Other Expenses	10,300	10,300	10,300	-	
Fire					
LOSAP	<u>78,000</u>	<u>78,000</u>	<u>78,000</u>	<u>-</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>675,551</u>	<u>675,551</u>	<u>675,551</u>	<u>-</u>	<u>-</u>
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS					
River Vale Fuel Reimbursement					
Gasoline	101,700	101,700	91,410	-	\$ 10,290
Emerson - Municipal Court Administration					
Salaries and Wages	<u>19,362</u>	<u>19,662</u>	<u>19,658</u>	<u>4</u>	<u>-</u>
Total Interlocal Municipal Service Agreements	<u>121,062</u>	<u>121,362</u>	<u>111,068</u>	<u>4</u>	<u>10,290</u>
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
Drunk Driving Enforcement Fund	4,402	4,402		4,402	
Municipal Alliance Program		9,876	2,450	7,426	
Clean Communities Grant	14,991	14,991	11,590	3,401	
Body Armor Replacement	1,543	1,543		1,543	
Recycling Tonnage Grant	25,241	25,241	25,241	-	
Alcohol Education and Rehabilitation Fund	544	544		544	
Sustainable Jersey Small Grant		2,000		2,000	
Community Development-Senior Citizen Program	<u>-</u>	<u>3,338</u>	<u>-</u>	<u>3,338</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues	<u>46,721</u>	<u>61,935</u>	<u>39,281</u>	<u>22,654</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>843,334</u>	<u>858,848</u>	<u>825,900</u>	<u>22,658</u>	<u>10,290</u>

The Accompanying Notes are an Integral Part of These Financial Statements

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS" (Cont'd.)					
Detail:					
Salaries and Wages	\$ 19,362	\$ 19,662	\$ 19,658	\$ 4	
Other Expenses	<u>823,972</u>	<u>839,186</u>	<u>806,242</u>	<u>22,654</u>	<u>\$ 10,290</u>
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	-	-
Total Capital Improvements Excluded from "CAPS"	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	990,000	990,000	990,000	-	
Interest on Bonds	<u>171,288</u>	<u>171,288</u>	<u>171,286</u>	-	<u>2</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>1,161,288</u>	<u>1,161,288</u>	<u>1,161,286</u>	-	<u>2</u>
DEFERRED CHARGES					
Emergency Authorizations	61,000	61,000	61,000		
Speical Emergency Authorizations- 5 years	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>64,000</u>	<u>64,000</u>	<u>64,000</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>2,218,622</u>	<u>2,234,136</u>	<u>2,201,186</u>	<u>22,658</u>	<u>10,292</u>
Subtotal General Appropriations	8,726,847	8,742,061	8,589,477	142,292	10,292
Reserve for Uncollected Taxes	<u>840,000</u>	<u>840,000</u>	<u>840,000</u>	-	-
Total General Appropriations	<u>\$ 9,566,847</u>	<u>\$ 9,582,061</u>	<u>\$ 9,429,477</u>	<u>\$ 142,292</u>	<u>\$ 10,292</u>
Budget as Adopted		\$ 9,566,847			
Appropriation by 40A:4-87		<u>15,214</u>			
		<u>\$ 9,582,061</u>			

BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
ANIMAL CONTROL FUND		
Cash	\$ <u>3,005</u>	\$ <u>2,073</u>
OTHER TRUST FUND		
Cash	1,682,499	1,673,531
Due from Current Fund	<u>-</u>	<u>5,954</u>
	<u>1,682,499</u>	<u>1,679,485</u>
UNEMPLOYMENT COMPENSATION INSURANCE FUND		
Cash	<u>58,447</u>	<u>50,015</u>
OPEN SPACE PRESERVATION TRUST FUND		
Cash	<u>353,055</u>	<u>424,122</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND - (UNAUDITED)		
Investments	1,450,582	1,555,876
Contributions Receivable	<u>78,200</u>	<u>75,900</u>
	<u>1,528,782</u>	<u>1,631,776</u>
Total Assets	<u>\$ 3,625,788</u>	<u>\$ 3,787,471</u>

BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
LIABILITIES, RESERVES AND FUND BALANCE		
ANIMAL CONTROL FUND		
Due to State of New Jersey	\$ 19	\$ 2
Reserve for Animal Control Expenditures	<u>2,986</u>	<u>2,071</u>
	<u>3,005</u>	<u>2,073</u>
OTHER TRUST FUND		
Due to State of New Jersey		
Department of Human Services	450	500
Due to Current Fund	57	-
Escrow Deposits Payable	403,520	324,130
Miscellaneous Reserves and Deposits	<u>1,278,472</u>	<u>1,354,855</u>
	<u>1,682,499</u>	<u>1,679,485</u>
UNEMPLOYMENT COMPENSATION INSURANCE FUND		
Reserve for Unemployment Compensation		
Insurance Claims	<u>58,447</u>	<u>50,015</u>
OPEN SPACE PRESERVATION TRUST FUND		
Reserve for Open Space Preservation	<u>353,055</u>	<u>424,122</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND - (UNAUDITED)		
Reserve for Length of Service Awards Program	<u>1,528,782</u>	<u>1,631,776</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 3,625,788</u>	 <u>\$ 3,787,471</u>

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF REVENUES-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>		<u>2017</u>	
	Budget After <u>Modification</u>	<u>Realized</u>	Budget After <u>Modification</u>	<u>Realized</u>
Amount to be Raised by Taxation	\$ 174,123	\$ 174,316	\$ 173,367	\$ 173,783
Reserve Funds Utilized	<u>76,457</u>	<u>76,457</u>	<u>-</u>	<u>-</u>
	<u>\$ 250,580</u>	<u>\$ 250,773</u>	<u>\$ 173,367</u>	<u>\$ 173,783</u>

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

	<u>Appropriated (Memo)</u>		<u>Expended</u>	
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>
Maintenance of Lands for Recreation and Conservation:				
Salaries and Wages	\$ 67,000	\$ 67,000	\$ 67,000	
Other Expenses	15,000	15,000	15,000	
Capital Improvements:				
Down Payment on Improvements		127,059	127,059	
Debt Service:				
Payment of Bond Principal	39,703	39,703	39,703	
Interest on Bonds	1,818	1,818	1,818	
Reserve for Future Use	<u>50,602</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 174,123</u>	<u>\$ 250,580</u>	<u>\$ 250,580</u>	<u>\$ -</u>

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

	<u>Appropriated (Memo)</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Maintenance of Lands for Recreation and Conservation:				
Salaries and Wages	\$ 67,000	\$ 67,000	\$ 67,000	
Other Expenses	14,000	14,000	14,000	
Capital Improvements:				
Down Payment on Improvements				
Debt Service:				
Payment of Bond Principal	38,921	38,921	38,920	\$ 1
Payment of Bond Anticipation Notes and Capital Notes				
Interest on Bonds	2,600	2,600	2,600	
Interest on Notes				
Reserve for Future Use	<u>50,846</u>	<u>50,846</u>	<u>-</u>	<u>50,846</u>
	<u>\$ 173,367</u>	<u>\$ 173,367</u>	<u>\$ 122,520</u>	<u>\$ 50,847</u>

BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 1,027,325	\$ 1,034,121
Grants Receivable	581,198	501,759
Deferred Charges to Future Taxation		
Funded	4,455,055	5,509,758
Unfunded	<u>1,948,223</u>	<u>1,110,223</u>
 Total Assets	 <u>\$ 8,011,801</u>	 <u>\$ 8,155,861</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
General Serial Bonds	\$ 4,394,000	\$ 5,409,000
Green Trust Loan	61,055	100,758
Bond Anticipation Notes	1,948,223	1,112,373
Encumbrances Payable	91,718	209,645
Due to Sewer Utility Capital Fund	-	104,000
Improvement Authorizations:		
Funded	415,684	341,359
Unfunded	517,479	173,040
Capital Improvement Fund	132,762	124,762
Reserve for Sidewalk Improvements	228,801	215,704
Reserve for Capital Improvements	9,116	9,116
Reserve for Payment of Debt	59,442	59,442
Fund Balance	<u>153,521</u>	<u>296,662</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 8,011,801</u>	 <u>\$ 8,155,861</u>

There were no bonds and notes authorized but not issued as of December 31, 2018 and 2017, respectively.

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Balance, January 1	\$ 296,662	\$ 51,201
Increased by:		
Premium on Notes Issued	15,975	9,284
Bid Specification Fees	-	800
Funded Improvement Authorizations Cancelled	<u>9,145</u>	<u>240,977</u>
	321,782	302,262
Decreased by:		
Grant Receivable Cancelled	261	
Appropriated to Finance Improvement Authorizations	<u>168,000</u>	<u>5,600</u>
Balance, December 31	<u>\$ 153,521</u>	<u>\$ 296,662</u>

BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SEWER UTILITY FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
OPERATING FUND		
Cash	\$ 316,489	\$ 294,941
Receivables With Full Reserves		
Consumer Accounts Receivable	<u>55,935</u>	<u>37,287</u>
	<u>372,424</u>	<u>332,228</u>
ASSESSMENT TRUST FUND		
Cash	824,638	1,253,946
Assessments Receivable	303,522	671,759
Deferred Charge		
Utility Share of Assessment Debt Issued	<u>56,713</u>	<u>56,713</u>
	<u>1,184,873</u>	<u>1,982,418</u>
CAPITAL FUND		
Cash	270,152	77,462
Due from General Capital Fund	-	104,000
Fixed Capital	18,441,045	18,432,545
Fixed Capital Authorized and Uncompleted	<u>233,500</u>	<u>112,500</u>
	<u>18,944,697</u>	<u>18,726,507</u>
 Total Assets	 <u>\$ 20,501,994</u>	 <u>\$ 21,041,153</u>

BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SEWER UTILITY FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
LIABILITIES, RESERVES AND FUND BALANCE		
OPERATING FUND		
Liabilities		
Appropriation Reserves	\$ 14,993	\$ 39,402
Encumbrances Payable	60,592	9,839
Accrued Interest on Bonds, Loans and Notes	17,238	25,323
Sewer Fee Overpayments	<u>1,382</u>	<u>2,114</u>
	94,205	76,678
Reserve for Receivables	55,935	37,287
Fund Balance	<u>222,284</u>	<u>218,263</u>
	<u>372,424</u>	<u>332,228</u>
ASSESSMENT TRUST FUND		
Assessment Serial Bonds	390,000	565,000
Environmental Infrastructure Loans	591,439	1,217,257
Reserve for Assessments Receivable	20,544	117,578
Fund Balance	<u>182,890</u>	<u>82,583</u>
	<u>1,184,873</u>	<u>1,982,418</u>
CAPITAL FUND		
Bond Anticipation Notes	225,000	104,000
Encumbrances Payable	73,338	-
Improvement Authorizations- Unfunded	33,346	17,994
Reserve for Sewer Assessment Debt	171,968	171,968
Reserve for Amortization	<u>18,441,045</u>	<u>18,432,545</u>
	<u>18,944,697</u>	<u>18,726,507</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 20,501,994</u>	<u>\$ 21,041,153</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2018 and 2017 of \$8,500.

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE -
REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
REVENUES AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 41,000	\$ 92,000
Sewer User Fees	1,148,231	1,129,601
Interest on Assessments	23,362	39,901
Non-Budget Revenue	10,574	25,450
Other Credits to Income:		
Unexpended Balances of Appropriation Reserves	<u>32,867</u>	<u>10,414</u>
 Total Income	 <u>1,256,034</u>	 <u>1,297,366</u>
 EXPENDITURES		
Operating	1,106,044	1,088,223
Capital Improvements	10,000	10,000
Debt Service	46,969	66,871
Deferred Charges and Statutory Expenditures	<u>48,000</u>	<u>66,985</u>
 Total Expenditures	 <u>1,211,013</u>	 <u>1,232,079</u>
 Excess in Revenue	 45,021	 65,287
 Fund Balance, January 1	 <u>218,263</u>	 <u>244,976</u>
	263,284	310,263
 Less Utilization as Anticipated Revenue	 <u>41,000</u>	 <u>92,000</u>
 Fund Balance, December 31	 <u><u>\$ 222,284</u></u>	 <u><u>\$ 218,263</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
SEWER UTILITY ASSESSMENT TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Balance, January 1	\$ 82,583	\$ 81,877
Increased by:		
Collection of Unpledged Assessments	<u>100,307</u>	<u>706</u>
Balance, December 31	<u>\$ 182,890</u>	<u>\$ 82,583</u>

BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>		<u>2017</u>	
	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>
Surplus Anticipated	\$ 41,000	\$ 41,000	\$ 92,000	\$ 92,000
Sewer User Fees	1,170,668	1,148,231	1,115,786	1,129,601
Interest on Assessments	<u>15,000</u>	<u>23,362</u>	<u>40,000</u>	<u>39,901</u>
	<u>\$ 1,226,668</u>	<u>\$ 1,212,593</u>	<u>\$ 1,247,786</u>	<u>\$ 1,261,502</u>

The Accompanying Notes are an Integral Part of These Financial Statements

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

	<u>Appropriated</u>		<u>Expended</u>		Unexpended Balance <u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATING					
Salaries	\$ 365,430	\$ 365,430	\$ 363,857	\$ 1,573	
Other Expenses	<u>740,614</u>	<u>740,614</u>	<u>729,694</u>	<u>10,920</u>	<u>-</u>
 Total Operating	 <u>1,106,044</u>	 <u>1,106,044</u>	 <u>1,093,551</u>	 <u>12,493</u>	 <u>-</u>
CAPITAL IMPROVEMENTS					
Capital Outlay	<u>10,000</u>	<u>10,000</u>	<u>8,500</u>	<u>1,500</u>	<u>-</u>
 Total Capital Improvements	 <u>10,000</u>	 <u>10,000</u>	 <u>8,500</u>	 <u>1,500</u>	 <u>-</u>
DEBT SERVICE					
Interest on Bonds and Loans	60,284	59,157	43,502		\$ 15,655
Interest on Notes	<u>2,340</u>	<u>3,467</u>	<u>3,467</u>	<u>-</u>	<u>-</u>
 Total Debt Service	 <u>62,624</u>	 <u>62,624</u>	 <u>46,969</u>	 <u>-</u>	 <u>15,655</u>
STATUTORY EXPENDITURES					
STATUTORY EXPENDITURES					
Social Security System (O.A.S.I.)	27,000	27,000	26,000	1,000	
Public Employees Retirement System	15,000	15,000	15,000		
Unemployment Compensation Insurance	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>-</u>
 Total Statutory Expenditures	 <u>48,000</u>	 <u>48,000</u>	 <u>47,000</u>	 <u>1,000</u>	 <u>-</u>
	<u>\$ 1,226,668</u>	<u>\$ 1,226,668</u>	<u>\$ 1,196,020</u>	<u>\$ 14,993</u>	<u>\$ 15,655</u>

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		Unexpended Balance <u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATING					
Salaries	\$ 363,200	\$ 363,200	\$ 353,634	\$ 9,566	
Other Expenses	<u>725,023</u>	<u>725,023</u>	<u>695,961</u>	<u>29,062</u>	-
 Total Operating	 <u>1,088,223</u>	 <u>1,088,223</u>	 <u>1,049,595</u>	 <u>38,628</u>	 <u>-</u>
CAPITAL IMPROVEMENTS					
Capital Outlay	<u>10,000</u>	<u>10,000</u>	<u>9,226</u>	<u>774</u>	-
 Total Capital Improvements	 <u>10,000</u>	 <u>10,000</u>	 <u>9,226</u>	 <u>774</u>	 <u>-</u>
DEBT SERVICE					
Interest on Bonds and Loans	<u>82,578</u>	<u>82,578</u>	<u>66,871</u>	<u>-</u>	<u>15,707</u>
 Total Debt Service	 <u>82,578</u>	 <u>82,578</u>	 <u>66,871</u>	 <u>-</u>	 <u>15,707</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
DEFERRED CHARGES					
Emergency Authorization	19,985	19,985	19,985		-
STATUTORY EXPENDITURES					
Social Security System (O.A.S.I.)	26,000	26,000	26,000	-	
Public Employees Retirement System	15,000	15,000	15,000		
Unemployment Compensation Insurance	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>-</u>
 Total Deferred Charges and Statutory Expenditures	 <u>66,985</u>	 <u>66,985</u>	 <u>66,985</u>	 <u>-</u>	 <u>-</u>
	<u>\$ 1,247,786</u>	<u>\$ 1,247,786</u>	<u>\$ 1,192,677</u>	<u>\$ 39,402</u>	<u>\$ 15,707</u>

The Accompanying Notes are an Integral Part of These Financial Statements

**BOROUGH OF OLD TAPPAN
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
SEWER UTILITY ASSESSMENT TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>		<u>2017</u>	
	<u>Budget After Modification</u>	<u>Realized</u>	<u>Budget After Modification</u>	<u>Realized</u>
Assessment Cash	<u>\$ 800,819</u>	<u>\$ 800,778</u>	<u>\$ 811,415</u>	<u>\$ 811,415</u>
	<u><u>\$ 800,819</u></u>	<u><u>\$ 800,778</u></u>	<u><u>\$ 811,415</u></u>	<u><u>\$ 811,415</u></u>

BOROUGH OF OLD TAPPAN
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY ASSESSMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Appropriation</u>		<u>Expended</u>
	<u>Budget</u>	<u>Budget After Modifications</u>	
Payment of Bond Principal	\$ 175,000	\$ 175,000	\$ 175,000
Payment of Loan Principal	<u>625,819</u>	<u>625,819</u>	<u>625,778</u>
	<u>\$ 800,819</u>	<u>\$ 800,819</u>	<u>\$ 800,778</u>

STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY ASSESSMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriation</u>		<u>Expended</u>
	<u>Budget</u>	<u>Budget After Modifications</u>	
Payment of Bond Principal	\$ 175,000	\$ 175,000	\$ 175,000
Payment of Loan Principal	<u>636,415</u>	<u>636,415</u>	<u>636,415</u>
	<u>\$ 811,415</u>	<u>\$ 811,415</u>	<u>\$ 811,415</u>

**BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	<u>\$ 84,782</u>	<u>\$ 91,891</u>
LIABILITIES AND RESERVES		
Reserve for Public Assistance Expenditures	<u>\$ 84,782</u>	<u>\$ 91,891</u>

**BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Land	\$ 24,751,900	\$ 24,751,900
Buildings and Building Improvements	7,301,648	7,301,648
Machinery and Equipment	<u>8,035,706</u>	<u>7,855,727</u>
	<u>\$ 40,089,254</u>	<u>\$ 39,909,275</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 40,089,254</u>	<u>\$ 39,909,275</u>

NOTES TO FINANCIAL STATEMENTS

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Old Tappan (the "Borough") was incorporated in 1894 and operates under an elected Mayor and Council form of government. Council members are elected for staggered three-year terms; the Mayor is elected separately every four years. The executive power of the Borough is exercised by the Mayor, subject to the approval of the Borough Council. The Mayor presides over all public meetings, makes appointments to various boards and has the responsibility for implementing policies of the Council and functions as liaison officer between the council, municipal personnel, and residents of the Borough. 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 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's major operations include public safety, road repair and maintenance, recycling, fire protection, recreation and parks, health services, sanitary sewer 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 volunteer fire department, volunteer ambulance squad, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

B. Description of Regulatory Basis of Accounting

The financial statements of the Borough of Old Tappan 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 OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

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

Open Space Preservation Trust Fund - This fund is used to account for the resources which have accumulated through a dedicated tax and other resources to be used for the preservation and improvements of municipal open space, recreational 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.

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. Special benefit assessments levied against properties for specific purposes are accounted for in the assessment trust section of the fund. 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 OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

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 Old Tappan 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 OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 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).

Sewer Utility Revenues/Receivables - Utility charges are levied semi-annually based upon a flat service charge (residential) or usage charge (commercial). 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 sewer utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

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

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

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

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

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

**BOROUGH OF OLD TAPPAN
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Deferred School Taxes – School taxes raised in advance in the Current Fund for a school fiscal year (July 1 to June 30) which remain unpaid at December 31 of the calendar year levied may be deferred to fund balance to the extent of not more than 50% of the annual levy providing no requisition has been made by the school district for such amount. GAAP does not permit the deferral of unpaid school taxes to fund balance at year end.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Old Tappan has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$500 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, 2008 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, 2008 are stated as follows:

Land	Assessed Value
Buildings and Building Improvements	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

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

Property and equipment purchased by the 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 Fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

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

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

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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 Open Space Preservation Trust Fund)
General Capital Fund
Sewer Utility Capital Fund
Public Assistance Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2018 and 2017 the Borough Council increased the original Current Fund budget by \$96,599 and \$15,214. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2018 and 2017.

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 OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2018 and 2017, the book value of the Borough's deposits were \$10,288,231 and \$15,363,175 and bank and brokerage firm balances of the Borough's deposits amounted to \$10,484,783 and \$15,145,823, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2018</u>	<u>2017</u>
Insured	\$ 10,476,869	\$ 15,138,051
Uninsured and Collateralized	7,914	7,772
	<u>\$ 10,484,783</u>	<u>\$ 15,145,823</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2018 and 2017, the Borough's bank balances of \$7,914 and \$7,772 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>2018</u>	<u>2017</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department not in the Borough's name	\$ 7,914	\$ 7,772

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 OLD TAPPAN
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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

	<u>Fair Value</u> <u>(LOSAP-Unaudited)</u>	
	<u>2018</u>	<u>2017</u>
Investment:		
Lincoln Financial LOSAP Investment Fund (Unaudited)	\$ 1,450,582	\$ 1,555,876

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2018 and 2017, \$1,450,582 and \$1,555,876 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u> <u>(LOSAP-Unaudited)</u>	
	<u>2018</u>	<u>2017</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 1,450,582	\$ 1,555,876

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2018 and 2017, the Borough’s investment in Lincoln Financial, a subsidiary of Lincoln National Corporation was rated Baa1 by Moody’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 LOSAP Investment Fund. These investments are 100% of the Borough’s total investments.

The fair value of the above-listed investment was based on information provided by Lincoln Financial.

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 Sewer Utility Capital Fund and Sewer Utility Assessment Trust Fund are assigned to the Sewer Utility Operating Fund in accordance with the regulatory basis of accounting.

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE

Receivables at December 31, 2018 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2018</u>			
Property Taxes	\$ 371,180		\$ 371,180
Tax Title Liens	43,083		43,083
Sewer User Fees	<u>-</u>	<u>\$ 55,935</u>	<u>55,935</u>
	<u>\$ 414,263</u>	<u>\$ 55,935</u>	<u>\$ 470,198</u>

In 2018, the Borough collected \$300,420 and \$37,287 from delinquent taxes and utility charges and fees, which represented 87% and 100% of the delinquent tax and sewer charges receivable at December 31, 2017.

Receivables at December 31, 2017 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2017</u>			
Property Taxes	\$ 299,789		\$ 299,789
Tax Title Liens	39,170		39,170
Sewer User Fees	<u>-</u>	<u>\$ 37,287</u>	<u>37,287</u>
	<u>\$ 338,959</u>	<u>\$ 37,287</u>	<u>\$ 376,246</u>

In 2017, the Borough collected \$322,843 and \$36,811 from delinquent taxes and utility charges and fees, which represented 90% and 100% of the delinquent tax and sewer charges receivable at December 31, 2016.

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2018</u>		<u>2017</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 57			\$ 5,954
Other Trust Fund		\$ 57	\$ 5,954	
General Capital Fund				\$ 104,000
Sewer Utility Fund:				
Capital Fund	-	-	104,000	-
	<u>57</u>	<u>57</u>	<u>109,954</u>	<u>109,954</u>
Total	<u>\$ 57</u>	<u>\$ 57</u>	<u>\$ 109,954</u>	<u>\$ 109,954</u>

The above balances are the result of revenues earned or receipts deposited in one fund that are due to another fund.

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

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance, December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2018</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$9,000	\$3,000	\$6,000
<u>2017</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$12,000	\$3,000	\$9,000

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7 DEFERRED SCHOOL TAXES

Under the regulatory basis of accounting, regulations allow for the deferral to fund balance of not more than 50% of the annual school levy when school taxes are raised in advance for a school year and have not been requisitioned by the school district as of December 31. The balance of unpaid school taxes levied, amount deferred and the amount reported as a liability (payable) at December 31, 2018 and 2017 are as follows:

	<u>Regional High School/ Local District School</u>	
	<u>2018</u>	<u>2017</u>
Balance of Tax	\$7,141,111	\$7,544,203
Deferred Liability	<u>4,085,860</u>	<u>4,085,860</u>
Taxes Payable	<u>\$3,055,251</u>	<u>\$3,458,343</u>

NOTE 8 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Operating Fund(s) 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>2018</u>		<u>2017</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	\$ 1,859,083	\$ 800,000	\$ 1,832,788	\$ 800,000
Non-Cash Surplus	<u>33,749</u>	<u>-</u>	<u>22,810</u>	<u>-</u>
	<u>\$ 1,892,832</u>	<u>\$ 800,000</u>	<u>\$ 1,855,598</u>	<u>\$ 800,000</u>
Sewer Utility Operating Fund				
Cash Surplus	\$ 222,284	\$ 40,000	\$ 218,263	\$ 41,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 222,284</u>	<u>\$ 40,000</u>	<u>\$ 218,263</u>	<u>\$ 41,000</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 9 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2018 and 2017.

	Balance December 31, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2018</u>
<u>2018</u>				
Land	\$ 24,751,900			\$ 24,751,900
Buildings and Building Improvements	7,301,648			7,301,648
Machinery and Equipment	<u>7,855,727</u>	<u>\$ 429,817</u>	<u>\$ 249,838</u>	<u>8,035,706</u>
	<u>\$ 39,909,275</u>	<u>\$ 429,817</u>	<u>\$ 249,838</u>	<u>\$ 40,089,254</u>
	Balance December 31, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Land	\$ 24,751,900			\$ 24,751,900
Buildings and Building Improvements	7,164,914	\$ 136,734		7,301,648
Machinery and Equipment	<u>7,686,250</u>	<u>439,768</u>	<u>\$ 270,291</u>	<u>7,855,727</u>
	<u>\$ 39,603,064</u>	<u>\$ 576,502</u>	<u>\$ 270,291</u>	<u>\$ 39,909,275</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 9 FIXED ASSETS (Continued)

B. Sewer Utility Fund Fixed Assets

The following is a summary of changes in the sewer utility fund fixed assets for the years ended December 31, 2018 and 2017.

Sewer Utility Fund

	Balance December 31, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2018</u>
<u>2018</u>				
Fixed Capital				
System and System Improvements	\$ 18,036,397	\$ 8,500		\$ 18,044,897
Vehicles and Equipment	<u>396,148</u>	<u>-</u>	<u>\$ -</u>	<u>396,148</u>
	<u>\$ 18,432,545</u>	<u>\$ 8,500</u>	<u>\$ -</u>	<u>\$ 18,441,045</u>
	Balance December 31, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Fixed Capital				
System and System Improvements	\$ 18,027,171	\$ 9,226		\$ 18,036,397
Vehicles and Equipment	<u>396,148</u>	<u>-</u>	<u>\$ -</u>	<u>396,148</u>
	<u>\$ 18,423,319</u>	<u>\$ 9,226</u>	<u>\$ -</u>	<u>\$ 18,432,545</u>

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 10 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2018</u>	<u>2017</u>
Issued		
General		
Bonds, Notes and Loans	\$ 6,403,278	\$ 6,622,131
Sewer Utility		
Bonds and Notes	225,000	104,000
Sewer Utility Assessment		
Bonds and Loans	<u>981,439</u>	<u>1,782,257</u>
	7,609,717	8,508,388
Less Funds Temporarily Held to Pay Bonds and Notes	<u>701,190</u>	<u>1,404,923</u>
Net Debt Issued	6,908,527	7,103,465
Authorized But Not Issued		
Sewer Utility		
Bonds and Notes	<u>8,500</u>	<u>8,500</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 6,917,027</u>	<u>\$ 7,111,965</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 10 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 .361% and .376% at December 31, 2018 and 2017, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2018</u>			
General Debt	\$ 6,403,278	\$ 59,442	\$ 6,343,836
School Debt	3,400,832	3,400,832	-
Utility Debt	<u>1,214,939</u>	<u>1,214,939</u>	<u>-</u>
Total	<u>\$ 11,019,049</u>	<u>\$ 4,675,213</u>	<u>\$ 6,343,836</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General Debt	\$ 6,622,131	\$ 61,592	\$ 6,560,539
School Debt	4,619,503	4,619,503	-
Utility Debt	<u>1,894,757</u>	<u>1,894,757</u>	<u>-</u>
Total	<u>\$ 13,136,391</u>	<u>\$ 6,575,852</u>	<u>\$ 6,560,539</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>2018</u>	<u>2017</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 61,511,869	\$ 61,041,838
Less: Net Debt	<u>6,343,836</u>	<u>6,560,539</u>
Remaining Borrowing Power	<u>\$ 55,168,033</u>	<u>\$ 54,481,299</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 10 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>2018</u>	<u>2017</u>
\$2,120,000, 2010 Bonds, due in annual installments of \$180,000 to \$325,000 through July 2022, interest at 3.0% to 3.125%	\$ 1,160,000	\$ 1,340,000
\$1,780,000, 2012 Bonds, due in annual installments of \$150,000 to \$200,000 through November 2023, interest at 2.00%	950,000	1,100,000
\$2,110,000, 2014 Refunding Bonds (Series A), due in annual installments of \$430,000 to \$435,000 through August 2019, interest at 4.00%	435,000	865,000
\$585,000, 2014 Refunding Bonds (Series B), due in annual installments of \$60,000 to \$75,000 through November 2023, interest at 3.00% to 4.00%	345,000	405,000
\$2,074,000, 2015 Bonds, due in annual installments of \$195,000 to \$229,000 through August 2025, interest at 2.00%	<u>1,504,000</u>	<u>1,699,000</u>
Total	<u>\$ 4,394,000</u>	<u>\$ 5,409,000</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 10 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the New Jersey Department of Environmental Protection for the financing relating to the purchase of Washington Ave. North property for municipal open space. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
\$653,625, 2000 Loan, due in semi-annual installments of \$19,363 to \$20,555 through February 21, 2020, interest at 2.00%	\$ 61,055	\$ 100,758
Total	<u>\$ 61,055</u>	<u>\$ 100,758</u>

Sewer Utility Assessment Bonds

The Borough pledges revenue from special benefit assessments to pay debt service on sewer utility assessment bonds issued. The sewer utility assessment bonds outstanding at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
\$730,000, 2010 Refunding Assessment Bonds, due in annual installments of \$85,000 through February 2019, interest at 2.625%	\$ 85,000	\$ 170,000
\$665,000, 2014 Refunding Assessments Bonds, due in annual installments of \$45,000 to \$90,000 through August 2022, interest at 3.00% to 4.00%	<u>305,000</u>	<u>395,000</u>
Total	<u>\$ 390,000</u>	<u>\$ 565,000</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 10 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Sewer Utility Intergovernmental Assessment Loans Payable

The Borough has entered into loan agreements with the New Jersey Department of Environmental Protection for the financing relating to the construction of sanitary sewers. The Borough pledges revenue from operations to pay debt service on utility intergovernmental assessment loans issued. Sewer Utility intergovernmental assessment loans outstanding at December 31 are as follows:

Sewer Utility Assessment Loans

	<u>2018</u>	<u>2017</u>
\$3,415,000 1999 Assessment Loans, refunded by 2006B Refunding Series, due in annual installments of \$246,940 to \$255,579 through August 1, 2019, interest of 5.70%	\$ 255,579	\$ 502,519
\$3,193,990, 1999 Assessment Loan, due in semi-annual installments of \$4,592 to \$145,794 through August 1, 2018, interest free		150,386
\$1,960,000 2000 Assessment Loans, refunded by 2006A and 2010A Refunding Series, due in annual installments of \$127,110 to \$139,676 through August 1, 2020, rates of 5.25%	270,704	397,814
\$1,828,595, 2000 Assessment Loan, due in semi-annual installments of \$4,884, to \$94,212 through August 1, 2019, interest free	<u>65,156</u>	<u>166,538</u>
Sewer Utility Assessment Loans	<u>\$ 591,439</u>	<u>\$ 1,217,257</u>

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

Calendar <u>Year</u>	<u>General</u>		<u>Sewer Assessment</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 1,080,500	\$ 115,055	\$ 626,765	\$ 37,515	\$ 1,859,835
2020	810,555	81,542	224,674	15,219	1,131,990
2021	805,000	61,036	85,000	4,750	955,786
2022	810,000	40,286	45,000	1,350	896,636
2023	495,000	19,730			514,730
2024-2025	<u>454,000</u>	<u>13,660</u>	<u>-</u>	<u>-</u>	<u>467,660</u>
Total	<u>\$ 4,455,055</u>	<u>\$ 331,309</u>	<u>\$ 981,439</u>	<u>\$ 58,834</u>	<u>\$ 5,826,637</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 10 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

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

	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>					
General Capital Fund					
Bonds Payable	\$ 5,409,000	\$ -	\$ 1,015,000	\$ 4,394,000	\$ 1,040,000
Intergovernmental Loans Payable	<u>100,758</u>	<u>-</u>	<u>39,703</u>	<u>61,055</u>	<u>40,500</u>
General Capital Fund Long-Term Liabilities	<u>\$ 5,509,758</u>	<u>\$ -</u>	<u>\$ 1,054,703</u>	<u>\$ 4,455,055</u>	<u>\$ 1,080,500</u>
Sewer Utility Assessment Fund					
Bonds Payable	\$ 565,000	\$ -	\$ 175,000	\$ 390,000	\$ 175,000
Intergovernmental Loans	<u>1,217,257</u>	<u>-</u>	<u>625,818</u>	<u>591,439</u>	<u>451,765</u>
Sewer Utility Assessment Fund Long-Term Liabilities	<u>\$ 1,782,257</u>	<u>\$ -</u>	<u>\$ 800,818</u>	<u>\$ 981,439</u>	<u>\$ 626,765</u>
	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
General Capital Fund					
Bonds Payable	\$ 6,399,000		\$ 990,000	\$ 5,409,000	\$ 1,015,000
Intergovernmental Loans Payable	<u>139,678</u>	<u>-</u>	<u>38,920</u>	<u>100,758</u>	<u>39,703</u>
General Capital Fund Long-Term Liabilities	<u>\$ 6,538,678</u>	<u>\$ -</u>	<u>\$ 1,028,920</u>	<u>\$ 5,509,758</u>	<u>\$ 1,054,703</u>
Sewer Utility Assessment Fund					
Bonds Payable	\$ 740,000		\$ 175,000	\$ 565,000	\$ 175,000
Intergovernmental Loans Payable	<u>1,853,672</u>	<u>-</u>	<u>636,415</u>	<u>1,217,257</u>	<u>625,818</u>
Sewer Utility Assessment Fund Long-Term Liabilities	<u>\$ 2,593,672</u>	<u>\$ -</u>	<u>\$ 811,415</u>	<u>\$ 1,782,257</u>	<u>\$ 800,818</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 10 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

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

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2017</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2018</u>
<u>2018</u>						
<u>General Capital Fund</u>						
Improvements to Russell Avenue/Irving St.	3.00%	9/27/2019	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Various Capital Improvements & Equip. Acq.	3.00%	9/27/2019	1,046,000	1,881,850	1,046,000	1,881,850
Improvements to Washington Avenue North	3.00%	9/27/2019	26,373	26,373	26,373	26,373
Total General Capital Fund			<u>\$ 1,112,373</u>	<u>\$ 1,948,223</u>	<u>\$ 1,112,373</u>	<u>\$ 1,948,223</u>
<u>Sewer Utility Capital Fund</u>						
Replacement of Channel Grinder	3.00%	9/27/2019	\$ 44,000	44,000	44,000	\$ 44,000
Various Improvements to Pump Stations	3.00%	9/27/2019	60,000	60,000	60,000	60,000
Upgrade of Control Panels at Pump Stations and Acquisition of Grinder Pump	3.00%	9/27/2019	-	121,000	-	121,000
Total Sewer Utility Capital Fund			<u>\$ 104,000</u>	<u>\$ 225,000</u>	<u>\$ 104,000</u>	<u>\$ 225,000</u>
			Balance, December 31, <u>2016</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2017</u>
<u>2017</u>						
<u>General Capital Fund</u>						
Improvements to Russell Avenue/Irvine St.	2.25%	9/28/2018		\$ 40,000		\$ 40,000
Various Capital Improvements & Equip. Acq.	2.25%	9/28/2018		1,046,000		1,046,000
Improvements to Washington Avenue North	2.25%	9/28/2018	-	26,373	-	26,373
Total General Capital Fund			<u>\$ -</u>	<u>\$ 1,112,373</u>	<u>\$ -</u>	<u>\$ 1,112,373</u>
<u>Sewer Utility Capital Fund</u>						
Replacement of Channel Grinder	2.25%	9/28/2018		44,000		44,000
Various Improvements to Pump Stations	2.25%	9/28/2018	-	60,000	-	60,000
Total Sewer Utility Capital Fund			<u>\$ -</u>	<u>\$ 104,000</u>	<u>\$ -</u>	<u>\$ 104,000</u>

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

**BOROUGH OF OLD TAPPAN
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 10 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

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

NOTE 11 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2018</u>		
There are none.		
<u>2017</u>		
2017 Road Resurfacing	\$128,165	2018

As of December 31, the Borough has other significant commitments as follows:

<u>Purpose</u>	<u>Remaining Commitment</u>
<u>2018</u>	
There are none.	
<u>2017</u>	
Various Fire Department Equipment	\$31,234
Various Police Department Equipment	30,554

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the Borough, employees are not permitted to accumulate unused vacation benefits and sick leave over the life of their working careers.

Changes in Other Long-Term Liabilities

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

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

	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	
<u>2018</u>					
Net Pension Liability- PERS	\$ 5,639,928		\$ 698,970	\$ 4,940,958	
Net Pension Liability- PFRS	7,906,027	-	911,115	6,994,912	
Net OPEB Liability	<u>11,091,694</u>	<u>-</u>	<u>2,317,761</u>	<u>8,773,933</u>	
Total	<u>\$ 24,637,649</u>	<u>\$ -</u>	<u>\$ 3,927,846</u>	<u>\$ 20,709,803</u>	
	Balance, December 31, <u>2016</u>	Prior Period <u>Adjustment (A)</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>
<u>2017</u>					
Net Pension Liability- PERS	\$ 7,679,808			\$ 2,039,880	\$ 5,639,928
Net Pension Liability- PFRS	9,352,759	-	-	1,446,732	7,906,027
Net OPEB Liability	<u>-</u>	<u>\$ 12,352,677</u>	<u>-</u>	<u>1,260,983</u>	<u>11,091,694</u>
Total	<u>\$ 17,032,567</u>	<u>\$ 12,352,677</u>	<u>\$ -</u>	<u>\$ 4,747,595</u>	<u>\$ 24,637,649</u>

(A) The prior period adjustment reflects the opening amount of the Net OPEB Liability as of December 31, 2016 resulting from the implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefit Other Than Pension" during the year ended December 31, 2018.

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13 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 OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) (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 OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 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 PERS at June 30, 2018 and 2017 is \$43.4 billion and \$48.9 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 40.45% and 36.78%, respectively. The collective net pension liability of the participating employers for PFRS at June 30, 2018 and 2017 is \$19.7 billion and \$21.6 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 57.91% and 54.52%, respectively.

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

Actuarial Methods and Assumptions

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

Employer and Employee Pension Contributions

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

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

BOROUGH OF OLD TAPPAN
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2018	\$ 453,229	\$ 224,448	\$ 1,514
2017	399,197	230,361	1,263
2016	379,983	221,325	1,176

In addition for the years ended December 31, 2018 and 2017 the Borough contributed for long-term disability insurance premiums (LTDI) \$334 and \$0 for PERS.

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

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

Public Employees Retirement System (PERS)

At December 31, 2018 and 2017, the Borough reported a liability of \$4,940,958 and \$5,639,928, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the Borough's proportionate share was .02509 percent, which was an increase of .00081 percent from its proportionate share measured as of June 30, 2017 of .02428 percent.

BOROUGH OF OLD TAPPAN
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough's pension expense to be \$259,075 and \$358,800, respectively, for PERS based on the actuarial valuations which are more than the actual contributions reported in the Borough's financial statements of \$224,448 and \$230,361, respectively. At December 31, 2018 and 2017, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2018		2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 94,225	\$ 25,477	\$ 132,801	
Changes of Assumptions	814,188	1,579,856	1,136,251	\$ 1,132,085
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		46,346	38,404	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>235,029</u>	<u>267,941</u>	<u>114,295</u>	<u>358,076</u>
Total	<u>\$ 1,143,442</u>	<u>\$ 1,919,620</u>	<u>\$ 1,421,751</u>	<u>\$ 1,490,161</u>

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

<u>Year Ending December 31,</u>	<u>Total</u>
2019	\$ 22,571
2020	(55,710)
2021	(375,336)
2022	(296,046)
2023	<u>(71,657)</u>
	<u>\$ (776,178)</u>

**BOROUGH OF OLD TAPPAN
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 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)

Actuarial Assumptions

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

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

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

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

**BOROUGH OF OLD TAPPAN
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

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

Discount Rate

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

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

**BOROUGH OF OLD TAPPAN
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

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

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

Sensitivity of Net Pension Liability

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

<u>2018</u>	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 6,212,685</u>	<u>\$ 4,940,958</u>	<u>\$ 3,874,060</u>
<u>2017</u>	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 6,996,713</u>	<u>\$ 5,639,928</u>	<u>\$ 4,509,558</u>

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

BOROUGH OF OLD TAPPAN
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13 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, 2018 and 2017, the Borough reported a liability of \$6,994,912 and \$7,906,027, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The Borough’s proportionate share of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the Borough’s proportionate share was .05169 percent, which was an increase of .00048 percent from its proportionate share measured as of June 30, 2017 of .05121 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough pension expense to be \$722,198 and \$888,264, respectively, for PFRS based on the actuarial valuations which are more than the actual contributions reported in the Borough’s financial statements of \$453,229 and \$399,197, respectively. At December 31, 2018 and 2017, the Borough’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough’s financial statements are from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 71,164	\$ 28,947	\$ 51,290	\$ 46,402
Changes of Assumptions	600,419	1,792,675	974,901	1,294,776
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		38,269	150,866	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	490,485	-	593,971	-
Total	\$ 1,162,068	\$ 1,859,891	\$ 1,771,028	\$ 1,341,178

**BOROUGH OF OLD TAPPAN
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

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

Year Ending December 31,	Total
2019	\$ 216,903
2020	(53,657)
2021	(439,210)
2022	(315,460)
2023	(106,399)
	<u>\$ (697,823)</u>

Actuarial Assumptions

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

<u>PFRS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	2.10%-8.98% Based on Age	2.10-8.98% Based on Age
Thereafter	3.10%-9.98% Based on Age	3.10-9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000

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

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

**BOROUGH OF OLD TAPPAN
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocation as of June 30, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

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

Discount Rate

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

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

**BOROUGH OF OLD TAPPAN
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Discount Rate (Continued)

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

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

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

Sensitivity of Net Pension Liability

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

<u>2018</u>	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 9,361,822</u>	<u>\$ 6,994,912</u>	<u>\$ 5,042,643</u>
	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
<u>2017</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 10,416,842</u>	<u>\$ 7,906,027</u>	<u>\$ 5,843,107</u>

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

BOROUGH OF OLD TAPPAN
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Special Funding Situation – PFRS

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

At December 31, 2018 and 2017, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$950,143 and \$885,542, respectively. For the years ended December 31, 2018 and 2017, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$112,543 and \$108,322, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$56,271 and \$44,281, respectively. At December 31, 2018 (measurement date June 30, 2018) the State's share of the PFRS net pension liability attributable to the Borough was .05169 percent, which was an increase of .00048 percent from its proportionate share measured as of December 31, 2017 (measurement date June 30, 2017) of .05121 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 OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS

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

Plan Description and Benefits Provided

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

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

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

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

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

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

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

Collective Net OPEB Liability

The collective net OPEB liability of the participating employers and the State, as the non-employer contributing entity, of the Plan at June 30, 2018 and 2017 is \$15.7 billion and \$20.4 billion, respectively, and the plan fiduciary net position as a percentage of the total OPEB liability is 1.97% and 1.03%, respectively.

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

Actuarial Methods and Assumptions

In the June 30, 2017 and 2016 OPEB 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 Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Post-Retirement Medical Benefits Contribution

The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members. The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1967, as disclosed previously. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis.

The employers participating in the OPEB plan made contributions of \$421.2 million and \$381.8 million and the State of New Jersey, as the non-employer contributing entity, contributed \$53.5 million and \$53.1 million for fiscal years 2018 and 2017, respectively.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan—using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Borough's contributions to the State Health Benefits Program Fund-Local Government Retired Plan for post-retirement benefits for the years ended December 31, 2018, 2017 and 2016 were \$295,728, \$246,459 and \$224,634, respectively, which equaled the required contributions for each year (or were not available). In addition, the Borough's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended December 31, 2018, 2017 and 2016 were \$26,013, \$32,621 and \$24,310, respectively.

BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

The regulatory basis of accounting requires participating employers in the State Health Benefit Program Fund – Local Government Retired Plan to disclose in accordance with GASB Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefits other than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

At December 31, 2018 and 2017, the Borough reported a liability of \$8,773,933 and \$11,091,694, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and 2017, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 and 2016, respectively. The Borough’s proportionate share of the net OPEB liability was based on the ratio of the Borough’s proportionate share of the OPEB liability attributable to the Borough at June 30, 2018 and 2017 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2018 and 2017, respectively. As of the measurement date of June 30, 2018 the Borough’s proportionate share was .05600 percent, which was an increase of .00167 percent from its proportionate share measured as of June 30, 2017 of .05433 percent.

For the years ended December 31, 2018 and 2017, the Plan has determined the Borough’s OPEB expense to be \$319,264 and \$689,380, respectively, based on the actuarial valuations which are more than the actual contributions reported in the Borough’s financial statements of \$295,728 and \$246,459, 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:

	<u>2018</u>		<u>2017</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		\$ 1,781,421		
Changes of Assumptions		2,225,623		\$ 1,231,084
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 4,637		\$ 1,901	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>333,195</u>	<u>416,035</u>	<u>-</u>	<u>484,915</u>
Total	<u>\$ 337,832</u>	<u>\$ 4,423,079</u>	<u>\$ 1,901</u>	<u>\$ 1,715,999</u>

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 14 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, 2018 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:

Year Ending <u>December 31,</u>	<u>Total</u>
2019	\$ (609,088)
2020	(609,088)
2021	(609,087)
2022	(609,564)
2023	(610,366)
Thereafter	<u>(1,038,054)</u>
	<u>\$ (4,085,247)</u>

Actuarial Assumptions

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

	<u>2018</u>	<u>2017</u>
Inflation Rate	2.50%	2.50%
Salary Increases*		
Initial Fiscal Year Applied Through	2026	2026
Rate	1.65% to 8.98%	1.65% to 8.98%
Rate Thereafter	2.65% to 9.98%	2.65% to 9.98%
Mortality	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
Long-Term Rate of Return	1.00%	1.00%

*Salary increases are based on the defined benefit pension plan that the member is enrolled in and his or her age.

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Actuarial Assumptions (Continued)

For the June 30, 2018 measurement date healthcare cost trend rates for pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

For the June 30, 2017 measurement date healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine year. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefit, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

The actuarial assumptions used in the June 30, 2017 and 2016 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% and 1.00% as of June 30, 2018 and 2017, respectively.

Discount Rate

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

<u>Calendar</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	3.87%
2017	June 30, 2017	3.58%

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

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 14 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 Discounts Rate

The following presents the Borough's proportionate share of the OPEB net liability as of December 31, 2018 and 2017 calculated using the discount rate of 3.87% and 3.58%, respectively, as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.87% and 2.58%, respectively or 1-percentage-point higher 4.87% and 4.58%, respectively than the current rate:

<u>2018</u>	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 10,294,143</u>	<u>\$ 8,773,933</u>	<u>\$ 7,559,629</u>
<u>2017</u>	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 13,082,984</u>	<u>\$ 11,091,694</u>	<u>\$ 9,511,639</u>

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

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

The following presents the Borough's proportionate share of the OPEB net liability as of December 31, 2018 and 2017 calculated using the healthcare trend rates as disclosed above as well as what the Borough's proportionate share of the 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>2018</u>	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 7,318,867</u>	<u>\$ 8,773,933</u>	<u>\$ 10,657,005</u>
<u>2017</u>	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 9,217,522</u>	<u>\$ 11,091,694</u>	<u>\$ 13,532,084</u>

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

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Special Funding Situation

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

At December 31, 2018 and 2017, there were no qualified plan members in the State's OPEB special funding situation.

OPEB Plan Fiduciary Net Position

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

NOTE 15 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 Old Tappan is a member of the Bergen County Municipal Joint Insurance Fund (BJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The BJIF and MEL coverage amounts are on file with the Borough.

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

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 15 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>Borough</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2018	\$ 16,000	\$ 5,034	\$ 13,267	\$ 58,447
2017	16,000	4,771	14,706	50,015
2016	20,000	4,437	14,299	43,762

NOTE 16 CONTINGENT LIABILITIES

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

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2018 and 2017. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2018 and 2017, the Borough reserved \$50,966 and \$50,707, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

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

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 17 FEDERAL ARBITRAGE REGULATIONS

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

NOTE 18 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

The Borough of Old Tappan Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on July 26, 1999 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Old Tappan approved the adoption of the Plan at the general election held on November 2, 1999.

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

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

The Borough of Old Tappan has contributed \$1,150 for 2018 and 2017, respectively, for each eligible volunteer fire department and volunteer first aid squad member into the Plan. The total Borough contributions were \$73,600 and \$72,450 for 2018 and 2017, respectively.

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

Lincoln Financial, a subsidiary of Lincoln National Corporation 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.

**BOROUGH OF OLD TAPPAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 18 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

Reporting Requirements

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

NOTE 19 CONSTRUCTION LOAN AGREEMENT – OLD TAPPAN FREE PUBLIC LIBRARY ASSOCIATION

The Borough and the Old Tappan Free Public Library Association (the "Library"), a not for profit corporation, operating as a privately owned library, have entered into a construction loan agreement whereby the Borough has agreed to loan the Library the sum of \$1,200,000. The Library has agreed to repay said loan over a nineteen year period along with interest in the average net amount of 4.085% per annum. The Borough received a partial repayment from the library during 2004 in the amount of \$120,000 making the net principal amount due on the loan \$1,080,000. Payments of interest commenced on February 10, 2005 and each six month period thereafter and payments of principal in accordance with the debt service repayment schedule commenced on August 10, 2005 and is payable annually each year thereafter.

As security for the loan, the Library executed and delivered to the Borough a Security Agreement and financing statements, which constituted a first lien and prior on the assets of the Library, a Collateral Assignment of Lease and a Collateral Assignment of Appropriation. The security interest is a valid first security lien on all of the assets of the Library, including but not limited to, all books, equipment, furnishings, fixtures, contract rights, cash accounts, receivables, and the Library's right to receive the Borough's annual appropriation out of the Borough's operating budget. The loan is further secured by a collateral assignment of the Library's rights under its Lease with the Borough and a collateral assignment of the Library's right to the Borough's annual appropriation to the Library. This Agreement also serves as an assignment of all of the Library's rights in and to the plans and approvals for the expanded structure.

As of December 31, 2018 and 2017 the balances of the Loan outstanding were \$370,000 and \$435,000, respectively.

NOTE 20 SUBSEQUENT EVENTS

Debt Authorized

On April 15, 2019 the Borough adopted a bond ordinance authorizing the issuance \$1,604,000 in bonds or bond anticipation notes to fund certain general capital projects. In addition, the Borough authorized \$500,000 in bonds or bond anticipation notes to fund certain sewer capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

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APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

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APPENDIX C

[Proposed Form of Bond Counsel Opinion]

September __, 2019

Borough Council
Borough of Old Tappan
County of Bergen, New Jersey

Dear Council Members:

We have acted as bond counsel in connection with the issuance of \$4,060,000 of bonds consisting of \$3,550,000 aggregate principal amount of General Improvement Bonds and \$510,000 aggregate principal amount of Sewer Utility Bonds (individually, the "General Improvement Bonds" or the "Sewer Utility Bonds"; collectively, the "Bonds") by the Borough of Old Tappan, in the County of Bergen, a municipal corporation of the State of New Jersey (the "Borough"). The Bonds are dated September 15, 2019 and comprise two issues of registered bonds. The Bonds bear interest from their date, payable on each March 15 and September 15, commencing March 15, 2020 (each, an "Interest Payment Date"), in each year until maturity.

The General Improvement Bonds are payable in annual installments on September 15 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>
2020	\$250,000	%	2025	\$475,000	%
2021	250,000		2026	475,000	
2022	250,000		2027	450,000	
2023	475,000		2028	450,000	
2024	475,000				

The Sewer Utility Bonds are payable in annual installments on September 15 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>
2020	\$35,000	%	2025	\$60,000	%
2021	45,000		2026	65,000	
2022	55,000		2027	65,000	
2023	60,000		2028	65,000	
2024	60,000				

The Bonds are issued pursuant to the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended). The General Improvement Bonds are also issued pursuant to five bond ordinances adopted by the Borough Council of the Borough on May 2, 2016 (Ord. No. 1099-16), April 3, 2017 (Ord. No. 1109-17), August 21, 2017 (Ord. No. 1117-17), April 2, 2018 (Ord. No. 1123-18) and April 15, 2019 (Ord. No. 1146-19) and resolutions adopted by the Borough Council of the Borough on August 19, 2019. The Sewer Utility Bonds are also issued pursuant to four bond ordinances adopted by the Borough Council of the Borough on April 4, 2016 (Ord. No. 1093-16), April 3, 2017 (Ord. No. 1110-17), April 2, 2018 (Ord. No. 1124-18, as amended by Ord. No. 1132-18 adopted on October 1, 2018) and April 15, 2019 (Ord. No. 1147-19) and resolutions adopted by the Borough Council of the Borough on August 19, 2019.

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 of each issue 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 to 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