

BOROUGH OF OLD TAPPAN
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2019

BOROUGH OF OLD TAPPAN

TABLE OF CONTENTS

<u>Exhibits</u>		<u>Page</u>
<u>PART I – Report on Audit of Financial Statements and Supplementary Schedules</u>		
	Independent Auditor's Report	1-3
Financial Statements		
A	Comparative Balance Sheets – Regulatory Basis - Current Fund	4-5
A-1	Comparative Statements of Operations and Changes in Fund Balance - Regulatory Basis - Current Fund	6
A-2	Statement of Revenues – Regulatory Basis – Current Fund	7-9
A-3	Statement of Expenditures – Regulatory Basis – Current Fund	10-14
B	Comparative Balance Sheets – Regulatory Basis - Trust Funds	15-16
B-1	Statement of Revenues – Regulatory Basis – Open Space Preservation Trust Fund	17
B-2	Statement of Appropriations – Regulatory Basis – Open Space Preservation Trust Fund	17
C	Comparative Balance Sheets – Regulatory Basis - General Capital Fund	18
C-1	Comparative Statements of Changes in Fund Balance – Regulatory Basis – General Capital Fund	19
D	Comparative Balance Sheets – Regulatory Basis - Sewer Utility Fund	20-21
D-1	Comparative Statements of Operations and Changes in Operating Fund Balance - Regulatory Basis - Sewer Utility Operating Fund	22
D-2	Comparative Statements of Changes in Fund Balance – Regulatory Basis Sewer Utility Operating Fund	23
D-3	Statement of Revenues – Regulatory Basis - Sewer Utility Operating Fund	24
D-4	Statement of Expenditures – Regulatory Basis - Sewer Utility Operating Fund	25
D-5	Statement of Revenues – Regulatory Basis - Sewer Utility Assessment Trust Fund	26
D-6	Statement of Expenditures – Regulatory Basis - Sewer Utility Assessment Trust Fund	26
E	Comparative Balance Sheets – Regulatory Basis - Public Assistance Fund	27
F	Comparative Balance Sheets – Regulatory Basis – General Fixed Assets Account Group	28
	Notes to Financial Statements	29-75
Supplementary Schedules		
<u>Current Fund</u>		
A-4	Statement of Cash - Collector-Treasurer	76
A-5	Statement of Change Funds	77
A-6	Statement of Petty Cash Fund	77
A-7	Statement of Taxes Receivable and Analysis of Property Tax Levy	78
A-8	Statement of Due From State of New Jersey for Senior Citizens' and Veterans' Deductions	79
A-9	Statement of Tax Title Liens	79
A-10	Statement of Property Acquired for Taxes (At Assessed Valuation)	80
A-11	Statement of Grants Receivable	80
A-12	Statement of Revenue Accounts Receivable	81

BOROUGH OF OLD TAPPAN

TABLE OF CONTENTS

<u>Exhibits</u>		<u>Page</u>
Supplementary Schedules (Continued)		
<u>Current Fund (Continued)</u>		
A-13	Statement of Deferred Charges – Emergency Authorization	82
A-14	Statement of Appropriation Reserves	83-84
A-15	Statement of Due To State of New Jersey	85
A-16	Statement of Prepaid Revenues	85
A-17	Statement of Prepaid Taxes	86
A-18	Statement of Tax Overpayments	86
A-19	Statement of Encumbrances Payable	86
A-20	Statement of Accounts Payable	87
A-21	Statement of Local District School Taxes Payable	87
A-22	Statement of Regional High School District Taxes	88
A-23	Statement of County Taxes Payable	88
A-24	Reserve for Tax Appeals	89
A-25	Reserve for Master Plan	89
A-26	Third Party Liens Payable	89
A-27	Statement of Reserve for Grants – Appropriated	90
A-28	Statement of Reserve for Grants – Unappropriated	90
<u>Trust Fund</u>		
B-3	Statement of Trust Fund Cash - Treasurer	91
B-4	Statement of Due To State of New Jersey - Animal Control Fund	92
B-5	Statement of Reserve for Animal Control Expenditures – Animal Control Fund	92
B-6	Statement of Due To State of New Jersey – Department of Human Services – Other Trust Fund	93
B-7	Statement of Payroll Deductions Payable – Other Trust Fund	93
B-8	Statement of Due from/to Current Fund – Other Trust Fund	93
B-9	Statement of Escrow Deposits Payable – Other Trust Fund	94
B-10	Statement of Miscellaneous Reserves and Deposits – Other Trust Fund	94
B-11	Statement of Reserve for Unemployment Compensation Insurance Claims – Unemployment Compensation Insurance Fund	95
B-12	Statement of Due to State of New Jersey – Unemployment Compensation5 Insurance Fund	95
B-13	Statement of Reserve for Open Space Preservation – Open Space Preservation Trust Fund	95
<u>General Capital Fund</u>		
C-2	Statement of General Capital Cash - Treasurer	96
C-3	Analysis of General Capital Cash	97
C-4	Statement of Grants Receivable	98
C-5	Statement of Deferred Charges to Future Taxation – Funded	99
C-6	Statement of Deferred Charges to Future Taxation – Unfunded	100
C-7	Statement of Encumbrances Payable	101
C-8	Statement of Due to Open Space Preservation Trust Fund	101
C-9	Statement of Capital Improvement Fund	101
C-10	Statement of Improvement Authorizations	102
C-11	Statement of Reserve for Sidewalk Improvements	103
C-12	Statement of Reserve for Capital Improvements	103
C-13	Statement of Reserve for Payment of Debt	103

BOROUGH OF OLD TAPPAN

TABLE OF CONTENTS

<u>Exhibits</u>		<u>Page</u>
Supplementary Schedules (Continued)		
<u>General Capital Fund (Continued)</u>		
C-14	Statement of Green Trust Loan Payable	104
C-15	Statement of General Serial Bonds	105
C-16	Statement of Bond Anticipation Notes	106
C-17	Statement of Bonds and Notes Authorized But Not Issued	107
<u>Sewer Utility Fund</u>		
D-7	Statement of Cash – Sewer - Treasurer	108
D-8	Analysis of Cash - Sewer Utility Assessment Trust Fund	109
D-9	Analysis of Cash – Sewer Utility Capital Fund	109
D-10	Statement of Consumers' Accounts Receivable – Sewer Utility Operating Fund	110
D-11	Statement of Due to Sewer Utility Operating Fund – Sewer Utility Assessment Trust Fund	110
D-12	Statement of Assessments Receivable – Sewer Utility Assessment Trust Fund	111
D-13	Statement of Deferred Charge – Utility Share of Assessment Debt Issued Sewer Utility Assessment Trust Fund	112
D-14	Statement of Fixed Capital – Sewer Utility Capital Fund	113
D-15	Statement of Fixed Capital Authorized and Uncompleted – Swim Pool Utility Capital Fund	114
D-16	Statement of Appropriation Reserves – Sewer Utility Operating Fund	114
D-17	Statement of Encumbrances Payable – Sewer Utility Capital Fund	114
D-18	Statement of Improvement Authorizations – Sewer Utility Capital Fund	115
D-19	Statement of Encumbrances Payable – Sewer Utility Operating Fund	116
D-20	Statement of Accrued Interest on Bonds, Loans and Notes – Sewer Utility Operating Fund	116
D-21	Statement of Sewer Fee Overpayments – Sewer Utility Operating Fund	117
D-22	Statement of Reserve for Amortization – Sewer Utility Capital Fund	117
D-23	Statement of Reserve for Sewer Assessment Debt – Sewer Utility Capital Fund	118
D-24	Statement of Reserve for Assessments Receivable – Sewer Utility Assessment Fund	118
D-25	Statement of Deferred Reserve for Amortization - Sewer Utility Assessment Trust Fund	118
D-26	Serial Bonds Payable – Sewer Capital Fund	119
D-27	Statement of Bond Anticipation Notes – Sewer Utility Capital Fund	120
D-28	Statement of Environmental Infrastructure Assessment Loans – Sewer Utility Assessment Trust Fund	121
D-29	Statement of Sewer Assessment Serial Bonds – Sewer Utility Assessment Trust Fund	122
D-30	Statement of Authorized But Not Issued – Sewer Utility Capital Fund	122
<u>Public Assistance Fund</u>		
E-1	Statement of Public Assistance Cash - Treasurer	123
E-2	Statement of Reserve for Public Assistance Expenditures	123
E-3	Statement of Public Assistance Revenues	124
E-4	Statement of Public Assistance Expenditures	124

BOROUGH OF OLD TAPPAN

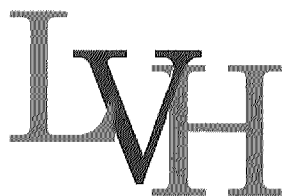
TABLE OF CONTENTS

<u>Exhibits</u>	<u>Page</u>
<u>PART II – Government Auditing Standards</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	125-126
Schedule of Expenditures of Federal Awards, Schedule A	127
Schedule of Expenditures of State Financial Assistance, Schedule B	128
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	129-130
Schedule of Findings and Responses	131-132
Summary Schedule of Prior Year Audit Findings	133
<u>PART III – Supplementary Data and Letter of Comments and Recommendations</u>	
Comparative Statement of Operations and Changes in Fund Balance - Current Fund	134
Comparative Statement of Operations and Changes in Fund Balance – Sewer Utility Operating Fund	135
Comparative Schedule of Tax Rate Information	136
Comparison of Tax Levies and Collection	136
Delinquent Taxes and Tax Title Liens	137
Property Acquired by Tax Title Lien Liquidation	137
Schedule of Sewer Utility Levies	137
Comparative Schedule of Fund Balances	138
Officials in Office and Surety Bonds	139
General Comments	140-143
Management Suggestions	143
Appreciation	143
Recommendations	144

BOROUGH OF OLD TAPPAN
BERGEN COUNTY, NEW JERSEY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of 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, 2019 and 2018, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of 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, 2019 and 2018, or changes in financial position, or, where applicable, cash flows for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 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, 2019 and 2018. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 43.5 percent and 42.2 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2019 and 2018.

Qualified Opinion on Regulatory Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Old Tappan as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Old Tappan.

The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated July 8, 2020 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 solely 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.

Lerch, Vinci & Higgins, LLP

LERCH, VINCI & HIGGINS, LLP

Certified Public Accountants

Registered Municipal Accountants



Jeffery C. Bliss

Registered Municipal Accountant

RMA Number CR00429

Fair Lawn, New Jersey
July 8, 2020

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash	A-4	\$ 6,300,234	\$ 5,667,484
Cash - Change Funds	A-5	300	255
Cash - Petty Cash	A-6	100	100
Due from State-Senior Citizens and Veteran's Deductions	A-8	2,028	2,696
Grants Receivable	A-11	<u>16,996</u>	<u>22,053</u>
		<u>6,319,658</u>	<u>5,692,588</u>
RECEIVABLES AND OTHER ASSETS			
WITH FULL RESERVES			
Delinquent Property Taxes Receivable	A-7	282,141	371,180
Tax Title Liens Receivable	A-9	47,429	43,083
Property Acquired for Taxes - Assessed Valuation	A-10	278,485	278,485
Revenue Accounts Receivable	A-12	37,719	24,096
Due from Other Trust Fund	B-8	<u>-</u>	<u>57</u>
		<u>645,774</u>	<u>716,901</u>
DEFERRED CHARGES			
Special Emergency Authorization	A-13	<u>6,000</u>	<u>9,000</u>
Total Assets		<u>\$ 6,971,432</u>	<u>\$ 6,418,489</u>

The Accompanying Notes are an Integral Part of These Financial Statements

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Appropriation Reserves	A-3,A-14	\$ 211,170	\$ 161,506
Encumbrances Payable	A-19	431,007	276,131
Accounts Payable	A-20	6,879	9,032
Due to State - Sales Tax Payable	A-15	1,365	1,294
Due to State-DCA Training Fees	A-15	1,706	1,768
Due to Other Trust Fund	B-8	945	-
Third Party Lien Payable	A-26	1,480	1,480
Prepaid Revenues	A-16	11,564	353
Prepaid Taxes	A-17	130,567	216,132
County Taxes Payable	A-23	5,292	4,816
Local District School Taxes Payable	A-21	3,263,103	3,055,251
Reserve for Tax Appeals	A-24	51,983	50,966
Reserve for Master Plan	A-25	5,327	5,327
Reserve for Grants - Appropriated	A-27	5,904	9,139
Reserve for Grants - Unappropriated	A-28	<u>33,148</u>	<u>15,561</u>
		4,161,440	3,808,756
Reserve for Receivables and Other Assets	A	645,774	716,901
Fund Balance	A-1	<u>2,164,218</u>	<u>1,892,832</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 6,971,432</u>	<u>\$ 6,418,489</u>

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 800,000	\$ 800,000
Miscellaneous Revenue Anticipated	A-2	3,159,455	3,097,108
Receipts from Delinquent Taxes	A-2	371,246	300,420
Receipts from Current Taxes	A-2	35,408,086	34,731,839
Non-Budget Revenue	A-2	300,043	170,749
Other Credits to Income			
Unexpended Balances of Appropriation Reserves	A-14	113,628	98,191
Accounts Payable Cancelled	A-20	2,300	1,055
Prior Year Interfunds Returned	A	<u>57</u>	<u>-</u>
Total Income		<u>40,154,815</u>	<u>39,199,362</u>
EXPENDITURES			
Operations			
Salaries and Wages	A-3	3,621,621	3,460,849
Other Expenses	A-3	3,151,934	3,176,100
Capital Improvements	A-3	50,000	50,000
Municipal Debt Service	A-3	1,212,483	1,184,465
Deferred Charges and Statutory Expenditures	A-3	1,008,269	921,401
County Taxes	A-23	4,252,972	4,330,788
Due County for Added and Omitted Taxes	A-23	5,292	4,816
Local District School Taxes	A-21	14,739,927	14,324,223
Regional High School District Taxes	A-22	10,867,144	10,732,232
Municipal Open Space Taxes	A-4	173,626	174,316
Other Debits to Income			
Prior Year Senior Citizen Deductions Disallowed	A-8	157	631
Refund of Prior Year Revenue	A-4	4	2,250
Interfunds Advanced	A-1	<u>-</u>	<u>57</u>
Total Expenditures		<u>39,083,429</u>	<u>38,362,128</u>
Excess in Revenue		1,071,386	837,234
Fund Balance, January 1	A	<u>1,892,832</u>	<u>1,855,598</u>
		2,964,218	2,692,832
Less Utilization as Anticipated Revenue	A-1,A-2	<u>800,000</u>	<u>800,000</u>
Fund Balance, December 31	A	<u>\$ 2,164,218</u>	<u>\$ 1,892,832</u>

The Accompanying Notes are an Integral Part of These Financial Statements

BOROUGH OF OLD TAPPAN
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Ref.</u>	<u>Budget</u>	<u>Anticipated</u> <u>Special</u> <u>Added by</u> <u>40A:4-87</u>	<u>Realized</u>	<u>Excess or</u> <u>(Deficit)</u>
Surplus Anticipated	A-1	\$ 800,000	-	\$ 800,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-12	10,800		10,800	\$ -
Other	A-2	5,700		6,091	391
Fees and Permits	A-2	25,000		20,376	(4,624)
Fines and Costs - Municipal Court	A-12	55,000		49,651	(5,349)
Interest and Costs on Taxes	A-12	91,500		126,007	34,507
Uniform Fire Safety Act	A-12	6,800		7,076	276
Interest on Investments and Deposits	A-2	90,000		180,383	90,383
Golf Course Fees	A-12	480,000		500,493	20,493
Uniform Construction Code Fees	A-12	184,000		136,625	(47,375)
Energy Receipts Tax	A-12	1,463,986		1,463,986	-
Watershed Moratorium Offset Aid	A-12	38,540		38,540	-
River Vale Fuel Reimbursement	A-12	130,000		116,275	(13,725)
Public and Private Revenues Offset with Appropriations					
Recycling Tonnage Grant	A-11	14,888		14,888	-
Drunk Driving Enforcement Fund	A-28	2,500		2,500	
Clean Communities Program	A-28	12,182		12,182	-
Alcohol Education and Rehabilitation Fund	A-28	879		879	-
Municipal Alliance on Alcoholism and Drug Abuse	A-11		\$ 9,876	9,876	-
Body Armor Fund	A-11	3,724		3,724	-
Community Development Block Grants					
Senior Citizens' Programs	A-11		6,000	6,000	-
BCUA Recycling Grant	A-11	3,000		3,000	
Special Items of Revenue:					
NVRHS SLEO Interlocal Agreement	A-12	62,500		14,165	(48,335)
Cell Tower Leases	A-12	186,000		207,446	21,446
Police Outside Duty Admin Fee	A-12	60,000		60,000	-
Library Contribution - Municipal Services	A-12	47,880		47,880	-
Golf Concession , Rent and Utilities	A-12	34,000		34,680	680
Library Debt Service Reimbursement	A-12	85,932	-	85,932	-
Total Miscellaneous Revenues	A-1	3,094,811	15,876	3,159,455	48,768
Receipts from Delinquent Taxes	A-1,A-7	325,000	-	371,246	46,246
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes	A-2	5,738,606	-	6,259,125	520,519
	A-3	\$9,958,417	\$ 15,876	10,589,826	\$ 615,533
Non-Budget Revenue	A-1,A-2			300,043	
				<u>\$ 10,889,869</u>	

The Accompanying Notes are an Integral Part of These Financial Statements

BOROUGH OF OLD TAPPAN
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Reference</u>	<u>2019</u>
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Current Taxes	A-7	\$ 35,433,086
Less: Transferred to Reserve Tax Appeals	A-24	<u>25,000</u>
		35,408,086
Allocated to School, County , Municipal Open Space Taxes	A-4,A-21,A-22,A-23	<u>30,038,961</u>
Balance for Support of Municipal Budget Appropriation		5,369,125
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>890,000</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u>\$ 6,259,125</u>
Licenses - Other		
Borough Clerk	A-12	\$ 4,983
Health Officer	A-12	<u>1,108</u>
	A-2	<u>\$ 6,091</u>
Fees and Permits		
Planning Board	A-12	\$ 4,250
Police	A-12	11,394
Health Officer	A-12	275
Zoning Board	A-12	3,465
Tax Search	A-12	30
Registrar of Vital Statistics	A-12	<u>962</u>
	A-2	<u>\$ 20,376</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-12	\$ 179,705
Due from Other Trust Fund	B-8	<u>678</u>
	A-2	<u>\$ 180,383</u>

The Accompanying Notes are an Integral Part of These Financial Statements

**BOROUGH OF OLD TAPPAN
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Reference</u>	
ANALYSIS OF NON-BUDGET REVENUE		
Smoke Detector Compliance	\$	8,550
LEA Rebate - UFSA		3,909
Senior Citizen and Veterans Administrative Fees		597
Stone Point Park Usage Fees		1,250
User Fees- Harrington Park		6,250
Right of Way Fees		2,675
Sale of Vehicle		28,524
Soil Moving Fees		4,200
Franchise Fees		91,489
BCJIF Dividend		8,674
Community Garden Fees		425
Public Auction SREC		<u>143,500</u>
	A-2	<u>\$ 300,043</u>
Cash Receipts	A-4	299,940
Prepaid Revenue	A-16	<u>\$ 103</u>
		<u>\$ 300,043</u>

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

	<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	\$ 204,543	\$ 203,493	\$ 179,201	\$ 24,292	
Other Expenses	69,600	69,600	65,005	4,595	
Mayor and Council					
Salaries and Wages	46,420	46,420	45,907	513	
Other Expenses	600	600	534	66	
Financial Administration					
Salaries and Wages	102,380	106,130	106,082	48	
Other Expenses	46,038	46,038	44,843	1,195	
Audit Services					
Other Expenses	23,100	23,100	23,100	-	
Assessment of Taxes					
Salaries and Wages	17,496	17,496	17,496	-	
Other Expenses	11,860	11,860	2,256	9,604	
Collection of Taxes					
Salaries and Wages	114,610	114,610	114,606	4	
Other Expenses	3,300	3,300	3,295	5	
Legal Services and Costs					
Other Expenses	93,000	93,000	81,419	11,581	
Engineering Services & Costs					
Other Expenses	11,500	11,500	5,740	5,760	
Open Space Advisory					
Other Expenses	80	80		80	
Senior Advisory					
Other Expenses	9,150	9,150	8,794	356	
Municipal Land Use Law (NJSA 40:55D-1)					
Planning Board					
Salaries and Wages	15,000	15,000	14,976	24	
Other Expenses	7,286	9,536	8,469	1,067	
Insurance					
General Liability	119,197	119,197	119,116	81	
Workers Compensation	105,034	105,034	102,471	2,563	
Employee Group Health	693,550	665,946	601,727	64,219	
Health Benefit Waiver	10,000	13,334	13,334	-	
Unemployment Insurance	5,000	5,000	5,000	-	
PUBLIC SAFETY					
Fire					
Salaries and Wages	32,000	32,000	31,640	360	
Other Expenses	29,750	29,750	29,726	24	
Rent	11,876	11,876	11,876	-	
Fire Hydrant Services	117,000	117,000	116,146	854	

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

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance 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	\$ 12,060	\$ 12,060	\$ 12,060		
Other Expenses	3,350	3,350	1,882	\$ 1,468	
Police					
Salaries and Wages	2,059,642	2,059,642	2,059,642	-	
Other Expenses	58,500	58,500	58,141	359	
Purchase of Police Vehicles	25,000	25,000	24,732	268	
Police Dispatch/911					
Contractual	131,440	131,510	131,377	133	
First Aid Organization - Contribution	43,000	43,000	43,000	-	
Emergency Management Services					
Salaries and Wages	810	810	809	1	
Other Expenses	500	500		500	
Municipal Prosecutor					
Salaries and Wages	5,709	5,709	5,209	500	
PUBLIC WORKS FUNCTIONS					
Road Repairs & Maintenance					
Salaries and Wages	488,200	488,200	482,803	5,397	
Other Expenses	39,755	39,755	38,421	1,334	
Shade Tree Commission					
Other Expenses	28,295	28,295	28,215	80	
Recycling					
Salaries and Wages	2,750	2,750	2,554	196	
Other Expenses	61,065	61,065	58,716	2,349	
Solid Waste Collection					
Other Expenses	5,400	5,400	5,400	-	
Public Buildings and Grounds					
Other Expenses	38,000	38,000	30,908	7,092	
Contractual	19,312	19,312	17,580	1,732	
Vehicle Maintenance					
Other Expenses	56,750	56,750	56,584	166	
HEALTH & HUMAN SERVICES					
Board of Health					
Other Expenses	34,724	34,724	33,984	740	
O.S.H.A.					
Hepatitis B Program					
Other Expenses	666	666	666	-	
Environmental Commission					
Salaries and Wages	1,500	1,500	1,494	6	
Other Expenses	450	450	435	15	
Administration of Public Assistance					
Salaries and Wages	7,707	7,707	7,706	1	
Other Expenses	975	975		975	
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, 2019

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended Reserved</u>	<u>Unexpended Balance Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd.)					
PARKS AND RECREATION FUNCTIONS					
Parks and Playgrounds					
Salaries and Wages	\$ 34,090	\$ 34,090	\$ 33,887	\$ 203	
Other Expenses	15,290	15,290	15,189	101	
Golf Course					
Salaries and Wages	317,120	317,120	312,967	4,153	
Other Expenses	97,701	114,201	113,922	279	
Recreation Program Fees					
Other Expenses	200	250	250	-	
OTHER COMMON OPERATING FUNCTIONS					
Celebration of Public Events					
Other Expenses	10,650	10,650	4,015	6,635	
Municipal Court Administration					
Salaries and Wages	12,343	12,343	12,116	227	-
Other Expenses	2,930	2,930	1,755	1,175	-
Public Defender					
Other Expenses	600	600	200	400	
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	108,300	108,300	108,267	33	
Other Expenses	3,150	3,150	2,688	462	
UNCLASSIFIED					
Utilities					
Electricity	118,250	118,250	105,374	12,876	
Street Lighting	13,000	13,000	12,841	159	
Telephone	22,750	24,450	24,370	80	
Water	28,200	28,200	28,195	5	
Gasoline	39,500	39,500	38,484	1,016	
Interlocal Service Agreement					
Harrington Park Service Fee	11,200	11,200	11,166	34	-
Total Operations Within "CAPS"	5,862,204	5,861,204	5,682,763	178,441	-
Contingent	5,000	5,000	-	5,000	-
Total Operations including Contingent Within "CAPS"	5,867,204	5,866,204	5,682,763	183,441	-
Detail:					
Salaries and Wages	3,582,680	3,585,380	3,549,422	35,958	-
Other Expenses	2,284,524	2,280,824	2,133,341	147,483	-

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, 2019

	<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.)	\$ 262,100	\$ 262,100	\$ 255,796	\$ 6,304	
Public Employees Retirement System	234,769	234,769	234,621	148	
Police and Firemen's Retirement System	505,800	505,800	505,375	425	-
Defined Contribution Retirement Program	1,600	2,600	2,592	8	-
Total Deferred Charges & Statutory					
Expenditures - Municipal Within "CAPS"	1,004,269	1,005,269	998,384	6,885	-
Total General Appropriations for Municipal					
Purposes Within "CAPS"	6,871,473	6,871,473	6,681,147	190,326	-
OPERATIONS - EXCLUDED FROM CAPS					
Aid to Public Library Association	584,675	584,675	584,675	-	
Stormwater Management					
Other Expenses	12,980	12,980	11,924	1,056	
Fire					
LOSAP	84,000	84,000	84,000	-	-
Total Other Operations Excluded					
from "CAPS"	681,655	681,655	680,599	1,056	-
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS					
River Vale Fuel Reimbursement					
Gasoline	130,000	130,000	116,275	-	\$ 13,725
Emerson - Municipal Court Administration					
Other Expenses	20,131	20,131	20,131	-	-
NVRHS- SLEO III Agreement					
Salaries and Wages	62,500	62,500	35,350	891	26,259
Total Interlocal Municipal Service Agreements	212,631	212,631	171,756	891	39,984
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
Drunk Driving Enforcement Fund	2,500	2,500		2,500	
Municipal Alliance Program		9,876	2,950	6,926	
Clean Communities Grant	12,182	12,182	11,677	505	
Body Armor Replacement	3,724	3,724	830	2,894	
Recycling Tonnage Grant	14,888	14,888	14,888	-	
Alcohol Education and Rehabilitation Fund	879	879		879	
BCUA Recycling Enhancement Grant	3,000	3,000	2,847	153	
Community Development-Senior Citizen Program	-	6,000	960	5,040	-
Total Public and Private Programs					
Offset by Revenues	37,173	53,049	34,152	18,897	-
Total Operations Excluded from "CAPS"	931,459	947,335	886,507	20,844	39,984

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, 2019

	<u>Appropriated</u>	<u>Budget After</u>	<u>Expended</u>	<u>Unexpended</u>	
	<u>Budget</u>	<u>Modification</u>	<u>Paid or</u>	<u>Balance</u>	
			<u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS" (Cont'd.)					
Detail:					
Salaries and Wages	\$ 62,500	\$ 62,500	\$ 35,350	\$ 891	\$ 26,259
Other Expenses	<u>868,959</u>	<u>884,835</u>	<u>851,157</u>	<u>19,953</u>	<u>13,725</u>
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Total Capital Improvements Excluded from "CAPS"	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE -					
EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,040,000	1,040,000	1,040,000	-	
Interest on Bonds	114,038	114,038	114,036	-	2
Interest on Notes	<u>58,447</u>	<u>58,447</u>	<u>58,447</u>	<u>-</u>	<u>-</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>1,212,485</u>	<u>1,212,485</u>	<u>1,212,483</u>	<u>-</u>	<u>2</u>
DEFERRED CHARGES					
Special Emergency Authorizations- 5 years	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
Total Deferred Charges - Municipal	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
Excluded from "CAPS"					
Total General Appropriations for Municipal					
Purposes Excluded from "CAPS"	<u>2,196,944</u>	<u>2,212,820</u>	<u>2,151,990</u>	<u>20,844</u>	<u>39,986</u>
Subtotal General Appropriations	9,068,417	9,084,293	8,833,137	211,170	39,986
Reserve for Uncollected Taxes	<u>890,000</u>	<u>890,000</u>	<u>890,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 9,958,417</u>	<u>\$ 9,974,293</u>	<u>\$ 9,723,137</u>	<u>\$ 211,170</u>	<u>\$ 39,986</u>
	<u>Reference</u>	A-2	A-1	A, A-1	
Budget as Adopted	A-3	\$ 9,958,417			
Appropriation by 40A:4-87	A-2	<u>15,876</u>			
		<u>\$ 9,974,293</u>			
Cash Disbursements	A-4		\$ 8,398,130		
Encumbrances Payable	A-19		431,007		
Due to Other Trust Fund	B-8		1,000		
Deferred Charges:					
Special Emergency Authorization	A-13		3,000		
Reserve for Uncollected Taxes	A-2		<u>890,000</u>		
			<u>\$ 9,723,137</u>		

The Accompanying Notes are an Integral Part of These Financial Statements

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-3	\$ 3,694	\$ 3,005
OTHER TRUST FUND			
Cash	B-3	2,084,049	1,682,499
Due from Current Fund	B-8	945	-
		<u>2,084,994</u>	<u>1,682,499</u>
UNEMPLOYMENT COMPENSATION INSURANCE FUND			
Cash	B-3	56,016	58,447
OPEN SPACE PRESERVATION TRUST FUND			
Cash	B-3	311,640	353,055
Due from General Capital Fund	C-8	6,475	-
		<u>318,115</u>	<u>353,055</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND - (UNAUDITED)			
Investments	B	1,822,288	1,450,582
Contributions Receivable	B	70,150	78,200
		<u>1,892,438</u>	<u>1,528,782</u>
Total Assets		<u>\$ 4,355,257</u>	<u>\$ 3,625,788</u>

The Accompanying Notes are an Integral Part of These Financial Statements

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to State of New Jersey	B-4	\$ 7	\$ 19
Reserve for Animal Control Expenditures	B-5	<u>3,687</u>	<u>2,986</u>
		<u>3,694</u>	<u>3,005</u>
OTHER TRUST FUND			
Due to State of New Jersey			
Department of Human Services	B-6	325	450
Due to Current Fund	B-8	-	57
Escrow Deposits Payable	B-9	391,675	403,520
Miscellaneous Reserves and Deposits	B-10	<u>1,692,994</u>	<u>1,278,472</u>
		<u>2,084,994</u>	<u>1,682,499</u>
UNEMPLOYMENT COMPENSATION INSURANCE FUND			
Reserve for Unemployment Compensation			
Insurance Claims	B-11	<u>56,016</u>	<u>58,447</u>
OPEN SPACE PRESERVATION TRUST FUND			
Reserve for Open Space Preservation	B-13	<u>318,115</u>	<u>353,055</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND - (UNAUDITED)			
Reserve for Length of Service Awards Program	B	<u>1,892,438</u>	<u>1,528,782</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 4,355,257</u>	<u>\$ 3,625,788</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF REVENUES-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Reference</u>	<u>Anticipated (Memo)</u>		<u>Realized</u>	<u>Excess or Deficit</u>
		<u>Budget</u>	<u>Budget After Modifications</u>		
Amount to be Raised by Taxation	B-13	\$ 173,411	\$ 173,411	\$ 173,626	\$ 215
Reserve Funds Utilized	B-13	-	50,110	50,110	-
	B-2	<u>\$ 173,411</u>	<u>\$ 223,521</u>	\$ 223,736	<u>\$ 215</u>
Non-Budget Revenue	B-13			6,293	
				<u>\$ 230,029</u>	

EXHIBIT B-2

**STATEMENT OF APPROPRIATIONS-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<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	15,000	15,000	12,813	\$ 2,187
Capital Improvements:				
Down Payment on Improvements		100,000	100,000	
Debt Service:				
Payment of Bond Principal	40,501	40,501	40,501	
Interest on Bonds	1,020	1,020	1,020	
Reserve for Future Use	49,890	-	-	-
	<u>\$ 173,411</u>	<u>\$ 223,521</u>	<u>\$ 221,334</u>	<u>\$ 2,187</u>
Reference	B-1	B-1	B-13	

The Accompanying Notes are an Integral Part of These Financial Statements

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash	C-2,C-3	\$ 1,829,173	\$ 1,027,325
Grants Receivable	C-4	529,471	581,198
Deferred Charges to Future Taxation			
Funded	C-5	6,924,554	4,455,055
Unfunded	C-6	<u>63,486</u>	<u>1,948,223</u>
 Total Assets		 <u>\$ 9,346,684</u>	 <u>\$ 8,011,801</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-15	\$ 6,904,000	\$ 4,394,000
Green Trust Loan	C-14	20,554	61,055
Bond Anticipation Notes	C-16		1,948,223
Encumbrances Payable	C-7	733,821	91,718
Due to Open Space Preservation Trust Fund	C-8	6,475	-
Improvement Authorizations:			
Funded	C-10	918,841	415,684
Unfunded	C-10	63,486	517,479
Capital Improvement Fund	C-9	98,617	132,762
Reserve for Sidewalk Improvements	C-11	221,622	228,801
Reserve for Capital Improvements	C-12	9,116	9,116
Reserve for Payment of Debt	C-13	59,442	59,442
Fund Balance	C-1	<u>310,710</u>	<u>153,521</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 9,346,684</u>	 <u>\$ 8,011,801</u>

There were bonds and notes authorized but not issued as of December 31, 2019 and 2018, of \$63,486 and \$0 respectively (Exhibit C-17)

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
Balance, January 1	C	\$ 153,521	\$ 296,662
Increased by:			
Premium on Bonds and Notes Issued	C-2	34,776	15,975
Funded Improvement Authorizations Cancelled	C-10	<u>122,413</u>	<u>9,145</u>
		310,710	321,782
Decreased by:			
Grant Receivable Cancelled	C-1	-	261
Appropriated to Finance Improvement Authorizations	C-1	<u>-</u>	<u>168,000</u>
Balance, December 31	C	<u>\$ 310,710</u>	<u>\$ 153,521</u>

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
OPERATING FUND			
Cash	D-7	\$ 494,255	\$ 316,489
Receivables With Full Reserves			
Consumer Accounts Receivable	D-10	<u>38,108</u>	<u>55,935</u>
		<u>532,363</u>	<u>372,424</u>
ASSESSMENT TRUST FUND			
Cash	D-7,D-8	381,578	824,638
Assessments Receivable	D-12	131,869	303,522
Deferred Charge			
Utility Share of Assessment Debt Issued	D-13	<u>55,430</u>	<u>56,713</u>
		<u>568,877</u>	<u>1,184,873</u>
CAPITAL FUND			
Cash	D-7,D-9	682,860	270,152
Fixed Capital	D-14	18,660,691	18,441,045
Fixed Capital Authorized and Uncompleted	D-15	<u>523,622</u>	<u>233,500</u>
		<u>19,867,173</u>	<u>18,944,697</u>
Total Assets		<u>\$ 20,968,413</u>	<u>\$ 20,501,994</u>

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

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
LIABILITIES, RESERVES AND FUND BALANCE			
OPERATING FUND			
Liabilities			
Appropriation Reserves	D-4, D-16	\$ 83,313	\$ 14,993
Encumbrances Payable	D-19	66,816	60,592
Accrued Interest on Bonds, Loans and Notes	D-20	8,615	17,238
Sewer Fee Overpayments	D-21	<u>1,109</u>	<u>1,382</u>
		159,853	94,205
Reserve for Receivables	D	38,108	55,935
Fund Balance	D-1	<u>334,402</u>	<u>222,284</u>
		<u>532,363</u>	<u>372,424</u>
ASSESSMENT TRUST FUND			
Assessment Serial Bonds	D-29	215,000	390,000
Environmental Infrastructure Loans	D-28	139,676	591,439
Reserve for Assessments Receivable	D-24	20,544	20,544
Fund Balance	D-2	<u>193,657</u>	<u>182,890</u>
		<u>568,877</u>	<u>1,184,873</u>
CAPITAL FUND			
Serial Bonds Payable	D-26	510,000	
Bond Anticipation Notes	D-27		225,000
Encumbrances Payable	D-17	474,647	73,338
Improvement Authorizations			
Funded	D-18	36,245	
Unfunded	D-18	12,155	33,346
Reserve for Sewer Assessment Debt	D-23	171,968	171,968
Deferred Reserve for Amortization	D-25	211,345	
Reserve for Amortization	D-22	<u>18,450,813</u>	<u>18,441,045</u>
		<u>19,867,173</u>	<u>18,944,697</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 20,968,413</u>	<u>\$ 20,501,994</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2019 and 2018 of \$12,155 and \$8,500, respectively (Exhibit D-30)

The Accompanying Notes are an Integral Part of These Financial Statements

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, 2019 AND 2018

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	D-3	\$ 40,000	\$ 41,000
Sewer User Fees	D-3	1,317,740	1,148,231
Interest on Assessments	D-3	14,322	23,362
Non-Budget Revenue	D-3	11,072	10,574
Other Credits to Income:			
Unexpended Balances of Appropriation Reserves	D-16	<u>4,642</u>	<u>32,867</u>
 Total Income		 <u>1,387,776</u>	 <u>1,256,034</u>
 EXPENDITURES			
Operating	D-4	1,144,564	1,106,044
Capital Improvements	D-4	10,000	10,000
Debt Service	D-4	32,094	46,969
Deferred Charges and Statutory Expenditures	D-4	<u>49,000</u>	<u>48,000</u>
 Total Expenditures		 <u>1,235,658</u>	 <u>1,211,013</u>
 Excess in Revenue		 152,118	 45,021
 Fund Balance, January 1	 D	 <u>222,284</u>	 <u>218,263</u>
		374,402	263,284
 Less Utilization as Anticipated Revenue	 D-1,D-3	 <u>40,000</u>	 <u>41,000</u>
 Fund Balance, December 31	 D	 <u>\$ 334,402</u>	 <u>\$ 222,284</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, 2019 AND 2018

		<u>2019</u>	<u>2018</u>
Balance, January 1	D	\$ 182,890	\$ 82,583
Increased by:			
Collection of Unpledged Assessments	D-24	<u>10,767</u>	<u>100,307</u>
Balance, December 31	D	<u>\$ 193,657</u>	<u>\$ 182,890</u>

BOROUGH OF OLD TAPPAN
STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Reference</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	D-1	\$ 40,000	\$ 40,000	
Sewer User Fees	D-10	1,197,830	1,317,740	\$ 119,910
Interest on Assessments	D-11	<u>10,000</u>	<u>14,322</u>	<u>4,322</u>
	D-4	<u>\$ 1,247,830</u>	1,372,062	<u>\$ 124,232</u>
Non-Budget Revenue	D-3		<u>11,072</u>	
			<u>\$ 1,383,134</u>	
Analysis of Non-Budget Revenue:				
Interest on Delinquent Accounts			\$ 7,853	
Sewer Connection Fees			<u>3,219</u>	
	D-3,D-7		<u>\$ 11,072</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, 2019

	<u>Appropriated</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Expended</u>	<u>Unexpended</u>
	<u>Budget</u>	<u>Modification</u>	<u>Charged</u>	<u>Reserved</u>	<u>Balance</u>
					<u>Cancelled</u>
OPERATING					
Salaries	\$ 372,540	\$ 372,540	\$ 364,151	\$ 8,389	
Other Expenses	<u>772,024</u>	<u>772,024</u>	<u>697,332</u>	<u>74,692</u>	<u>-</u>
Total Operating	<u>1,144,564</u>	<u>1,144,564</u>	<u>1,061,483</u>	<u>83,081</u>	<u>-</u>
CAPITAL IMPROVEMENTS					
Capital Outlay	<u>10,000</u>	<u>10,000</u>	<u>9,768</u>	<u>232</u>	<u>-</u>
Total Capital Improvements	<u>10,000</u>	<u>10,000</u>	<u>9,768</u>	<u>232</u>	<u>-</u>
DEBT SERVICE					
Interest on Bonds and Loans	37,516	35,972	23,800		\$ 12,172
Interest on Notes	<u>6,750</u>	<u>8,294</u>	<u>8,294</u>	<u>-</u>	<u>-</u>
Total Debt Service	<u>44,266</u>	<u>44,266</u>	<u>32,094</u>	<u>-</u>	<u>12,172</u>
STATUTORY EXPENDITURES					
STATUTORY EXPENDITURES					
Social Security System (O.A.S.I.)	16,000	16,000	16,000	-	
Public Employees Retirement System	27,000	27,000	27,000		
Unemployment Compensation Insurance	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>-</u>
Total Statutory Expenditures	<u>49,000</u>	<u>49,000</u>	<u>49,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,247,830</u>	<u>\$ 1,247,830</u>	<u>\$ 1,152,345</u>	<u>\$ 83,313</u>	<u>\$ 12,172</u>
	<u>Reference</u>	D-3	D-1	D, D-1	
Budget as Adopted	D-4	<u>\$ 1,247,830</u>			
Cash Disbursements	D-7		\$ 1,053,435		
Encumbrances Payable	D-19		66,816		
Accrued Interest on Bonds, Loans and Notes	D-20		<u>32,094</u>		
			<u>\$ 1,152,345</u>		

**BOROUGH OF OLD TAPPAN
STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY ASSESSMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budget</u>	<u>Anticipated Budget After Modifications</u>	<u>Realized</u>
Assessment Cash	\$ 626,765	\$ 626,765	\$ 625,480
	<u>\$ 626,765</u>	<u>\$ 626,765</u>	<u>\$ 625,480</u>
<u>Reference</u>	D-6	D-6	D-7

**STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY ASSESSMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budget</u>	<u>Appropriation Budget After Modifications</u>	<u>Expended</u>
Payment of Bond Principal	\$ 175,000	\$ 175,000	\$ 175,000
Payment of Loan Principal	451,765	451,765	450,480
	<u>\$ 626,765</u>	<u>\$ 626,765</u>	<u>\$ 625,480</u>
<u>Reference</u>	D-5	D-5	D-28,D-29

**BOROUGH OF OLD TAPPAN
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2019 AND 2018**

	<u>Reference</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Cash	E-1	<u>\$ 66,567</u>	<u>\$ 84,782</u>
LIABILITIES AND RESERVES			
Reserve for Public Assistance Expenditures	E-2	<u>\$ 66,567</u>	<u>\$ 84,782</u>

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

	<u>2019</u>	<u>2018</u>
ASSETS		
Land	\$ 24,751,900	\$ 24,751,900
Buildings and Building Improvements	7,308,548	7,301,648
Machinery and Equipment	<u>8,322,079</u>	<u>8,035,706</u>
	<u>\$ 40,382,527</u>	<u>\$ 40,089,254</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 40,382,527</u>	<u>\$ 40,089,254</u>

NOTES TO FINANCIAL STATEMENTS

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

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, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

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

Unemployment 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, 2019 AND 2018**

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, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

Deferred Charges – Certain expenditures, 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 NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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, 2019 AND 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

Trust Funds (Except 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 2019 and 2018 the Borough Council increased the original Current Fund budget by \$15,876 and \$96,599. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2019 and 2018.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. **Cash Deposits**

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

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2019 and 2018, the book value of the Borough's deposits were \$12,210,466 and \$10,288,231 and bank and brokerage firm balances of the Borough's deposits amounted to \$12,266,392 and \$10,484,783, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2019</u>	<u>2018</u>
Insured	\$ 12,258,300	\$ 10,476,869
Uninsured and Collateralized	8,092	7,914
	<u>\$ 12,266,392</u>	<u>\$ 10,484,783</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2019 and 2018, the Borough's bank balances of \$8,092 and \$7,914 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2019</u>	<u>2018</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department not in the Borough's name	\$ 8,092	\$ 7,914

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, 2019 AND 2018**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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

	<u>Fair Value</u> <u>(LOSAP-Unaudited)</u>	
	<u>2019</u>	<u>2018</u>
Investment:		
Lincoln Financial LOSAP Investment Fund (Unaudited)	\$ 1,822,288	\$ 1,450,582

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2019 and 2018, \$1,822,288 and \$1,450,582 of the Borough's investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u> <u>(LOSAP-Unaudited)</u>	
	<u>2019</u>	<u>2018</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 1,822,288	\$ 1,450,582

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

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

NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE

Receivables at December 31, 2019 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2019</u>			
Property Taxes	\$ 282,141		\$ 282,141
Tax Title Liens	47,429		47,429
Sewer User Fees	<u>-</u>	<u>\$ 38,108</u>	<u>38,108</u>
	<u>\$ 329,570</u>	<u>\$ 38,108</u>	<u>\$ 367,678</u>

In 2019, the Borough collected \$371,246 and \$55,935 from delinquent taxes and utility charges and fees, which represented 90% and 100% of the delinquent tax and sewer charges receivable at December 31, 2018.

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 89% and 100% of the delinquent tax and sewer charges receivable at December 31, 2017.

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

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2019</u>		<u>2018</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund		\$ 945	\$ 57	
Trust Funds:				
Other Trust	\$ 945			\$ 57
Open Space Preservation Trust	6,475			
General Capital Fund		6,475		
Sewer Utility Fund:				
Capital Fund	-	-	-	-
Total	<u>\$ 7,420</u>	<u>\$ 7,420</u>	<u>\$ 57</u>	<u>\$ 57</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>2019</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$6,000	\$3,000	\$3,000
<u>2018</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$9,000	\$3,000	\$6,000

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

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, 2019 and 2018 are as follows:

	<u>Local District School</u>	
	<u>2019</u>	<u>2018</u>
Balance of Tax	\$7,348,963	\$7,141,111
Deferred Liability	<u>4,085,860</u>	<u>4,085,860</u>
Taxes Payable	<u>\$3,263,103</u>	<u>\$3,055,251</u>

NOTE 8 FUND BALANCES APPROPRIATED

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

	<u>2019</u>		<u>2018</u>	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 2,140,845	\$ 938,000	\$ 1,859,083	\$ 800,000
Non-Cash Surplus	<u>25,024</u>	<u>-</u>	<u>33,749</u>	<u>-</u>
	<u>\$ 2,165,869</u>	<u>\$ 938,000</u>	<u>\$ 1,892,832</u>	<u>\$ 800,000</u>
Sewer Utility Operating Fund				
Cash Surplus	\$ 334,402	\$ 50,000	\$ 222,284	\$ 40,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 334,402</u>	<u>\$ 50,000</u>	<u>\$ 222,284</u>	<u>\$ 40,000</u>

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

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, 2019 and 2018.

	Balance December 31, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2019</u>
<u>2019</u>				
Land	\$ 24,751,900			\$ 24,751,900
Buildings and Building Improvements	7,301,648	\$ 6,900		7,308,548
Machinery and Equipment	<u>8,035,706</u>	<u>366,973</u>	<u>\$ 80,600</u>	<u>8,322,079</u>
	<u>\$ 40,089,254</u>	<u>\$ 373,873</u>	<u>\$ 80,600</u>	<u>\$ 40,382,527</u>

	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>

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

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, 2019 and 2018.

Sewer Utility Fund

	Balance December 31, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2019</u>
<u>2019</u>				
Fixed Capital				
System and System Improvements	\$ 18,044,897	\$ 219,646		\$ 18,264,543
Vehicles and Equipment	<u>396,148</u>	<u>-</u>	<u>\$ -</u>	<u>396,148</u>
	<u>\$ 18,441,045</u>	<u>\$ 219,646</u>	<u>\$ -</u>	<u>\$ 18,660,691</u>
	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>

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

NOTE 10 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2019</u>	<u>2018</u>
Issued		
General		
Bonds, Notes and Loans	\$ 6,924,554	\$ 6,403,278
Sewer Utility		
Bonds and Notes	510,000	225,000
Sewer Utility Assessment		
Bonds and Loans	<u>354,676</u>	<u>981,439</u>
	7,789,230	7,609,717
Less Funds Temporarily Held to Pay Bonds and Notes	<u>419,331</u>	<u>701,190</u>
Net Debt Issued	7,369,899	6,908,527
Authorized But Not Issued		
General		
Bonds and Notes	63,486	
Sewer Utility		
Bonds and Notes	<u>12,155</u>	<u>8,500</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 7,445,540</u>	<u>\$ 6,917,027</u>

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

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 .395% and .361% at December 31, 2019 and 2018, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2019</u>			
General Debt	\$ 6,988,040	\$ 59,442	\$ 6,928,598
School Debt	2,958,983	2,958,983	-
Utility Debt	<u>876,831</u>	<u>876,831</u>	<u>-</u>
Total	<u>\$ 10,823,854</u>	<u>\$ 3,895,256</u>	<u>\$ 6,928,598</u>

	<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>

Statutory Borrowing Power

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

	<u>2019</u>	<u>2018</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 61,354,745	\$ 61,511,869
Less: Net Debt	<u>6,928,598</u>	<u>6,343,836</u>
Remaining Borrowing Power	<u>\$ 54,426,147</u>	<u>\$ 55,168,033</u>

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

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>2019</u>	<u>2018</u>
\$2,120,000, 2010 Bonds, due in annual installments of \$190,000 to \$325,000 through July 2022, interest at 3.0% to 3.125%	\$ 970,000	\$ 1,160,000
\$1,780,000, 2012 Bonds, due in annual installments of \$150,000 to \$200,000 through November 2023, interest at 2.00%	800,000	950,000
\$2,110,000, 2014 Refunding Bonds (Series A), due in annual installments of \$435,000 through August 2019, interest at 4.00%	-	435,000
\$585,000, 2014 Refunding Bonds (Series B), due in annual installments of \$65,000 to \$75,000 through August 2023, interest at 3.00% to 4.00%	280,000	345,000
\$2,074,000, 2015 Bonds, due in annual installments of \$205,000 to \$229,000 through August 2025, interest at 2.00%	1,304,000	1,504,000
\$3,550,000, 2019 Bonds, due in annual installments of \$250,000 to \$475,000 through September 2028, interest at 1.25 to 2.00%	<u>3,550,000</u>	<u>-</u>
Total	<u>\$ 6,904,000</u>	<u>\$ 4,394,000</u>

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

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>2019</u>	<u>2018</u>
\$653,625, 2000 Loan, due in semi-annual installments of \$20,150 to \$20,554 through February 21, 2020, interest at 2.00%	\$ 20,554	\$ 61,055
Total	<u>\$ 20,554</u>	<u>\$ 61,055</u>

Sewer Utility Bonds

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

	<u>2019</u>	<u>2018</u>
\$510,000, 2019 Sewer Utility Bonds, due in annual installments of \$35,000 to \$65,000 through September 2028, interest at 1.25% to 2.00%	\$ 510,000	\$ -
	<u>\$ 510,000</u>	<u>\$ -</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>2019</u>	<u>2018</u>
\$730,000, 2010 Refunding Assessment Bonds, due in annual installments of \$85,000 through February 2019, interest at 2.625%	\$ -	\$ 85,000
\$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>215,000</u>	<u>305,000</u>
Total	<u>\$ 215,000</u>	<u>\$ 390,000</u>

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

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 special benefit assessments 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>2019</u>	<u>2018</u>
\$3,415,000 1999 Assessment Loans, refunded by 2006B Refunding Series, due in annual installment of \$255,579 through August 1, 2019, interest of 5.70%	\$ 255,579	
\$1,960,000 2000 Assessment Loans, refunded by 2006A and 2010A Refunding Series, due in annual installments of \$131,028 to \$139,676 through August 1, 2020, rates of 5.25%	\$ 139,676	270,704
\$1,828,595, 2000 Assessment Loan, due in semi-annual installments of \$4,884, to \$60,272 through August 1, 2019, interest free	-	65,156
Sewer Utility Assessment Loans	<u>\$ 139,676</u>	<u>\$ 591,439</u>

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

Calendar Year	General		Sewer Capital		Sewer Assessment		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2020	1,060,554	144,854	35,000	8,956	224,676	15,222	1,489,262
2021	1,055,000	121,224	45,000	8,518	85,000	4,750	1,319,492
2022	1,060,000	97,348	55,000	7,956	45,000	1,350	1,266,654
2023	970,000	73,356	60,000	7,200			1,110,556
2024	700,000	55,580	60,000	6,300			821,880
2025-2028	2,079,000	96,080	255,000	12,900	-	-	2,442,980
Total	<u>\$ 6,924,554</u>	<u>\$ 588,442</u>	<u>\$ 510,000</u>	<u>\$ 51,830</u>	<u>\$ 354,676</u>	<u>\$ 21,322</u>	<u>\$ 8,450,824</u>

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

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, 2019 and 2018 were as follows:

	Balance, December 31, 2018	Additions	Reductions	Balance, December 31, 2019	Due Within One Year
<u>2019</u>					
<u>General Capital Fund</u>					
Bonds Payable	\$ 4,394,000	\$ 3,550,000	\$ 1,040,000	\$ 6,904,000	\$ 1,040,000
Intergovernmental Loans Payable	61,055	-	40,501	20,554	20,554
General Capital Fund Long-Term Liabilities	<u>\$ 4,455,055</u>	<u>\$ 3,550,000</u>	<u>\$ 1,080,501</u>	<u>\$ 6,924,554</u>	<u>\$ 1,060,554</u>
<u>Sewer Capital Fund</u>					
Bonds Payable	\$ -	\$ 510,000	-	\$ 510,000	\$ 35,000
Sewer Capital Fund Long-Term Liabilities	<u>\$ -</u>	<u>\$ 510,000</u>	<u>\$ -</u>	<u>\$ 510,000</u>	<u>\$ 35,000</u>
<u>Sewer Utility Assessment Fund</u>					
Bonds Payable	\$ 390,000	\$ -	\$ 175,000	\$ 215,000	\$ 85,000
Intergovernmental Loans	591,439	-	451,763	139,676	139,676
Sewer Utility Assessment Fund Long-Term Liabilities	<u>\$ 981,439</u>	<u>\$ -</u>	<u>\$ 626,763</u>	<u>\$ 354,676</u>	<u>\$ 224,676</u>
	Balance, December 31, 2017	Additions	Reductions	Balance, December 31, 2018	Due Within One Year
<u>2018</u>					
<u>General Capital Fund</u>					
Bonds Payable	\$ 5,409,000	\$ -	\$ 1,015,000	\$ 4,394,000	\$ 1,040,000
Intergovernmental Loans Payable	100,758	-	39,703	61,055	40,501
General Capital Fund Long-Term Liabilities	<u>\$ 5,509,758</u>	<u>\$ -</u>	<u>\$ 1,054,703</u>	<u>\$ 4,455,055</u>	<u>\$ 1,080,501</u>
<u>Sewer Utility Assessment Fund</u>					
Bonds Payable	\$ 565,000	\$ -	\$ 175,000	\$ 390,000	\$ 175,000
Intergovernmental Loans	1,217,257	-	625,818	591,439	451,763
Sewer Utility Assessment Fund Long-Term Liabilities	<u>\$ 1,782,257</u>	<u>\$ -</u>	<u>\$ 800,818</u>	<u>\$ 981,439</u>	<u>\$ 626,763</u>

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

NOTE 10 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

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

Bond Anticipation Notes

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

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

NOTE 10 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

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

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 and acquisitions:

	<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2019</u>			
	Various Road Improvements	\$443,471	2020
	Improvements to Stone Point Park	194,563	2020
	Acquisition of DPW Equipment	80,655	2020
	Acquisition of Sewer Jet Truck	422,690	2020

2018

There are none.

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

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, 2019 and 2018 were as follows:

	Balance, December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>
<u>2019</u>				
Net Pension Liability- PERS	\$ 4,940,958		\$ 613,379	\$ 4,327,579
Net Pension Liability- PFRS	6,994,912	-	1,060,062	5,934,850
Net OPEB Liability	<u>8,773,933</u>	<u>-</u>	<u>2,232,942</u>	<u>6,540,991</u>
Total	<u>\$ 20,709,803</u>	<u>\$ -</u>	<u>\$ 3,906,383</u>	<u>\$ 16,803,420</u>
	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>

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

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, 2019 AND 2018**

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 PERS 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 PERS 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, 2019 AND 2018**

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

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

Actuarial Methods and Assumptions

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

Employer and Employee Pension Contributions

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

For the years ended December 31, 2019 and 2018 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 2019, 2018 and 2017 were equal to the required contributions.

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2019	\$ 505,375	\$ 249,608	\$ 2,592
2018	453,229	224,448	1,514
2017	399,197	230,361	1,263

In addition for the years ended December 31, 2019, 2018 and 2017 the Borough contributed for long-term disability insurance premiums (LTDI) \$361, \$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, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2019 and 2018, the Borough reported a liability of \$4,327,579 and \$4,940,958, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough's proportionate share of the net pension liability was based on the ratio of the Borough's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Borough's proportionate share was .02402 percent, which was a decrease of .00107 percent from its proportionate share measured as of June 30, 2018 of .02509 percent.

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

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough's pension expense to be \$138,970 and \$259,075, respectively, for PERS based on the actuarial valuations which are less than and more than, respectively, of the actual contributions reported in the Borough's financial statements of \$249,608 and \$224,448, respectively. At December 31, 2019 and 2018, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 77,674	\$ 19,117	\$ 94,225	\$ 25,477
Changes of Assumptions	432,125	1,502,089	814,188	1,579,856
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		68,313		46,346
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>160,389</u>	<u>374,924</u>	<u>235,029</u>	<u>267,941</u>
Total	<u>\$ 670,188</u>	<u>\$ 1,964,443</u>	<u>\$ 1,143,442</u>	<u>\$ 1,919,620</u>

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

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ (104,615)
2021	(211,817)
2022	(533,882)
2023	(418,606)
2024	<u>(25,335)</u>
	<u>\$ (1,294,255)</u>

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

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

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

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

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

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

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, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

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

Discount Rate

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

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

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

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

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

Sensitivity of Net Pension Liability

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

	1% Decrease <u>(5.28%)</u>	Current Discount Rate <u>(6.28%)</u>	1% Increase <u>(7.28%)</u>
<u>2019</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>5,466,435</u>	\$ <u>4,327,579</u>	\$ <u>3,367,931</u>
	1% Decrease <u>(4.66%)</u>	Current Discount Rate <u>(5.66%)</u>	1% Increase <u>(6.66%)</u>
<u>2018</u>			
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>

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

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

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, 2019 and 2018, the Borough reported a liability of \$5,934,850 and \$6,994,912, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 and 2017, respectively. The Borough's proportionate share of the net pension liability was based on the ratio of the Borough's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2019, the Borough's proportionate share was .04850 percent, which was a decrease of .00319 percent from its proportionate share measured as of June 30, 2018 of .05169 percent.

For the years ended December 31, 2019 and 2018, the pension system has determined the Borough pension expense to be \$624,122 and \$722,198, respectively, for PFRS based on the actuarial valuations which are more than the actual contributions reported in the Borough's financial statements of \$505,375 and \$453,229, respectively. At December 31, 2019 and 2018, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough's financial statements are from the following sources:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 50,098	\$ 37,575	\$ 71,164	\$ 28,947
Changes of Assumptions	203,360	1,918,089	600,419	1,792,675
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		80,415		38,269
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>311,086</u>	<u>420,609</u>	<u>490,485</u>	<u>-</u>
Total	<u>\$ 564,544</u>	<u>\$ 2,456,688</u>	<u>\$ 1,162,068</u>	<u>\$ 1,859,891</u>

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

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

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ (101,410)
2021	(340,802)
2022	(721,370)
2023	(525,845)
2024	<u>(202,717)</u>
	<u>\$ (1,892,144)</u>

Actuarial Assumptions

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

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

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

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

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

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, 2019 and 2018, as reported for the years ended December 31, 2019 and 2018, respectively, are summarized in the following table:

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

Discount Rate

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

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

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

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

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

Sensitivity of Net Pension Liability

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

<u>2019</u>	1% Decrease (5.85%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>8,021,755</u>	\$ <u>5,934,850</u>	\$ <u>4,207,636</u>
	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
<u>2018</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ <u>9,361,822</u>	\$ <u>6,994,912</u>	\$ <u>5,042,643</u>

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

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

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, 2019 and 2018, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$937,124 and \$950,143, respectively. For the years ended December 31, 2019 and 2018, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$108,886 and \$112,543, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$63,143 and \$56,271, respectively. At December 31, 2019 (measurement date June 30, 2019) the State's share of the PFRS net pension liability attributable to the Borough was .04850 percent, which was a decrease of .00319 percent from its proportionate share measured as of December 31, 2018 (measurement date June 30, 2018) of .05169 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, 2019 AND 2018**

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, 2019 AND 2018**

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 \$13.5 and \$15.7 billion, respectively, and the plan fiduciary net position as a percentage of the total OPEB liability is 1.98% and 1.97%, respectively.

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

Actuarial Methods and Assumptions

In the June 30, 2018 and 2017 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.

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

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits Contribution (Continued)

The employers participating in the OPEB plan made contributions of \$346.4 and \$421.2 million and the State of New Jersey, as the non-employer contributing entity, contributed \$43.9 and \$53.5 million for fiscal years 2019 and 2018, 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, 2019, 2018 and 2017 were \$175,772, \$295,728, and \$246,459, respectively, which equaled the required contributions for each year. In addition, the Borough's reimbursements to eligible retired employees for a portion of their health insurance coverage for the years ended December 31, 2019, 2018 and 2017 were \$16,935, \$20,696, and \$27,093, respectively.

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, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

At December 31, 2019 and 2018, the Borough reported a liability of \$6,540,991 and \$8,773,933, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and 2018, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and 2017, 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, 2019 and 2018 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2019 and 2018, respectively. As of the measurement date of June 30, 2019 the Borough's proportionate share was .04829 percent, which was a decrease of .00771 percent from its proportionate share measured as of June 30, 2018 of .05600 percent.

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

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)

For the years ended December 31, 2019 and 2018, the Plan has determined the Borough's OPEB expense to be \$301,875 and \$319,264, respectively, based on the actuarial valuations which are more than the actual contributions reported in the Borough's financial statements of \$175,772 and \$295,728, respectively. At December 31, 2019 and 2018, 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:

	2019		2018	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 1,912,841		\$ 1,781,421
Changes of Assumptions		2,317,982		2,225,623
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 5,388		\$ 4,637	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>286,529</u>	<u>1,888,959</u>	<u>333,195</u>	<u>416,035</u>
Total	<u>\$ 291,917</u>	<u>\$ 6,119,782</u>	<u>\$ 337,832</u>	<u>\$ 4,423,079</u>

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

<u>Year Ending December 31,</u>	<u>Total</u>
2020	\$ (899,712)
2021	(899,712)
2022	(899,711)
2023	(900,873)
2024	(901,349)
Thereafter	<u>(1,326,508)</u>
	<u>\$ (5,827,865)</u>

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

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

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

	<u>2019</u>	<u>2018</u>
Inflation Rate	2.50%	2.50%
Salary Increases*		
PERS:		
Initial Fiscal Year Applied Through	2026	2026
Rate	2.00% to 6.00%	1.65% to 8.98%
Rate Thereafter	3.00% to 7.00%	2.65% to 9.98%
PFRS:		
Initial Fiscal Year Applied Through	Rate for All Future Years	2026
Rate	3.25% to 15.25%	1.65% to 8.98%
Rate Thereafter	Not Applicable	2.65% to 9.98%
Mortality		
PERS	Pub-2010 General Classification Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2019.	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
PFRS	Pub-2010 Safety Classification Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2019.	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	2.00%	1.00%

*Salary increases are based on the defined benefit pension plan that the member is enrolled in and for 2019 the members years of service and for 2018 the members age.

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

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, 2019 measurement date healthcare cost trend rates for pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

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.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively. The actuarial assumptions used in the June 30, 2017 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.

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

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 2.00% and 1.00% as of June 30, 2019 and 2018, respectively.

Discount Rate

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

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2019	3.50%
2018	June 30, 2018	3.87%

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, 2019 AND 2018**

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, 2019 and 2018 calculated using the discount rate of 3.50% and 3.87% , 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 2.50% and 2.87% %, respectively or 1-percentage-point higher 4.50% and 4.87% respectively than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
<u>2019</u>			
Borough's Proportionate Share of the Net OPEB Liability	\$ <u>7,563,052</u>	\$ <u>6,540,993</u>	\$ <u>5,710,435</u>
	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
<u>2018</u>			
Borough's Proportionate Share of the Net OPEB Liability	\$ <u>10,294,143</u>	\$ <u>8,773,933</u>	\$ <u>7,559,629</u>

The sensitivity analysis was based on the proportionate share of the Borough's net OPEB liability at December 31, 2019 and 2018. 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, 2019 and 2018 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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
<u>2019</u>			
Borough's Proportionate Share of the Net OPEB Liability	\$ <u>5,519,790</u>	\$ <u>6,540,991</u>	\$ <u>7,843,704</u>
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
<u>2018</u>			
Borough's Proportionate Share of the Net OPEB Liability	\$ <u>7,318,867</u>	\$ <u>8,773,933</u>	\$ <u>10,657,005</u>

The sensitivity analysis was based on the proportionate share of the Borough's net OPEB liability at December 31, 2019 and 2018. 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, 2019 AND 2018**

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, 2019 and 2018, 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, 2019 AND 2018**

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 December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2019	\$ 11,000	\$ 4,876	\$ 19,457	\$ 56,016
2018	16,000	5,034	13,267	58,447
2017	16,000	4,771	14,706	50,015

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, 2019 and 2018. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2019 and 2018, the Borough reserved \$51,983 and \$50,966, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

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

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

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, 2019 and 2018, 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 2019 and 2018, respectively, for each eligible volunteer fire department and volunteer first aid squad member into the Plan. The total Borough contributions were \$66,700 and \$73,600 for 2019 and 2018, respectively.

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

Lincoln Financial, 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.

Reporting Requirements

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

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

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, 2019 and 2018 the balances of the Loan outstanding were \$300,000 and \$370,000, respectively.

NOTE 20 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

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

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

NOTE 21 SUBSEQUENT EVENTS

Debt Authorized

On May 18, 2020, the Borough adopted bond ordinances authorizing the issuance \$1,149,100 in Bonds or bond anticipation notes to fund certain general and sewer utility capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

CURRENT FUND

BOROUGH OF OLD TAPPAN
STATEMENT OF CASH - COLLECTOR-TREASURER

Balance, December 31, 2018		\$ 5,667,484
Increased by:		
Taxes Receivable	\$ 35,558,868	
Grants Receivable	37,673	
Revenue Accounts Receivable	3,105,478	
Non-Budget Revenue	299,940	
Prepaid Taxes	130,567	
Tax Overpayments	93,088	
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	29,843	
Due to State of New Jersey	14,620	
Reserve for Grants - Unappropriated	33,148	
Prepaid Revenues	11,564	
Receipts from Other Trust Fund	680	
		<u>39,315,469</u>
		44,982,953
Decreased by:		
2019 Appropriations	8,398,130	
2018 Appropriation Reserves	50,010	
Local District School Taxes Payable	14,532,075	
Regional High School Taxes Payable	10,867,144	
County Taxes Payable	4,257,788	
Encumbrances Payable	261,974	
Accounts Payable	3,303	
Change Fund- Increase	45	
Tax Overpayments	93,088	
Reserve for Grants-Appropriated	6,938	
Reserve for Tax Appeals	23,983	
Due to State of New Jersey	14,611	
Payments to Open Space Preservation Trust Fund - Tax Levy	173,626	
Refund of Prior Year Revenue	4	
		<u>38,682,719</u>
Balance, December 31, 2019		<u>\$ 6,300,234</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF CHANGE FUNDS**

<u>Office</u>	Balance, December 31, <u>2018</u>	Increased: Cash <u>Disbursements</u>	Balance, December 31, <u>2019</u>
Collector	\$ 50	\$ 50	\$ 100
Borough Clerk	100		100
Court Clerk	<u>105</u>	<u>(5)</u>	<u>100</u>
	<u>\$ 255</u>	<u>\$ 45</u>	<u>\$ 300</u>

STATEMENT OF PETTY CASH FUND

Balance December 31, 2018	<u>\$ 100</u>
Balance December 31, 2019	<u>\$ 100</u>

BOROUGH OF OLD TAPPAN
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance, December 31, 2018	2019 Levy	Senior Citizens' and Veterans' Deductions Disallowed	Collected Cash 2018	2019	Senior Citizens' and Veterans' Deductions Allowed	Cancelled Liens	Transferred to Tax Title Liens	Balance, December 31, 2019
2018	\$ 371,180	\$ -	\$ 157	\$ -	\$ 370,996	\$ 250	\$ -	\$ 91	\$ -
2019	371,180	-	157	-	370,996	250	-	91	-
	-	35,819,129	418	216,132	35,187,872	29,500	99,724	4,178	282,141
	\$ 371,180	\$ 35,819,129	\$ 575	\$ 216,132	\$ 35,558,868	\$ 29,750	\$ 99,724	\$ 4,269	\$ 282,141

TAX YIELD		<u>Analysis of 2019 Property Tax Levy</u>	
General Purpose Tax	\$ 35,774,752		
Added Taxes	<u>44,377</u>		<u>\$ 35,819,129</u>
TAX LEVY			
Regional High School Tax		\$ 10,867,144	
Local District School Tax		<u>14,739,927</u>	
County Taxes - General	\$ 4,078,092		
County Taxes - Open Space	<u>174,880</u>		
Due County for Added Taxes	<u>5,292</u>	4,258,264	
Municipal Open Space Tax	173,411		
Municipal Open Space Tax-Added	<u>215</u>	173,626	
Local Tax for Municipal Purposes	5,738,606		
Additional Tax Levied	<u>41,562</u>	<u>5,780,168</u>	<u>\$ 35,819,129</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF DUE FROM STATE OF NEW JERSEY
FOR SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, December 31, 2018	\$ 2,696
Increased by:	
Senior Citizens' Deductions Per Tax Billings	\$ 3,000
Veterans' Deductions Per Tax Billings	26,000
Senior Citizens Deductions Allowed by Tax Collector	500
Senior Citizens' Deductions Allowed by Tax Collector-2018	<u>250</u>
	<u>29,750</u>
	32,446
Decreased by:	
Received in Cash - State	29,843
Senior Citizens' Deductions Disallowed by Tax Collector - 2019	418
Senior Citizens' Deductions Disallowed by Tax Collector-2018	<u>157</u>
	<u>30,418</u>
Balance, December 31, 2019	<u>\$ 2,028</u>

EXHIBIT A-9

STATEMENT OF TAX TITLE LIENS

Balance, December 31, 2018	\$ 43,083
Increased by:	
Transfers from Taxes Receivable	\$ 4,269
Interest and Costs	<u>77</u>
	<u>4,346</u>
Balance, December 31, 2019	<u>\$ 47,429</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)**

Balance, December 31, 2018 \$ 278,485

Balance, December 31, 2019 \$ 278,485

STATEMENT OF GRANTS RECEIVABLE

	Balance, December 31, <u>2018</u>	Awards Accrued in 2019	<u>Received</u>	<u>Cancelled</u>	Balance December 31, <u>2019</u>
Municipal Drug Alliance Program	\$ 9,876	\$ 9,876	\$ 7,525	\$ 2,351	\$ 9,876
Recycling Tonnage Grant		14,888	14,888		
Drive Sober or Get Pulled Over	5,500		3,922	1,578	-
Drunk Driving Enforcement Fund					-
Body Armor - State	1,054	3,724	3,658		1,120
BCUA Recycling Grant		3,000	3,000		-
Community Development - Senior Citizen Programs	<u>5,623</u>	<u>6,000</u>	<u>4,680</u>	<u>943</u>	<u>6,000</u>
	<u>\$ 22,053</u>	<u>\$ 37,488</u>	<u>\$ 37,673</u>	<u>\$ 4,872</u>	<u>\$ 16,996</u>
2018 Appropriation Reserves				<u>\$ 4,872</u>	

BOROUGH OF OLD TAPPAN
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2018</u>	Accrued in <u>2019</u>	<u>Collected</u>	Balance, December 31, <u>2019</u>
Borough Clerk				
Licenses				
Alcoholic Beverages		\$ 10,800	\$ 10,800	
Other		4,983	4,983	
Health Officer				
Licenses		1,108	1,108	
Fees and Permits		275	275	
Planning Board				
Fees and Permits		4,250	4,250	
Police				
Fees and Permits		11,394	11,394	
Tax Collector				
Fees and Permits		30	30	
Interest and Costs on Taxes	\$ 18,695	120,823	126,007	\$ 13,511
Zoning Board				
Fees and Permits		3,465	3,465	
Registrar of Vital Statistics				
Fees and Permits		962	962	
Construction Code Official				
Fees and Permits		136,625	136,625	
Municipal Court				
Fines and Costs	5,401	46,382	49,651	2,132
Golf Course Fees		500,493	500,493	
Golf Course Concession, Rent and Utilities	-	34,680	34,680	
Energy Receipts Tax		1,463,986	1,463,986	
Watershed Moratorium Offset Aid		38,540	38,540	
Interest on Investments and Deposits		179,705	179,705	
Uniform Fire Safety - Fees		7,076	7,076	
Cell Tower Leases	-	207,446	207,446	
River Vale Fuel Reimbursement		116,275	116,275	
NVRHS SLEO Interlocal Agreement		36,241	14,165	22,076
Police Outside Duty Admin Fee		60,000	60,000	
Library Debt Service Reimbursement		85,932	85,932	
Library Contribution-Municipal Services	-	47,880	47,880	-
	<u>\$ 24,096</u>	<u>\$ 3,119,351</u>	<u>\$ 3,105,728</u>	<u>\$ 37,719</u>
		Cash Receipts	\$ 3,105,478	
		Prepaid Revenue Applied	<u>250</u>	
			<u>\$ 3,105,728</u>	

BOROUGH OF OLD TAPPAN
STATEMENT OF DEFERRED CHARGES
N.J.S. 40A:55 SPECIAL EMERGENCY AUTHORIZATION

	Net Amount <u>Authorized</u>	1/5 of Net Amount <u>Authorized</u>	Balance, December 31, <u>2018</u>	Raised in <u>2019</u>	Balance, December 31, <u>2019</u>
Review of Master Plan	\$ 15,000	\$ 3,000	<u>\$ 9,000</u>	<u>\$ 3,000</u>	<u>\$ 6,000</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF APPROPRIATION RESERVES**

	Balance, December 31 2018	Cancelled Encumbrances Restored	Transfers	Balance After Modification	Paid or Charged	Cancelled	Balance Lapsed
<u>Salaries and Wages</u>							
Administrative and Executive	\$ 239			\$ 239			\$ 239
Financial Administration	1			1			1
Planning Board	647			647			647
Fire	1			1			1
Police Department	38,869		\$ (65)	38,804	\$ 11,997		26,807
Prosecutor	500			500			500
Road Repairs and Maintenance	993		173	1,166	1,166		-
Recycling	53		51	104			104
Administration of Public Assistance		\$ 1		1			1
Park and Playground	1			1			1
Golf Course	5,474			5,474	450		5,024
Municipal Court	1,184			1,184			1,184
Construction Code Official	601	-	-	601	-	-	601
	<u>48,563</u>	<u>1</u>	<u>159</u>	<u>48,723</u>	<u>13,613</u>	<u>-</u>	<u>35,110</u>
<u>Other Expenses</u>							
Administrative and Executive	131	\$ 318		449			449
Mayor and Council	180			180			180
Financial Administration	5,459		600	6,059	6,004		55
Assessment of Taxes	3,805		(830)	2,975			2,975
Legal Services and Costs	14,300			14,300	2,432		11,868
Engineering Services and Costs	2,841			2,841	195		2,646
Open Space Advisory	80			80			80
Senior Advisory	1,056	1,315		2,371			2,371
Planning Board	2,157			2,157	200		1,957
<u>Insurance</u>							
General Liability	81			81			81
Workers Compensation	1,000			1,000			1,000
Employee Group Health	3,919			3,919	1,652		2,267
Health Benefit Waiver	2,548			2,548			2,548
Fire	260			260	25		235
Fire Hydrant Service	4,245			4,245			4,245
Fire Official	1,428			1,428			1,428
Police	597		295	892	609		283
Purchase of Police Vehicles/Equipment	268			268			268
Police Dispatch/911	568			568			568
Emergency Management	188			188			188
Road Repair and Maintenance	800	118	(178)	740			740
Stormwater Management		93		93			93
Shade Tree Commission	1	475		476			476
Recycling	448		(51)	397	179		218
Public Buildings and Grounds	3,314			3,314	164		3,150
Public Buildings and Grounds Contractual	1,373			1,373			1,373
Vehicle Maintenance	715			715	332		383
Board of Health	56		5	61	60		1
Environmental Commission	19			19			19
Administration of Public Assistance	488			488			488
Parks and Playgrounds	150	1		151			151

BOROUGH OF OLD TAPPAN
STATEMENT OF APPROPRIATION RESERVES

	Balance, December 31 2018	Cancelled Encumbrances Restored	Transfers	Balance After Modification	Paid or Charged	Cancelled	Balance Lapsed
<u>Other Expenses</u> (Continued)							
Golf Course	\$ 204	\$ 140		\$ 344			\$ 344
Recreation Program Fees	190			190			190
Celebration of Public Events	74			74			74
Municipal Court	1,176			1,176	293		883
Construction Code Official	420	132		552			552
Utilities							
Electricity	2,574		1,300	3,874	3,776		98
Street Lighting	460			460	291		169
Telephone	295	105		400			400
Water	4,115	759	(1,300)	3,574			3,574
Gasoline	1,851			1,851	703		1,148
Contingent	22,500			22,500	2,500		20,000
Length of Service Awards (LOSAP)		10,700		10,700	3,450		7,250
Social Security Sys. (O.A.S.I.)	332			332			332
Public Employees Retirement System	617			617			617
Police and Firemen's Retirement System	2			2			2
Defined Contribution Retirement Program	101			101			101
River Vale Fuel Reimbursement	3,889			3,889	3,889		-
Clean Communities Grant	196			196	196		-
Drunk Driving Enforcement Fund	2,500			2,500	2,500		-
Municipal Alliance Program	6,186			6,186	3,835	\$ 2,351	-
Alcohol Education and Rehabilitation	193			193	193		-
Body Armor Replacement	2,679			2,679	2,679		-
Drive Sober or Get Pulled Over	4,291			4,291	2,713	1,578	-
Community Development - Senior Citizen	5,623	-	-	5,623	4,680	943	-
	<u>112,943</u>	<u>14,156</u>	<u>(159)</u>	<u>126,940</u>	<u>43,550</u>	<u>4,872</u>	<u>78,518</u>
	<u>\$ 161,506</u>	<u>\$ 14,157</u>	<u>\$ -</u>	<u>\$ 175,663</u>	<u>\$ 57,163</u>	<u>\$ 4,872</u>	<u>\$ 113,628</u>
Cash Disbursed					\$ 50,010		
Transfer to Reserve for Grants Appropriated					3,703		
Transfer to Accounts Payable					3,450		
Grants Receivable					-	\$ 4,872	
					<u>\$ 57,163</u>	<u>\$ 4,872</u>	

**BOROUGH OF OLD TAPPAN
STATEMENT OF DUE TO STATE OF NEW JERSEY**

	Balance, December 31, <u>2018</u>	<u>Received</u>	<u>Paid</u>	Balance, December 31, <u>2019</u>
Sales Tax Payable	\$ 1,294	\$ 6,877	\$ 6,806	\$ 1,365
DCA Training Fees	<u>1,768</u>	<u>7,743</u>	<u>7,805</u>	<u>1,706</u>
	<u>\$ 3,062</u>	<u>\$ 14,620</u>	<u>\$ 14,611</u>	<u>\$ 3,071</u>

EXHIBIT A-16

STATEMENT OF PREPAID REVENUES

	Balance, December 31, <u>2018</u>	<u>Received</u>	Applied to 2019 <u>Revenue</u>	Balance, December 31, <u>2019</u>
Prepaid Golf Membership Fees	\$ 250	\$ 8,370	\$ 250	\$ 8,370
Prepaid Medical Reimbursement	<u>103</u>	<u>3,194</u>	<u>103</u>	<u>3,194</u>
	<u>\$ 353</u>	<u>\$ 11,564</u>	<u>\$ 353</u>	<u>\$ 11,564</u>
Revenue Accounts Receivable			\$ 250	
Non-Budget Revenue			<u>103</u>	
			<u>\$ 353</u>	

**BOROUGH OF OLD TAPPAN
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2018	\$ 216,132
Increased by:	
Collection - 2020 Taxes	<u>130,567</u>
	346,699
Decreased by:	
Application to 2019 Taxes Receivable	<u>216,132</u>
Balance, December 31, 2019	<u>\$ 130,567</u>

STATEMENT OF TAX OVERPAYMENTS

Increased by:	
Overpayments Received	\$ 93,088
Decreased by:	
Refunds Paid	<u>93,088</u>

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, December 31, 2018	\$ 276,131
Increased by:	
Charges to 2019 Budget Appropriations	<u>431,007</u>
	707,138
Decreased by:	
Cash Disbursements	\$ 261,974
Encumbrances Restored to Appropriation Reserves	<u>14,157</u>
	<u>276,131</u>
Balance, December 31, 2019	<u>\$ 431,007</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2018		\$ 9,032
Increased by:		
Transfer from Appropriation Reserves		<u>3,450</u>
		12,482
Decreased by:		
Cash Disbursements	\$ 3,303	
Cancelled to Operations	<u>2,300</u>	
		<u>5,603</u>
Balance, December 31, 2019		<u>\$ 6,879</u>

STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Balance, December 31, 2018		
School Tax Payable	\$ 3,055,251	
School Tax Deferred	<u>4,085,860</u>	
		\$ 7,141,111
Increased by:		
Levy - School Year - July 1, 2019 to June 30, 2020		<u>14,739,927</u>
		21,881,038
Decreased by:		
Payments		<u>14,532,075</u>
Balance, December 31, 2019		
School Tax Payable	3,263,103	
School Tax Deferred	<u>4,085,860</u>	
		<u>\$ 7,348,963</u>
2019 Liability for Local School Tax		
Tax Paid		\$ 14,532,075
Tax Payable at December 31, 2019		<u>3,263,103</u>
		17,795,178
Less Tax Payable December 31, 2018		<u>3,055,251</u>
Amount Charged to 2019 Operations		<u>\$ 14,739,927</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF REGIONAL HIGH SCHOOL DISTRICT TAXES**

Increased by:		
Levy - Calendar Year 2019		\$ 10,867,144
Decreased by:		
Payments		<u>\$ 10,867,144</u>

STATEMENT OF COUNTY TAXES PAYABLE

Balance, December 31, 2018			\$ 4,816
Increased by:			
2019 Tax Levy:			
General	\$ 4,078,092		
Open Space Tax	<u>174,880</u>		
		\$ 4,252,972	
Added Taxes (54:4-63.1)		<u>5,292</u>	
			<u>4,258,264</u>
			4,263,080
Decreased by:			
Payments			<u>4,257,788</u>
Balance, December 31, 2019			<u>\$ 5,292</u>

EXHIBIT A-24

**BOROUGH OF OLD TAPPAN
RESERVE FOR TAX APPEALS**

Balance, December 31, 2018	\$ 50,966
Increased by:	
Transfer from Current Year Tax Collections	<u>25,000</u>
	75,966
Decreased by:	
Refund of Prior Year Tax Court Judgements	<u>23,983</u>
Balance, December 31, 2019	<u>\$ 51,983</u>

EXHIBIT A-25

RESERVE FOR MASTER PLAN

Balance, December 31, 2018	\$ <u>5,327</u>
Balance, December 31, 2019	<u>\$ 5,327</u>

EXHIBIT A-26

THIRD PARTY LIENS PAYABLE

Balance, December 31, 2018	\$ <u>1,480</u>
Balance, December 31, 2019	<u>\$ 1,480</u>

BOROUGH OF OLD TAPPAN
STATEMENT OF RESERVE FOR GRANTS - APPROPRIATED

	Balance, December 31, <u>2018</u>	Transferred from Appropriation <u>Reserves</u>	<u>Expended</u>	Balance, December 31, <u>2019</u>
Clean Communities Grant		\$ 196		\$ 196
Drunk Driving Enforcement Fund	\$ 3,548	1,689	\$ 3,548	1,689
Alcohol Education and Rehabilitation Fund	2,254	193	250	2,197
Body Armor Grant	<u>3,337</u>	<u>1,625</u>	<u>3,140</u>	<u>1,822</u>
	<u>\$ 9,139</u>	<u>\$ 3,703</u>	<u>\$ 6,938</u>	<u>\$ 5,904</u>
Cash Disbursements			<u>\$ 6,938</u>	

EXHIBIT A-28

STATEMENT OF RESERVE FOR GRANTS - UNAPPROPRIATED

	Balance, December 31, <u>2018</u>	<u>Received</u>	Revenue Realized in <u>Budget</u>	Balance, December 31, <u>2019</u>
Drunk Driving Enforcement Fund	\$ 2,500		\$ 2,500	\$ -
Recycling Tonnage Grant		\$ 18,987		18,987
Alcohol Education and Rehabilitation Fund	879	563	879	563
Clean Communities Program	<u>12,182</u>	<u>13,598</u>	<u>12,182</u>	<u>13,598</u>
	<u>\$ 15,561</u>	<u>\$ 33,148</u>	<u>\$ 15,561</u>	<u>\$ 33,148</u>

TRUST FUND

BOROUGH OF OLD TAPPAN
STATEMENT OF TRUST FUND CASH - TREASURER

	Animal Control <u>Fund</u>	Other Trust <u>Fund</u>	Unemployment Compensation <u>Fund</u>	Open Space Preservation Trust <u>Fund</u>
Balance, December 31, 2018	\$ 3,005	\$ 1,682,499	\$ 58,447	\$ 353,055
Increased by Receipts:				
Dog License Fees	5,227			
Late Fees	873			
Due to State of New Jersey	713	275		
Escrow Deposits		143,215		
Miscellaneous Reserves		1,100,732		
Interest on Deposits		678	1,150	6,293
2019 Open Space Tax Levy		-		173,626
Employees' Payroll Deductions		2,576,402	4,876	
Budget Appropriations	-	-	11,000	-
	<u>6,813</u>	<u>3,821,302</u>	<u>17,026</u>	<u>179,919</u>
	<u>9,818</u>	<u>5,503,801</u>	<u>75,473</u>	<u>532,974</u>
Decreased by Disbursements:				
Expenditures Under R.S. 4:19-15.11	5,399			
Payments to State of New Jersey	725	400	19,457	
Escrow Deposits		155,060		
Miscellaneous Reserves		686,210		
Payroll Disbursements		2,577,402		
Payments to Current Fund		680		
Payments to General Capital Fund				100,000
Open Space Preservation Expenditures	-	-	-	121,334
	<u>6,124</u>	<u>3,419,752</u>	<u>19,457</u>	<u>221,334</u>
Balance, December 31, 2019	\$ 3,694	\$ 2,084,049	\$ 56,016	\$ 311,640

**BOROUGH OF OLD TAPPAN
STATEMENT OF DUE TO STATE OF NEW JERSEY
ANIMAL CONTROL FUND**

Balance, December 31, 2018	\$	19
Increased by:		
2019 State Fees Collected		<u>713</u>
		732
Decreased by:		
Payments to State of New Jersey		<u>725</u>
Balance, December 31, 2019	\$	<u>7</u>

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

Balance, December 31, 2018	\$	2,986
Increased by:		
Dog License Fees Collected	\$	5,227
Late Fees		<u>873</u>
		<u>6,100</u>
		9,086
Decreased by:		
Payments Under R.S. 4:19-15.11		<u>5,399</u>
Balance, December 31, 2019	\$	<u>3,687</u>

BOROUGH OF OLD TAPPAN
STATEMENT OF DUE TO STATE OF NEW JERSEY - DEPARTMENT OF HUMAN SERVICES
OTHER TRUST FUND

Balance, December 31, 2018	\$ 450
Increased by:	
Fees Collected	<u>275</u>
	725
Decreased by:	
Payment to State of New Jersey	<u>400</u>
Balance, December 31, 2019	<u>\$ 325</u>

EXHIBIT B-7

STATEMENT OF PAYROLL DEDUCTIONS PAYABLE
OTHER TRUST FUND

Increased by:	
Deposits	\$ 2,576,402
Due from Current Fund	<u>1,000</u>
	\$ 2,577,402
Decreased by:	
Disbursements	<u>\$ 2,577,402</u>

EXHIBIT B-8

STATEMENT OF DUE TO/FROM CURRENT FUND
OTHER TRUST FUND

Balance, December 31, 2018 (Due to)	\$ 57
Increased by:	
Interest Earned on Deposits	<u>678</u>
	735
Decreased by:	
Payments to Current Fund	\$ 680
Payroll Deposit due from Current Fund	<u>1,000</u>
	<u>1,680</u>
Balance, December 31, 2019 (Due from)	<u>\$ 945</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF ESCROW DEPOSITS PAYABLE
OTHER TRUST FUND**

Balance, December 31, 2018	\$ 403,520
Increased by:	
Deposits Received	<u>143,215</u>
	546,735
Decreased by:	
Cash Disbursements	<u>155,060</u>
Balance, December 31, 2019	<u>\$ 391,675</u>

EXHIBIT B-10

**STATEMENT OF MISCELLANEOUS RESERVES AND DEPOSITS
OTHER TRUST FUND**

	Balance, December 31, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2019</u>
Parking Offense Adjudication Act Fines	\$ 699	\$ 24		\$ 723
Fire Prevention Penalty Fees	1,550			1,550
Recreation Fees	137,576	256,950	\$ 251,474	143,052
Golf Concession Security Deposit	4,700	430		5,130
Affordable Housing Fees	752,903	58,629	4,286	807,246
Municipal Alliance Donations	44,734	2,345	4,197	42,882
Golf Course Donations	6,737	5,695	4,800	7,632
Tree Preservation Donations	21,970	5,535	2,055	25,450
Premium on Tax Title Liens	8,600	378,400	67,400	319,600
Tax Sale Redemption Deposits	-	35,976	34,466	1,510
Police Equipment Donations	106,838	50	4,699	102,189
Fire Department Donations	28,653	3,200	19,117	12,736
Outside Police Duty Service Fees	132,488	345,288	289,651	188,125
Stone Point Park Donations	1,250			1,250
Storm Recovery Reserve	7,388	6,000		13,388
Municipal Alliance Fundraising Donations	7,386	2,210	4,065	5,531
Bonnabel Park Bequest	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
	<u>\$ 1,278,472</u>	<u>\$ 1,100,732</u>	<u>\$ 686,210</u>	<u>\$ 1,692,994</u>
Cash Receipts		\$ 1,100,732		
Cash Disbursements		<u>-</u>	<u>\$ 686,210</u>	
		<u>\$ 1,100,732</u>	<u>\$ 686,210</u>	

BOROUGH OF OLD TAPPAN
STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION INSURANCE CLAIMS
UNEMPLOYMENT COMPENSATION INSURANCE FUND

Balance, December 31, 2018		\$ 58,447
Increased by:		
Employee Contributions	\$ 4,876	
Interest on Deposits	1,150	
Budget Appropriation		
Current Fund	\$ 5,000	
Sewer Utility Operating Fund	<u>6,000</u>	
	<u>11,000</u>	
		<u>17,026</u>
Decreased by:		75,473
Unemployment Claims - Due to State of New Jersey		<u>19,457</u>
Balance, December 31, 2019		<u>\$ 56,016</u>

EXHIBIT B-12

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

Increased by:		
Charges to Reserve for Unemployment Compensation Insurance Claims		\$ 19,457
Decreased by:		
Payments to State of New Jersey		<u>\$ 19,457</u>

EXHIBIT B-13

STATEMENT OF RESERVE FOR OPEN SPACE PRESERVATION
OPEN SPACE PRESERVATION TRUST FUND

Balance, December 31, 2018		\$ 353,055
Increased by:		
2019 Tax Levy	\$ 173,411	
2019 Added Tax Levy	<u>215</u>	
	\$ 173,626	
Funded Improvement Authorizations Cancelled - Due From General Capital Fund	6,475	
Interest on Deposits	<u>6,293</u>	
		<u>186,394</u>
		539,449
Decreased by:		
Appropriated to Fund Improvement Authorizations- Due From General Capital Fund	100,000	
Payments for Open Space Preservation Expenditures	<u>121,334</u>	
		<u>221,334</u>
Balance, December 31, 2019		<u>\$ 318,115</u>

GENERAL CAPITAL FUND

BOROUGH OF OLD TAPPAN
STATEMENT OF GENERAL CAPITAL CASH - TREASURER

Balance, December 31, 2018		\$ 1,027,325
Increased by:		
Budget Appropriation - Capital Improvement Fund	\$ 50,000	
Grants Receivable	232,348	
Premium on Notes Issued - Fund Balance	34,776	
Receipts from Open Space Trust Fund	100,000	
General Serial Bonds Issued	3,550,000	
Reserve for Sidewalk Improvements - Developer Fees	<u>17,821</u>	
		<u>3,984,945</u>
		5,012,270
Decreased by:		
Improvement Authorizations	1,144,479	
Encumbrances Payable	90,395	
Bond Anticipation Notes	<u>1,948,223</u>	
		<u>3,183,097</u>
Balance, December 31, 2019		<u>\$ 1,829,173</u>

**BOROUGH OF OLD TAPPAN
ANALYSIS OF GENERAL CAPITAL CASH**

		December 31, <u>2019</u>
Fund Balance		\$ 310,710
Grants Receivable		(529,471)
Encumbrances Payable		733,821
Due to Open Space Preservation Trust Fund		6,475
Capital Improvement Fund		98,617
Reserve for Payment of Bonds		59,442
Reserve for Sidewalk Improvements		221,622
Reserve for Capital Improvements		9,116
Ord.		
<u>No.</u>	<u>Improvement Description</u>	
1045	Various Public Improvements	4,041
1094	Various Improvements and Acquisition of Various Equipment and Vehicles	24,939
1109	Various Improvements and Acquisition of Various Equipment and Vehicles	6,218
1123	Various Improvements and Acquisition of Various Equipment and Vehicles	26,680
1125	Various Improvements and Acquisition of Various Equipment and Vehicles	24,424
1137	Various Park Improvements	114,978
1146	Various Public Improvements	<u>717,561</u>
		<u>\$ 1,829,173</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF GRANTS RECEIVABLE**

Ord. No.	Grantor	Balance, December 31, 2018	Grant Awards	Cash Receipts	Cancelled	Balance, December 31, 2019	Impvt. Authori- zations	Balance, Pledged To Reserve
1094-16	Dept. of Transportation - Sidewalk Grant	\$ 149,000	\$	\$ 129,306	\$ 19,357	\$ 337	\$ 337	
1099-16	Dept. of Transportation - Roadway Improvements	63,732		50,636	13,096	-	-	
1117-17	Dept. of Transportation - North Washington Ave Paving	41,407		41,407	-	-	-	
1123-18/1155-19	Dept. of Transportation- Roadway Improvements	200,000	\$ 217,000			417,000	417,000	
1137-18	Bergen County Open Space- Various Park Improvements	127,059	-	10,999	3,926	112,134	112,134	-
		<u>\$ 581,198</u>	<u>\$ 217,000</u>	<u>\$ 232,348</u>	<u>\$ 36,379</u>	<u>\$ 529,471</u>	<u>\$ 529,471</u>	<u>\$ -</u>
	Improvement Authorization				<u>\$ 36,379</u>			

BOROUGH OF OLD TAPPAN
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2018		\$ 4,455,055
Increased by:		
Improvement Costs Funded by Serial Bonds Issued		<u>3,550,000</u>
		8,005,055
Decreased by:		
Budget Appropriation to Pay Bonds	\$ 1,040,000	
Open Space Preservation Budget Appropriation to Pay Loans	<u>40,501</u>	
		<u>1,080,501</u>
Balance, December 31, 2019		<u>\$ 6,924,554</u>

BOROUGH OF OLD TAPPAN
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. No.	<u>Improvement Description</u>	Balance, December 31, 2018	2019 <u>Authorization</u>	Transferred to Deferred Taxation - <u>Funded</u>	Improvement Authorizations <u>Cancelled</u>	Balance, December 31, 2019	<u>Analysis of Balance</u>	
							<u>Expenditures</u>	<u>Unexpended Improvement Authorizations</u>
1099	Improvements to Russell Avenue and Irving Street	\$ 40,000		\$ 40,000				
1109	Various Capital Improvements and Equip.	1,043,850		1,043,850				
1117	North Washington Avenue Paving Project	26,373		26,373				
1123/1155	Various Capital Improvements and Equip.	838,000	\$ 62,855	838,000	\$ 1,592	\$ 62,855		\$ 62,855
1146	Various Capital Improvements and Equip.	-	1,604,000	1,601,777		631	-	631
		<u>\$ 1,948,223</u>	<u>\$ 1,666,855</u>	<u>\$ 3,550,000</u>	<u>\$ 1,592</u>	<u>\$ 63,486</u>	<u>\$ -</u>	<u>\$ 63,486</u>
							<u>Improvement Authorizations - Unfunded</u>	
							<u>\$ 63,486</u>	

EXHIBIT C-7

**BOROUGH OF OLD TAPPAN
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2018		\$ 91,718
Increased by:		
Charges to Improvement Authorizations		<u>733,821</u>
		825,539
Decreased by:		
Cancelled Encumbrances Restored to Improvement Authorizations	\$ 1,323	
Payments	<u>90,395</u>	
		<u>91,718</u>
Balance, December 31, 2019		<u>\$ 733,821</u>

EXHIBIT C-8

STATEMENT OF DUE TO OPEN SPACE PRESERVATION TRUST FUND

Increased by:		
Unexpended Balances of Improvement Authorizations Funded from Trust	\$ 6,475	
Receipts from Open Space Trust Fund	<u>100,000</u>	
		\$ 106,475
Decreased by:		
Appropriation of Open Space Funds to Improvement Authorization-Ord. 1157		<u>100,000</u>
Balance, December 31, 2019		<u>\$ 6,475</u>

EXHIBIT C-9

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2018		\$ 132,762
Increased by:		
2019 Budget Appropriation		<u>50,000</u>
		182,762
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>84,145</u>
Balance, December 31, 2019		<u>\$ 98,617</u>

BOROUGH OF OLD TAPPAN
STATEMENT OF IMPROVEMENT AUTHORIZATIONS

2019 Authorizations

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31, 2018		Capital Improvement Fund	Deferred Charges Unfunded	Grants	Other	Adjustments	Authorizations Cancelled	Paid or Charged	Balance, December 31, 2019	
			Funded	Unfunded								Funded	Unfunded
General Improvements													
1045	Various Public Improvements	1,775,000	\$ 4,041								\$ 4,041		
1067	Various Improvements and Acquisition of Various Equipment and Vehicles	275,000	2,378								\$ 2,378	-	
1079	Various Improvements and Acquisition of Various Equipment and Vehicles	32,000	-									-	
		2,405,000							\$ 1,083	\$ 1,083			
1094	Various Capital Improvements and Acquisition of Various Equipment	482,700	105,647										
		195,500	-	\$ 18,969					240	72,042	8,666	24,939	
1099	Improvement to Russell Avenue and Irving Street									19,209			
1109	Various Public Improvements and Acquisition of Various Equipment and Vehicles	1,125,000		165,895									
		192,000		502						51,691	107,986	6,218	
1117	Washington Avenue North, Section 4									82	420	-	
1123/1155	Various Capital Improvements and Acquisition of Various Equipment	1,363,000		332,113	\$ 3,145	\$ 62,855	\$ 217,000						
										5,512	520,066	26,680	\$ 62,855
1125	Various Improvements and Acquisition of Various Equipment	173,000								4,519	9,470	24,424	
1130/1133	Acquisition and Installation of Communication Equipment	20,000	12,022	-						728	11,294	-	
1137/1157	Various Park Improvements	354,118			-	-	\$ 100,000			10,401	227,804	114,978	-
1146	Various Public Improvements and Acquisition of Various Equipment and Vehicles												
		1,710,000	-	-	81,000	1,604,000	-	25,000	-	1,592	990,216	717,561	631
			\$ 415,684	\$ 517,479	\$ 84,145	\$ 1,666,855	\$ 217,000	\$ 125,000	\$ 1,323	\$ 166,859	\$ 1,878,300	\$ 918,841	\$ 63,486

**BOROUGH OF OLD TAPPAN
STATEMENT OF RESERVE FOR SIDEWALK IMPROVEMENTS**

Balance, December 31, 2018	\$ 228,801
Increased by:	
Developer Fees Received	<u>17,821</u>
	246,622
Decreased by:	
Appropriated to Finance Improvement Authorization	<u>25,000</u>
Balance, December 31, 2019	<u>\$ 221,622</u>

STATEMENT OF RESERVE FOR CAPITAL IMPROVEMENTS

Balance, December 31, 2018	<u>\$ 9,116</u>
Balance, December 31, 2019	<u>\$ 9,116</u>

STATEMENT OF RESERVE FOR PAYMENT OF DEBT

Balance, December 31, 2018	<u>\$ 59,442</u>
Balance, December 31, 2019	<u>\$ 59,442</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF GREEN TRUST LOAN**

[illegible]

**BOROUGH OF OLD TAPPAN
STATEMENT OF GENERAL SERIAL BONDS**

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding December 31, 2019		Interest Rate	Balance, December 31, 2018	Increased	Decreased	Balance, December 31, 2019
			Date	Amount					
General Bonds of 2010	7/15/2010	\$ 2,120,000	2020	320,000	3.00	%			
			2021-2022	325,000	3.00-3.125	\$ 1,160,000	\$ 190,000	\$ 970,000	
General Bonds of 2012	11/15/2012	1,780,000	2020-2023	200,000	2.00	950,000		150,000	800,000
General Refunding Bonds of 2014 (Series A)	8/15/2014	2,110,000				435,000		435,000	-
General Refunding Bonds of 2014 (Series B)	8/15/2014	585,000	2020	65,000	4.00				
			2021-2022	70,000	3.00-4.00				
			2023	75,000	3.00	345,000		65,000	280,000
General Improvement Bonds of 2015	8/15/2015	2,074,000	2020	205,000	2.00				
			2021	210,000	2.00				
			2022	215,000	2.00				
			2023	220,000	2.00				
			2024	225,000	2.00				
			2025	229,000	2.00	1,504,000	-	200,000	1,304,000
General Improvement Bonds of 2019	9/15/2019	3,550,000	2020-2022	250,000	1.25-1.375				
			2023-2026	475,000	1.50-2.00				
			2027-2028	450,000	2.00	-	\$ 3,550,000	-	3,550,000
						\$ 4,394,000	\$ 3,550,000	\$ 1,040,000	\$ 6,904,000
						Issued for Cash		\$ 3,550,000	
						Paid by Budget Appropriation		\$ 1,040,000	

BOROUGH OF OLD TAPPAN
STATEMENT OF BOND ANTICIPATION NOTES

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	<u>Date of</u> <u>Original</u> <u>Issue</u>	<u>Date of</u> <u>Issue</u>	<u>Date</u> <u>of</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Balance,</u> <u>December 31,</u> <u>2018</u>	<u>Decreased</u>	<u>Balance,</u> <u>December 31,</u> <u>2019</u>
1099-16	Improvement of Russell Avenue and Irving Street	9/28/2017	9/28/2018	9/27/2019	3.00 %	\$ 40,000	\$ 40,000	
1109-17	Various Capital Improvements and Acq. of Equip.	9/28/2017	9/28/2018	9/27/2019	3.00	1,043,850	1,043,850	-
1117-17	Improvements of Washington Avenue North	9/28/2017	9/28/2018	9/27/2019	3.00	26,373	26,373	-
1123-18	Various Capital Improvements and Acq. of Equip.	9/28/2018	9/28/2018	9/27/2019	3.00	838,000	838,000	-
Paid by Bond Proceeds						<u>\$ 1,948,223</u>	<u>\$ 1,948,223</u>	<u>\$ -</u>

BOROUGH OF OLD TAPPAN
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance, December 31, 2018</u>	<u>2019 Authorizations</u>	<u>Bonds Issued</u>	<u>Authorizations Cancelled</u>	<u>Balance, December 31, 2019</u>
1147	Various Capital Improvements and Acquisition of Equipment		\$ 1,604,000	\$ 1,601,777	\$ 1,592	\$ 631
1155	Various Capital Improvements and Acquisition of Equipment	<u>\$ -</u>	<u>62,855</u>	<u>-</u>	<u>-</u>	<u>62,855</u>
		<u>\$ -</u>	<u>\$ 1,666,855</u>	<u>\$ 1,601,777</u>	<u>\$ 1,592</u>	<u>\$ 63,486</u>

SEWER UTILITY FUND

**BOROUGH OF OLD TAPPAN
STATEMENT OF CASH - SEWER TREASURER**

	<u>Operating</u>	<u>Assessment Trust</u>	<u>Capital</u>
Balance, December 31, 2018	\$ 316,489	\$ 824,638	\$ 270,152
Increased by Receipts:			
Consumer Accounts Receivable	\$ 1,316,358		
Interest on Assessments		\$ 14,322	
Assessments Receivable		182,420	
Receipts from Sewer Assessment Fund	14,322		\$ 510,000
Serial Bonds			211,345
Deferred Reserve for Amortization	1,109		
Sewer Fee Overpayments	11,072	-	-
Non-Budget Revenue	<u>1,342,861</u>	<u>196,742</u>	<u>721,345</u>
	1,659,350	1,021,380	991,497
Decreased by Disbursements:			
2019 Budget Appropriations	1,053,435		
2018 Appropriation Reserves	10,351		
Encumbrances Payable	60,592		73,338
Bond Anticipation Notes			225,000
Interest on Bonds, Loans and Notes	40,717		
Serial Bonds		175,000	
Improvement Authorizations			10,299
Environmental Infrastructure Loans		450,480	
Payments to Sewer Utility Operating Fund	<u>-</u>	<u>14,322</u>	<u>-</u>
	<u>1,165,095</u>	<u>639,802</u>	<u>308,637</u>
Balance, December 31, 2019	\$ <u>494,255</u>	\$ <u>381,578</u>	\$ <u>682,860</u>

**BOROUGH OF OLD TAPPAN
ANALYSIS OF CASH
SEWER UTILITY ASSESSMENT TRUST FUND**

	Balance, December 31, 2019
Fund Balance	\$ 193,657
Assessment Serial Bonds and Loans	
Ord. 708- Improvements to Sanitary Sewerage System - Orangeburg Rd. So./Greenswood/Olsen	103,494
Ord. 778/797/845/870 2002 and 2004 Sewer Project Areas	<u>84,427</u>
	<u>\$ 381,578</u>

**ANALYSIS OF CASH
SEWER UTILITY CAPITAL FUND**

	Balance December 31, 2019
Encumbrances Payable	\$ 474,647
Reserve for Sewer Assessment Debt	171,968
<u>Improvement Authorizations</u>	
<u>Ord. No.</u>	<u>Improvement Description</u>
1093	Replacement of a Channel Grinder at Pump Station No. 1
1110	Various Improvements to Pump Stations
1124/1132	Upgrade of Control Panels in Pump Stations and Acquisition of a Grinder Pump
1147	Upgrade of Control Panels in Pump Stations and Acquisition of a Sewer Jet
	<u>4,430</u>
	<u>2,423</u>
	<u>13,269</u>
	<u>16,123</u>
	<u>\$ 682,860</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF CONSUMERS' ACCOUNTS RECEIVABLE
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2018		\$ 55,935
Increased by:		
Sewer Rents Levied		<u>1,299,913</u>
		1,355,848
Decreased by:		
Sewer Rents Collected:		
Cash Receipts	\$ 1,316,358	
Overpayments Applied	<u>1,382</u>	
		<u>1,317,740</u>
Balance, December 31, 2019		<u>\$ 38,108</u>

EXHIBIT D-11

**STATEMENT OF DUE TO SEWER UTILITY OPERATING FUND
SEWER UTILITY ASSESSMENT TRUST FUND**

Increased by:		
Interest on Assessments		\$ 14,322
Decreased by:		
Payments to Sewer Utility Operating Fund		<u>\$ 14,322</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF ASSESSMENTS RECEIVABLE
SEWER UTILITY ASSESSMENT TRUST FUND**

Ord. No.	Improvement Description	Date of Confirmation	Annual Install- ments	Due Dates	Balance, December 31, 2018	Collectors Adjustments	Collected	Balance, December 31, 2019	Balance Pledged To	
									Assessment Bonds/ Loans	Reserve
654/665	Improvements to Sanitary Sewerage System- Area A	10/15/2001	18	10/15/2001-10/15/2018	\$ -	\$ 10,767	\$ 10,767			
708	Improvements to Sanitary Sewerage System- Orangeburg Road South	10/7/2002	18	10/7/2002-10/7/2019	95,126	-	82,201	\$ 12,925	\$ 12,925	
708	Improvements to Sanitary Sewerage System- Greenwoods Road	10/7/2002	18	10/7/2002-10/7/2019	29,883		27,666	2,217		2,217
708	Improvements to Sanitary Sewerage System- Olsen Lane	10/7/2002	18	10/7/2002-10/7/2019	3,597	-	3,597	-		-
797	Improvements to Sanitary Sewerage System- Demarest Lane	4/19/2004	18	4/19/2004-4/19/2021	859		571	288		288
778/ 797	Improvements to Sanitary Sewerage System- 2002 Sewer Project Areas	10/4/2004	18	10/4/2004-10/4/2021	67,994		27,396	40,598	20,054	\$ 20,544
845/870	Improvements to Sanitary Sewer System 2004 Sewer Project Areas	10/17/2005	18	10/17/2005-10/17/2022	106,063		30,222	75,841	75,841	-
					<u>\$ 303,522</u>	<u>\$ 10,767</u>	<u>\$ 182,420</u>	<u>\$ 131,869</u>	<u>\$ 111,325</u>	<u>\$ 20,544</u>
Reserve for Assessments Receivable					<u>\$ 10,767</u>					

**STATEMENT OF DEFERRED CHARGE - UTILITY SHARE OF
ASSESSMENT DEBT ISSUED
SEWER UTILITY ASSESSMENT TRUST FUND**

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance, December 31, 2018</u>	<u>Assessment Loans Cancelled</u>	<u>Balance, December 31, 2019</u>	<u>Balance, Pledged to Assessment Bonds/Loans</u>
708	Impvts. To Sanitary Sewer- Orangeburg Rd. So.	\$ 22,323	\$ 1,283	\$ 21,040	\$ 21,040
845/870	Impvts. to Sanitary Sewers 2004 Sewer Project Areas	<u>34,390</u>	<u>-</u>	<u>34,390</u>	<u>34,390</u>
		<u>\$ 56,713</u>	<u>\$ 1,283</u>	<u>\$ 55,430</u>	<u>\$ 55,430</u>
				Bonds Loans	\$ 34,390 <u>21,040</u>
					<u>\$ 55,430</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF FIXED CAPITAL
SEWER UTILITY CAPITAL FUND**

	Balance, December 31, 2018	Additions by:		Balance, December 31, 2019
		Budget Capital Outlay	Ordinance	
<u>System and System Improvements</u>				
Sanitary Sewerage Collection System	\$ 17,806,320			\$ 17,806,320
Sewer Line Repairs	35,448			35,448
Pump Station Improvements, Pump Replacements and Upgrades	203,129	\$ 9,768	\$ 209,878	422,775
<u>Vehicles and Equipment</u>				
Pump Station Generators	69,478			69,478
Sewer Jet Truck - (Interlocal River Vale)	90,000			90,000
Confined Space Reserve System	2,312			2,312
Gas Detector	2,200			2,200
Pick Up Truck	35,000			35,000
Rebuilt Sewer Jet Truck	26,999			26,999
Pick Up Truck Plow	34,981			34,981
Video Camera	9,496			9,496
Safety Equipment	12,500			12,500
Computer	1,500			1,500
Skid Steer Loader	35,000			35,000
Loader Crane Attachment	3,000			3,000
Trailer	1,500			1,500
Transport Van	29,403			29,403
Trench Boxes	15,799			15,799
Sewer Easement Machine	14,500			14,500
Sewer Truck Crane	7,500			7,500
Generator for Sewer Van	4,980	-	-	4,980
	<u>\$ 18,441,045</u>	<u>\$ 9,768</u>	<u>\$ 209,878</u>	<u>\$ 18,660,691</u>
2019 Budget Appropriations		<u>\$ 9,768</u>		

**BOROUGH OF OLD TAPPAN
STATEMENT OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED
SEWER UTILITY CAPITAL FUND**

Ord. No.	Improvement Description	Balance, December 31, 2018	2019 Authorizations	Costs to Fixed Capital	Balance, December 31, 2019
			Deferred Charges to Future Revenue		
1093	Replacement of Channel Grinder Pump Station No. 1	\$ 52,500		\$ 44,570	\$ 7,930
1110	Various Improvements to Pump Stations	60,000		57,577	2,423
1124/1132	Upgrade of Control Panels at Pump Stations and Acquisition of a Grinder Pump	121,000		107,731	-
1147	Upgrade of Control Panels at Pump Stations and Acquisition of a Sewer Jet	-	\$ 500,000	\$ -	500,000
		<u>\$ 233,500</u>	<u>\$ 500,000</u>	<u>\$ 209,878</u>	<u>\$ 523,622</u>

EXHIBIT D-16

**STATEMENT OF APPROPRIATION RESERVES
SEWER UTILITY OPERATING FUND**

	Balance, December 31, 2018	Balance After Modifications	Paid or Charged	Balance Lapsed
Operating				
Salaries	\$ 1,573	\$ 1,573		\$ 1,573
Other Expenses	10,920	10,920	\$ 10,351	569
Capital Improvements				
Capital Outlay	1,500	1,500	-	1,500
Statutory Expenditures				
Social Security Systems (O.A.S.I.)	1,000	1,000	-	1,000
Total Operating	<u>14,993</u>	<u>14,993</u>	<u>10,351</u>	<u>4,642</u>

EXHIBIT D-17

**STATEMENT OF ENCUMBRANCES PAYABLE
SEWER UTILITY CAPITAL FUND**

Balance, December 31, 2018	\$ 73,338
Increased by:	
Charges to Improvement Authorizations	<u>474,647</u>
	547,985
Decreased by:	
Cash Disbursements	<u>73,338</u>
Balance, December 31, 2019	<u>\$ 474,647</u>

BOROUGH OF OLD TAPPAN
STATEMENT OF IMPROVEMENT AUTHORIZATIONS
SEWER UTILITY CAPITAL FUND

Ord. No.	Improvement Description	Ordinance Amount	Balance, December 31,		2019 Authorizations Deferred Charges to Future Revenues	Paid or Charged	Balance, December 31, 2019	
			2018 Unfunded				Funded	Unfunded
1093	Replacement of Channel Grinder Pump Station No. 1	\$ 52,500	\$ 8,955		\$	1,025	\$ 4,430	\$ 3,500
1110	Various Improvements to Pump Stations	60,000	4,691			2,268	2,423	
1124/	Upgrading Control Panels at Pump Stations and							
1132	Acquisition of a Grinder Pump	121,000	19,700			6,431	13,269	
1147	Upgrading Control Panels at Pump Stations and							
	Acquisition of a Sewer Jet	500,000	-	\$ 500,000		475,222	16,123	8,655
			\$ 33,346	\$ 500,000		\$ 484,946	\$ 36,245	\$ 12,155
				Cash Disbursed		\$ 10,299		
				Encumbrances Payable		474,647		
						\$ 484,946		

**BOROUGH OF OLD TAPPAN
STATEMENT OF ENCUMBRANCES PAYABLE
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2018	\$ 60,592
Increased by:	
Charges to 2019 Budget Appropriations	<u>66,816</u>
	127,408
Decreased by:	
Cash Disbursements	<u>60,592</u>
Balance, December 31, 2019	<u>\$ 66,816</u>

**STATEMENT OF ACCRUED INTEREST ON BONDS, LOANS AND NOTES
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2018	\$ 17,238
Increased by:	
Charges to Budget Appropriations for Interest	<u>32,094</u>
	49,332
Decreased by:	
Interest Paid	<u>40,717</u>
Balance, December 31, 2019	<u>\$ 8,615</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF SEWER FEE OVERPAYMENTS
SEWER UTILITY OPERATING FUND**

Balance, December 31, 2018	\$ 1,382
Increased by:	
2019 Overpayments Received	<u>1,109</u>
	2,491
Decreased by:	
Overpayments Applied	<u>1,382</u>
Balance, December 31, 2019	<u>\$ 1,109</u>

**STATEMENT OF RESERVE FOR AMORTIZATION
SEWER UTILITY CAPITAL FUND**

Balance, December 31, 2018	\$ 18,441,045
Increased by:	
Capital Outlay - Operating Budget	<u>9,768</u>
Balance, December 31, 2019	<u>\$ 18,450,813</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF RESERVE FOR SEWER ASSESSMENT DEBT
SEWER UTILITY CAPITAL FUND**

Ord. No.	Improvement Description	Balance December 31, 2018	Balance December 31, 2019
626/668	Impvts. To Sanitary Sewer - Deberg Drive	\$ 19,272	\$ 19,272
666	Impvts. To Sanitary Sewer - Orangeburg Road	18,215	18,215
708	Impvts. To Sanitary Sewer - Orangeburg Rd. So.	94,687	94,687
778/797	Impvts. To Sanitary Sewer - 2002 Sewer Project Areas	6,047	6,047
845/870	Impvts. To Sanitary Sewer - 2004 Sewer Project Areas	<u>33,747</u>	<u>33,747</u>
		<u>\$ 171,968</u>	<u>\$ 171,968</u>

EXHIBIT D-24

**STATEMENT OF RESERVE FOR ASSESSMENTS RECEIVABLE
SEWER UTILITY ASSESSMENT TRUST FUND**

Ord. No.	Description	Balance December 31, 2018	Collector's Adjustments	Collections To Fund Balance	Balance December 31, 2019
654/665	Sanitary Sewer - Area A		\$ 10,767	\$ 10,767	\$ -
778/797	Sanitary Sewer - 2002 Sewer Project Areas	<u>\$ 20,544</u>	<u>-</u>	<u>-</u>	<u>20,544</u>
		<u>\$ 20,544</u>	<u>\$ 10,767</u>	<u>\$ 10,767</u>	<u>\$ 20,544</u>

EXHIBIT D-25

**STATEMENT OF DEFERRED RESERVE FOR AMORTIZATION
SEWER UTILITY CAPITAL FUND**

Ord. No.	Improvement Description	Shared Service Contribution	Balance December 31, 2019
1147	Upgrading Control Panels at Pump Station and Acquisition of Sewer Jet	<u>\$ 211,345</u>	<u>\$ 211,345</u>

**BOROUGH OF OLD TAPPAN
SERIAL BONDS PAYABLE
SEWER CAPITAL FUND**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2018</u>	<u>Increased</u>	<u>Balance, December 31, 2019</u>
			<u>Bonds Outstanding December 31, 2019</u>	<u>Amount</u>				
Sewer Utility Bonds of 2019	9/15/2019	\$ 510,000	9/15/2020	\$ 35,000	1.25 %			
			9/15/2021	45,000	1.25			
			9/15/2022	55,000	1.375			
			9/15/2023-2025	60,000	1.50-2.00			
			9/15/2026-2028	65,000	2.00	-	\$ 510,000	\$ 510,000
						\$ -	\$ 510,000	\$ 510,000
						Issued for Cash		\$ 510,000

**BOROUGH OF OLD TAPPAN
STATEMENT OF BOND ANTICIPATION NOTES
SEWER UTILITY CAPITAL FUND**

Ord. No.	<u>Improvement Description</u>	<u>Date of Original Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2018</u>	<u>Decreased</u>	<u>Balance, December 31, 2019</u>
1093-16	Replacement of Channel Grinder	9/28/2017	9/28/2018	9/27/2019	3.00 %	\$ 44,000	\$ 44,000	\$ -
1110-17	Various Improvements to Pump Stations	9/28/2017	9/28/2018	9/27/2019	3.00	60,000	60,000	-
1124-18/ 1132-18	Upgrade of Control Panels at Pump Stations and Acquisition of a Grinder Pump	9/28/2018	9/28/2018	9/27/2019	3.00	121,000	121,000	-
						<u>\$ 225,000</u>	<u>\$ 225,000</u>	<u>\$ -</u>
					Paid by Bond Proceeds		<u>\$ 225,000</u>	

121

**BOROUGH OF OLD TAPPAN
STATEMENT OF SEWER ASSESSMENT SERIAL BONDS
SEWER UTILITY ASSESSMENT TRUST FUND**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds Outstanding</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2018</u>	<u>Decreased</u>	<u>Balance, December 31, 2019</u>
			<u>Date</u>	<u>Amount</u>				
Refunding Assessment Bonds Ord. 624,626,668	7/15/2010	\$ 730,000				\$ 85,000	\$ 85,000	
Refunding Assessment Bonds Ord. 778/797/845/870	7/10/2014	665,000	2020-2021	85,000	4.00%			
			2022	45,000	3.00%	305,000	90,000	\$ 215,000
						<u>\$ 390,000</u>	<u>\$ 175,000</u>	<u>\$ 215,000</u>
							<u>\$ 175,000</u>	

Paid by Sewer Assessment Cash

**STATEMENT OF AUTHORIZED BUT NOT ISSUED
SEWER UTILITY CAPITAL FUND**

<u>Ord. No.</u>	<u>Purpose</u>	<u>Balance, December 31, 2018</u>	<u>2019 Authorizations</u>	<u>Other Receipts</u>	<u>Bonds Issued</u>	<u>Balance, December 31, 2019</u>
1093	Replacement of Channel Grinder	\$ 8,500			\$ 5,000	\$ 3,500
1147	Upgrade of Control Panels at Pump Stations and Acquisition of a Grinder Pump	-	\$ 500,000	211,345	280,000	8,655
		<u>\$ 8,500</u>	<u>\$ 500,000</u>	<u>\$ 211,345</u>	<u>\$ 285,000</u>	<u>\$ 12,155</u>

PUBLIC ASSISTANCE FUND

**BOROUGH OF OLD TAPPAN
STATEMENT OF PUBLIC ASSISTANCE CASH - TREASURER**

	<u>Account #1</u>
Balance, December 31, 2018	\$ 84,782
Increased by:	
Receipts	<u>7,929</u>
	92,711
Decreased by:	
Disbursements	<u>26,144</u>
Balance, December 31, 2019	<u>\$ 66,567</u>

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

	<u>Account #1</u>
Balance, December 31, 2018	\$ 84,782
Increased by:	
Revenues	<u>7,929</u>
	92,711
Decreased by:	
Expenditures	<u>26,144</u>
Balance, December 31, 2019	<u>\$ 66,567</u>

**BOROUGH OF OLD TAPPAN
STATEMENT OF PUBLIC ASSISTANCE REVENUES**

	<u>Account #1</u>
Donations	\$ 4,429
Refund - Non-State Matched	<u>3,500</u>
 Total Receipts/Revenues	 <u>\$ 7,929</u>

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

	<u>Account #1</u>
Current Year Assistance	
Assistance Ineligible for State Aid	<u>\$ 26,144</u>
 Total Disbursements/Expenditures	 <u>\$ 26,144</u>

**BOROUGH OF OLD TAPPAN
BERGEN COUNTY, NEW JERSEY**

PART II

**GOVERNMENT AUDITING STANDARDS
YEAR ENDED DECEMBER 31, 2019**



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Old Tappan
Old Tappan, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Old Tappan as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated July 8, 2020. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Old Tappan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Borough of Old Tappan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Old Tappan's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Old Tappan's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Old Tappan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lerch, Vinci & Higgins, LLP

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



Jeffery C. Bliss
Registered Municipal Accountant
RMA Number CR00429

Fair Lawn, New Jersey
July 8, 2020

BOROUGH OF OLD TAPPAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

CFDA Number	Account Number	Grant Year	Grant Award Amount	2019 Grant Receipts	Balance, January 1, 2019	Revenue Realized	Expenditures	Grants Cancelled	Balance, December 31, 2019	Cumulative Expended
U.S. Dept. of Housing and Urban Development (Passed through County Dept. of Community Development) Community Development Block Grants Senior Citizens' Program	14.218	2018/19	\$ 5,623	\$ 4,680	\$ 5,623	\$ 6,000	\$ 4,680	\$ 943	\$ 5,040	\$ 4,680
		2019/20	6,000				960			960
U.S. Dept. of Justice (Passed Through Dept. of Law and Public Safety) Bulletproof Vest Partnership Program (Body Armor)	16.607	2016	1,317		99	-	99	-	-	1,317
U.S. Dept. of Transportation (Passed Through State Dept. of Law and Public Safety) Drive Sober or Get Pulled Over	20.616	2018	5,500	3,922	4,291	-	2,713	1,578	-	3,922

Note - The Federal Award Programs were not subject to an audit in accordance with U.S. Uniform Guidance

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2019**

[illegible]

Note - The State Financial Assistance programs were not subject to an audit in accordance with NJ OMB 15-08.

See Accompanying Notes to Schedule of Expenditures of State Financial Assistance

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

BOROUGH OF OLD TAPPAN
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2019

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 6,000	\$ 44,049	\$ 50,049
General Capital Fund	<u>-</u>	<u>217,000</u>	<u>217,000</u>
Total Financial Awards	<u>\$ 6,000</u>	<u>\$ 261,049</u>	<u>\$ 267,049</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Borough's fiscal year and grant program year.

BOROUGH OF OLD TAPPAN
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2019

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2019, which are not required to be reported on the schedules of expenditures of state financial assistance, are as follows:

<u>Loan Program</u>	<u>State Account Number</u>	<u>Total</u>
Dept. of Environmental Protection-		
Green Trust Loan Program	4800-553-851000-60	\$ 20,554
Environmental Infrastructure Loan (2000 Loan)	4800-534-094802-60	<u>139,676</u>
		<u>\$ 160,230</u>

NOTE 6 DE MINIMIS INDIRECT COST RATE

The Borough has not elected to use the 10 percent de minimis indirect cost rate allowed under the U.S. Uniform Guidance.

**BOROUGH OF OLD TAPPAN
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Part I—Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on financial statements Modified - Presentation of Unaudited LOSAP Fund

Internal control over financial reporting:

1) Material weakness(es) identified yes X no

2) Significant deficiency(ies) that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to the financial statements noted? yes X no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF OLD TAPPAN
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

There are none.

**BOROUGH OF OLD TAPPAN
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019**

This section identifies the status of prior-year findings related to the financial statements are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*.

STATUS OF PRIOR YEAR FINDINGS

There are none.

BOROUGH OF OLD TAPPAN
BERGEN COUNTY, NEW JERSEY

PART III

SUPPLEMENTARY DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2019

**BOROUGH OF OLD TAPPAN
SUPPLEMENTARY DATA**

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

	<u>Year 2019</u>		<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 800,000	1.99%	\$ 800,000	2.04%
Miscellaneous - From Other Than Local				
Property Tax Levies	3,459,498	8.62%	3,267,857	8.34%
Collection of Delinquent Taxes and Tax Title Liens	371,246	0.92%	300,420	0.77%
Collection of Current Tax Levy	35,408,086	88.18%	34,731,839	88.60%
Other Credits	<u>115,985</u>	<u>0.29%</u>	<u>99,246</u>	<u>0.25%</u>
Total Income	<u>40,154,815</u>	<u>100.00%</u>	<u>39,199,362</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	9,044,307	23.14%	8,792,815	22.92%
County Taxes	4,258,264	10.90%	4,335,604	11.30%
Local and Regional School Taxes	25,607,071	65.52%	25,056,455	65.32%
Municipal Open Space Tax	173,626	0.44%	174,316	0.45%
Other Expenditures	<u>161</u>	<u>0.00%</u>	<u>2,938</u>	<u>0.01%</u>
Total Expenditures	<u>39,083,429</u>	<u>100.00%</u>	<u>38,362,128</u>	<u>100.00%</u>
Excess in Revenue	1,071,386		837,234	
Fund Balance, January 1	<u>1,892,832</u>		<u>1,855,598</u>	
	2,964,218		2,692,832	
Less Utilization as Anticipated Revenue	<u>800,000</u>		<u>800,000</u>	
Fund Balance, December 31	<u>\$ 2,164,218</u>		<u>\$ 1,892,832</u>	

**BOROUGH OF OLD TAPPAN
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE - SEWER UTILITY
OPERATING FUND**

	<u>Year 2019</u>		<u>Year 2018</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 40,000	2.88%	\$ 41,000	3.26%
Collection of Sewer User Fees	1,317,740	94.96%	1,148,231	91.42%
Miscellaneous- From Other Than				
Sewer User Fees	14,322	1.03%	23,362	1.86%
Non-Budget Revenue	11,072	0.80%	10,574	0.84%
Other Credits to Income	<u>4,642</u>	<u>0.33%</u>	<u>32,867</u>	<u>2.62%</u>
Total Income	<u>1,387,776</u>	<u>100.00%</u>	<u>1,256,034</u>	<u>100.00%</u>
EXPENDITURES				
Budget Expenditures				
Operating	1,144,564	92.63%	1,106,044	91.33%
Capital Improvements	10,000	0.81%	10,000	0.83%
Debt Service	32,094	2.60%	46,969	3.88%
Deferred Charges and Statutory Expenditures	<u>49,000</u>	<u>3.96%</u>	<u>48,000</u>	<u>3.96%</u>
Total Expenditures	<u>1,235,658</u>	<u>100.00%</u>	<u>1,211,013</u>	<u>100.00%</u>
Excess in Revenue	152,118		45,021	
Fund Balance, January 1	<u>222,284</u>		<u>218,263</u>	
	374,402		263,284	
Less Utilization as Anticipated Revenue	<u>40,000</u>		<u>41,000</u>	
Fund Balance, December 31	<u>\$ 334,402</u>		<u>\$ 222,284</u>	

**BOROUGH OF OLD TAPPAN
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate</u>	<u>\$2.063</u>	<u>\$2.021</u>	<u>\$2.005</u>

Apportionment of Tax Rate

Municipal	.330	.322	.315
Municipal Open Space	.010	.010	.010
County	.236	.239	.246
County Open Space	.010	.010	.010
Local District School	.850	.823	.835
Regional High School	.627	.617	.589

Assessed Valuation

2019	<u>\$1,734,113,030</u>	
2018	<u>\$1,741,230,299</u>	
2017		<u>\$1,733,666,227</u>

Comparison of Tax Levies and Collection

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2019	\$ 35,819,129	\$ 35,433,086	98.92%
2018	35,229,351	34,756,839	98.66%
2017	34,843,378	34,476,453	98.95%

**BOROUGH OF OLD TAPPAN
SUPPLEMENTARY DATA**

Delinquent Taxes and Tax Title Liens

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

<u>December 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent Taxes</u>	<u>Percentage of Tax Levy</u>
2019	\$ 47,429	\$ 282,141	\$ 329,570	0.92%
2018	43,083	371,180	414,263	1.18%
2017	39,170	299,789	338,959	0.97%

Property Acquired By Tax Title Lien Liquidation

No properties have been acquired in 2019 by foreclosure or deed, as a result of liquidation of tax title liens.

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2019	\$278,485
2018	278,485
2017	278,485

Schedule of Sewer Utility Levies

<u>Year</u>	<u>Levy</u>	<u>Cash Collections(1)</u>	<u>Percentage of Collection</u>
2019	\$ 1,299,913	\$ 1,317,740	101.37%
2018	1,166,879	1,148,231	98.40%
2017	1,130,077	1,129,601	99.96%

(1) Includes collection of prior year receivables and overpayments applied.

**BOROUGH OF OLD TAPPAN
SUPPLEMENTARY DATA**

Comparative Schedule of Fund Balances

	<u>Year</u>	<u>Balance, December 31</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2019	\$2,164,218	\$938,000
	2018	\$,892,832	800,000
	2017	1,855,598	800,000
	2016	1,745,369	800,000
	2015	1,724,117	800,000
Sewer Utility Fund	2019	\$334,402	\$50,000
	2018	222,284	40,000
	2017	218,263	41,000
	2016	244,976	92,000
	2015	233,239	95,000

**BOROUGH OF OLD TAPPAN
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Corporate Surety</u>
John M. Kramer	Mayor		
Matthew Nalbandian	Council President		
Ronald Binaghi, Jr.	Councilman		
Guy Carnazza	Councilman		
Victor Cioce	Councilman		
Thomas Gallagher	Councilman		
Anna Haverilla	Councilwoman (1/1/2019 to 3/31/2019)		
Jun Yhu	Councilman (Effective 5/6/2019)		
Patrick O'Brien	Administrator (1/1/2019 to 4/30/2019)	Note A	MELJIF
Anna Haverilla	Administrator (Effective 5/1/2019)	Note A	MELJIF
Jean Donch	Borough Clerk	Note A	MELJIF
Lori Langone	Registrar of Vital Statistics	Note A	MELJIF
Warren Clark	Magistrate	Note A	MELJIF
Laurel Carnazza	Court Clerk		
Rebecca Overgaard	Chief Financial Officer/Tax Collector/ Treasurer/Sewer Utility Collector/ Tax Search Officer	Note A	MELJIF
Toni Flyge	Deputy Tax Collector		
Diane Frohlic	Land Use Board Secretary	Note A	MELJIF
Patrick Wilkins	Tax Assessor		
Charles Batch	Construction Official/Building Inspector (1/1/2019 to 6/30/2019)	Note A	MELJIF
Robert Rusch	Construction Official/Building Inspector (Effective 6/30/19)	Note A	MELJIF
Donna Geitz	Social Services	Note A	MELJIF
Douglas Meeks	Golf Professional	Note A	MELJIF
Thomas Shine	Chief of Police		
Allen Bell	Borough Attorney		
Thomas Skrable	Borough Engineer		

Note A - All officials handling cash were covered by a blanket position bond issued by the Municipal Excess Liability Joint Insurance Fund in the amount of \$1,000,000.

BOROUGH OF OLD TAPPAN LETTER OF COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

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

Prior Year Findings – Unresolved

Our audit of the Borough's Affordable Housing Reserve trust account revealed the administrative expenses reported in the annual report filed with State Council on Affordable Housing ("COAH") exceeded the maximum permitted under the code by approximately \$131,000 as of December 31, 2019. We noted the Borough developed and approved a corrective action plan to reduce the administrative expenses to the COAH permitted threshold. Such plan will require an extended period of time to resolve this issue. Therefore no recommendation is deemed necessary at this time.

Current Year Findings

Our audit of Borough purchasing found the following:

- a) A purchase, which exceeded the bid threshold, was made using a national cooperative however, there was no evidence that national cooperative purchasing procedures were followed. In addition, there does not appear to be formal council approval to participate in the cooperative nor was there formal council approval of the contract awarded.
- b) Although the use of a cooperative was approved, specific vendors and contracts utilized under those cooperative agreements which exceeded the bid threshold were not approved by formal council resolution.
- c) A political contribution disclosure form is not obtained for all vendors who receive non-fair and open contracts or purchases which exceed \$17,500.

It is recommended that purchasing procedures be reviewed and revised to ensure all contract awards and purchases are made in accordance with the Local Public Contracts Law and State procurement guidelines.

Contracts and Agreements Required To Be Advertised For NJS 40a:11-4

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the bid threshold, except by contract or agreement."

The bid threshold in accordance with N.J.S.A. 40A:11-4 was \$17,500 as of July 1, 2011. The Borough has adopted a resolution increasing the threshold to \$40,000 and has appointed the Chief Financial Officer as qualified purchasing agent in accordance with regulations established by the Division of Local Government Services.

**BOROUGH OF OLD TAPPAN
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS (Continued)

Contracts and Agreements Required To Be Advertised For NJS 40a:11-4 (Continued)

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

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

2019 Road Paving Program
Pump Station #5 Upgrades

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per NJS 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

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

Collection Of Interest On Delinquent Taxes, Assessments And Sewer User Fees

The New Jersey statutes provide the method for authorizing interest and the maximum rates to be charged for the non-payment of taxes or assessments on or before the date when they would become delinquent. The Governing Body on January 2, 2019 adopted the following resolution authorizing interest to be charged on delinquent taxes:

"BE IT RESOLVED, by the Mayor and Council of the Borough of Old Tappan, County of Bergen, State of New Jersey, that the rate of interest on delinquent taxes for the year 2019, shall be computed at the rate of eight (8%) percent per annum and,

BE IT FURTHER RESOLVED, that the rate of interest on delinquent taxes in excess of \$1,500 shall be computed at eighteen (18%) percent per annum, and

BE IT FURTHER RESOLVED, that a grace period of ten (10) days be given on delinquent taxes and without interest."

BE IT FURTHER RESOLVED that, in addition to the foregoing, a year-end penalty, at a rate of six (6%) percent per annum, shall be assessed to taxpayers with a delinquency in excess of \$10,000, when a taxpayer fails to pay that delinquency, as billed, prior to the end of the fiscal year; and,

**BOROUGH OF OLD TAPPAN
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS (Continued)

Collection Of Interest On Delinquent Taxes, Assessments And Sewer User Fees (Continued)

Additionally, the Governing Body on January 2, 2019 adopted the following resolution authorizing interest to be charged on sewer assessments:

WHEREAS, N.J.S.A. 40:56-32 allows interest to be imposed on any unpaid balance of a special assessment; and,

WHEREAS, the Governing Body of the Borough of Old Tappan desires to establish an interest rate of eight per cent (8%) to be charged on unpaid special assessment balances per annum,

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Council of the Borough of Old Tappan, County of Bergen, State of New Jersey, that the interest rate of eight per cent (8%) per annum be charged on unpaid special assessment balances.

Also the Governing Body on January 2, 2019 adopted the following resolution authorizing interest to be charged on delinquent sewer flow charges:

BE IT RESOLVED, by the Mayor and Council of the Borough of Old Tappan, County of Bergen, State of New Jersey, that the rate of interest on delinquent sewer flow charges and delinquent user fees for the year 2018 shall be computed at the rate of eight percent (8%) per annum; and

BE IT FURTHER RESOLVED, that the rate of interest on delinquent sewer flow charges and delinquent user fees in excess of \$1,500 shall be computed at eighteen percent (18%) per annum; and

BE IT FINALLY RESOLVED, that all sewer flow charges and user fees must be paid within 60 days of the date of billing from the Borough of Old Tappan or interest shall accrue at the aforementioned rates.

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

Delinquent Taxes And Tax Title Liens

The Borough's last tax sale was held on October 16, 2019.

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

<u>Year</u>	<u>Number of Liens</u>
2019	4
2018	4
2017	4

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

**BOROUGH OF OLD TAPPAN
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS (Continued)

Management Suggestions

- Standardized procedures be implemented with respect to recreation concession stand receipts.
- The Borough consider approving a policy and procedures regarding fund raising activities of the recreation department.
- Ticket sales reports be prepared for Town Day collections.

APPRECIATION

We desire to express our appreciation to the Borough Administrator, Chief Financial Officer, and other Borough staff who assisted us during the course of our audit.

**BOROUGH OF OLD TAPPAN
LETTER OF COMMENTS AND RECOMMENDATIONS**

RECOMMENDATIONS

It is recommended that purchasing procedures be reviewed and revised to ensure all contract awards and purchases are made in accordance with the Local Public Contracts Law and State procurement guidelines.

* * * * *

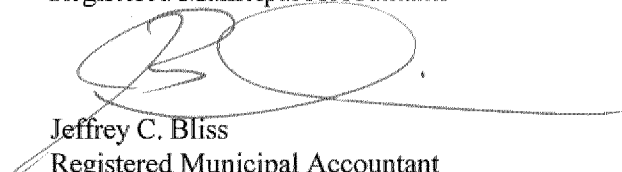
A review was performed on all prior year recommendations and corrective action was taken on all.

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

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

Lerch, Vinci & Higgins, LLP

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


Jeffrey C. Bliss
Registered Municipal Accountant
RMA Number CR00429