

OFFICIAL STATEMENT DATED MAY 14, 2020

**BOROUGH OF TENAFLY
STATE OF NEW JERSEY**

\$8,910,000 BOND ANTICIPATION NOTE, SERIES 2020

(Book-Entry Note) (Parity Bid) (Non-Callable) (Bank Qualified)

Dated: Date of Delivery

Maturity Date: May 28, 2021

Coupon: 1.25%

Price: 100.566%

CUSIP No.: 880251 KV4

This Official Statement has been prepared by the Borough of Tenafly, a municipal corporation of the State of New Jersey (the "Borough") to provide information on its \$8,910,000 Bond Anticipation Note, Series 2020 (the "Note"). Select information is presented on this cover page and the following page for the convenience of the user. To make an informed decision regarding the Note, a prospective purchaser should read this Official Statement in its entirety.

Credit Rating	Moody's: MIG 1
Federal Tax Exemption	Assuming continuing compliance by the Borough with certain covenants described herein under current law, interest on the Note is exempt from federal income taxation. Interest on the Note is not includable when calculating the federal alternative minimum tax.
State Tax Exemption	Interest on the Note, and any gain from the sale thereof, is not includable in gross income under the New Jersey Gross Income Tax Act.
Redemption	The Note is not subject to redemption prior to its stated maturity.
Security	The Note will be a valid and legally binding general obligations of the Borough and, unless paid from other sources, will be payable from <i>ad valorem</i> taxes to be levied upon all the taxable property within the Borough without limitation as to rate or amount, except to the extent that enforcement of such payment may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights generally.
Purpose	Proceeds from the sale and issuance of the Note will be used by the Borough as described herein.
Denominations	Increments of \$5,000, plus integral multiples of \$1,000 in excess thereof.
Bond Counsel	JP Capizzi LLC West New York, New Jersey
Closing	On or about May 28, 2020.
Book-Entry System	The Depository Trust Company New York, New York
Issuer Contact	Susan Corrado, Chief Financial Officer (201) 568-6100 ext. 5539

TD Securities (USA) LLC

**BOROUGH OF TENAFLY
STATE OF NEW JERSEY**

MAYOR

Mark Zinna

BOROUGH COUNCIL

Lauren Dayton
Jeff Grossman
Venugopal Menon
Adam Michaels
Julie O'Connor
Daniel Park

BOROUGH CLERK / ADMINISTRATOR

Lisette Aportela

CHIEF FINANCIAL OFFICER

Susan Corrado

BOROUGH ATTORNEY

Anthony S. Bocchi, Esq.
Cullen and Dykman LLP
Hackensack, New Jersey

AUDITOR

Lerch, Vinci & Higgins, LLP
Fair Lawn, New Jersey

MUNICIPAL ADVISOR

NW Financial Group, LLC
Hoboken, New Jersey

BOND COUNSEL

JP Capizzi LLC
West New York, New Jersey

No dealer, broker, salesperson or other person has been authorized by the Borough to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Borough. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Note by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough since the date hereof.

The information which is set forth herein has been provided by the Borough and by other sources, but the information provided by such other sources is not guaranteed as to accuracy or completeness by the Borough. References in this Official Statement to the State of New Jersey statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of or exceptions to statements made herein. Copies of such above-mentioned documents may be inspected at the offices of the Borough during normal business hours. This Official Statement is submitted in connection with the sale of the Note referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The order and the placement of materials in this Official Statement, including the appendices, are not deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety.

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

	Page
INTRODUCTION.....	1
DESCRIPTION OF THE NOTE.....	1
General Description.....	1
Denominations and Place of Payment	1
Redemption	2
Book-Entry System.....	2
Discontinuance of Book-Entry System	4
AUTHORIZATION AND PURPOSE OF THE NOTE.....	4
SECURITY AND SOURCE OF PAYMENT	5
SUMMARY OF CERTAIN STATUTORY PROVISIONS RELATING TO MUNICIPAL AND COUNTY DEBT AND FINANCIAL REGULATION.....	6
Legal Framework.....	6
Debt Limit	6
Exceptions to Debt Limit - Extensions of Credit	6
Bond Anticipation Notes	6
Assessment Bonds.....	7
Refunding Bonds.....	7
Tax Anticipation Notes	7
School Debt Subject to Voter Approval	7
Local Budget Law	7
Appropriations Not Required for Payments on Debt	8
Appropriation Caps.....	9
Property Tax Levy Cap.....	9
Miscellaneous Revenues	10
Real Estate Taxes	10
Emergency Appropriations/Deferral of Current Expenses	11
Budget Transfers.....	11
Municipal Public Utilities	12
Capital Budget.....	12
Fiscal Year Adjustment Law	12
State Supervision	12
Tax Assessment and Collection Procedure	13
Tax Appeals	14
Local Fiscal Affairs Law.....	14
Basis of Accounting.....	14
MUNICIPAL BANKRUPTCY	15
NO DEFAULT.....	16
ABSENCE OF MATERIAL LITIGATION	16
TAX MATTERS	16
Federal	16
State	17
SECONDARY MARKET DISCLOSURE	17
CREDIT RATING	18
LEGALITY	18
FINANCIAL STATEMENTS	18
MUNICIPAL ADVISOR.....	19
RISKS RESULTING FROM COVID-19.....	19

ADDITIONAL INFORMATION.....	20
MISCELLANEOUS.....	20
Appendix A: GENERAL INFORMATION REGARDING THE BOROUGH.....	A-1
Appendix B: REPORT OF EXAMINATION OF FINANCIAL STATEMENTS.....	B-1
Appendix C: FORM OF OPINION OF BOND COUNSEL.....	C-1
Appendix D: FORM OF SECONDARY MARKET DISCLOSURE UNDERTAKING.....	D-1

**OFFICIAL STATEMENT
RELATING TO**

**BOROUGH OF TENAFLY
STATE OF NEW JERSEY**

\$8,910,000 BOND ANTICIPATION NOTE, SERIES 2020

INTRODUCTION

This Official Statement (the "Official Statement"), which includes the cover page hereof and the appendices hereto, has been prepared by the Borough of Tenafly (the "Borough"), a municipal corporation of the State of New Jersey (the "State") and provides certain information regarding the financial and economic condition of the Borough in connection with the sale of the Borough's \$8,910,000 Bond Anticipation Note, Series 2020 (the "Note"). This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer, and its distribution and use in connection with the sale of the Note has been authorized by the Borough.

This Official Statement contains specific information relating to the Note including its general description, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the Borough from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and, but only to the extent specifically provided herein, certain projections into the immediate future and is not necessarily indicative of future or continuing trends in the financial position of the Borough.

DESCRIPTION OF THE NOTE

General Description

The Note will be issued in the aggregate principal amount of \$8,910,000. The Note will be dated May 28, 2020; mature on May 28, 2021; numbered 2020-1; and bear interest at the interest rate of 1.25% per annum (computed on the basis of a 360-day year) payable at maturity.

Denominations and Place of Payment

The Note shall be issued in fully registered form to The Depository Trust Company, New York, New York ("DTC"), and registered in the name of DTC's nominee, Cede & Co. DTC will hold the Note and not physically distribute note certificates to the DTC participants or beneficial owners of the Note.

Principal of and interest on the Note will be paid by the Borough, or its designee in its capacity as paying agent (the "Paying Agent"), to DTC at maturity.

The Note may be purchased in increments of \$5,000, plus integral multiples of \$1,000 in excess thereof. Purchasers of the Note will not receive note certificates representing their beneficial ownership interest in the amount of Note purchased.

So long as Cede & Co. is the registered owner of the Note, references herein (except under the captions “Tax Matters” and “Secondary Market Disclosure”) to the registered owner(s) shall mean Cede & Co. and shall not mean the beneficial owners of the Note. See “Book-Entry System” herein.

Redemption

The Note is not subject to redemption prior to its stated maturity.

Book-Entry System

DTC will act as securities depository for the Note (the “Securities”). The Securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for the Securities, in the aggregate principal amount of the Securities, and will be deposited with DTC.

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

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (a “Beneficial Owner”) is in turn to be recorded on the Direct Participants’ and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however,

expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

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

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

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

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

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

Discontinuance of Book-Entry System

In the event that DTC determines to discontinue providing its service with respect to the Note or is removed by the Borough, and if no successor Securities Depository is appointed, the Note which was registered in the name of Cede & Co. shall be registered in the names of the beneficial owners to be provided to the Borough from the DTC participants. Upon such registration, the beneficial owners will become the registered owners of the Note and the following provisions shall apply: (i) the Note shall be exchanged for an equal aggregate principal amount of notes (in any authorized denomination, and in the same maturity as the Note) (the "Substitute Notes") upon surrender thereof at the office of the Borough or the Paying Agent, if any; (ii) the transfer of the Note shall be registered on the books maintained by the Borough or the Paying Agent, if any, for such purposes upon the surrender of the Note to the Borough or the Paying Agent, if any, together with duly executed assignments in a form satisfactory to the Borough or the Paying Agent, if any; and (iii) for every exchange or registration of transfer of the Note, the Paying Agent, if any, shall be reimbursed by the Borough for any charges required to be paid by the Paying Agent, if any, with respect to any such Substitute Notes.

Principal and Interest on the Note, when due, shall be paid to the registered owners of the Note upon surrender thereof to the Borough or the Paying Agent.

AUTHORIZATION AND PURPOSE OF THE NOTE

The Note is to be issued pursuant to the Local Bond Law of the State of New Jersey (N.J.S.A. 40A:2-1, et seq.) (the "Local Bond Law"). The Note is authorized by the various bond ordinances of the Borough set forth below, each in all respects duly approved and published as required by law.

The bond ordinances included in the sale of the Note were published in full or in summary form after adoption, along with the statement required by the Local Bond Law that the 20-day period of limitation within which a suit, action or proceeding questioning the validity of the authorizing bond ordinances can be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be estopped from questioning the sale or the execution or the delivery of the Note the Borough.

The proceeds of the Note will be used to (i) refund \$5,481,583 of a \$5,604,000 Bond Anticipation Note (less \$122,417 cash on hand in the General Capital Fund) that matures on May 29, 2020 and (ii) obtain \$3,428,417 new money.

The projects to be funded in the sale of the Note are as follows:

Principal Amount of Bonds To Be Sold	Bond Ordinance Number	Improvements Authorized and Bond Ordinance Adoption Date
\$2,050,815	17-09	Various capital improvements. Finally adopted 04/20/17
\$362,662	17-23	Tenakill / Tenafly Swim Club Parking Lot Paving Project. Finally adopted 10/24/17
\$2,481,991	18-06	Various capital improvements. Finally adopted 04/17/18
\$452,000	18-09 Supplementing Section 3(p) of 18-06	Resurfacing of various roads. Finally adopted 06/12/18
\$127,543	18-21	Purchase of a roll-off truck. Finally adopted 10/09/18
\$6,572	18-30	Senior Center parking lot improvements. Finally adopted 12/11/18
\$714,000	19-04	Various road improvements. Finally adopted 03/12/19
\$2,597,417	19-11	Various capital improvements. Finally adopted 05/07/19
\$117,000	19-20	Various ADA improvements to the restrooms in the Municipal Building. Finally adopted 12/10/19
<hr/>		
\$8,910,000		

SECURITY AND SOURCE OF PAYMENT

The Note will be a valid and legally binding general obligation of the Borough and, unless paid from other sources, will be payable from *ad valorem* taxes to be levied upon all the taxable property within the Borough without limitation as to rate or amount, except to the extent that enforcement of such payment may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights generally.

SUMMARY OF CERTAIN STATUTORY PROVISIONS RELATING TO MUNICIPAL AND COUNTY DEBT AND FINANCIAL REGULATION

Set forth below is a summary of various statutory provisions and requirements relevant to the Borough's debt and financial regulation and budget process. This summary does not purport to be complete, and reference should be made to the statutes referred to for a complete statement of the provisions thereof.

Legal Framework

The Local Bond Law of the State of New Jersey (N.J.S.A. 40A:2-1, et seq.) (the "Local Bond Law") governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects financed and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of such projects. Generally, all bonds and notes issued by a local unit are general full faith and credit obligations.

Debt Limit

The authorized bonded indebtedness of a local unit is limited by statute, subject to the exceptions noted below, to an amount equal to 3.5%, in the case of a municipality, and 2%, in the case of a county, of its average equalized valuation basis. The average equalized valuation basis of a local unit is set by statute as the average for the last 3 years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries as annually determined by the State Board of Taxation.

Exceptions to Debt Limit - Extensions of Credit

Except for the funding of certain notes, the authorization of certain bonds for municipal utility purposes, if the utilities are self-liquidating, and certain formula allowances, the debt limit of a local unit may be exceeded only with the approval of the Local Finance Board, in the Division of Local Government Services, Department of Community Affairs of the State (the "Local Finance Board"), a State regulatory agency. If all or any part of a proposed debt authorization would exceed its debt limit, a local unit must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of a local unit or substantially reduce the ability of a local unit to meet its obligations or to provide essential public improvements or services, or makes other statutory determinations, approval is granted.

Bond Anticipation Notes

Pursuant to the Local Bond Law, a local unit may sell short-term notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Any such note is designated a "bond anticipation note". Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the bond ordinance, as the same may be amended and supplemented, creating such capital expenditure. Bond anticipation notes are full faith and credit obligations of the local unit; may be issued for a period not exceeding 1 year; and may be renewed from time to time for a period that does not exceed 1 year. Such notes

shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original note, provided, however, that no such notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which these notes are issued, is paid and retired on or before each subsequent anniversary date beyond which such notes are renewed from funds other than the proceeds of obligations.

Assessment Bonds

Assessment bonds may be issued pursuant to the Local Bond Law in annual serial installments with the first principal payment due within 2 years and the final principal payment due within 20 years of an issue's date. No principal payment may be larger than a prior year's principal payment.

Refunding Bonds

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, temporary emergency appropriations, advance funding of pension obligations as part of an early retirement program offered by the State, the actuarial liabilities of a non-State administered public employee pension system, amounts owing to others for taxes levied and for paying the cost of issuance of refunding bonds. The Local Finance Board must consent to the authorization for the issuance of refunding bonds and approve the maturity schedule thereof; provided, however, that the issuance of refunding bonds to realize debt service savings on outstanding obligations does not require Local Finance Board approval when authorized by conditions set forth in rules and regulations of the Local Finance Board and upon a resolution adopted by a 2/3 vote of the full membership of the governing body of the local unit.

Tax Anticipation Notes

Tax anticipation notes may be issued pursuant to the Local Budget Law (as hereinafter defined). The issuance of tax anticipation notes is limited in amount to collectively 30% of the tax levy plus 30% of realized miscellaneous revenues of the next preceding fiscal year. Tax anticipation notes must be paid in full within 120 days of the close of the fiscal year in which they were issued.

School Debt Subject to Voter Approval

State law permits a school district upon approval of the voters, to authorize school district debt, including debt in excess of its independent debt limit, by using the available borrowing capacity of the municipality. If such debt is in excess of school district debt limit and the remaining borrowing capacity of the municipality, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters.

Local Budget Law

The foundation of the State local finance system is the annual cash basis budget. Under N.J.S.A. 40A:4-1, et seq. (the "Local Budget Law"), every local unit must adopt an operating budget in the form required by the Division of Local Government Services in the Department of

Community Affairs of the State (the "Division"). Certain items of revenue and appropriation are regulated by law. The proposed budget cannot be finally adopted until it is certified by the Director of the Division (the "Director"), or in the case of a local unit's examination of its own budget, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for the payment of current debt service, and the Director or, in the case of local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director must examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of preceding year, (d) reserve for uncollected taxes and (e) other reserves and nondisbursement items. Anticipated tax revenues are limited to the same proportion as actual cash collections or to the total levy in the previous year, and the reserve amount must be factored into the budget to make up for the expected shortfall in actual collections. Anticipated non-tax revenues are limited to the amount actually realized the previous year unless the Director permits higher levels of anticipation should there be sufficient statutory or other evidence to substantiate that such anticipation is reasonable.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the budgetary review functions, focusing on anticipated revenues, serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance (i.e., the total of anticipated revenues must equal the total of appropriations) (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess (deficit) must be raised in the succeeding year's budget.

Each municipality is required to forward to the County Board of Taxation (the "County Board") a certified copy of its operating budget, as adopted, not later than April 10 of the then current fiscal year. In the event that the County Board has not received a copy of the budget resolution or other evidence showing the amount to be raised by taxation for the purposes of a taxing district, the Director shall transmit to the County Board a certificate setting forth the amount required for the operation of the local unit for that fiscal year. The operating budget of the preceding year shall constitute and limit the appropriations for the then current year with suitable adjustments for debt service, other mandatory charges and changes in revenues, but excluding the amount to be raised by taxes for school purposes where required to be included in the municipal budget. The certificate shall be prepared by using the revenues and appropriations appearing in the adopted budget of the preceding year with suitable adjustments to include, without limitation: (a) any amounts required for principal and interest of indebtedness falling due in the fiscal year and (b) any deferred charges, including a deficit, if any, or statutory expenditures required to be raised in the fiscal year. See "Tax Assessment and Collection Procedure" herein.

Appropriations Not Required for Payments on Debt

It is not necessary to have an appropriation in order to release money for debt service on obligations. N.J.S.A. 40A:4-57 states that "no officer, board, body or commission shall, during any fiscal year, expend money (except to pay notes, bonds or interest thereon), incur any liability, or enter into any contract which by its terms involves the expenditure of money for any

purpose for which no appropriation is provided, or in excess of the amount appropriated for such purpose” (emphasis added).

Appropriation Caps

Chapter 89 of the New Jersey Laws of 1990 extended and amended Chapter 203 of the New Jersey Laws of 1986 and Chapter 68 of the New Jersey Laws of 1976 (N.J.S.A. 40A:4-45.3), and is commonly referred to as the “CAP Law”. The CAP Law places limits on county tax levies and municipal expenditures. This limitation is commonly referred to as a “CAP”. The actual calculation of the CAP is somewhat complex and the actual CAP computations are prepared by the Division and distributed to each municipality. In addition to the CAP increase in expenditures, other increases allowable include increases funded by increased service fees, proceeds from the sale of municipal assets and increased expenditures mandated by State and federal laws. Appropriations for items excluded from the CAP computation, including debt service requirements, may be set at any necessary level and are not subject to the CAP. The CAP may be exceeded if approved by referendum of the voters of the municipality.

In summary, in determining the CAP for each budget year, the prior year’s total general appropriations are reduced by certain statutory-type appropriations with the resulting balance multiplied by 2.5% or the cost-of-living adjustment (the rate of annual percentage increase, rounded to the nearest half-percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services, computed and published quarterly by the United States Department of Commerce) (the “Cost-of-Living Adjustment”), whichever is less, thereby producing the basic CAP, which then may be increased by certain known increases in revenues and State or federal expenditures mandated after July 18, 1976. A municipality may, by the adoption of an ordinance, elect to increase its final appropriations by a percentage rate up to, but not to exceed, 3.5%. A municipality may, by referendum, increase its final appropriations by a higher percentage rate.

The Cost-of-Living Adjustment applicable to CY 2020 budgets is 2.5%. The Borough elected to increase its final appropriations by 1% for 2020 pursuant to Ordinance No. 20-05 finally adopted on April 21, 2020.

Property Tax Levy Cap

Chapter 44 of the Pamphlet Laws of 2010 imposed restrictions upon the allowable annual increase in the tax levy. In general, municipalities have their tax levies limited to a 2% increase. The tax levy is subject to certain adjustments, including the sum of new ratables. In addition, the following exclusions are added to the calculation of the adjusted tax levy: increases in amounts required to be raised by taxation for capital expenditures, including debt service as defined by law; increases in pension contributions and accrued liability for pension contributions in excess of 2%; increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The law also authorizes a municipality to submit public questions to the voters for approval (by affirmative vote of at least

50%) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

Miscellaneous Revenues

A provision in the Local Budget Law (N.J.S.A. 40A:4-26) provides that: “[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the [Director] shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit”.

In addition, budget amendments must be approved by the Director, except that federal and State categorical grants-in-aid contracts may be realized for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar fiscal year. However, grant revenue is generally not realized until received in cash.

Real Estate Taxes

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

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

This provision and N.J.S.A. 40A:4-40 require that an additional amount, commonly known or referred to as the “reserve for uncollected taxes”, be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget. The reserve requirement is calculated as follows:

The levy required to balance the budget, divided by the prior year's percentage of current tax collection (or lesser percent) levied, will equal the total taxes to be levied for the current fiscal year.

Chapter 99 of the Pamphlet Laws of 1997 of New Jersey authorizes any municipality to sell its “total property tax levy” to the highest responsible bidder therefor in accordance with the procedures and limitations set forth therein.

Upon the filing of certified adopted budgets by (i) a local governmental unit, (ii) a local and/or a regional school district, (iii) the county in which the local governmental unit is situated

and (iv) any special improvement districts within the local governmental unit, the current year's tax rate is struck by a county's board of taxation based upon the amount of taxes required in each taxing district to fund the respective budgets.

Emergency Appropriations/Deferral of Current Expenses

Emergency appropriations made under N.J.S.A. 40A:4-46, after the adoption of the budget and the determination of the tax rate, may be authorized by a local unit. However, with minor exceptions set forth below, such appropriations must be included in full in the following year's budget. When such appropriations would exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost or floods, which may be amortized over 3 years and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this clause (ii) may be amortized over 5 years (N.J.S.A. 40A:4-53, -54, -55 and -55.1). Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Under the CAP Law, emergency appropriations aggregating less than 3% of the previous year's final current operating appropriations may be raised in the portion of the local unit's budget outside the CAP if approved by at least 2/3 of the members of the governing body and the Director. Emergency appropriations that aggregate more than 3% of the previous year's final current operating appropriations must be raised within the CAP. Emergency appropriations for debt service, capital improvements, the local unit's share of federal or State grants and other statutorily permitted items are outside the CAP.

Budget Transfers

Budget transfers provide a local unit with a degree of flexibility and afford a control mechanism over expenditure needs. Transfers between major appropriation accounts are prohibited by N.J.S.A. 40A:4-58 until the last 2 months of the fiscal year. Appropriation reserves may also be transferred during the first 3 months of the year to the previous year's budget (N.J.S.A. 40A:4-59). Both types of transfers require a 2/3 vote of the full membership of the governing body. However, no transfers may be made (a) to appropriations for contingent expenses, deferred charges or emergency appropriations or (b) from appropriations for contingent expenses, deferred charges cash deficit of the preceding year, reserve for uncollected taxes, down payments, the capital improvement fund or interest and redemption charges. Although budget transfers among subaccounts (line items) within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

Municipal Public Utilities

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

Capital Budget

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than the next ensuing 6 years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next 3 or 6 years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or by the annual operating budget if the items were detailed.

Fiscal Year Adjustment Law

Chapter 75 of the Pamphlet Laws of 1991, signed into law on March 28, 1992, requires certain municipalities and permits all other municipalities to adopt the State fiscal year in place of the existing calendar fiscal year (N.J.S.A. 40A:4-3.1). Municipalities that change fiscal years must adopt a 6 month transition budget for January to June. Since expenditures would be expected to exceed revenues primarily because State aid for the calendar year would not be received by the municipality until after the end of the transition year budget, the law authorizes the issuance of fiscal year adjustment bonds to fund the one time deficit for the 6 month transition budget (N.J.S.A. 40A:2-51.2). The law provides that the deficit in the 6 month transition budget may be funded initially with bond anticipation notes based on the estimated deficit in the 6 month transition budget. Notes issued in anticipation of fiscal year adjustment bonds, including renewals, can only be issued for up to 1 year unless the Local Finance Board permits the municipality to renew them for a longer period of time. The Local Finance Board must confirm the actual deficit experienced by the municipality. The municipality then may issue fiscal year adjustment bonds to finance the deficit on a permanent basis. The purpose of the law is to assist municipalities that are heavily dependent on State aid and that have had to issue tax anticipation notes to fund operating cash flow deficits each year.

State Supervision

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for 2 successive years; which has a deficit greater than 4% of its tax levy for 2 successive years; which has failed to make payments due and owing to the State, county, municipality or special district for 2 consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds 25% of its total operating appropriations (except dedicated

revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law or the Local Fiscal Affairs Law (as hereinafter defined) which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring a cash deficit.

Tax Assessment and Collection Procedure

A municipality is the entity responsible for the levying and collection of taxes on all taxable property within its borders, including the tax levies for the county, municipality and the school districts located therein. The levying of taxes is for a fiscal year, which starts January 1 and ends December 31. The collection of taxes to support a local governmental unit's current budget requirement is based upon a calendar year, January 1 to December 31.

Property taxes are based on a municipality's assessor's valuation of real property, as confirmed by the tax board of the county in which a municipality is situated. The taxes for municipal, local and regional school districts and a county cover the current calendar year. Turnover of the tax moneys by a municipality to a school district are based on school needs and are generally made on a periodic basis throughout the year with any balance transferred by June 30 (the end of the school district's fiscal year). A municipality remits 100% of the county taxes, payable quarterly on February 15, May 15, August 15 and November 15.

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income approach where appropriate. Current assessments are the result of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. But it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments do not keep pace with the changing values.

Upon the filing of certified adopted budgets by the municipality and the county, the tax rate is struck by the County Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provisions for the assessment of property, the levying of taxes and the collection of taxes are set forth in N.J.S.A. 54:4-1, et seq. Special taxing districts are permitted for various special services rendered to the properties located within the special districts.

Tax bills are sent in June of the current fiscal year. Taxes are payable in 4 quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined by the municipal governing body as either 1/4 or 1/2 of the full tax levied for municipal, county and school purposes for the preceding fiscal year.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500. The governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the

calendar year. The penalty so fixed shall not exceed 6% of the amount of the delinquency. These penalties and interest are the highest permitted under State statutes. Delinquent taxes open for 1 year or more are annually included in a tax sale in accordance with State statutes.

On May 5, 2020 the Borough adopted Resolution #R20-186 extending the grace period for the payment of second-quarter property taxes due on May 1, 2020 from May 11, 2020 to June 1, 2020 without interest.

Tax Appeals

State statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. Prior to February 1 in each year, a municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board on or before April 1 of the current tax year for its review. The County Board has the authority after a hearing to increase, decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer believes the petition was unsatisfactorily reviewed by the County Board, appeal of the decision may be made to the Tax Court of New Jersey for further hearing. Tax Court appeals tend to take several years to conclude by settlement or trial and any losses in tax collections from prior years, after an unsuccessful trial or by settlement, are charged directly to operations. The payment of tax appeal judgments may also be provided for through the issuance of refunding bonds or refunding notes pursuant to a maturity schedule approved by the Local Finance Board.

Local Fiscal Affairs Law

N.J.S.A. 40A:5-1, *et seq.* (the "Local Fiscal Affairs Law") regulates the nonbudgetary financial activities of local governments. The Chief Financial Officer of every local unit must file annually with the Director a verified statement of the financial condition of the local unit and all constituent boards, agencies and commissions.

An independent examination of the local unit's accounts must be performed annually by a State licensed registered municipal accountant. The audit, conforming to the Division's "Requirements of Audit", includes recommendations for improvements of the local unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion.

A local unit's funds are invested strictly in accordance with the provisions of the Local Fiscal Affairs Law, in particular N.J.S.A. 40A:5-12.1.

Basis of Accounting

The accounting policies applicable to local governmental units have been prescribed by the Division. The following is a summary of the significant policies:

Basis of Accounting - A modified accrual basis of accounting is followed, with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from the State. Expenditures are recorded on the accrual basis. Appropriation reserves covering unexpended appropriation balances are automatically created on December 31 of

each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred or entered into during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Fixed Assets - Property and equipment purchased through the Current Fund and the General Capital Fund are recorded as expenditures at the time of purchase and are not capitalized.

A local unit finances its operations primarily through the Current Fund. All tax receipts and most revenues are paid into the Current Fund and substantially all expenditures made by appropriations are paid from the Current Fund.

Expenditures are comprised of those made for general purposes, certain expenditures made from restricted federal, State and private grants, certain federal or State mandated expenditures, deferred charges, debt service and capital improvements. Budgeted expenditures for general purposes include payments made primarily in support of a local unit's various departments.

MUNICIPAL BANKRUPTCY

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. 401, et seq., as amended by Public Law 94-260, approved April 8, 1976, the Bankruptcy Reform Act of 1978, effective July 15, 1979, Public Law 100-597, effective November 3, 1988, the Bankruptcy Reform Act of 1994, effective October 22, 1994 and other bankruptcy laws affecting creditors' rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit a state or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts provided such entity is authorized by applicable state law; directs such a petitioner to file with the court a list of a petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owned for services or material actually provided within 3 months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least 2/3 in amount or more than 1/2 in number of the listed creditors. These amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40, et seq., which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission of New Jersey has been obtained. The powers of the Municipal Finance Commission of New Jersey have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

The above references to the Bankruptcy Act are not to be construed as an indication that the Borough expects to resort to the provisions of the Bankruptcy Act or that, if it did, such action would be approved by the Local Finance Board, or that any proposed plan would include a dilution of the source of payment of and security for the Note.

NO DEFAULT

There is no record of default in the payment of principal of or interest on bonds or notes of the Borough.

ABSENCE OF MATERIAL LITIGATION

In the opinion of Anthony S. Bocchi, Esq. of Cullen and Dykman LLP, Hackensack, New Jersey (the "Borough Attorney"), acting as Special Limited Counsel for the Borough, no litigation of any nature is now pending, or to the best of their knowledge, information and belief threatened, restraining or enjoining the issuance or delivery of the Note or the levy or collection of any taxes to pay the interest on or principal of the Note, or in any manner questioning the authority or proceedings for the issuance of the Note or for the levy or collection of said taxes; neither the corporate existence or boundaries of the Borough nor the title of any of the present officers thereof to their respective offices is being contested; and no authority or proceedings for the issuance of the Note has or have been repealed, revoked or rescinded. Additionally, in the opinion of the Borough Attorney, no litigation of any nature is now pending, or to the best of their knowledge, information and belief threatened, by or against the Borough wherein an adverse judgement or ruling would have a material adverse impact on the financial condition of the Borough or which is not otherwise adequately covered by insurance. A signed statement to that effect will be supplied upon delivery of the Note.

TAX MATTERS

Federal

The Borough has covenanted to comply with any continuing requirements that may be necessary to preserve the tax exempt status of the Note under the Internal Revenue Code of 1986, as amended (the "Code"). In the opinion of JP Capizzi LLC, West New York, New Jersey ("Bond Counsel") to be delivered at the time of original issuance of the Note, assuming continuing compliance by the Borough with its covenant, under current law, interest on the Note is not includable in gross income for federal income tax purposes under Section 103 of the Code and is not an item of tax preference under Section 57 of the Code when calculating the federal alternative minimum tax. No opinion is expressed regarding other federal tax consequences or other federal taxes arising with respect to the Note.

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Note in order to assure that interest on the Note will be, and remains, excludable from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of proceeds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross proceeds of the Note be rebated to the federal government. Noncompliance with such requirements may cause interest on the Note to become subject to federal income taxation retroactive to their date of issuance, regardless of the date on which such noncompliance occurs or is discovered. The Borough will deliver an

Arbitrage and Tax Certificate concurrently with the issuance of the Note, which will contain provisions and covenants relating to its compliance with the requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Borough in connection with the Note, and Bond Counsel has assumed compliance by the Borough with its covenant to comply with any continuing requirements that may be necessary to preserve the tax exempt status of the Note under the Code. The Note are not “private activity bonds” as defined in the Code.

Bank Qualification. The Code denies the interest deduction for indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax exempt obligations. The denial to such institutions of 100% of the deduction for interest paid on funds allocable to tax exempt obligations applies to those tax exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which must be so designated by the issuer as qualified under Section 265 of the Code, 80% of such interest may be deducted as a business expense by such institutions.

The Note will be designated as qualified under Section 265 of the Code by the Borough for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax exempt obligations.

Possible Government Action. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service (“IRS”) has established an expanded audit program for tax exempt obligations. There can be no assurance that legislation enacted or proposed, or an audit initiated or concluded by the IRS involving the Note or other tax exempt obligations, after the issue date of the Note will not have an adverse effect on the tax exempt status or market price of the Note.

State

In the opinion of Bond Counsel, under current law interest on the Note, and any gain on the sale thereof, is not includable in gross income under the New Jersey Gross Income Tax Act.

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

SECONDARY MARKET DISCLOSURE

The Borough will enter into a written Secondary Market Disclosure Undertaking in order to comply with the secondary market disclosure requirements contemplated by Rule 15c2-12 adopted by the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (the “Rule”). A form of the Secondary Market Disclosure Undertaking to be delivered at closing is set forth in Appendix D hereto. Notices of Material Events shall be filed with www.emma.msrb.org (“EMMA”).

The Borough has entered into prior undertakings in connection with outstanding obligations issued by the Borough. As of the date hereof, the Borough has taken all necessary steps to ensure future compliance with the Rule, including the appointment of Phoenix Advisors, LLC, Bordentown, New Jersey as continuing disclosure agent.

CREDIT RATING

Moody's Investors Service, Inc. ("Moody's") has assigned a credit rating of "MIG 1" to the Note. This credit rating reflects only the view of Moody's and an explanation thereof may be obtained only from Moody's. Certain information and materials, including information and materials not included in this Official Statement, were furnished by the Borough to Moody's. Generally, Moody's bases its credit ratings on the information and materials so furnished and on its investigations, studies and assumptions.

There is no assurance any such credit rating will remain in effect for any given period of time or that any such credit rating will not be revised downward, suspended or withdrawn entirely by a credit rating agency if, in the judgment of such credit rating agency, circumstances so warrant. Any such downward revision, suspension or withdrawal of a credit rating may have an adverse effect on the market price or the marketability of the Note. The Borough has not undertaken any responsibility to oppose any such downward revision, suspension or withdrawal of a credit rating.

LEGALITY

All legal matters relating to the authorization, the issuance, the sale and the delivery of the Note are subject to the approval of JP Capizzi LLC, West New York, New Jersey ("Bond Counsel"), whose approving opinion will be delivered with the Note substantially in the form set forth in Appendix C hereto. Except to the extent necessary to issue its approving opinion as to the validity of the Note and the exemption of the interest earned on the Note from taxation, Bond Counsel has made no inquiry of any Borough officials or other persons as to any financial information, documents, statements or materials, and has not independently verified any such financial information, documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Note. Accordingly, Bond Counsel will not express any opinion with respect to the accuracy or completeness of any such financial information, documents, statements or materials.

Bond Counsel has reviewed the statements made in the Official Statement under the captions entitled "Description of the Note" (other than the information pertaining to DTC and Book-Entry System), "Authorization and Purpose", "Municipal Bankruptcy", "Tax Matters", "Secondary Market Disclosure" (first paragraph only) and "Legality". Bond Counsel has neither reviewed nor made any independent verification of the accuracy or completeness of any other portions of the Official Statement, and will not express any opinion with respect to such portions.

Certain legal matters will be passed upon for the Borough by the Borough Attorney. The Borough Attorney has reviewed the statements made in the Official Statement under the caption entitled "Absence of Material Litigation". The Borough Attorney has neither reviewed nor made any independent verification of the accuracy or completeness of any other portions of the Official Statement, and will not express any opinion with respect to such portions.

FINANCIAL STATEMENTS

The financial statements of the Borough as of December 31, 2019 (Unaudited), 2018 and 2017 been audited by Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey (the "Auditor"). Accordingly, the Auditor takes responsibility for their Accountant's Compilation Report,

Independent Auditor's Report, and the financial information specified therein, set forth in Appendix B hereto.

The Auditor has reviewed the statements made in the Official Statement under the caption entitled "Appendix B". The Auditor has neither reviewed nor made any independent verification of the accuracy or completeness of any other portions of the Official Statement, and will not express any opinion with respect to such portions.

MUNICIPAL ADVISOR

NW Financial Group, LLC, Hoboken, New Jersey (the "Municipal Advisor") served as municipal advisor to the Borough with respect to the issuance of the Note. This Official Statement has been prepared with the assistance of the Municipal Advisor. Certain information set forth herein has been obtained from the Borough and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein will be realized. The Municipal Advisor is a financial advisory firm, and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instrument.

The Municipal Advisor is an Independent Registered Municipal Advisor pursuant to the Dodd-Frank Act.

RISKS RESULTING FROM COVID-19

An outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus that was first detected in China and has since spread to other countries, including the United States, has been declared a Public Health Emergency of International Concern by the World Health Organization and a global pandemic. On March 13, 2020, the President of the United States declared a national emergency in response to the COVID-19 outbreak.

New Jersey Governor Phil Murphy issued Executive Order 103 on March 9, 2020 declaring a State of Emergency and a Public Health Emergency throughout the State; and Executive Order 107 on March 21, 2020 prohibiting certain activities in an attempt to slow the spread of COVID-19 throughout the State, including the closure of all non-essential businesses, limiting restaurants to take-out and delivery service only, cancelling all school classes for student, and restricting the number of people that may attend gatherings of any kind.

Quarantining and other "social distancing" measures undertaken in response to the COVID-19 outbreak has altered behavior and affected commerce in a manner that has negatively affected global and local economies. As a direct result, there has been a material increase in rate of unemployment nationally and within New Jersey.

While any direct impact of the COVID-19 outbreak on the Borough or the Note is currently uncertain, the Borough is monitoring the spread and effects of COVID-19, and is working with all appropriate governmental agencies in this regard.

There can be no assurance that there will be a secondary market for the sale or purchase of the Note. Such factors as prevailing market conditions, financial condition or market position of firms who may make the secondary market, and the financial condition of the Borough, may affect the future liquidity of the Note.

Appendix A

GENERAL INFORMATION REGARDING THE BOROUGH

[THIS PAGE INTENTIONALLY LEFT BLANK]

GENERAL INFORMATION

Size and Geographical Location

The Borough is approximately 4.4 square miles in area and located in Northern Bergen County along the Hudson River. Neighboring communities include the Boroughs of Alpine, Cresskill, Bergenfield and Englewood Cliffs and the City of Englewood.

Form of Government

The Borough was chartered in 1894 as a Borough Council form of government in which the mayor is elected to a four-year term and six council persons are elected at large to serve staggered three-year terms.

The Mayor is empowered, amongst his legal powers as head of the municipal government, to: (i) provide for the proper execution of local and State laws; (ii) recommend to the Borough Council measures he deems in the best interest of the Borough; (iii) nominate and, with the advice and consent of the Borough Council, appoint most subordinate officers of the Borough; and (iv) maintain peace and order. Although he presides over meetings of the Borough Council, the Mayor votes only in case of a tie. State law requires that he be a member of the Planning Board and the Board of Trustees of the Municipal Public Library.

The Council exercises general legislative powers conferred upon it by State law to protect and promote the general welfare of the Borough. Among these are the right to enact ordinances, approve resolutions, approve mayoral appointments, adopt the annual budget and determine the tax levy. The Council, acting in committees, oversees the various departments and functions of the Borough Government.

Transportation

The Borough is just three miles north of the George Washington Bridge giving residents easy access to New York City. Bus and rail service is also available in the Borough to New York City and other areas of Bergen County. The Borough is adjacent to the Palisades Interstate Parkway and many major interstate and local highways are just minutes away, including Routes 4, 17 and 80, the Garden State Parkway, the New Jersey Turnpike, and the New York State Thruway.

Public Safety

The Borough is served by a police department, a volunteer fire service and a volunteer rescue squad.

Utilities

Gas and electricity is supplied by Public Service Gas and Electric. Water is provided by Suez North America. Wastewater treatment is provided by the Bergen County Utilities Authority. Solid waste pickup is provided by Waste Industries LLC. Sewer charges and the annual charge for collection of solid waste are included in the Borough's property tax levy tax rate.

Education

The Borough's local school district, coterminous with the Borough, is a type II school district, and is an independent legal entity administered by a nine member Board of Education elected by the voters of the school district. The school district is authorized by law to issue debt for school purposes upon vote of the electorate. The local school district provides for Kindergarten through 12th grade and is comprised of four elementary schools, one middle school and one high school.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Labor Force, Employment and Unemployment

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough of Tenafly</u>				
2019	6,411	6,258	153	2.4%
2018	6,286	6,134	152	2.4%
2017	6,333	6,147	186	2.9%
2016	6,497	6,296	201	3.1%
2015	6,514	6,291	223	3.4%
<u>County of Bergen</u>				
2019	482,038	467,946	14,092	2.9%
2018	474,700	458,630	16,070	3.4%
2017	475,764	457,269	18,495	3.9%
2016	484,167	463,988	20,179	4.2%
2015	485,316	463,223	22,093	4.6%
<u>State of New Jersey</u>				
2019	4,493,100	4,333,300	159,800	3.6%
2018	4,422,900	4,239,600	183,300	4.6%
2017	4,453,500	4,247,500	206,000	4.1%
2016	4,524,300	4,299,900	224,400	5.6%
2015	4,543,800	4,288,800	255,000	5.6%

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

Population

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

<u>Area</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015</u>
Borough of Tenafly	13,552	13,326	13,806	14,488	14,480
County of Bergen	845,385	825,380	884,118	905,116	938,506
State of New Jersey	7,365,011	7,730,188	8,414,350	8,791,894	8,935,421

Source: U.S. Census Bureau

DEBT INFORMATION

Debt Statements

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

Debt Incurring Capacity As of December 31, 2019 (Unaudited)

Municipal	
Equalized Valuation Basis (last 3 years average)	\$ 4,611,051,880
3 1/2% Borrowing Margin	161,386,816
Net Debt Issued, Outstanding and Authorized	22,196,583
Remaining Municipal Borrowing Capacity	139,190,233
Local School	
4% Borrowing Margin	184,442,075
Debt, Issued, Outstanding and Authorized	28,355,000
Remaining School Borrowing Capacity	156,087,075

Source: Borough of Tenafly 2019 Annual Debt Statement

Gross and Statutory Net Debt as of December 31,

<u>Year</u>	<u>Gross Debt</u> <u>Amount</u>	<u>Statutory Net Debt</u> <u>Amount</u>	<u>Percentage</u>
2019 (Unaudited)	\$ 50,674,000	\$ 22,196,583	0.48%
2018	52,594,556	21,491,081	0.47%
2017	53,067,013	21,026,486	0.47%
2016	54,488,000	20,767,762	0.47%
2015	55,908,177	20,747,377	0.48%

Source: Borough of Tenafly Annual Audit Reports and 2019 Annual Debt Statement

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

GENERAL PURPOSES

Bonds and Notes Issued and Outstanding		
Bonds	\$	13,286,000
Notes		5,604,000
Bonds and Notes Authorized But Not Issued		<u>3,429,000</u>
	\$	22,319,000

LOCAL SCHOOL

Bonds Issued and Outstanding		<u>28,355,000</u>
------------------------------	--	-------------------

TOTAL GROSS DEBT 50,674,000

STATUTORY DEDUCTIONS

Municipal Purpose		122,417
Local School		<u>28,355,000</u>
		<u>28,477,417</u>

TOTAL NET DEBT \$ 22,196,583

OVERLAPPING DEBT

County of Bergen (Note 1)		36,981,460
Bergen County Utilities Authority (2)		<u>4,424,035</u>

TOTAL OVERLAPPING DEBT \$ 41,405,495

GROSS DEBT

Per Capita (2018 Estimate - 14,641)	\$	3,461
Percent of Net Valuation Taxable (2019 - \$4,007,822,300)		1.26%
Percent of Estimated True Value of Real Property (2019 - \$4,694,527,300)		1.08%

NET MUNICIPAL DEBT

Per Capita (2018 Estimate - 14,641)	\$	1,516
Percent of Net Valuation Taxable (2019 - \$4,007,822,300)		0.55%
Percent of Estimated True Value of Real Property (2019 - \$4,694,527,300)		0.47%

OVERALL DEBT (Net and Overlapping Debt)

Per Capita (2018 Estimate - 14,641)	\$	4,344
Percent of Net Valuation Taxable (2019 - \$4,007,822,300)		1.59%
Percent of Estimated True Value of Real Property (2019 - \$4,694,527,300)		1.35%

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

Note (2) Overlapping debt was computed based upon usage.
Source: Borough of Tenafly.

BUDGET INFORMATION
Current Fund
(As Adopted)

	<u>2020 (1)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Anticipated Revenues					
Fund Balance	\$ 2,690,000	\$ 2,653,761	\$ 2,100,000	\$ 1,900,000	\$ 1,750,000
Miscellaneous Revenues	2,861,073	3,034,911	2,992,916	2,873,075	2,854,772
Receipts from Delinquent Taxes	625,000	550,000	590,000	590,000	560,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>24,509,276</u>	<u>24,022,227</u>	<u>23,756,615</u>	<u>23,519,967</u>	<u>22,949,382</u>
	<u>\$ 30,685,349</u>	<u>\$ 30,260,899</u>	<u>\$ 29,439,531</u>	<u>\$ 28,883,042</u>	<u>\$ 28,114,154</u>
Appropriations					
Salaries and Wages	\$ 11,314,131	\$ 11,139,012	\$ 10,903,460	\$ 10,731,584	\$ 10,536,123
Other Expenses	11,730,721	11,473,662	11,138,067	10,999,783	10,779,008
Deferred Charges and Statutory Expenditures	2,624,467	2,690,999	2,630,911	2,285,104	2,231,894
Judgements		73,792		-	-
Capital Improvement Fund	255,000	190,000	175,000	150,000	150,000
Municipal Debt Service	3,011,030	2,993,434	2,917,093	3,116,571	2,867,129
Reserve for Uncollected Taxes	<u>1,750,000</u>	<u>1,700,000</u>	<u>1,675,000</u>	<u>1,600,000</u>	<u>1,550,000</u>
	<u>\$ 30,685,349</u>	<u>\$ 30,260,899</u>	<u>\$ 29,439,531</u>	<u>\$ 28,883,042</u>	<u>\$ 28,114,154</u>

Source: Borough of Tenafly Adopted Budgets

FINANCIAL INFORMATION

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

<u>Year</u>	<u>Fund Balance</u> <u>December 31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2019 (Unaudited)	\$ 5,109,184	\$ 2,690,000
2018	5,304,639	2,653,761
2017	4,671,039	2,100,000
2016	4,061,055	1,900,000
2015	3,729,376	1,750,000

Source: Borough of Tenafly Annual Audit Reports and 2019 Annual Financial Statement

Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2019 (Unaudited)	\$ 103,469,873	\$ 102,469,991	99.03%
2018	101,595,158	100,785,558	99.20%
2017	100,605,339	99,587,115	98.99%
2016	97,492,546	96,645,590	99.13%
2015	94,470,750	93,725,859	99.21%

Source: Borough of Tenafly Annual Audit Reports and 2019 Annual Financial Statement

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2019 (Unaudited)	\$ 887	\$ 689,396	\$ 690,283	0.67%
2018	887	584,740	585,627	0.58%
2017	887	724,525	725,412	0.75%
2016	887	693,143	694,030	0.71%
2015	887	634,074	634,961	0.67%

Source: Borough of Tenafly Annual Audit Reports and 2019 Annual Financial Statement

Assessed Valuation of Property Owned by the Borough Acquired for Taxes

<u>Year</u>	<u>Amount</u>
2019 (Unaudited)	\$ 18,200
2018	18,200
2017	18,200
2016	18,200
2015	18,200

Source: Borough of Tenafly Annual Audit Reports and 2019 Annual Financial Statement

Ten Largest Taxpayers

The ten largest taxpayers in the Borough and their 2020 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
Marlborough Co-Op Corporation	\$ 22,510,300
A.S.D.D.J. LLC	11,830,100
145 Dean Drive LLC	9,747,700
Knickerbocker Country Club	8,227,200
Tenaflly Shopping Center TP	7,209,400
Quirk Properties Tenaflly, LLC	6,696,400
30 Engle Street-Tenaflly Realty	6,524,200
Resident	4,653,100
TRC Property LLC	4,485,600
Resident	<u>3,800,000</u>
	<u>\$ 85,684,000</u>

Percentage of 2020 Net Valuation Taxable 2.14%

Source: Tax Assessor

Assessed Valuation Land Improvements by Class

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total</u>
2020	\$ 49,306,000	\$ 3,676,744,800	\$ 236,376,700	\$ 10,462,000	\$ 36,660,500	\$ 4,009,550,000
2019	48,584,100	3,675,015,500	237,100,200	10,462,000	36,660,500	4,007,822,300
2018	45,288,300	3,658,491,300	240,386,300	10,462,000	36,741,000	3,991,368,900
2017	44,750,300	3,617,030,300	240,984,300	10,462,000	36,741,000	3,949,967,900
2016	43,105,700	3,588,686,800	241,749,500	10,462,000	36,741,000	3,920,745,000

Source: Tax Duplicate.

Assessed Valuations Net Valuation Taxable

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2020	\$ 4,009,550,000	\$ -	\$ 4,009,550,000	N/A	N/A
2019	4,007,822,300	-	4,007,822,300	87.19%	4,694,527,300
2018	3,991,368,900	-	3,991,368,900	87.46%	4,570,330,078
2017	3,949,967,900	-	3,949,967,900	86.87%	4,553,684,580
2016	3,920,745,000	-	3,920,745,000	88.39%	4,442,439,710

Source: Tax Duplicate and Abstract of Ratables of Bergen County.

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

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>
2019	\$2.572	\$0.609	\$1.678	\$0.285
2018	2.532	0.605	1.647	0.280
2017	2.523	0.605	1.628	0.290
2016	2.473	0.595	1.600	0.278
2015	2.418	0.588	1.567	0.263

Source: Tax Collector.

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

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>
2019 (Unaudited)	\$ 103,469,873	\$ 24,792,798	\$ 67,215,067	\$ 11,462,008
2018	101,595,158	24,659,449	65,721,196	11,214,513
2017	100,605,339	24,749,925	64,304,678	11,550,736
2016	97,492,546	23,819,597	62,722,401	10,950,548
2015	94,470,750	23,363,901	60,848,748	10,258,101

Source: Borough of Tenafly Annual Audit Reports and 2019 Annual Financial Statement.

Appendix B

REPORT OF EXAMINATION OF FINANCIAL STATEMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

**UNAUDITED FINANCIAL DATA OF THE BOROUGH OF TENAFLY
FOR THE YEAR ENDED DECEMBER 31, 2019**

THIS PAGE INTENTIONALLY LEFT BLANK



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. NICOLosi, CPA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

ACCOUNTANT'S COMPILATION REPORT

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

Management is responsible for the accompanying balance sheets – regulatory basis of the various funds and account group of the Borough of Tenafly, as of December 31, 2019 and the related statement of operations and changes in fund balance – regulatory basis, the statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year then ended in accordance with the regulatory basis of accounting. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements – regulatory basis nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the financial and accounting 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.

Management has elected to omit all the disclosures ordinarily included in financial statements prepared in accordance with the regulatory basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Borough's assets, liabilities, fund balances, revenues and expenditures. Accordingly, the financial statements are not designed for those who are not informed about such matters.

By/s/

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

Fair Lawn, New Jersey
April 22, 2020

**BOROUGH OF TENAFLY
BALANCE SHEET - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2019 (UNAUDITED)**

2019

ASSETS		<u>2019</u>
Cash	\$	9,862,858
Cash - Change Funds		375
Cash- Petty Cash		8,736
Grants Receivable		<u>12,655</u>
		<u>9,884,624</u>
Receivables and Other Assets With Full Reserves		
Delinquent Property Taxes Receivable		689,396
Tax Title Lien Receivable		887
Property Acquired for Taxes - Assessed Valuation		18,200
Due From Animal Control Fund		1,607
Due From Police Outside Duty- Other Trust Fund		<u>5</u>
		<u>710,095</u>
Total Assets	\$	<u><u>10,594,719</u></u>

**BOROUGH OF TENAFLY
BALANCE SHEET - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2019 (UNAUDITED)**

2019

LIABILITIES, RESERVES AND FUND BALANCE

Liabilities	
Appropriation Reserves	\$ 1,460,302
Encumbrances Payable	1,090,774
Accounts Payable	28,044
Due to Other Trust Fund- Other	65,069
Due to Other Trust Fund- Escrow	329
Senior Citizen and Veterans Deductions	809
Prepaid Taxes	735,147
Tax Overpayments	40,404
County Taxes Payable	41,677
Appropriated Reserve for Grants	115,910
Unappropriated Reserve for Grants	57,569
Miscellaneous Reserves	<u>1,139,406</u>
	4,775,440
Reserve for Receivables	710,095
Fund Balance	<u>5,109,184</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 10,594,719</u>

BOROUGH OF TENAFLY
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	<u>2019</u>
REVENUE AND OTHER INCOME REALIZED	
Fund Balance Utilized	\$ 2,653,761
Miscellaneous Revenues Anticipated	3,537,629
Receipts from Delinquent Taxes	580,853
Receipts from Current Taxes	102,469,991
Non-Budget Revenues	197,088
Other Credits to Income	
Statutory Excess	1,558
Unexpended Balance of Appropriation Reserves	<u>661,958</u>
 Total Revenues and Other Income	 <u>110,102,838</u>
 EXPENDITURES	
Budget and Emergency Appropriations	
Operations	
Salaries and Wages	10,888,945
Other Expenses	11,677,755
Capital Improvements	190,000
Municipal Debt Service	2,993,433
Deferred Charges and Statutory Expenditures	2,810,765
Local District School Tax	67,215,067
County Taxes including Added Taxes	11,462,008
Municipal Open Space Taxes incl/Added Taxes	402,294
Prior Year Senior Discount Disallowed	2,783
Interfunds Advanced - Net	<u>1,482</u>
 Total Expenditures	 <u>107,644,532</u>
 Excess in Revenue	 2,458,306
 Fund Balance, January 1	 <u>5,304,639</u>
	7,762,945
Decreased by:	
Utilization as Anticipated Revenues	<u>2,653,761</u>
 Fund Balance, December 31,	 <u><u>\$ 5,109,184</u></u>

BOROUGH OF TENAFLY
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
FUND BALANCE ANTICIPATED	\$ 2,653,761	\$ 2,653,761	-
MISCELLANEOUS REVENUES			
Licenses			
Alcoholic Beverages	25,000	27,805	\$ 2,805
Other	16,000	15,990	(10)
Fees and Permits			
Other	110,000	210,449	100,449
Fines and Costs			
Municipal Court	135,000	182,417	47,417
Interest and Costs on Taxes	150,000	220,910	70,910
Interest on Investments	275,000	467,160	192,160
Rental of Borough Owned Property	70,000	122,380	52,380
Use of Sewer System Agreements	25,000	46,407	21,407
Borough Operated Alarm Systems	55,000	46,415	(8,585)
Energy Receipts Taxes	1,119,801	1,119,801	-
Uniform Construction Code Fees	475,000	470,241	(4,759)
State and Federal Grants Offset with Appropriations-			
Recycling Tonnage Grant	18,402	18,402	-
Municipal Alliance on Alcoholism and Drug Abuse	4,938	4,938	-
Body Armor Fund	3,594	3,594	-
Clean Communities- Reserve	27,264	27,264	-
Click It or Ticket- Reserve	5,500	5,500	-
JIF Safety Grant- Reserve	2,949	2,949	-
Uniform Fire Safety Act	15,000	18,231	3,231
Cable TV Franchise Fee	193,727	193,727	-
Hotel Occupancy Fee (P.L. 2003, c.114)	90,000	87,450	(2,550)
Reserve for Payment of Debt Service	39,736	39,736	-
Sewer Charges - Tax Exempt Properties	22,000	25,441	3,441
Payment in Lieu of Taxes - Tenafly House	16,000	21,844	5,844
Cell Tower/Monopole Lease	140,000	158,578	18,578
	<u>3,034,911</u>	<u>3,537,629</u>	<u>502,718</u>
Total Miscellaneous Revenues			
RECEIPTS FROM DELINQUENT TAXES	<u>550,000</u>	<u>580,853</u>	<u>30,853</u>
AMOUNT TO BE RAISED BY TAXATION:			
Local Tax for Municipal Purposes	22,496,301	23,564,696	1,068,395
Minimum Library Tax	1,525,926	1,525,926	-
	<u>24,022,227</u>	<u>25,090,622</u>	<u>1,068,395</u>
Total Amount to be Raised by Taxation			
Total General Revenues	<u>\$ 30,260,899</u>	<u>\$ 31,862,865</u>	<u>\$ 1,601,966</u>

BOROUGH OF TENAFLY
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	<u>2019 Appropriated</u>		<u>2019 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
General Government					
Administrative and Executive					
Salaries and Wages					
Administrator's Office	\$ 189,488	\$ 189,488	\$ 187,997	\$ 1,491	
Borough Clerk's Office	265,621	265,621	250,500	15,121	
Other Expenses					
Administrator's Office	207,456	207,456	189,246	18,210	
Borough Clerk's Office	56,000	56,000	38,342	17,658	
Postage	29,000	29,000	28,832	168	
Photocopy Expense	9,000	9,000	6,587	2,413	
Mayor and Council					
Salaries and Wages	23,000	23,000	23,000	-	
Other Expenses	10,000	10,000	8,242	1,758	
Elections					
Salaries and Wages	10,000	10,000	6,457	3,543	
Other Expenses	17,650	17,650	840	16,810	
Financial Administration					
Salaries and Wages	265,676	275,266	275,266	-	
Audit/Other Expenses	67,500	67,500	54,758	12,742	
Revenue Administration					
Salaries and Wages	101,148	90,855	82,344	8,511	
Other Expenses	42,610	42,610	37,314	5,296	
Assessment of Taxes					
Salaries and Wages	160,429	160,429	157,530	2,899	
Other Expenses	31,160	31,160	22,090	9,070	
Legal Services and Costs					
Other Expenses	203,000	173,573	68,807	104,766	
Engineering Services and Costs					
Other Expenses	62,600	62,600	53,201	9,399	
Historic Preservation Commission					
Salaries and Wages	2,500	2,500	2,500		
Other Expenses	12,540	12,540	5,842	6,698	
Municipal Land Use Law:					
Planning Board					
Salaries and Wages	3,500	3,500	3,500	-	
Other Expenses	40,393	40,393	28,481	11,912	
Zoning Board of Adjustment					
Salaries and Wages	500	500	-	500	
Other Expenses	36,540	37,201	37,076	125	
Insurance					
Liability	401,415	403,586	402,086	1,500	
Surety Bond Premiums	2,250	2,250		2,250	

BOROUGH OF TENAFLY
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	<u>2019 Appropriated</u>		<u>2019 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS" (Cont'd)					
Insurance (Continued)					
Worker's Compensation	\$ 330,245	\$ 330,245	\$ 330,245	-	
Group Insurance Plan for Employees	2,228,010	2,224,581	1,904,896	\$ 319,685	
Unemployment	30,000	30,000	30,000	-	
Public Safety					
Police					
Salaries and Wages	5,507,686	5,594,112	5,528,847	65,265	
Other Expenses	265,113	265,113	221,959	43,154	
Other Expenses - Emergency Response	3,000	3,000		3,000	
Emergency Management Services					
Salaries and Wages	4,600	4,600	4,600	-	
Other Expenses	22,700	22,700	13,498	9,202	
Aid to Volunteer Fire Company					
Salaries and Wages	155,496	155,496	151,789	3,707	
Other Expenses	15,735	15,735	8,212	7,523	
Aid to Volunteer Ambulance Corps					
Salaries and Wages	18,365	18,365	17,625	740	
Other Expenses	208,000	208,000	180,597	27,403	
Fire Department					
Salaries and Wages	24,247	24,247	19,247	5,000	
Other Expenses	335,500	335,500	312,654	22,846	
Fire Hydrant Services	253,000	253,000	250,170	2,830	
Municipal Prosecutor					
Salaries and Wages	13,500	14,165	14,165	-	
Streets and Roads					
Road Repairs and Maintenance					
Salaries and Wages	2,299,379	2,179,804	2,044,976	134,828	
Other Expenses	543,475	636,115	627,170	8,945	
Solid Waste Collections					
Contract-Collections	895,000	895,000	843,334	51,666	
Recycling Center					
Salaries and Wages	591,189	591,189	587,770	3,419	
Other Expenses	75,525	75,525	75,151	374	
Public Buildings and Grounds					
Salaries and Wages	205,402	205,402	191,401	14,001	
Other Expenses	167,375	194,310	194,310	-	

BOROUGH OF TENAFLY
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	<u>2019 Appropriated</u>		<u>2019 Expended</u>		
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS" (Cont'd)					
Health and Welfare					
Board of Health					
Salaries and Wages	\$ 5,000	\$ 5,000	\$ 5,000		
Other Expenses	100,719	100,719	99,339	\$ 1,380	
Environmental Commission					
Other Expenses	2,000	2,000	722	1,278	
Animal Welfare					
Other Expenses	14,500	14,500	11,904	2,596	
Mental Health Center					
Other Expenses	7,000	7,000	7,000	-	
Recreation and Education:					
Recreation Commission R.S. 40:12-1					
Salaries and Wages	209,923	209,923	209,501	422	
Other Expenses	37,700	37,700	22,092	15,608	
Youth Center					
Salaries and Wages	135,166	135,166	121,883	13,283	
Other Expenses	6,650	6,650	6,053	597	
Senior Citizens Center					
Salaries and Wages	111,424	111,424	90,256	21,168	
Other Expenses	13,800	13,800	9,617	4,183	
Community Support					
Nature Center - Other Expenses	35,000	35,000	35,000	-	
Welcome Committee					
Other Expenses	6,500	6,638	6,638	-	
Senior Services Committee					
Salaries and Wages	31,200	31,200	30,345	855	
Other Expenses	1,250	1,250	1,114	136	
Senior Services Transportation					
Salaries and Wages	80,453	80,453	66,633	13,820	
Other Expenses	10,000	10,000	5,241	4,759	
Parking Lot Rental					
Other Expenses	22,000	22,000	15,595	6,405	
Celebration of Public Events					
Other Expenses	45,000	45,000	42,137	2,863	
Payroll Adjustment	175,000	72,730	32,858	39,872	
PUBLIC SAFETY FUNCTION					
Municipal Court					
Salaries and Wages	125,025	125,025	120,844	4,181	
Other Expenses	13,925	13,925	13,547	378	
Public Defender					
Other Expenses	3,600	2,936	1,100	1,836	
See Accountant's Compilation Report		B-8			

BOROUGH OF TENAFLY
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	<u>2019 Appropriated</u>		<u>2019 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4-17) State Uniform Construction Code Construction Code Officials Salaries and Wages	\$ 291,087	\$ 290,630	\$ 290,630		
Other Expenses	10,240	10,036	7,126	\$ 2,910	
Director of Building Department Salaries and Wages	106,340	106,340	103,464	2,876	
Other Expenses	7,980	7,980	7,675	305	
Unclassified Electricity	210,000	220,578	220,578	-	
Street Lighting	168,000	168,000	164,327	3,673	
Telephone	65,000	65,000	61,301	3,699	
Natural Gas	62,000	52,541	47,545	4,996	
Gasoline	186,000	186,000	136,213	49,787	
LANDFILL/SOLID WASTE DISPOSAL COSTS BCUA Disposal Fees	<u>428,000</u>	<u>428,000</u>	<u>422,035</u>	<u>5,965</u>	<u>-</u>
Total Operations Within "CAPS"	<u>19,171,000</u>	<u>19,125,026</u>	<u>17,938,767</u>	<u>1,186,259</u>	<u>-</u>
Total Operations Including Contingent Within "CAPS"	<u>19,171,000</u>	<u>19,125,026</u>	<u>17,938,767</u>	<u>1,186,259</u>	<u>-</u>
Detail: Salaries and Wages	10,998,191	10,862,277	10,521,450	340,827	-
Other Expenses	<u>8,172,809</u>	<u>8,262,749</u>	<u>7,417,317</u>	<u>845,432</u>	<u>-</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS" Statutory Expenditures Contribution to: Public Employees Retirement System	686,025	686,025	686,025	-	
Social Security System (O.A.S.I.)	555,000	555,703	555,703	-	
Police and Firemen's Retirement System of NJ	1,281,974	1,297,818	1,297,818	-	
Defined Contribution Retirement Program	<u>18,000</u>	<u>18,000</u>	<u>17,926</u>	<u>74</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>2,540,999</u>	<u>2,557,546</u>	<u>2,557,472</u>	<u>74</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>21,711,999</u>	<u>21,682,572</u>	<u>20,496,239</u>	<u>1,186,333</u>	<u>-</u>

See Accountant's Compilation Report

BOROUGH OF TENAFLY
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	<u>2019 Appropriated</u>		<u>2019 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library (P.L. 1985, Ch. 82-541) \$	1,429,378	\$ 1,429,378	\$ 1,279,842	\$ 149,536	
Library Building Maintenance					
Salaries and Wages	26,668	26,668	17,731	8,937	
Other Expenses	69,881	69,881	58,801	11,080	
Bergen County Utilities Authority					
Operations and Maintenance	1,317,654	1,317,654	1,317,654	-	
Debt Service	438,211	438,211	438,211	-	
Emergency Services Volunteer Length of Service Award Program (P.L. 1997, C. 388)	76,000	76,000		76,000	
Recycling Tax	20,000	20,000	-	20,000	-
Total Other Operations Excluded from "CAPS"	<u>3,377,792</u>	<u>3,377,792</u>	<u>3,112,239</u>	<u>265,553</u>	<u>-</u>
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
Recycling Tonnage Grant - Reserve	18,402	18,402	18,402	-	
Body Armor Fund - Reserve	3,594	3,594	2,271	1,323	
Click It or Ticket	5,500	5,500		5,500	
Municipal Alliance on Alcoholism and Drug Abuse	4,938	4,938	4,938	-	
Matching Funds - Municipal Alliance	1,235	1,235	1,235	-	
JIF Grant	2,949	2,949	1,356	1,593	
Clean Communities Program - Reserve	27,264	27,264	27,264	-	-
Total Public and Private Programs Offset by Revenues	<u>63,882</u>	<u>63,882</u>	<u>55,466</u>	<u>8,416</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>3,441,674</u>	<u>3,441,674</u>	<u>3,167,705</u>	<u>273,969</u>	<u>-</u>
Detail:					
Salaries and Wages	26,668	26,668	17,731	8,937	-
Other Expenses	3,415,006	3,415,006	3,149,974	265,032	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	190,000	190,000	190,000	-	-
Total Capital Improvement Fund - Excluded from "CAPS"	<u>190,000</u>	<u>190,000</u>	<u>190,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"					
Payment of Bond Principal	2,490,000	2,490,000	2,490,000	-	
Interest on Bonds	424,343	424,343	424,343		
Interest on Notes	79,091	79,091	79,090	-	\$ 1
Total Municipal Debt Service - Excluded from "CAPS"	<u>2,993,434</u>	<u>2,993,434</u>	<u>2,993,433</u>	<u>-</u>	<u>1</u>

BOROUGH OF TENAFLY
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	<u>2019 Appropriated</u>		<u>2019 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
DEFERRED CHARGES					
Deferred Charges - Unfunded Ordinances Ord. #17-09	\$ 150,000	\$ 150,000	\$ 150,000	-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	-	-
Judgements	<u>73,792</u>	<u>103,219</u>	<u>103,219</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>6,848,900</u>	<u>6,878,327</u>	<u>6,501,138</u>	\$ 273,969	\$ 1
Subtotal General Appropriations	28,560,899	28,560,899	27,100,596	1,460,302	1
Reserve for Uncollected Taxes	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>	-	-
Total General Appropriations	<u>\$ 30,260,899</u>	<u>\$ 30,260,899</u>	<u>\$ 28,800,596</u>	<u>\$ 1,460,302</u>	<u>\$ 1</u>

**BOROUGH OF TENAFLY
BALANCE SHEET - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
ASSETS	
Animal Control Trust Fund	
Cash	\$ 33,735
Due from State of New Jersey	<u>1</u>
	<u>33,736</u>
Other Trust Fund	
Cash	4,773,926
Due from Recreation Fund- Payroll Agency	30
Due from Current Fund - Escrow Deposits	329
Due from Current Fund - Other Trust Fund	<u>65,069</u>
	<u>4,839,354</u>
Unemployment Insurance Trust Fund	
Cash	<u>7,667</u>
	<u>7,667</u>
Recreation Activities Trust Fund	
Cash	<u>374,273</u>
Open Space Preservation Trust Fund	
Cash	<u>2,224,803</u>
	<u>2,224,803</u>
Total Assets	<u><u>\$ 7,479,833</u></u>

**BOROUGH OF TENAFLY
BALANCE SHEET - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
LIABILITIES, RESERVES AND FUND BALANCE	
Animal Control Trust Fund	
Reserve for Animal License Expenditures	\$ 32,129
Due to Current Fund	<u>1,607</u>
	<u>33,736</u>
Other Trust Fund	
Due to Current Fund - Police Outside Duty	5
Reserve for:	
Miscellaneous Reserves	1,969,062
Escrow Deposits - Construction Fees	378,888
Affordable Housing Trust	2,475,868
Accrued Salary and Wages	3,728
Payroll Deductions Payable	<u>11,803</u>
	<u>4,839,354</u>
Unemployment Insurance Trust Fund	
Reserve for Unemployment Compensation Insurance	<u>7,667</u>
	<u>7,667</u>
Recreation Activities Trust Fund	
Due to Other Trust Fund- Payroll Agency	30
Reserve for Recreation Expenditures	<u>374,243</u>
	<u>374,273</u>
Open Space Preservation Trust Fund	
Reserve for Municipal Open Space Expenditures	<u>2,224,803</u>
	<u>2,224,803</u>
Total Liabilities, Reserves and Fund Balance	<u><u>\$ 7,479,833</u></u>

BOROUGH OF TENAFLY
STATEMENT OF REVENUES-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	2019 Budget (Memo)	Realized in 2019	Excess or Deficit
Amount to be Raised by Taxation	<u>\$ 400,782</u>	<u>\$ 402,294</u>	<u>\$ 1,512</u>

Reference

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

	2019 Budget (Memo)	<u>2019 Expended</u>	
		Paid or Charged	Reserved
Open Space Improvements	<u>\$ 400,782</u>	<u>\$ 198,000</u>	<u>\$ 202,782</u>

**BOROUGH OF TENAFLY
BALANCE SHEET - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
ASSETS	
Cash	\$ 3,105,731
Grants / Other Receivable	513,369
Deferred Charges to Future Taxation	
Funded	13,286,000
Unfunded	<u>8,910,583</u>
 Total Assets	 <u>\$ 25,815,683</u>
 LIABILITIES, RESERVES AND FUND BALANCE	
General Serial Bonds	\$ 13,286,000
Bond Anticipation Notes Payable	5,604,000
Contracts Payable	2,531,728
Improvement Authorizations	
Funded	1,169,128
Unfunded	2,366,854
Reserve for:	
Grants Receivable	466,318
Capital Improvement Fund	65,694
Fund Balance	<u>325,961</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 25,815,683</u>

There were bonds and notes authorized but not issued at December 31, 2019 of \$3,429,000.

BOROUGH OF TENAFLY
STATEMENT OF CHANGE IN FUND BALANCE - REGULATORY BASIS -
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	<u>2019</u>
Balance, December 31	\$ 278,338
Increased by:	
Cancellation	3,576
Premium on Sale of Notes	<u>44,047</u>
Balance, December 31	<u>\$ 325,961</u>

**INDEPENDENT AUDITORS REPORT AND
FINANCIAL STATEMENTS OF THE BOROUGH OF TENAFLY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

THIS PAGE INTENTIONALLY LEFT BLANK



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. NICOLosi, CPA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of Tenafly
Tenafly, 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 Tenafly, as of December 31, 2018 and 2017, and the related statements of operations and changes in fund balance - regulatory basis, the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Tenafly 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 Tenafly as of December 31, 2018 and 2017, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

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

As discussed in Note 16 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough's financial statements as of and for the years ended December 31, 2018 and 2017. The LOSAP Trust Fund financial activities are included in the Borough's Trust Funds, and represent 9 percent and 10 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2018 and 2017.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the omission of the 2018 note disclosures regarding the other post-employment benefit obligations and 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 Tenafly as of December 31, 2018 and 2017, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis

of the various funds for the year ended December 31, 2018 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 17, 2019 on our consideration of the Borough of Tenafly's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Tenafly'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 Tenafly's internal control over financial reporting and compliance.

By/s/ LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Fair Lawn, New Jersey
June 17, 2019

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

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 9,514,903	\$ 26,343,418
Cash - Change Funds	375	375
Cash- Petty Cash	8,736	8,736
Due from State of New Jersey- Senior Citizen and Veterans Deductions	642	1,083
Grants Receivable	<u>13,898</u>	<u>16,119</u>
	<u>9,538,554</u>	<u>26,369,731</u>
Receivables and Other Assets With Full Reserves		
Delinquent Property Taxes Receivable	584,740	724,525
Tax Title Lien Receivable	887	887
Property Acquired for Taxes - Assessed Valuation	18,200	18,200
Due From Other Trust Fund	130	130
Due From Animal Control Fund		36
Due From Recreation Activities Trust Fund		818
Due From Other Trust Fund - Payroll Agency	<u>-</u>	<u>28,455</u>
	<u>603,957</u>	<u>773,051</u>
Total Assets	<u><u>\$ 10,142,511</u></u>	<u><u>\$ 27,142,782</u></u>

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

	<u>2018</u>	<u>2017</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Liabilities		
Appropriation Reserves	\$ 1,060,055	\$ 1,440,780
Encumbrances Payable	654,203	696,339
Accounts Payable	3,777	6,500
Due to Unemployment Trust Fund		8
Due to Other Trust Fund	56,069	601,763
Due to General Capital Fund		184,629
Prepaid Taxes	829,484	17,345,219
Tax Overpayments	156,831	130,108
County Taxes Payable	57,686	114,231
Appropriated Reserve for Grants	169,511	137,182
Unappropriated Reserve for Grants	35,713	58,650
Miscellaneous Reserves	<u>1,210,586</u>	<u>983,283</u>
	4,233,915	21,698,692
Reserve for Receivables	603,957	773,051
Fund Balance	<u>5,304,639</u>	<u>4,671,039</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 10,142,511</u>	 <u>\$ 27,142,782</u>

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

	<u>2018</u>	<u>2017</u>
REVENUE AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 2,100,000	\$ 1,900,000
Miscellaneous Revenues Anticipated	3,392,201	3,210,712
Receipts from Delinquent Taxes	690,428	743,785
Receipts from Current Taxes	100,640,558	99,287,115
Non-Budget Revenues	214,459	103,450
Other Credits to Income		
Interfunds Returned- Net	29,309	
Cancel Prior Year Accounts Payable	310	
Unexpended Balance of Appropriation Reserves	<u>774,060</u>	<u>774,994</u>
		-
Total Revenues and Other Income	<u>107,841,325</u>	<u>106,020,056</u>
EXPENDITURES		
Budget and Emergency Appropriations		
Operations		
Salaries and Wages	10,761,940	10,545,578
Other Expenses	11,212,648	11,182,669
Capital Improvements	175,000	150,000
Municipal Debt Service	2,917,093	3,084,987
Deferred Charges and Statutory Expenditures	2,700,590	2,288,224
Local District School Tax	65,721,196	64,304,678
County Taxes including Added Taxes	11,214,513	11,550,736
Municipal Open Space Taxes incl/Added Taxes	401,245	398,944
Prior Year Senior Discount Disallowed	3,500	3,433
Interfunds Advanced - Net	<u>-</u>	<u>823</u>
		-
Total Expenditures	<u>105,107,725</u>	<u>103,510,072</u>
		-
Excess in Revenue	2,733,600	2,509,984
		-
Fund Balance, January 1	<u>4,671,039</u>	<u>4,061,055</u>
		-
	7,404,639	6,571,039
Decreased by:		
Utilization as Anticipated Revenues	<u>2,100,000</u>	<u>1,900,000</u>
		-
Fund Balance, December 31,	<u>\$ 5,304,639</u>	<u>\$ 4,671,039</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2018</u>		<u>2017</u>	
	<u>Budget After Modification</u>	<u>Realized</u>	<u>Budget After Modification</u>	<u>Realized</u>
FUND BALANCE ANTICIPATED	\$ 2,100,000	\$ 2,100,000	\$ 1,900,000	\$ 1,900,000
MISCELLANEOUS REVENUES				
Licenses				
Alcoholic Beverages	25,000	27,300	25,000	27,100
Other	16,000	18,250	16,000	16,940
Fees and Permits				
Other	110,000	127,183	110,000	149,813
Fines and Costs				
Municipal Court	115,000	209,464	115,000	139,729
Interest and Costs on Taxes	190,000	158,479	190,000	204,394
Interest on Investments	70,000	440,616	23,000	141,981
Rental of Borough Owned Property	70,000	72,080	70,000	82,723
Use of Sewer System Agreements	25,000	30,553	25,000	43,692
Borough Operated Alarm Systems	55,000	58,580	55,000	57,750
Energy Receipts Taxes	1,119,801	1,119,801	1,119,801	1,119,801
Uniform Construction Code Fees	590,000	486,069	600,000	625,843
State and Federal Grants Offset with Appropriations-				
Recycling Tonnage Grant-Reserve	23,115	23,115	22,573	22,573
Municipal Alliance on Alcoholism and Drug Abuse	4,938	4,938	4,938	4,938
Body Armor Fund - Reserve	3,232	3,232	3,227	3,227
Clean Communities- Reserve	28,504	28,504	33,551	33,551
Click It or Ticket - Reserve			5,000	5,000
Environmental Grant- Reserve			500	500
DOJ- Bullet Proof Vest	2,740	2,740	2,625	2,625
DDEF- Reserve	3,799	3,799	6,079	6,079
Grren Community Grant			2,000	2,000
Uniform Fire Safety Act	12,000	18,288	12,500	12,283
Cable TV Franchise Fee	200,000	200,169	145,000	190,148
Hotel Occupancy Fee (P.L. 2003, c.114)	95,000	95,787	105,000	104,741
Reserve for Payment of Debt Service	65,527	65,527	10,281	10,281
Sewer Charges - Tax Exempt Properties	25,000	23,947	25,000	28,265
Payment in Lieu of Taxes - Tenafly House	16,000	20,882	16,000	27,804
Cell Tower/Monopole Lease	130,000	152,898	130,000	146,931
	<u>2,995,656</u>	<u>3,392,201</u>	<u>2,873,075</u>	<u>3,210,712</u>
Total Miscellaneous Revenues				
RECEIPTS FROM DELINQUENT TAXES	<u>590,000</u>	<u>690,428</u>	<u>590,000</u>	<u>743,785</u>
AMOUNT TO BE RAISED BY TAXATION:				
Local Tax for Municipal Purposes	22,251,179	23,473,168	22,015,520	23,128,310
Minimum Library Tax	<u>1,505,436</u>	<u>1,505,436</u>	<u>1,504,447</u>	<u>1,504,447</u>
Total Amount to be Raised by Taxation	<u>23,756,615</u>	<u>24,978,604</u>	<u>23,519,967</u>	<u>24,632,757</u>
Total General Revenues	<u>\$ 29,442,271</u>	<u>\$ 31,161,233</u>	<u>\$ 28,883,042</u>	<u>\$ 30,487,254</u>

The Accompanying Notes are an Integral Part of these Financial Statements

This Page Intentionally Left Blank

2018 STATEMENT OF EXPENDITURES

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

	<u>2018 Appropriated</u>		<u>2018 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
General Government					
Administrative and Executive					
Salaries and Wages					
Administrator's Office	\$ 294,989	\$ 281,489	\$ 266,377	\$ 15,112	
Borough Clerk's Office	214,901	219,305	219,305	-	
Other Expenses					
Administrator's Office	165,297	165,303	165,303	-	
Borough Clerk's Office	51,850	51,850	42,041	9,809	
Postage	27,500	27,500	18,766	8,734	
Photocopy Expense	9,000	9,000	6,968	2,032	
Mayor and Council					
Salaries and Wages	26,000	26,000	23,750	2,250	
Other Expenses	7,000	7,000	6,505	495	
Elections					
Salaries and Wages	9,000	8,000	7,707	293	
Other Expenses	18,500	19,000	18,998	2	
Financial Administration					
Salaries and Wages	218,450	221,123	221,123	-	
Audit/Other Expenses	72,100	72,100	57,208	14,892	
Revenue Administration					
Salaries and Wages	134,240	134,240	125,142	9,098	
Other Expenses	42,133	39,383	32,099	7,284	
Assessment of Taxes					
Salaries and Wages	157,251	157,251	155,840	1,411	
Other Expenses	21,490	19,490	15,641	3,849	
Legal Services and Costs					
Other Expenses	161,500	132,584	54,852	77,732	
Engineering Services and Costs					
Other Expenses	35,000	64,798	64,798	-	
Historic Preservation Commission					
Other Expenses	11,040	11,040	10,801	239	
Municipal Land Use Law:					
Planning Board					
Salaries and Wages	3,500	3,656	3,656	-	
Other Expenses	40,625	40,469	22,521	17,948	
Zoning Board of Adjustment					
Salaries and Wages	1,500	1,500		1,500	
Other Expenses	36,540	36,540	32,742	3,798	
Insurance					
Liability	396,586	404,560	404,560	-	
Surety Bond Premiums	2,250	-	-	-	

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2018 Appropriated</u>		<u>2018 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS" (Cont'd)					
Insurance (Continued)					
Worker's Compensation	\$ 307,865	\$ 313,175	\$ 313,175	-	
Group Insurance Plan for Employees	2,220,488	2,221,988	2,067,142	\$ 154,846	
Unemployment	30,000	30,000	30,000	-	
Public Safety					
Police					
Salaries and Wages	5,529,966	5,510,584	5,468,209	42,375	
Other Expenses	294,304	269,461	248,791	20,670	
Other Expenses - Emergency Response	3,000	3,000		3,000	
Emergency Management Services					
Salaries and Wages	4,600	4,600	4,600	-	
Other Expenses	20,700	20,700	12,687	8,013	
Aid to Volunteer Fire Company					
Salaries and Wages	23,870	23,870	18,870	5,000	
Other Expenses	324,364	324,364	304,462	19,902	
Aid to Volunteer Ambulance Corps					
Salaries and Wages	18,005	18,005	17,249	756	
Other Expenses	187,700	185,279	155,795	29,484	
Fire Department					
Salaries and Wages	138,689	138,689	123,545	15,144	
Other Expenses	15,730	15,730	14,723	1,007	
Fire Hydrant Services	253,000	253,000	236,050	16,950	
Municipal Prosecutor					
Salaries and Wages	13,500	14,186	14,186	-	
Streets and Roads					
Road Repairs and Maintenance					
Salaries and Wages	2,249,832	2,144,229	2,085,642	58,587	
Other Expenses	468,925	509,925	479,498	30,427	
Solid Waste Collections					
Contract-Collections	755,000	755,000	750,000	5,000	
Recycling Center					
Salaries and Wages	612,982	624,781	624,781	-	
Other Expenses	75,025	93,013	93,013	-	
Public Buildings and Grounds					
Salaries and Wages	195,298	195,299	186,099	9,200	
Other Expenses	156,325	172,700	172,700	-	

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2018 Appropriated</u>		<u>2018 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS" (Cont'd)					
Health and Welfare					
Board of Health					
Salaries and Wages	\$ 5,000	\$ 5,000	\$ 5,000		
Other Expenses	99,270	99,270	88,474	\$ 10,796	
Environmental Commission					
Other Expenses	2,000	2,000	1,961	39	
Animal Welfare					
Other Expenses	11,250	11,250	11,186	64	
Mental Health Center					
Other Expenses	7,000	7,000	7,000	-	
Recreation and Education:					
Recreation Commission R.S. 40:12-1					
Salaries and Wages	201,982	201,982	193,632	8,350	
Other Expenses	37,700	37,700	28,230	9,470	
Youth Center					
Salaries and Wages	132,249	132,249	121,718	10,531	
Other Expenses	6,450	6,450	5,977	473	
Senior Citizens Center					
Salaries and Wages	129,591	129,771	129,771	-	
Other Expenses	12,025	12,025	12,015	10	
Community Support					
Nature Center - Other Expenses	35,000	35,000	35,000	-	
Welcome Committee					
Other Expenses	5,000	5,000	3,694	1,306	
Senior Services Committee					
Salaries and Wages	99,450	99,450	69,466	29,984	
Other Expenses	11,250	11,250	3,034	8,216	
Parking Lot Rental					
Other Expenses	20,000	20,000	15,212	4,788	
Celebration of Public Events					
Other Expenses	41,000	41,000	40,961	39	
Payroll Adjustment	51,000	28,775	1,915	26,860	
PUBLIC SAFETY FUNCTION					
Municipal Court					
Salaries and Wages	122,268	122,268	117,492	4,776	
Other Expenses	11,350	11,350	11,095	255	
Public Defender					
Other Expenses	3,900	3,900	2,100	1,800	

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2018 Appropriated</u>		<u>2018 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4-17)					
State Uniform Construction Code					
Construction Code Officials					
Salaries and Wages	\$ 284,859	\$ 284,859	\$ 284,197	\$ 662	
Other Expenses	11,240	11,240	5,930	5,310	
Director of Building Department					
Salaries and Wages	103,980	104,271	104,271	-	
Other Expenses	7,980	7,689	5,792	1,897	
Unclassified					
Electricity	189,275	209,920	209,920	-	
Street Lighting	168,000	162,500	158,568	3,932	
Telephone	64,000	64,000	62,841	1,159	
Natural Gas	62,000	62,000	48,267	13,733	
Gasoline	183,000	183,000	150,682	32,318	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
BCUA Disposal Fees	<u>428,000</u>	<u>448,000</u>	<u>427,726</u>	<u>20,274</u>	<u>-</u>
Total Operations Within "CAPS"	<u>18,604,479</u>	<u>18,554,928</u>	<u>17,761,047</u>	<u>793,881</u>	<u>-</u>
Total Operations Including Contingent Within "CAPS"	<u>18,604,479</u>	<u>18,554,928</u>	<u>17,761,047</u>	<u>793,881</u>	<u>-</u>
Detail:					
Salaries and Wages	10,877,502	10,735,982	10,524,077	211,905	-
Other Expenses	<u>7,726,977</u>	<u>7,818,946</u>	<u>7,236,970</u>	<u>581,976</u>	<u>-</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
Statutory Expenditures					
Contribution to:					
Public Employees Retirement System	675,548	678,697	678,697	-	
Social Security System (O.A.S.I.)	555,000	555,000	545,061	9,939	
Police and Firemen's Retirement System of NJ	1,152,727	1,214,669	1,214,669	-	
Defined Contribution Retirement Program	<u>13,000</u>	<u>17,588</u>	<u>17,588</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>2,396,275</u>	<u>2,465,954</u>	<u>2,456,015</u>	<u>9,939</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>21,000,754</u>	<u>21,020,882</u>	<u>20,217,062</u>	<u>803,820</u>	<u>-</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2018 Appropriated</u>		<u>2018 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library (P.L. 1985, Ch. 82-541)	\$ 1,408,568	\$ 1,411,775	\$ 1,402,562	\$ 9,213	
Library Building Maintenance					
Salaries and Wages	25,958	25,958	15,853	10,105	
Other Expenses	70,910	67,575	57,901	9,674	
Bergen County Utilities Authority					
Operations and Maintenance	1,191,552	1,191,552	1,191,552	-	
Debt Service	444,237	444,237	444,237	-	
Emergency Services Volunteer Length of Service					
Award Program (P.L. 1997, C. 388)	66,000	66,000		66,000	
Recycling Tax	20,000			-	
Reserve for Tax Appeals	145,000	145,000	-	145,000	-
Total Other Operations Excluded from "CAPS"	3,372,225	3,352,097	3,112,105	239,992	-
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
Recycling Tonnage Grant - Reserve	23,115	23,115	17,872	5,243	
Body Armor Fund - Reserve	3,232	3,232	3,143	89	
DOJ - Bullet Proof Vest - Reserve		2,740		2,740	
Municipal Alliance on Alcoholism and Drug Abuse	4,938	4,938	4,938	-	
Matching Funds - Municipal Alliance	1,235	1,235	1,235	-	
Drunk Driving Enforcement Grant - Reserve	3,799	3,799	3,556	243	
Clean Communities Program - Reserve	28,504	28,504	20,576	7,928	-
Total Public and Private Programs	64,823	67,563	51,320	16,243	-
Total Operations Excluded from "CAPS"	3,437,048	3,419,660	3,163,425	256,235	-
Detail:					
Salaries and Wages	25,958	25,958	15,853	10,105	-
Other Expenses	3,411,090	3,393,702	3,147,572	246,130	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	175,000	175,000	175,000	-	-
Total Capital Improvement Fund - Excluded from "CAPS"	175,000	175,000	175,000	-	-
MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"					
Payment of Bond Principal	2,440,000	2,440,000	2,440,000	-	-
Interest on Bonds	477,093	477,093	477,093	-	-
Total Municipal Debt Service - Excluded from "CAPS"	2,917,093	2,917,093	2,917,093	-	-

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2018 Appropriated</u>		<u>2018 Expended</u>		
	<u>Budget</u>	Budget After <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
DEFERRED CHARGES					
Deferred Charges - Unfunded Grants					
Ord. #13-22	\$ 11,886	\$ 11,886	\$ 11,886		
Ord. #13-27	47,750	47,750	47,750		
Ord. #17-09	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	<u>234,636</u>	<u>234,636</u>	<u>234,636</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>6,763,777</u>	<u>6,746,389</u>	<u>6,490,154</u>	\$ 256,235	\$ -
Subtotal General Appropriations	27,764,531	27,767,271	26,707,216	1,060,055	-
Reserve for Uncollected Taxes	<u>1,675,000</u>	<u>1,675,000</u>	<u>1,675,000</u>	-	-
Total General Appropriations	<u>\$ 29,439,531</u>	<u>\$ 29,442,271</u>	<u>\$ 28,382,216</u>	<u>\$ 1,060,055</u>	<u>\$ -</u>
Budget as Adopted		\$ 29,439,531			
Added by N.J.S.A. 40A:4-87		<u>2,740</u>			
		<u>\$ 29,442,271</u>			

This Page Intentionally Left Blank

2017 STATEMENT OF EXPENDITURES

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

	<u>2017 Appropriated</u>		<u>2017 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
General Government					
Administrative and Executive					
Salaries and Wages					
Administrator's Office	\$ 287,666	\$ 287,666	\$ 285,166	\$ 2,500	
Borough Clerk's Office	194,272	196,761	196,761	-	
Other Expenses					
Administrator's Office	165,433	165,433	154,930	10,503	
Borough Clerk's Office	49,325	49,325	48,043	1,282	
Postage	26,000	26,000	21,246	4,754	
Photocopy Expense	9,000	9,000	6,478	2,522	
Mayor and Council					
Salaries and Wages	28,000	28,000	24,050	3,950	
Other Expenses	7,000	7,000	6,527	473	
Elections					
Salaries and Wages	9,000	6,837	6,837	-	
Other Expenses	17,000	16,332	16,215	117	
Financial Administration					
Salaries and Wages	212,716	257,777	257,777	-	
Audit/Other Expenses	64,790	64,790	55,412	9,378	
Revenue Administration					
Salaries and Wages	119,701	74,640	58,163	16,477	
Other Expenses	42,133	42,133	28,887	13,246	
Assessment of Taxes					
Salaries and Wages	189,201	189,201	165,858	23,343	
Other Expenses	25,127	18,627	14,415	4,212	
Legal Services and Costs					
Other Expenses	305,000	305,000	289,694	15,306	
Engineering Services and Costs					
Other Expenses	35,000	35,374	35,374	-	
Historic Preservation Commission					
Other Expenses	11,390	11,390	5,667	5,723	
Municipal Land Use Law:					
Planning Board					
Salaries and Wages	2,500	2,500	338	2,162	
Other Expenses	38,581	31,956	24,952	7,004	
Zoning Board of Adjustment					
Salaries and Wages	1,500	1,500		1,500	
Other Expenses	22,353	22,353	21,700	653	
Insurance					
Liability	378,717	393,911	392,411	1,500	
Surety Bond Premiums	2,250	2,250	142	2,108	

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2017 Appropriated</u>		<u>2017 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS" (Cont'd)					
Insurance (Continued)					
Worker's Compensation	\$ 303,035	\$ 303,035	\$ 303,035	-	
Group Insurance Plan for Employees	2,200,000	2,200,000	2,120,143	79,857	
Unemployment	30,000	30,000	30,000	-	
Public Safety					
Police					
Salaries and Wages	5,121,311	5,148,510	5,148,510	-	
Other Expenses	288,200	288,200	252,529	35,671	
Other Expenses - Emergency Response	3,000	3,000	818	2,182	
Emergency Management Services					
Salaries and Wages	4,600	4,600	4,600	-	
Other Expenses	29,800	19,800	15,464	4,336	
Aid to Volunteer Fire Company					
Salaries and Wages	23,500	23,500	17,405	6,095	
Other Expenses	334,332	327,532	281,233	46,299	
Aid to Volunteer Ambulance Corps					
Salaries and Wages	17,652	17,652	16,758	894	
Other Expenses	187,700	172,700	157,397	15,303	
Fire Department					
Salaries and Wages	134,519	134,519	133,006	1,513	
Other Expenses	15,780	15,780	14,618	1,162	
Fire Hydrant Services	250,000	250,000	245,865	4,135	
Municipal Prosecutor					
Salaries and Wages	13,500	13,962	13,962	-	
Streets and Roads					
Road Repairs and Maintenance					
Salaries and Wages	2,335,523	2,335,523	2,090,346	245,177	
Other Expenses	430,325	413,825	330,390	83,435	
				-	
Solid Waste Collections					
Contract-Collections	755,000	755,000	750,000	5,000	
Recycling Center					
Salaries and Wages	577,796	591,681	591,681	-	
Other Expenses	70,025	75,950	72,516	3,434	
Public Buildings and Grounds					
Salaries and Wages	209,449	209,449	196,387	13,062	
Other Expenses	156,325	158,948	148,165	10,783	

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2017 Appropriated</u>		<u>2017 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS" (Cont'd)					
Health and Welfare					
Board of Health					
Salaries and Wages	\$ 5,000	\$ 5,000	\$ 5,000		
Other Expenses	97,379	97,379	92,646	\$ 4,733	
Environmental Commission					
Other Expenses	2,087	2,087	625	1,462	
Animal Welfare					
Other Expenses	10,069	10,069	10,069	-	
Mental Health Center					
Other Expenses	7,000	7,000	7,000	-	
Recreation and Education:					
Recreation Commission R.S. 40:12-1					
Salaries and Wages	196,444	196,444	179,517	16,927	
Other Expenses	34,300	34,300	29,469	4,831	
Youth Center					
Salaries and Wages	135,706	128,206	122,311	5,895	
Other Expenses	6,450	6,450	6,440	10	
Senior Citizens Center					
Salaries and Wages	123,553	127,293	127,293	-	
Other Expenses	10,836	10,836	9,494	1,342	
Community Support					
Nature Center - Other Expenses	35,000	35,000	35,000	-	
Welcome Committee					
Other Expenses	5,000	5,000	4,992	8	
Senior Services Committee					
Salaries and Wages	88,400	84,151	48,721	35,430	
Other Expenses	22,800	22,800	1,721	21,079	
Parking Lot Rental					
Other Expenses	20,000	20,000	19,973	27	
Celebration of Public Events					
Other Expenses	41,000	41,000	40,205	795	
Reserve for Terminal Leave					
	56,000	56,000	-	56,000	
Payroll Adjustment					
	132,112	132,112	132,112	-	
PUBLIC SAFETY FUNCTION					
Municipal Court					
Salaries and Wages	112,942	113,936	113,936	-	
Other Expenses	11,200	11,200	9,895	1,305	
Public Defender					
Other Expenses	4,400	4,400	1,200	3,200	

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2017 Appropriated</u>		<u>2017 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
State Uniform Construction Code					
Construction Code Officials					
Salaries and Wages	\$ 274,129	\$ 274,129	\$ 270,447	\$ 3,682	
Other Expenses	9,790	9,790	6,259	3,531	
Director of Building Department					
Salaries and Wages	99,766	99,766	96,651	3,115	
Other Expenses	6,110	6,110	3,869	2,241	
Unclassified					
Electricity	189,275	189,275	174,593	14,682	
Street Lighting	168,000	168,000	134,079	33,921	
Telephone	64,300	64,300	52,780	11,520	
Natural Gas	62,000	62,000	48,678	13,322	
Gasoline	183,000	183,000	101,275	81,725	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
BCUA Disposal Fees	<u>428,000</u>	<u>428,000</u>	<u>400,154</u>	<u>27,846</u>	<u>-</u>
Total Operations Within "CAPS"	<u>18,377,075</u>	<u>18,373,955</u>	<u>17,338,275</u>	<u>1,035,680</u>	<u>-</u>
Total Operations Including Contingent Within "CAPS"	<u>18,377,075</u>	<u>18,373,955</u>	<u>17,338,275</u>	<u>1,035,680</u>	<u>-</u>
Detail:					
Salaries and Wages	10,618,058	10,520,452	10,118,160	402,292	-
Other Expenses	<u>7,759,017</u>	<u>7,853,503</u>	<u>7,220,115</u>	<u>633,388</u>	<u>-</u>
DEFERRED CHARGES AND STATUTORY					
EXPENDITURES - MUNICIPAL WITHIN					
"CAPS"					
Statutory Expenditures					
Contribution to:					
Public Employees Retirement System	623,641	623,641	623,641	-	
Social Security System (O.A.S.I.)	545,000	545,000	535,219	9,781	
Police and Firemen's Retirement System of NJ	1,023,033	1,023,033	1,023,033	-	
Defined Contribution Retirement Program	<u>9,600</u>	<u>12,720</u>	<u>12,720</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory					
Expenditures - Municipal					
Within "CAPS"	<u>2,201,274</u>	<u>2,204,394</u>	<u>2,194,613</u>	<u>9,781</u>	<u>-</u>
Total General Appropriations for					
Municipal Purposes Within "CAPS"	<u>20,578,349</u>	<u>20,578,349</u>	<u>19,532,888</u>	<u>1,045,461</u>	<u>-</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2017 Appropriated</u>		<u>2017 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library (P.L. 1985, Ch. 82-541)	\$ 1,416,908	\$ 1,416,908	\$ 1,272,729	\$ 144,179	
Library Building Maintenance					
Salaries and Wages	25,126	25,126	16,099	9,027	
Other Expenses	62,413	62,413	54,517	7,896	
Bergen County Utilities Authority					
Operations and Maintenance	1,108,366	1,108,366	1,108,365	1	
Debt Service	428,751	428,751	428,751	-	
Emergency Services Volunteer Length of Service					
Award Program (P.L. 1997, C. 388)	66,000	66,000		66,000	
Recycling Tax	20,000	20,000	20,000	-	
Reserve for Tax Appeals	145,000	145,000	-	145,000	-
Total Other Operations Excluded from "CAPS"	3,272,564	3,272,564	2,900,461	372,103	-
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
Recycling Tonnage Grant - Reserve	22,573	22,573	16,726	5,847	
Police DWI	6,079	6,079	6,079	-	
Body Armor Fund - Reserve	3,227	3,227	2,740	487	
DOJ - Bullet Proof Vest - Reserve	2,625	2,625	2,625	-	
Click It or Ticket - Reserve	5,000	5,000		5,000	
Municipal Alliance on Alcoholism and Drug Abuse	4,938	4,938		4,938	
Matching Funds - Municipal Alliance	1,235	1,235		1,235	
Environmental Grant	500	500		500	
Green Communities	2,000	2,000		2,000	
Clean Communities Program - Reserve	33,551	33,551	30,342	3,209	-
Total Public and Private Programs					
Offset by Revenues	81,728	81,728	58,512	23,216	-
Total Operations Excluded from "CAPS"	3,354,292	3,354,292	2,958,973	395,319	-
Detail:					
Salaries and Wages	25,126	25,126	16,099	9,027	-
Other Expenses	3,329,166	3,329,166	2,942,874	386,292	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	150,000	150,000	150,000	-	-
Total Capital Improvement Fund - Excluded from "CAPS"	150,000	150,000	150,000	-	-
MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"					
Payment of Bond Principal	2,572,000	2,572,000	2,572,000	-	
Interest on Bonds	487,664	487,664	459,472	-	\$ 28,192
Interest on Notes	56,907	56,907	53,515	-	3,392
Total Municipal Debt Service - Excluded from "CAPS"	3,116,571	3,116,571	3,084,987	-	31,584

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2017 Appropriated</u>		<u>2017 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
DEFERRED CHARGES					
Deferred Charges - Unfunded Grants Ord. #10-08	\$ 83,830	\$ 83,830	\$ 83,830	-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	<u>83,830</u>	<u>83,830</u>	<u>83,830</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>6,704,693</u>	<u>6,704,693</u>	<u>6,277,790</u>	\$ 395,319	\$ 31,584
Subtotal General Appropriations	27,283,042	27,283,042	25,810,678	1,440,780	31,584
Reserve for Uncollected Taxes	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,600,000</u>	-	-
Total General Appropriations	<u>\$ 28,883,042</u>	<u>\$ 28,883,042</u>	<u>\$ 27,410,678</u>	<u>\$ 1,440,780</u>	<u>\$ 31,584</u>

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

	<u>2018</u>	<u>2017</u>
ASSETS		
Animal Control Trust Fund		
Cash	\$ 31,397	\$ 29,887
Due from State of New Jersey	<u>2</u>	<u>2</u>
	<u>31,399</u>	<u>29,889</u>
Other Trust Fund		
Cash	5,618,177	4,929,151
Due from Recreation Fund- Payroll Agency	30	30
Due from Current Fund - Other Trust Fund	<u>56,069</u>	<u>601,763</u>
	<u>5,674,276</u>	<u>5,530,944</u>
Unemployment Insurance Trust Fund		
Cash	30,778	19,615
Due from Current Fund	<u>-</u>	<u>8</u>
	<u>30,778</u>	<u>19,623</u>
Recreation Activities Trust Fund		
Cash	<u>378,076</u>	<u>326,808</u>
Open Space Preservation Trust Fund		
Cash	<u>1,972,270</u>	<u>1,754,302</u>
	<u>1,972,270</u>	<u>1,754,302</u>
Length of Service Award Program (Unaudited)		
Investments	796,525	811,116
Contributions Receivable	<u>46,908</u>	<u>51,280</u>
	<u>843,433</u>	<u>862,396</u>
Total Assets	<u>\$ 8,930,232</u>	<u>\$ 8,523,962</u>

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

	<u>2018</u>	<u>2017</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Animal Control Trust Fund		
Reserve for Animal License Expenditures	\$ 31,399	\$ 29,853
Due to Current Fund	<u>-</u>	<u>36</u>
	<u>31,399</u>	<u>29,889</u>
Other Trust Fund		
Due to Current Fund - Payroll Agency	-	28,455
Due to Current Fund - Escrow Deposits	130	130
Reserve for:		
Miscellaneous Reserves	2,679,209	2,987,996
Escrow Deposits - Construction Fees	397,899	390,843
Affordable Housing Trust	2,581,032	2,107,396
Accrued Salary and Wages	4,358	4,393
Payroll Deductions Payable	<u>11,648</u>	<u>11,731</u>
	<u>5,674,276</u>	<u>5,530,944</u>
Unemployment Insurance Trust Fund		
Reserve for Unemployment Compensation Insurance	<u>30,778</u>	<u>19,623</u>
	<u>30,778</u>	<u>19,623</u>
Recreation Activities Trust Fund		
Due to Current Fund	-	818
Due to Other Trust Fund- Payroll Agency	30	30
Reserve for Recreation Expenditures	<u>378,046</u>	<u>325,960</u>
	<u>378,076</u>	<u>326,808</u>
Open Space Preservation Trust Fund		
Reserve for Municipal Open Space Expenditures	<u>1,972,270</u>	<u>1,754,302</u>
	<u>1,972,270</u>	<u>1,754,302</u>
Length of Service Award Program (Unaudited)		
Net Position Available for Benefits	<u>843,433</u>	<u>862,396</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 8,930,232</u>	<u>\$ 8,523,962</u>

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

	<u>2018</u>		<u>2017</u>	
	Budget (Memo)	Realized	Budget (Memo)	Realized
Amount to be Raised by Taxation	<u>\$ 399,137</u>	<u>\$ 401,245</u>	<u>\$ 399,137</u>	<u>\$ 401,245</u>

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

	2018	<u>2018 Expended</u>	
	Budget (Memo)	Paid or Charged	Reserved
Open Space Improvements	<u>\$ 399,137</u>	<u>\$ 214,000</u>	<u>\$ 185,137</u>

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

	2017	<u>2017 Expended</u>	
	Budget (Memo)	Paid or Charged	Reserved
Open Space Improvements	<u>\$ 394,997</u>	<u>\$ 661,000</u>	<u>\$ (266,003)</u>

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

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 2,654,391	\$ 1,985,854
Grants / Other Receivable	260,413	380,962
Due From Current Fund		184,629
Deferred Charges to Future Taxation		
Funded	15,776,000	18,216,000
Unfunded	<u>5,754,817</u>	<u>2,876,013</u>
 Total Assets	 <u>\$ 24,445,621</u>	 <u>\$ 23,643,458</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
General Serial Bonds	\$ 15,776,000	\$ 18,216,000
Bond Anticipation Notes Payable	2,876,013	
Contracts Payable	2,821,606	1,539,779
Improvement Authorizations		
Funded	1,032,071	1,734,937
Unfunded	1,360,020	1,517,124
Reserve for:		
Debt Service	39,736	65,527
Grants Receivable	214,143	275,056
Capital Improvement Fund	47,694	32,712
Fund Balance	<u>278,338</u>	<u>262,323</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 24,445,621</u>	 <u>\$ 23,643,458</u>

There were bonds and notes authorized but not issued at December 31, 2018 and 2017 of \$3,152,543 and \$2,876,013, respectively.

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

	<u>2018</u>	<u>2017</u>
Balance, December 31	\$ 262,323	\$ 71,869
Increased by:		
Cancellation		11,370
Community Development Block Grant - Ord. #18-10	8,125	
Premium on Sale of Notes	19,012	
Premium on Sale of Bonds	<u>-</u>	<u>179,084</u>
	289,460	262,323
Decreased by:		
Appropriate to Finance Improvement Authorizations	<u>11,122</u>	<u>-</u>
Balance, December 31	<u>\$ 278,338</u>	<u>\$ 262,323</u>

BOROUGH OF TENAFLY
COMPARATIVE SCHEDULES OF GENERAL FIXED ASSETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
General Fixed Assets		
Land	\$ 96,720,279	\$ 96,720,279
Land Improvements	1,445,573	457,779
Construction In Progress		2,084,170
Buildings	15,159,221	12,519,993
Machinery and Equipment	<u>15,013,742</u>	<u>14,295,007</u>
	<u>\$ 128,338,815</u>	<u>\$ 126,077,228</u>
Investment in General Fixed Assets	<u>\$ 128,338,815</u>	<u>\$ 126,077,228</u>

This Page Intentionally Left Blank

NOTES TO FINANCIAL STATEMENTS

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Tenafly (the "Borough") was incorporated in 1894 and operates under an elected Mayor and Council form of government. The Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department, volunteer ambulance squad, or redevelopment agency, 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 Tenafly 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 TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

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

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

Recreation Activities Trust Fund - This fund is used to account for the receipts and disbursements relating to recreation programs administered by the Recreation Commission.

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

Financial Statements – Regulatory Basis

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

D. Measurement Focus and Basis of Accounting

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

The Borough of Tenafly 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 cost 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.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property Tax Revenues/Receivables (Continued)

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).

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.

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 – Funded and unfunded debt authorizations for general capital projects are 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Tenafly has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$1,000 and an estimated useful life in excess of two years.

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

General Fixed Assets purchased after December 31, 2010 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, 2010 are stated as follows:

Land and Buildings	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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

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 the government-wide financial statements.

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

General Capital Fund
Trust Fund (Except Open Space Preservation Fund)

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2018 and 2017 the Borough Council increased the original budget by \$2,740 and \$0. The increases were funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2018 and 2017.

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2018 and 2017, the book value of the Borough's deposits were \$20,209,103 and \$35,398,146 and bank and brokerage firm balances of the Borough's deposits amounted to \$20,754,013 and \$33,192,907, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2018</u>	<u>2017</u>
Insured	\$ 20,342,868	\$ 32,789,180
Uninsured and Collateralized	<u>411,145</u>	<u>403,727</u>
	<u>\$ 20,754,013</u>	<u>\$ 33,192,907</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2018 and 2017, the Borough's bank balances of \$411,145 and \$403,727 were exposed to custodial credit risk as follows:

	<u>2018</u>	<u>2017</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department not in the Borough's name	<u>\$ 411,145</u>	<u>\$ 403,727</u>

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

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.

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

	<u>Fair Value</u>	
	<u>2018</u>	<u>2017</u>
Investment:		
Lincoln Financial-Length of Service Award Program (Unaudited)	<u>\$ 796,525</u>	<u>\$ 811,116</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2018 and 2017, \$796,525 and \$811,116 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	
	<u>2018</u>	<u>2017</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	<u>\$ 796,525</u>	<u>\$ 811,116</u>

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2018 and 2017, the Borough’s investment in Lincoln Financial Group was rated Baa2 by Moody’s Investor Services.

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

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

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

NOTE 4 TAXES RECEIVABLE

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

	<u>2018</u>	<u>2017</u>
<u>Current</u>		
Property Taxes	\$ 584,740	\$ 724,525
Tax Title Liens	<u>887</u>	<u>887</u>
	<u>\$ 585,627</u>	<u>\$ 725,412</u>

In 2018 and 2017, the Borough collected \$690,428 and \$743,785 from delinquent taxes, which represented 95% and 88%, respectively of the prior year delinquent taxes receivable balance.

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

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2018</u>		<u>2017</u>	
	<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	\$ 130	\$ 56,069	\$ 29,439	\$ 786,400
Animal Control Trust Fund				36
Other Trust Fund	56,099	130	601,793	28,585
Recreation Trust Fund		30		848
Unemployment Insurance Trust Fund			8	
General Capital Fund	<u>-</u>	<u>-</u>	<u>184,629</u>	<u>-</u>
 Total	 <u>\$ 56,229</u>	 <u>\$ 56,229</u>	 <u>\$ 815,869</u>	 <u>\$ 815,869</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and revenues earned in one fund that are due to another fund.

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

NOTE 6 FUND BALANCES APPROPRIATED

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

	Fund Balance December 31, <u>2018</u>	Utilized in Subsequent Year's Budget <u>Year's Budget</u>	Fund Balance December 31, <u>2017</u>	Utilized in Subsequent Year's Budget <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 5,290,099	\$ 2,653,761	\$ 4,653,837	\$ 2,100,000
Non-Cash Surplus	<u>14,540</u>	<u>-</u>	<u>17,202</u>	<u>-</u>
	 <u>\$ 5,304,639</u>	 <u>\$ 2,653,761</u>	 <u>\$ 4,671,039</u>	 <u>\$ 2,100,000</u>

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

NOTE 7 FIXED ASSETS

A. General Fixed Assets

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

	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustment</u>	Balance, December 31, <u>2018</u>
<u>2018</u>					
Land	\$ 96,720,279				\$ 96,720,279
Construction in Progress	2,084,170	\$ 115,944		\$ (2,200,114)	-
Buildings and Building Improvements	12,519,993	49,653		2,589,575	15,159,221
Land Improvements	457,779	987,794			1,445,573
Machinery and Equipment	<u>14,295,007</u>	<u>1,357,832</u>	<u>\$ (249,636)</u>	<u>(389,461)</u>	<u>15,013,742</u>
	<u>\$ 126,077,228</u>	<u>\$ 2,511,223</u>	<u>\$ (249,636)</u>	<u>\$ -</u>	<u>\$ 128,338,815</u>

	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustment</u>	Balance, December 31, <u>2017</u>
<u>2017</u>					
Land	\$ 95,993,700	\$ 726,579			\$ 96,720,279
Construction in Progress	1,284,098	800,072			2,084,170
Buildings and Building Improvements	12,519,993				12,519,993
Land Improvements	296,325	161,454			457,779
Machinery and Equipment	<u>13,188,372</u>	<u>1,134,060</u>	<u>\$ (27,425)</u>	<u>-</u>	<u>14,295,007</u>
	<u>\$ 123,282,488</u>	<u>\$ 2,822,165</u>	<u>\$ (27,425)</u>	<u>\$ -</u>	<u>\$ 126,077,228</u>

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

NOTE 8 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2018</u>	<u>2017</u>
Issued		
General		
Bonds, Notes and Loans	\$ 18,652,013	\$ 18,216,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>(313,475)</u>	<u>(65,527)</u>
Net Debt Issued	18,338,538	18,150,473
Authorized But Not Issued		
General		
Bonds and Notes	<u>3,152,543</u>	<u>2,876,013</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 21,491,081</u>	<u>\$ 21,026,486</u>

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .47% and .47% at December 31, 2018 and 2017, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2018</u>			
General Debt	\$ 21,804,556	\$ 313,475	\$ 21,491,081
School Debt	<u>30,790,000</u>	<u>30,790,000</u>	<u>-</u>
Total	<u>\$ 52,594,556</u>	<u>\$ 31,103,475</u>	<u>\$ 21,491,081</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General Debt	\$ 21,092,013	\$ 65,527	\$ 21,026,486
School Debt	<u>31,975,000</u>	<u>31,975,000</u>	<u>-</u>
Total	<u>\$ 53,067,013</u>	<u>\$ 32,040,527</u>	<u>\$ 21,026,486</u>

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

NOTE 8 MUNICIPAL DEBT (Continued)

Statutory Borrowing Power

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

	<u>2018</u>	<u>2017</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 158,753,514	\$ 156,578,259
Net Debt	<u>21,491,081</u>	<u>21,026,486</u>
Remaining Borrowing Power	<u>\$ 137,262,433</u>	<u>\$ 135,551,773</u>

A. Long-Term Debt

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

General Obligation Bonds

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

	<u>2018</u>	<u>2017</u>
\$6,260,000, 2012 General Improvement Bonds, due in annual installments of \$750,000 through October 1, 2022, interest at 2% to 3.75%	\$ 3,000,000	\$ 3,735,000
\$5,955,000, 2015 General Improvement Refunding Bonds, due in annual installments of \$1,165,000 to \$1,240,000 through December 1, 2022, interest at 4.00%	4,825,000	5,955,000
\$8,526,000, 2017 General Improvement Refunding Bonds, due in annual installments of \$575,000 to \$1,146,000 through May 1, 2027, interest at 2% to 3%	<u>7,951,000</u>	<u>8,526,000</u>
	<u>\$ 15,776,000</u>	<u>\$ 18,216,000</u>

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

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

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

Calendar Year	General Bonds		Total
	Principal	Interest	
2019	\$ 2,490,000	\$ 424,343	\$ 2,914,343
2020	2,515,000	355,930	2,870,930
2021	2,555,000	281,830	2,836,830
2022	2,565,000	206,130	2,771,130
2023	1,125,000	124,530	1,249,530
2024-2027	<u>4,526,000</u>	<u>250,080</u>	<u>4,776,080</u>
Total	<u>\$ 15,776,000</u>	<u>\$ 1,642,843</u>	<u>\$ 17,418,843</u>

Changes in Long-Term Municipal Debt

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

	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<u>2018</u>					
General Capital Fund					
Bonds Payable	<u>\$ 18,216,000</u>	<u>\$ -</u>	<u>\$ 2,440,000</u>	<u>\$ 15,776,000</u>	<u>\$ 2,490,000</u>
General Capital Fund Long-Term Liabilities	<u>\$ 18,216,000</u>	<u>\$ -</u>	<u>\$ 2,440,000</u>	<u>\$ 15,776,000</u>	<u>\$ 2,490,000</u>
<u>2017</u>					
General Capital Fund					
Bonds Payable	<u>\$ 12,262,000</u>	<u>\$ 8,526,000</u>	<u>\$ 2,572,000</u>	<u>\$ 18,216,000</u>	<u>\$ 2,440,000</u>
General Capital Fund Long-Term Liabilities	<u>\$ 12,262,000</u>	<u>\$ 8,526,000</u>	<u>\$ 2,572,000</u>	<u>\$ 18,216,000</u>	<u>\$ 2,440,000</u>

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

NOTE 8 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

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

Bond Anticipation Notes

<u>2018</u>	<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2017</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2018</u>
<u>General Capital Fund</u>							
	Various Capital Improvements	2.75%	5/31/2019		\$ 2,496,013		\$ 2,496,013
	Teakill/Tenafly Swim Club Parking Lot Paving Project	2.75%	5/31/2019	-	380,000	-	380,000
	Total			\$ -	\$ 2,876,013	\$ -	\$ 2,876,013

<u>2017</u>	<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2016</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2017</u>
<u>General Capital Fund</u>							
	Various Capital Improvements	0.93%	5/12/2017	\$ 1,930,200		\$ 1,930,200	
	Various Capital Improvements	0.90%	5/12/2017	1,809,000		1,809,000	
	Supplemental for Public Works Bldg.	0.93%	5/12/2017	999,500		999,500	
	Various Capital Improvements	0.93%	5/12/2017	1,380,300	-	1,380,300	-
	Total			\$ 6,119,000	\$ -	\$ 6,119,000	\$ -

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

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

NOTE 8 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

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

NOTE 9 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2018</u>		
Riverside Cooperative Road Program	\$ 127,332	2019
DPW Building	284,835	2019
Piermond Road Section 2 & 3	587,250	2019
2020 Mack Top Kick Truck	223,000	2019
(2) 2019 Roll Off Truck	269,750	2019
Fire Engine Pumper	663,254	2019
<u>2017</u>		
DPW Building	\$ 284,835	2018
Fiber Communication System	100,000	2018
Police Communication Equipment	407,484	2018
Mack Truck	211,000	2018

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

NOTE 10 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

The Borough does not permit employees to accumulate unused sick and vacation pay. However, the Borough has a terminal leave policy that is based on years of service with the Borough. An employee terminating their service with the Borough may elect to take severance pay in one (1) payment or continue on the payroll for the designated period of their allowances, thereby continuing all employee benefits while they remain on payroll.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$1,270,545 and \$1,158,679 at December 31, 2018 and 2017, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2018 and 2017, the Borough has reserved in the Other Trust Fund \$822,927 and \$834,076, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

Changes in Other Long-Term Liabilities

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the notes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board. The Borough's changes in other long-term liabilities for the years ended December 31, 2018 and 2017 were as follows:

	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<u>2018</u>					
Compensated Absences	\$ 1,158,679	\$ 180,397	\$ 68,531	\$ 1,270,545	
Net Pension Liability - PERS	19,259,375		3,771,452	15,487,923	
Net Pension Liability - PFRS	20,107,915		2,364,071	17,743,844	
Net OPEB Liability (1)	<u>23,156,200</u>	<u>-</u>	<u>-</u>	<u>23,156,200</u>	<u>-</u>
 Total Other Long-Term Liabilities	 <u>\$ 63,682,169</u>	 <u>\$ 180,397</u>	 <u>\$ 6,204,054</u>	 <u>\$ 57,658,512</u>	 <u>\$ -</u>

(1) Information for 2018 was not made available from the Stte of New Jersey.

	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
Compensated Absences	\$ 1,070,540	\$ 137,974	\$ 49,835	\$ 1,158,679	
Net Pension Liability - PERS	23,919,052		4,659,677	19,259,375	
Net Pension Liability - PFRS	23,968,569		3,860,654	20,107,915	
Net OPEB Liability	<u>27,678,908</u>	<u>-</u>	<u>4,522,708</u>	<u>23,156,200</u>	<u>-</u>
 Total Other Long-Term Liabilities	 <u>\$ 76,637,069</u>	 <u>\$ 137,974</u>	 <u>\$ 13,092,874</u>	 <u>\$ 63,682,169</u>	 <u>\$ -</u>

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

NOTE 11 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 TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

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

Other Pension Funds

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

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

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

Collective Net Pension Liability

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

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

Actuarial Methods and Assumptions

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

Employer and Employee Pension Contributions

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

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2018	\$ 1,214,669	\$ 770,833	\$ 17,588
2017	1,023,033	623,641	12,720
2016	1,096,661	578,210	9,599

In addition for the years ended December 31, 2018, 2017 and 2016 the Borough contributed for long-term disability insurance premiums (LTDI) \$4,382, \$1,430 and \$-0-, respectively for PERS and \$-0-, \$-0- and \$-0-, respectively for PFRS.

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

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

Public Employees Retirement System (PERS)

At December 31, 2018 and 2017, the Borough reported a liability of \$15,487,923 and \$19,259,375, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the Borough's proportionate share was .07866 percent, which was decrease of .00407 percent from its proportionate share measured as of June 30, 2017 of .08273 percent.

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough's pension expense to be \$979,225 and \$1,681,007, respectively, for PERS based on the actuarial valuations which are more than the actual contributions reported in the Borough's financial statements of \$770,833 and \$623,461, respectively. At December 31, 2018 and 2017, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2018		2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 295,357	\$ 79,861	\$ 453,492	
Changes of Assumptions	2,552,153	4,952,214	3,880,100	\$ 3,665,875
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		145,277	131,143	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>698,496</u>	<u>755,688</u>	<u>979,213</u>	<u>-</u>
Total	<u>\$ 3,546,006</u>	<u>\$ 5,933,040</u>	<u>\$ 5,443,948</u>	<u>\$ 3,665,875</u>

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

<u>Year Ending December 31,</u>	<u>Total</u>
2019	\$ 243,518
2020	(54,761)
2021	(1,078,304)
2022	(1,075,465)
2023	(422,022)
Thereafter	<u>-</u>
	<u>\$ (2,387,034)</u>

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

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

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

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

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

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

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

Discount Rate

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

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

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

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

Sensitivity of Net Pension Liability

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

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
<u>2018</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>19,474,279</u>	\$ <u>15,487,923</u>	\$ <u>12,143,626</u>
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
<u>2017</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	\$ <u>23,892,562</u>	\$ <u>19,259,375</u>	\$ <u>15,399,356</u>

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

Police and Firemen’s Retirement System (PFRS)

At December 31, 2018 and 2017, the Borough reported a liability of \$17,743,844 and \$20,107,915, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The Borough’s proportionate share of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the Borough’s proportionate share was .13113 percent, which was an increase of .00088 percent from its proportionate share measured as of June 30, 2017 of .13025 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the Borough pension expense to be \$1,401,427 and \$1,801,047, respectively, for PFRS based on the actuarial valuations which are more than the actual contributions reported in the Borough’s financial statements of \$1,214,669 and \$1,023,033, respectively. At December 31, 2018 and 2017, the Borough’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough’s financial statements are from the following sources:

	2018		2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 180,520	\$ 73,428	\$ 130,448	\$ 118,017
Changes of Assumptions	1,523,070	4,547,441	2,479,530	3,293,089
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		97,075	383,706	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>1,043,450</u>	<u>744,007</u>	<u>1,360,902</u>	<u>1,236,793</u>
Total	<u>\$ 2,747,040</u>	<u>\$ 5,461,951</u>	<u>\$ 4,354,586</u>	<u>\$ 4,647,899</u>

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

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

Year Ending <u>December 31,</u>	<u>Total</u>
2019	\$ 76,290
2020	(382,817)
2021	(1,326,672)
2022	(807,548)
2023	(274,164)
Thereafter	<u>-</u>
	<u>\$ (2,714,911)</u>

Actuarial Assumptions

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

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

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

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

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

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

Discount Rate

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

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

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

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Discount Rate (Continued)

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

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

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

Sensitivity of Net Pension Liability

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

	1% Decrease <u>(5.51%)</u>	Current Discount Rate <u>(6.51%)</u>	1% Increase <u>(7.51%)</u>
<u>2018</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 23,747,933</u>	<u>\$ 17,743,844</u>	<u>\$ 12,791,564</u>
	1% Decrease <u>(5.14%)</u>	Current Discount Rate <u>(6.14%)</u>	1% Increase <u>(7.14%)</u>
<u>2017</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 26,493,834</u>	<u>\$ 20,107,915</u>	<u>\$ 14,861,156</u>

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

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

NOTE 14 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Special Funding Situation – PFRS

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

At December 31, 2018 and 2017, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$2,410,208 and \$2,252,256, respectively. For the years ended December 31, 2018 and 2017, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$285,485 and \$275,502, respectively, which are more than the actual contributions the State made on behalf of the Borough of \$142,743 and \$112,622, respectively. At December 31, 2018 (measurement date June 30, 2018) the State's share of the PFRS net pension liability attributable to the Borough was .13113 percent, which was an increase of .00088 percent from its proportionate share measured as of December 31, 2017 (measurement date June 30, 2017) of .13025 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 TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 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 TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

Collective Net OPEB Liability

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

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

Actuarial Methods and Assumptions

In the July 1, 2017 and 2016 OPEB actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Post-Retirement Medical Benefits Contribution

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

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

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits Contribution (Continued)

The employers participating in the OPEB plan made contributions of \$381.8 million and the State of New Jersey, as the non-employer contributing entity, contributed \$531.1 million for fiscal years 2017.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Borough's contributions to the State Health Benefits Program Fund-Local Government Retired Plan for post-retirement benefits for the years ended December 31, 2018, 2017 and 2016 were \$433,504, \$453,706 and \$416,779, respectively, which equaled the required contributions for each year (or were not available). In addition, the Borough's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended December 31, 2018, 2017 and 2016 were \$48,234, \$42,228 and \$32,603, 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, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

The information pertaining to GASB 75 for the State fiscal year ending June 30, 2018 was not made available from the State of New Jersey.

At December 31, 2018 and 2017, the Borough reported a liability of \$23,156,200 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016 rolled forward to June 30, 2017. 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, 2017 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2017. As of the measurement date of June 30, 2017 the Borough's proportionate share was .11342 percent.

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

NOTE 12 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 year ended December 31, 2017, the Plan has determined the Borough's OPEB expense to be \$1,204,131, based on the actuarial valuations which is more than the actual contributions reported in the Borough's financial statements of \$453,706. At December 31, 2017, the Borough's deferred outflows of resources and deferred inflows of resources related to the OPEB plan which are not reported on the Borough's financial statements are from the following sources:

	<u>2017</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		
Changes of Assumptions		\$ 2,570,141
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 3,968	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	-	2,667,415
Contributions made Subsequent to the Measurement Date	-	-
Total	<u>\$ 3,968</u>	<u>\$ 5,237,556</u>

At December 31, 2017 the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2018	\$ (742,979)
2019	(742,979)
2020	(742,979)
2021	(742,979)
2022	(743,971)
2023	(743,971)
Thereafter	<u>(773,730)</u>
	<u>\$ (5,233,588)</u>

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

NOTE 12 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, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

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

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

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

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

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

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Long-Term Expected Rate of Return

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

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>
2017	June 30, 2017	3.58%

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

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, 2017 calculated using the discount rate of 3.58% 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 2.58% or 1-percentage-point higher 4.58%, respectively than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
<u>2017</u>			
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 27,313,428</u>	<u>\$ 23,156,200</u>	<u>\$ 19,857,509</u>

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

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

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

The following presents the Borough’s proportionate share of the OPEB net liability as of December 31, 2017 calculated using the healthcare trend rates as disclosed above as well as what the Borough’s proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>2017</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 19,243,479</u>	<u>\$ 23,156,200</u>	<u>\$ 28,251,017</u>

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

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, 2017, the State’s proportionate share of the net OPEB liability attributable to the Borough for the OPEB special funding situation is \$11,558,465. For the year ended December 31, 2017 the plan has determined the State’s proportionate share of the OPEB expense attributable to the Borough for the OPEB special funding situation is \$827,194. At December 31, 2017, (measurement date June 30, 2017), the State’s share of the OPEB liability attributable to the Borough was .13293 percent. The State’s proportionate share attributable to the Borough was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

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

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

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

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

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

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

<u>Year Ended</u> <u>December 31</u>	<u>Borough</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2018	\$ 30,000	\$ 14,574	\$ 33,914	\$ 30,778
2017	30,000	14,859	50,624	19,623
2016	30,000	14,418	35,953	25,201

BOROUGH OF TENAFLY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
NOTE 14 CONTINGENT LIABILITIES

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

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2018 and 2017. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2018 and 2017, the Borough reserved \$1,204,245 and \$977,002, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

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

NOTE 15 FEDERAL ARBITRAGE REGULATIONS

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

NOTE 16 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

The Borough of Tenafly Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on June 26, 2001 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Tenafly 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 2001. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the First Aid Organization, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

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

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

NOTE 16 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

The Borough of Tenafly has contributed \$1,303 and \$1,282 for 2018 and 2017, respectively, for each eligible volunteer fire department and volunteer ambulance corp. member into the Plan. The total Borough contributions were \$46,908 and \$51,280 for 2018 and 2017, respectively.

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

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

Vesting and Benefits

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

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

Reporting Requirements

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

NOTE 17 TAX ABATEMENTS

For the years ended December 31, 2018 and 2017, the Borough provided property tax abatements through certain programs authorized under State statutes. These programs include the Long Term Tax Exemption Law (the "LTTE Law"), the Five-Year Exemption and Abatement Law (the "FYEA) and the New Jersey Housing and Mortgage Financing Act (NJHMFA).

- The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the years ended December 31, 2018 and 2017 the Borough abated property taxes totaling \$43,745 and \$43,590, respectively, under the NJHMFA program. The Borough received \$2,000 and \$2,000 in PILOT payments under this program for the years ended December 31, 2018 and 2017, respectively.

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

NOTE 17 TAX ABATEMENTS (Continued)

- Prior to the enactment of the Long Term Tax Exempt Law (NJSA 40A:20 et.seq.) and under the provisions of the Senior Citizens Nonprofit Rental Housing Tax Law (NJSA 55:141-1), which has since been repealed, allows for the clearance, re-planning, development or redevelopment of blighted areas by means of a non-profit rental housing project for the elderly, developed, erected and owed by a non-profit corporations under the Federal Senior Citizens Housing Loan Program, and pursuant to section 202 of the Federal Housing Act of 1959, as amended; authorizing and providing for the exemption in part of such non-profit rental housing projects from taxation under the law. A qualified municipality could abate for up to 50 years the property taxes on newly construction senior housing. The process beings when the municipality passes by ordinance or resolution, as appropriate, that such residential rental senior housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor to make a PILOT payment to the municipality in an amount equal to a percentage of the annual gross revenue from each senior housing project. For the years ended December 31, 2018 and 2017 the Borough abated property taxes totaling \$73,972 and \$73,709, respectively, under this law. The Borough received \$20,882 and \$27,804 in PILOT payments under this program for the years ended December 31, 2018 and 2017, respectively.

NOTE 18 SUBSEQUENT EVENTS

Bond Anticipation Notes

On May 21, 2019 the Borough issued bond anticipation notes in the amount of \$5,604,000 to temporarily finance expenditures related to various capital projects. The Borough has awarded the sale of said notes to TD Securities at an interest rate of 2.50%. These notes dated May 29, 2019 will mature on May 29, 2020.

Debt Authorized

On March 12, 2019 the Borough adopted a bond ordinance authorizing the issuance of \$712,500 in Bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

On May 7, 2019 the Borough adopted a bond ordinance authorizing the issuance of \$2,598,000 in Bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

Appendix C

FORM OF OPINION OF BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]



LAW OFFICE

May 28, 2020

Borough of Tenafly
Tenafly, New Jersey

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of a \$8,910,000 Bond Anticipation Note, Series 2020 (the "Note") of the Borough of Tenafly, a municipal corporation of the State of New Jersey (the "Borough"). The Note is dated May 28, 2020; matures on May 28, 2021; is numbered 2020-1; and bears interest at the interest rate of 1.25% per annum (computed on the basis of a 360-day year) payable at maturity. The Note is issued pursuant to the Local Bond Law of the State of New Jersey and is authorized by the following bond ordinances of the Borough: Bond Ordinance No. 17-09 finally adopted on April 20, 2017; Bond Ordinance No. 17-23 finally adopted on October 24, 2017; Bond Ordinance No. 18-06 finally adopted on April 17, 2018, as supplemented by Bond Ordinance No. 18-09 finally adopted on June 12, 2018; Bond Ordinance No. 18-21 finally adopted on October 9, 2018; Bond Ordinance No. 18-30 finally adopted on December 11, 2018; Bond Ordinance No. 19-04 finally adopted on March 12, 2019; Bond Ordinance No. 19-11 finally adopted on May 7, 2019; and Bond Ordinance No. 19-20 finally adopted on December 10, 2019, each in all respects duly approved and published as required by law (the "Authorization Proceedings").

The Note is registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. The Note is a temporary obligation issued in anticipation of the issuance of bonds.

In our opinion, the Authorization Proceedings have been validly adopted, executed and delivered, and are in full force and effect. The Note is a valid and legally binding general obligation of the Borough, enforceable in accordance with its terms and the Authorization Proceedings, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws relating to the enforcement of creditors' rights. The Borough has the power and is obligated to levy *ad valorem* taxes upon all the taxable real property within the Borough for the payment of the Note and the interest thereon without limitation as to rate or amount.

The Borough has covenanted to comply with any continuing requirements that may be necessary to preserve the tax exempt status of the Note under the Internal Revenue Code of 1986, as amended (the "Code"). In the event that the Borough continuously complies with its covenant, it is our opinion that interest on the Note is not includable in gross income for federal income tax purposes under Section 103 of the Code. It is also our opinion that interest on the Note is not an item of tax preference under Section 57 of the Code when calculating the federal alternative minimum tax on individuals. The Note is not a "private activity bond" as defined in the Code. We express no opinion regarding other federal tax consequences or other federal taxes arising with respect to the Note.

JP Capizzi

LAW OFFICE

Further, in our opinion, interest on the Note, and any gain on the sale thereof, is not includable in gross income under the New Jersey Gross Income Tax Act.

Very truly yours,

JP CAPIZZI LLC

Appendix D

FORM OF SECONDARY MARKET DISCLOSURE UNDERTAKING

[THIS PAGE INTENTIONALLY LEFT BLANK]

SECONDARY MARKET DISCLOSURE UNDERTAKING

This UNDERTAKING is made as of May 28, 2020 by the Borough of Tenafly, a municipal corporation of the State of New Jersey (the "Issuer") in order to comply with the secondary market disclosure requirements contemplated by Rule 15c2-12 adopted by the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (the "Rule"). Defined terms used in this UNDERTAKING shall have the definitions set forth in the Rule unless the context of this UNDERTAKING clearly indicates otherwise.

Section 1. This UNDERTAKING applies to the obligation of the Issuer described as follows:

\$8,910,000 Bond Anticipation Note, Series 2020 dated May 28, 2020, maturing on May 28, 2021, numbered 2020-1 and bearing interest at the rate of 1.25% per annum payable at maturity (the "Municipal Securities").

Section 2. The term of this UNDERTAKING is from the date of delivery of the Municipal Securities to the date of maturity of the Municipal Securities.

Section 3. The Issuer is the only Obligated Person with respect to the Municipal Securities.

Section 4. The Issuer undertakes to provide notices to the Municipal Securities Rulemaking Board in an electronic format to be filed with the Electronic Municipal Market Access system ("EMMA", www.emma.msrb.org) of the occurrence of any of the following events of which it has direct knowledge with respect to the Municipal Securities, within 10 days after such occurrence:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or of their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Municipal Securities, or other material events affecting the tax status of the Municipal Securities;
- (7) Modifications to the rights of the holders of the Municipal Securities, if material;

- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Municipal Securities, if material;
- (11) Rating changes of the Issuer, but not of a credit enhancement provider such as a Bond Insurer, if any, for the Municipal Securities, unless the Issuer has direct knowledge of such ratings changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee, or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation of the Issuer or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer or Obligated Person, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the Issuer or Obligated Person, any of which reflect financial difficulties.

The Issuer, from time to time, may choose to file notices with EMMA of the occurrence of any event, in addition to those listed above. Nevertheless, the Issuer does not undertake to file any such notice with EMMA of the occurrence of any event except those events set forth and enumerated (1) through (16) above. Notices filed with EMMA pursuant to this UNDERTAKING shall be drafted substantially in the form set forth in Appendix A hereto.

Section 5. This UNDERTAKING is made for the benefit of the holders or beneficial owners of the Municipal Securities and may be enforced by any such holder or beneficial owner. The sole remedy of any such holder or beneficial owner shall be for specific performance of this UNDERTAKING and not for money damages in any amount.

Section 6. The Issuer designates the Chief Financial Officer as the person charged with the responsibility to execute the obligations set forth in this UNDERTAKING. The Issuer, from time to time, may hereafter designate an Agent with such responsibility by resolution of its governing body.

Section 7. The Issuer may amend any provision of this UNDERTAKING if the Issuer's bond counsel issues an opinion supporting a determination that:

- (1) This UNDERTAKING, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Municipal Securities, after taking into account any amendments or interpretations of the Rule; and
- (2) The amendment does not materially impair the interests of the holders or beneficial owners of the Municipal Securities.

Notice of any amendment to this UNDERTAKING shall be filed with EMMA in a timely manner.

Section 8. The Issuer may rely on an opinion of its bond counsel when determining questions of materiality relating to any provision of this UNDERTAKING and the Rule.

IN WITNESS WHEREOF, the Borough of Tenafly has caused this UNDERTAKING to be executed in its name by the Chief Financial Officer, and its official seal to be affixed hereon and attested to by the Clerk, all as of the date specified above.

[SEAL]

BOROUGH OF TENAFLY

Lissette Aportela
Clerk

By: _____
Susan Corrado
Chief Financial Officer

Appendix A

FORM OF
NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE VIA
ELECTRONIC MUNICIPAL MARKET ACCESS

Name of Issuer/
Obligated Person: BOROUGH OF TENAFLY

NOTICE IS HEREBY GIVEN that the Issuer/Obligated Person failed to file, in a timely manner, as required pursuant to its prior secondary market disclosure undertakings: (1) Annual Financial Information for the fiscal years ending December 31, _____ and _____; and (2) Operating Data for the fiscal years ending December 31, _____, and _____. The Issuer/Obligated Person has subsequently filed the required information.

DATED: _____

BOROUGH OF TENAFLY
STATE OF NEW JERSEY